FINNING

Q1 2019 EARNINGS RELEASE **May 8, 2019**

Finning reports Q1 2019 results and increases dividend

Vancouver, B.C. – Finning International Inc. (TSX: FTT) ("Finning" or the "Company") reported first quarter 2019 results today. All monetary amounts are in Canadian dollars unless otherwise stated.

Q1 2019 HIGHLIGHTS

All comparisons are to Q1 2018 results unless indicated otherwise.

- EPS(2) of $0.17 included global severance and restructuring costs of $0.11 per share and 4Refuel acquisition costs of $0.02 per share. Adjusted EPS(3)(4) of $0.30 reflects improved performance in Canada and strong results in the UK & Ireland, offset by weakness in South America.
- Canada delivered improved operating performance in a low growth environment. Adjusted ROIC(2)(3)(4) of 15.5% was up 150 basis points from Adjusted ROIC in Q1 2018.
- South America's recovery is on track following challenges related to implementation of the new ERP(2) system in late 2018. Parts flow velocity was restored by the end of Q1 2019, and the Company expects to return to a normal product support revenue run rate in Chile during Q2 2019.
- We are restructuring our Canadian and South American operations to continue to reduce the cost to serve, increase our market competitiveness, and position our business for success through the cycle. By the end of 2019, we expect the global workforce to be 5% lower than at the end 2018.
- UK and Ireland reported a strong quarter, driven by a 25% increase in new equipment sales in functional currency and improved operating margins. ROIC(3) was 14.8%, the highest for UK & Ireland in the last four years.
- Annualized dividend was raised by 2.5% to $0.82 per share, reflecting the Company's expectation of improving profitability, driven by South America, and positive annual free cash flow(3) through the cycle.

"We had a good start to the year in Canada and strong first quarter results in the UK & Ireland. Importantly, we have restored the flow of parts to our mining customers in Chile, and our product support revenues in South America are returning to a normal run rate during the second quarter. We remain on track to return South America to historical profitability levels in the second half of 2019. Our focus remains on generating higher returns on invested capital in all our regions in 2019," said Scott Thomson, president and CEO of Finning International.

Q1 2019 FINANCIAL SUMMARY

All comparisons are to Q1 2018 results unless indicated otherwise.

Quarterly Overview *$ millions, except per share amounts*	**Q1 2019**	Q1 2018	% change
Revenue	**1,810**	1,670	8
Net revenue(1)(3)	**1,719**	1,670	3
EBIT(2)(3)	**62**	113	(46)
EBIT as a percentage of net revenue(3)	***3.6%***	*6.8%*	
EBITDA(2)(3)	**134**	157	(15)
EBITDA as a percentage of net revenue(3)	***7.8%***	*9.4%*	
Net income	**28**	71	(61)
EPS	**0.17**	0.42	(60)
Free cash flow	**(347)**	(263)	(32)

Included in Q1 2019 and Q1 2018 results are certain significant items that management does not consider indicative of operational and financial trends either by nature or amount. These significant items are summarized below and described in more detail on page 5 of the Company's management discussion and analysis dated May 7, 2019 (MD&A).

Q1 2019 EBITDA and EBIT by Operation *$ millions, except per share amounts*	Canada	South America	UK & Ireland	Corporate & Other	Finning Total	EPS
EBITDA / EPS	93	26	22	(7)	134	0.17
Severance and restructuring costs	17	8	-	-	25	0.11
4Refuel acquisition costs	-	-	-	4	4	0.02
Adjusted EBITDA(3)(4) / Adjusted EPS	110	34	22	(3)	163	0.30
Adjusted EBIT(3)(4)	67	14	13	(3)	91	
Adjusted EBITDA as a percentage of net revenue(3)(4)	*12.1%*	*6.7%*	*7.3%*	-	*9.4%*	
Adjusted EBIT as a percentage of net revenue(3)(4)	*7.4%*	*2.7%*	*4.4%*	-	*5.3%*	

Q1 2018 EBITDA and EBIT by Operation *$ millions, except per share amounts*	Canada	South America	UK & Ireland	Corporate & Other	Finning Total	EPS
EBITDA / EPS	93	61	17	(14)	157	0.42
Insurance proceeds related to Alberta wildfires	(7)	-	-	-	(7)	(0.03)
Adjusted EBITDA / Adjusted EPS	86	61	17	(14)	150	0.39
Adjusted EBIT	64	46	10	(14)	106	
Adjusted EBITDA as a percentage of net revenue	*10.1%*	*11.1%*	*6.3%*	-	*9.0%*	
Adjusted EBIT as a percentage of net revenue	*7.5%*	*8.4%*	*3.7%*	-	*6.4%*	

- Revenue was up 8% and net revenue was up 3% due to higher new equipment sales and $19 million of net revenue from 4Refuel. New equipment sales increased by 14%, driven by the UK and Chile. Product support revenues decreased by 4%, as higher revenues in Canada were offset by reduced product support volumes in South America.

- Gross profit declined by 2% and gross profit as a percentage of net revenue(3) decreased by 130 basis points to 25.0%, primarily due to a shift in the revenue mix to new equipment sales.

- SG&A(2) costs as a percentage of net revenue(3) were 20.0%, similar to Q1 2018 (excluding insurance proceeds received in Q1 2018 related to Alberta wildfires). The Company is implementing initiatives in Canada and South America to further reduce the cost to serve and improve operating efficiencies.

- Adjusted EBITDA increased by $13 million, reflecting the positive impact of the adoption of IFRS 16, *Leases*, ($20 million), the contribution of 4Refuel, and higher earnings in Canada and the UK & Ireland. Partly offsetting these increases was lower Adjusted EBITDA in South America. Adjusted EBITDA as a percentage of net revenue was 9.4%.

- Adjusted EPS of $0.30 was below Adjusted EPS of $0.39 in Q1 2018 due to lower earnings from South America.

- Free cash flow was a use of cash of $347 million compared to a use of cash of $263 million in Q1 2018, mostly due to an increase in inventory levels.

Invested Capital(3) and ROIC	**Q1 2019**	Q4 2018	Q1 2018
Invested capital *($ millions)*			
Consolidated	**3,753**	3,163	3,226
Canada	**2,148**	1,675	1,778
South America (U.S. dollars)	**930**	872	884
UK & Ireland (U.K. pound sterling)	**207**	193	178
Invested capital turnover(3) *(times)*	**2.06**	2.12	2.13
Working capital to net revenue ratio(3)	**26.7%**	26.6%	27.1%
Inventory turns (dealership)(3) *(times)*	**2.46**	2.68	2.80
Adjusted ROIC *(%)*			
Consolidated	**12.5**	13.5	13.5
Canada	**15.5**	16.2	14.0
South America	**9.2**	12.2	17.8
UK & Ireland	**14.8**	14.2	13.4

- Invested capital increased by $527 million from Q1 2018, driven by the acquisition of 4Refuel ($241 million purchase price), higher equipment inventories in Canada reflecting timing of mining deliveries and seasonality of construction demand, as well as higher parts inventories in South America in response to delays in processing mining parts orders.

- Adjusted ROIC in Canada was 150 basis points above Q1 2018 (excluding 4Refuel, Canada's Adjusted ROIC was 16.0%, a 200 basis points improvement from Q1 2018). Adjusted ROIC in the UK & Ireland was 140 basis points higher compared to Q1 2018, driven primarily by improved profitability. These increases were offset by weaker Adjusted ROIC in South America.

Q1 2019 HIGHLIGHTS BY OPERATION

All comparisons are to Q1 2018 results unless indicated otherwise. All numbers are in functional currency: South America – US dollar; UK & Ireland – UK pound sterling (GBP).

Canada (includes 4Refuel)

- Net revenues increased by 7%, driven by higher product support revenues and additional net revenues from 4Refuel ($19 million). Excluding the contribution from 4Refuel, net revenues in Canada were up 4%. New equipment sales were up 2% on higher volumes in construction. Product support revenues increased by 6%, driven by strong demand for component rebuilds in mining and higher parts volumes in construction. Rental revenues increased by 32%, driven by new projects in power systems.

- During Q1 2019, the Canadian business began to implement initiatives to continue to reduce the cost to serve and improve efficiencies, including a reduction of its non-revenue generating workforce and optimization of its facilities footprint. As a result, the Company incurred severance costs of $10 million and restructuring costs of $7 million in Canada in Q1 2019.

- Adjusted EBITDA increased by $24 million to $110 million due to the benefit of the adoption of IFRS 16 ($15 million), two months of contribution from 4Refuel, and improved operating performance. Adjusted EBITDA as a percentage of net revenue was 12.1%.

South America

- Following the ERP system implementation in Q4 2018 in Chile, the speed of processing mining parts and components slowed. As a result, Q1 2019 product support revenues in South America were below the quarterly run rate. The velocity of parts flow increased throughout Q1 2019 and was fully restored by the end of March. The Company expects to return to normal product support revenue run rates in Chile in Q2 2019.

- Going forward, the South American operations are focused on leveraging the new ERP system to improve efficiencies and velocity, increase workforce productivity, and reduce the cost to serve. The workforce reductions related to these initiatives resulted in CAD$8 million of severance costs in Q1 2019. The Company expects South America's EBIT as a percentage of net revenue to be in the 8.5% to 9.0% range in the second half of the year.

- In Q1 2019, South America's net revenues declined by 13% due to reduced product support revenues in Chile, as explained above, and lower new equipment sales in Argentina.

- In Chile, new equipment sales almost doubled, driven by higher mining deliveries and improved activity in construction.

- In Argentina, the economic environment has stabilized, however, market activity was soft causing revenues to decline. Argentina was profitable in Q1 2019 following the cost reduction measures undertaken during Q4 2018.

- Adjusted EBITDA as a percentage of net revenue was 6.7%.

United Kingdom & Ireland

- Net revenues were up 18%, driven by a 25% increase in new equipment sales. The power systems business benefited from strong activity in electric power and industrial markets. Construction volumes were also higher compared to Q1 2018. Product support revenues were up 3%.

- EBITDA increased by GBP 3 million or 36% and EBITDA as a percentage of net revenue was up 100 basis points to 7.3%, reflecting the favourable impact of the adoption of IFRS 16 (GBP 2 million) and leverage of higher revenues on fixed costs.

CORPORATE AND BUSINESS DEVELOPMENTS

Dividend
The Board of Directors has approved a 2.5% increase in the quarterly dividend to $0.205 per share from $0.20 per share, payable on June 6, 2019 to shareholders of record on May 23, 2019. This dividend will be considered an eligible dividend for Canadian income tax purposes.

Renewal of Share Repurchase Program
The Company received approval from the Toronto Stock Exchange ("TSX") to renew its normal course issuer bid ("NCIB") to purchase for cancellation up to 6,000,000 of its common shares, representing approximately 3.7% of the total common shares issued and outstanding of 163,309,494 common shares as at April 23, 2019.

The NCIB, which will begin on May 11, 2019 and end no later than May 10, 2020, will be conducted through the facilities of the TSX or other Canadian marketplaces or alternative trading systems, if eligible, and will conform to their rules and regulations.

The Board of Directors of Finning believe that, from time to time, the purchase by Finning of its common shares represents a desirable use of its available cash to increase shareholder value.

The average daily trading volume of Finning's common shares over the six month period ending April 30, 2019, as calculated in accordance with TSX rules, was 505,372 common shares. Consequently, under TSX rules, Finning will be allowed to purchase daily, through the facilities of the TSX, a maximum of 126,343 common shares representing 25% of such average daily trading volume, subject to certain exceptions for block purchases. All shares purchased pursuant to the normal course issuer bid will be cancelled.

Purchases under the normal course issuer bid will be made by means of open market transactions or such other means as the TSX may permit.

The price to be paid by Finning for any common share will be the market price at the time of acquisition, plus brokerage fees, or such other price as the TSX may permit.

Under the current NCIB, which will expire on May 10, 2019, Finning obtained approval to purchase up to 5,300,000 common shares. Finning purchased 5,201,407 common shares under the current NCIB on the open market through the facilities of the TSX and other Canadian exchanges at a weighted average price paid of $26.05 per common share (excluding commissions).

SELECTED CONSOLIDATED FINANCIAL INFORMATION

$ millions, except per share amounts	Three months ended Mar 31		
	2019	2018	% change fav (unfav)
New equipment	**664**	584	14
Used equipment	**81**	96	(15)
Equipment rental	**58**	50	16
Product support	**896**	936	(4)
Net revenue from 4Refuel	**19**	-	
Other revenue	**1**	4	
Total net revenue	**1,719**	1,670	3
Gross profit	**430**	440	(2)
Gross profit as a percentage of net revenue	***25.0%***	*26.3%*	
SG&A	**(343)**	(328)	(5)
SG&A as a percentage of net revenue	***(20.0)%***	*(19.6)%*	
Equity earnings of joint ventures & associate	**4**	1	
Other expenses	**(29)**	-	
EBIT	**62**	113	(46)
EBIT as a percentage of net revenue	***3.6%***	*6.8%*	
Adjusted EBIT	**91**	106	(15)
Adjusted EBIT as a percentage of net revenue	***5.3%***	*6.4%*	
Net income	**28**	71	(61)
Basic EPS	**0.17**	0.42	(60)
Adjusted EPS	**0.30**	0.39	(23)
EBITDA	**134**	157	(15)
EBITDA as a percentage of net revenue	***7.8%***	*9.4%*	
Adjusted EBITDA	**163**	150	8
Adjusted EBITDA as a percentage of net revenue	***9.4%***	*9.0%*	
Free cash flow	**(347)**	(263)	(32)

	Mar 31, 2019	Dec 31, 2018
Invested capital	**3,753**	3,163
Invested capital turnover (times)	**2.06**	2.12
Net debt to Adjusted EBITDA ratio[(3)(4)]	**2.6**	1.7
ROIC	**10.8%**	12.8%
Adjusted ROIC	**12.5%**	13.5%

To access Finning's complete Q1 2019 results in PDF, please visit our website at https://www.finning.com/en_CA/company/investors.html

Q1 2019 INVESTOR CALL
The Company will hold an investor call on May 8, 2019 at 11:00 am Eastern Time. Dial-in numbers: 1-800-319-4610 (Canada and US), 1-416-915-3239 (Toronto area), 1-604-638-5340 (international). The call will be webcast live and archived for three months at https://www.finning.com/en_CA/company/investors.html.

ABOUT FINNING
Finning International Inc. (TSX: FTT) is the world's largest Caterpillar equipment dealer delivering unrivalled service to customers for over 85 years. Finning sells, rents, and provides parts and service for equipment and engines to help customers maximize productivity. Headquartered in Vancouver, B.C., the Company operates in Western Canada, Chile, Argentina, Bolivia, the United Kingdom and Ireland.

CONTACT INFORMATION
Mauk Breukels
Vice President, Investor Relations and Corporate Affairs
Phone: (604) 331-4934
Email: mauk.breukels@finning.com
https://www.finning.com

FOOTNOTES

(1) Following the acquisition of 4Refuel, management views total revenue less cost of fuel (net revenue) as more representative in assessing the performance of the business as the cost of fuel is not in the Company's control and is fully passed through to the customer. The Company's results and non-GAAP financial measures, including KPIs and ratios, previously reported or calculated using total revenue or sales are now reported or calculated using net revenue. For 2018 results of all operations, net revenue is the same as total revenue. For 2019 results of the Company's South American and UK & Ireland operations net revenue is the same as total revenue.

(2) Earnings Before Finance Costs and Income Taxes (EBIT); Basic Earnings per Share (EPS); Earnings Before Finance Costs, Income Taxes, Depreciation and Amortization (EBITDA); Selling, General & Administrative Expenses (SG&A); Return on Invested Capital (ROIC); Enterprise Resource Planning (ERP).

(3) These financial metrics, referred to as "non-GAAP financial measures", do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein 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 Q1 2019 management discussion and analysis (the MD&A). Management believes that providing certain non-GAAP financial measures provides users of the Company's MD&A and 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 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.

(4) Certain 2019 and 2018 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 5 and 25-26 of the MD&A. The financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics.

FORWARD-LOOKING DISCLAIMER

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: restructuring initiatives in the Company's Canadian and South American operations, including a global workforce reduction of 5% by year end, and facilities footprint optimization, and the Company's expectation these will continue to reduce the cost to serve, increase its market competitiveness and improve efficiencies and profitability; the recovery of the South American operations and expected return to normal product support revenue run rates in Chile in Q2 2019; the Company's expectations of improving profitability and that improving profitability will be driven by its South American operations; that the Company will generate positive annual free cash flow through the cycle; that the South American operations will return to historical profitability levels in the second half of 2019; that South America's EBIT as a percentage of net revenue is expected to be in the 8.5% to 9.0% range in the second half of the year; that the Company will generate higher return on invested capital in all regions in 2019; implementation of initiatives in South America, including leveraging the new ERP system and workforce reductions, to further reduce the cost to serve, improve efficiencies and velocity, and increase workforce productivity; the Canadian income tax treatment of the quarterly dividend; and statements with respect to: the purchase of up to 6,000,000 of Finning's common shares pursuant to an NCIB, the facilities and terms under which the NCIB will be operated and Finning's belief that, from time to time, the purchase of its common shares represents a desirable use of its available cash to increase shareholder value. 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 this report 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 and economic and market conditions in the regions in which Finning operates; 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 sustainably reduce costs and 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 negotiate satisfactory purchase or investment terms and prices, obtain necessary regulatory or other approvals, and secure financing on attractive terms or at all; Finning's ability to manage its growth strategy effectively; Finning's ability to effectively price and manage long-term product support contracts with its customers; 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 occurrence of one or more natural disasters, pandemic outbreaks, geo-political events, acts of terrorism or similar disruptions; fluctuations in defined benefit pension plan contributions and related pension expenses; the availability of insurance at commercially reasonable rates or that the amount of insurance coverage will be adequate to cover all liability or loss incurred by Finning; the potential of warranty claims being greater than Finning anticipates; 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 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 including but not limited to (i)) that the Company will be able to adapt its new ERP system in order to improve the speed and velocity of processing parts orders and deliveries in Chile to fully restore parts flow by the end of Q1 2019 and achieve normal parts run rates in Chile by Q2 2019; (ii) that the Company's rights-sizing of its costs and capital in Argentina is appropriate to align with reduced activity levels; (iii) that general economic and market conditions will be maintained; (iv) that the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services will be maintained; (v) Finning's ability to successfully execute its plans and intentions; (vi) Finning's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company's competitors; and (ix) that our current good relationships with Caterpillar, our suppliers, service providers and other third parties will be maintained. 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 operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 7, 2019

This ***MD&A*** of ***Finning*** should be read in conjunction with the ***Interim Financial Statements*** and the accompanying notes thereto, which have been prepared in accordance with ***IAS*** 34, *Interim Financial Reporting*. All dollar amounts presented in this MD&A are expressed in ***CAD***, unless otherwise stated. Additional information relating to the ***Company***, including its current ***AIF***, can be found under the Company's profile on the ***SEDAR*** website at www.sedar.com and in the investors section of the Company's website at www.finning.com.

Effective January 1, 2019, the Company adopted ***IFRS*** 16, *Leases*. Details of the impact of IFRS 16 for the date of initial application at January 1, 2019 can be found in Note 1 of the Company's Interim Financial Statements. The 2018 comparative results described in this MD&A have not been restated for the adoption of this standard.

Effective February 1, 2019, the Company acquired ***4Refuel*** and is including 4Refuel's results in the Company's Canadian reportable segment. For additional information regarding the acquisition, see the heading "Acquisition" later in this MD&A. The results described in this MD&A include the results of 4Refuel from the acquisition date.

Following the acquisition of 4Refuel, management views total revenue less cost of fuel (net revenue [(1)]) as more representative in assessing the performance of the business as the cost of fuel is not in the Company's control and is fully passed through to the customer. The Company's results and non-GAAP financial measures, including KPIs and ratios, previously reported or calculated using total revenue or sales now use net revenue in this MD&A. For 2018 results of all operations in this MD&A, net revenue is the same as total revenue. For 2019 results of the Company's South American and UK & Ireland operations net revenue is the same as total revenue.

A glossary of defined terms is included on page 35. The first time a defined term is used in this MD&A, it is shown in bold italics.

2019 First Quarter Highlights

- Revenue of $1.8 billion was up 8% and net revenue of $1.7 billion was up 3% from Q1 2018, largely driven by higher new equipment sales in all of the Company's operations, particularly in the Company's South American operations and UK & Ireland operations, partially offset by lower product support revenue in the Company's South American operations. Q1 2019 net revenue in the Company's Canadian operations was up from Q1 2018 primarily driven by higher product support revenue as well as fuel revenue.
- ***EBIT*** was $62 million and EBIT as a percentage of net revenue [(1)] was 3.6% in Q1 2019. Excluding significant items that management does not consider indicative of operational and financial trends, Q1 2019 Adjusted EBIT [(1)(2)] was $91 million, down 15% from Q1 2018 mainly due to lower product support revenues in the Company's South American operations. Adjusted EBIT as a percentage of net revenue [(1)(2)] of 5.3% was down from 6.4% earned in Q1 2018 primarily driven by a higher proportion of new equipment sales in the revenue mix.
- Adjusted ***EBITDA*** [(1)(2)] was $163 million and Adjusted EBITDA as a percentage of net revenue [(1)(2)] was 9.4% in Q1 2019 compared to $150 million and 9.0%, respectively, earned in Q1 2018. Adjusted EBITDA in Q1 2019 was higher by approximately $20 million due to the adoption of IFRS 16, which resulted in costs previously recognized as operating expenses now being recorded primarily as depreciation expense. This increase was partially offset by lower product support revenues in the Company's South American operations primarily due to issues with the transactional velocity of parts following the ***ERP*** system implementation. Parts flow was restored by the end of Q1 2019.
- Q1 2019 basic ***EPS*** was $0.17 compared to Q1 2018 basic EPS of $0.42. Excluding significant items not considered indicative of operational and financial trends, Q1 2019 Adjusted basic EPS [(1)(2)] was $0.30, down 23% from Adjusted basic EPS of $0.39 in Q1 2018.
- Adjusted ROIC [(1)(2)] at March 31, 2019 was 12.5%, down compared to Adjusted ROIC of 13.5% at March 31, 2018, mostly as a result of lower Adjusted ROIC in the Company's South American operations, due to lower product support revenues in Chile over the last two quarters and reduced profitability in Argentina reflecting challenging market conditions. Q1 2019 Adjusted ROIC in the Company's Canadian operations improved over Q1 2018 by 150 basis points and ROIC of 14.8% for the UK & Ireland operations was the highest in the last four years.
- Effective February 1, 2019 the Company completed its acquisition of 4Refuel for cash consideration of approximately $240 million, subject to post-closing working capital adjustments. This acquisition is expected to provide synergies with the Company's Canadian operations creating opportunities to expand the existing suite of service offerings to new and existing customers.
- Annualized dividend was raised by 2.5% to $0.82 per share, reflecting the Company's expectation of improving profitability, driven by South America, and positive annual free cash flow through the cycle.

(1) These are non-***GAAP*** financial measures that do not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding this financial metric, including definition and reconciliation from these non-GAAP financial measures to their most directly comparable GAAP measure, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

(2) Reported financial metrics may be 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 5 and 24 - 25 of this MD&A and the financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics.

First Quarter Overview

($ millions, except for per share amounts)	Q1 2019	Q1 2018 [1]	% change fav (unfav)
Revenue	**$ 1,810**	$ 1,670	8%
Net revenue	**$ 1,719**	$ 1,670	3%
Gross profit	**$ 430**	$ 440	(2)%
SG&A	**(343)**	(328)	(5)%
Equity earnings of joint ventures and associate	**4**	1	***n/m***
Other expenses	**(29)**	—	n/m
EBIT	**$ 62**	$ 113	(46)%
Net income	**$ 28**	$ 71	(61)%
Basic EPS	**$ 0.17**	$ 0.42	(60)%
EBITDA [2]	**$ 134**	$ 157	(15)%
Free Cash Flow [2]	**$ (347)**	$ (263)	(32)%
Adjusted EBIT	**$ 91**	$ 106	(15)%
Adjusted net income [2][3]	**$ 50**	$ 66	(25)%
Adjusted basic EPS	**$ 0.30**	$ 0.39	(23)%
Adjusted EBITDA	**$ 163**	$ 150	8%
Gross profit as a % of net revenue [2]	***25.0%***	*26.3%*	
SG&A as a % of net revenue [2]	***20.0%***	*19.6%*	
EBIT as a % of net revenue [2]	***3.6%***	*6.8%*	
EBITDA as a % of net revenue [2]	***7.8%***	*9.4%*	
ROIC *[2]*	***10.8%***	*13.7%*	
Adjusted EBIT as a % of net revenue	***5.3%***	*6.4%*	
Adjusted EBITDA as a % of net revenue [2][3]	***9.4%***	*9.0%*	
Adjusted ROIC	***12.5%***	*13.5%*	

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) These are "non-GAAP financial measures" that do not have a standardized meaning under IFRS, 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" later in this MD&A.

(3) Reported financial metrics may be 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 5 and 24 - 25 of this MD&A and the financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics.

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Strategic Framework

Finning's customer-centric growth strategy is based on three pillars – Develop, Perform, Innovate – which provide a strong foundation for the Company's five Global Strategic Priorities:

- Customer Centricity – be our customers' trusted partner by providing consistent and innovative services that add value to their business;
- Lean & Agile Global Finning – maintain relentless focus on productivity, efficiency, and our customers' total cost of equipment ownership;
- Global Supply Chain – transform our globally-leveraged supply chain to enhance the omni-channel customer experience while increasing working capital efficiencies and generating free cash flow;
- Digital Enterprise – advance the use of technology to improve our customers' experience, enable data-driven decisions, and reduce cost to serve; and,
- Growth & Diversification – achieve profitable and capital efficient growth.

STRATEGIC PILLARS

OUR PURPOSE

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

OUR VISION

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

OUR 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.

Sustainability

Sustainabilty is an integral part of our business, and is woven through our strategy and operations. We live our values every day, and they guide our behaviour in every interaction we have. Living our values means that how we do things is just as important as what we do.

Our approach to sustainability is closely aligned with our purpose and covers all of our material sustainability topics.

In 2018, we conducted a gap analysis of our sustainability practices to make sure they align with our peers, and with internationally recognized guidelines and best practices. Based on the gap analysis, we defined metrics and focus areas for the next five years.

The full 2018 Sustainability Report, including the five-year roadmap and performance summary, can be found in the sustainability section of the Company's website at www.finning.com.

Non-GAAP Financial Measures

Management believes that providing certain non-GAAP financial measures provides users of the Company's MD&A and 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 this 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.

During certain periods reported and discussed in this MD&A, there were significant items that management does not consider indicative of future operational and financial trends of the Company either by nature or amount. As a result, management excludes these items when evaluating its consolidated operating financial performance and the performance of each of its operations. These items may not be non-recurring, but management believes that excluding these significant items from financial results reported solely in accordance with GAAP provides a better understanding of the Company's consolidated financial performance when considered along with the GAAP results. Financial metrics that have been adjusted take into account these significant items and are referred to as "Adjusted" metrics. Adjusted metrics are intended to provide additional information to users of the MD&A. This information should not be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. In addition, because non-GAAP financial measures do not have a standardized meaning under GAAP, they may not be comparable to similar measures presented by other companies. Significant items described on pages 24 - 25 of this MD&A impact certain reported metrics included in the Quarterly Key Performance Measures section.

Significant items that affected the reported results of the Company for the three months ended March 31, 2019 and March 31, 2018 that were not considered by management to be indicative of operational and financial trends, either by nature or amount, included:

Q1 2019 significant items:

- Severance costs related to workforce reductions in the Company's Canadian and South American operations as the Company continues to align its cost structure to market activity and drive improved operating efficiency.
- Restructuring costs and impairment losses recorded in the Company's Canadian operations related to planned facility closures and consolidations to optimize the branch network.
- Acquisition costs related to the purchase of 4Refuel.

Q1 2018 significant item:

- Insurance proceeds received in 2018 related to the final settlement of the Company's business interruption claim resulting from the 2016 Alberta wildfires.

The following table shows the magnitude of these items and provides reconciliations of the non-GAAP financial measures to their most directly comparable GAAP measure:

3 months ended March 31, 2019 ($ millions, except per share amounts)	**EBIT Canada**	**EBIT South America**	**EBIT UK & Ireland**	***EBIT Consol***	**Net Income Consol**	**EPS Consol**
EBIT, net income, and basic EPS	**$ 50**	**$ 6**	**$ 13**	**$ 62**	**$ 28**	**$ 0.17**
Significant items:						
Severance costs	**10**	**8**	**—**	**18**	**13**	**0.08**
Facility closure related restructuring costs and impairment losses	**7**	**—**	**—**	**7**	**5**	**0.03**
Acquisition costs	**—**	**—**	**—**	**4**	**4**	**0.02**
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	**$ 67**	**$ 14**	**$ 13**	**$ 91**	**$ 50**	**$ 0.30**

3 months ended March 31, 2018 [1] ($ millions, except per share amounts)	EBIT Canada	EBIT South America	EBIT UK & Ireland	EBIT Consol	Net Income Consol	EPS Consol
EBIT, net income, and basic EPS	$ 71	$ 46	$ 10	$ 113	$ 71	$ 0.42
Significant item:						
Insurance proceeds from Alberta wildfires	(7)	—	—	(7)	(5)	(0.03)
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	$ 64	$ 46	$ 10	$ 106	$ 66	$ 0.39

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Quarterly Key Performance Measures

The Company utilizes the following ***KPI***s to enable consistent measurement of performance across the organization.

	2019	2018 [1]				2017 (Restated) [1][2]			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
ROIC [3][4] (%)									
Consolidated	**10.8 %**	12.8 %	13.7 %	14.3 %	13.7 %	13.1 %	10.1 %	9.3 %	7.1 %
Canada	**14.6 %**	16.6 %	16.4 %	15.5 %	14.5 %	13.3 %	9.2 %	8.1 %	6.6 %
South America	**8.6 %**	12.2 %	16.2 %	17.5 %	17.6 %	17.8 %	15.5 %	14.9 %	14.5 %
UK & Ireland	**14.8 %**	14.2 %	14.0 %	13.2 %	13.4 %	12.8 %	12.9 %	13.9 %	(0.5)%
EBIT [3] ($ millions)									
Consolidated	**62**	91	93	126	113	109	100	97	86
Canada	**50**	71	78	77	71	67	57	55	46
South America	**6**	12	37	47	46	50	48	42	44
UK & Ireland	**13**	12	15	14	10	8	9	13	7
EBIT as a % of net revenue [3]									
Consolidated	**3.6 %**	4.9 %	5.3 %	7.3 %	6.8 %	6.3 %	6.5 %	6.1 %	6.1 %
Canada	**5.5 %**	7.1 %	8.6 %	8.5 %	8.4 %	7.8 %	7.7 %	7.0 %	6.7 %
South America	**1.2 %**	2.5 %	6.7 %	8.5 %	8.4 %	8.6 %	8.6 %	8.1 %	8.8 %
UK & Ireland	**4.4 %**	3.7 %	5.1 %	5.3 %	3.7 %	3.0 %	3.5 %	4.6 %	3.3 %
EBITDA [3] ($ millions)									
Consolidated	**134**	140	142	171	157	154	146	145	131
Canada	**93**	97	104	99	93	91	82	81	70
South America	**26**	29	52	62	61	65	61	57	59
UK & Ireland	**22**	18	23	21	17	14	16	20	13
EBITDA as a % of net revenue [3]									
Consolidated	**7.8 %**	7.6 %	8.1 %	9.9 %	9.4 %	8.9 %	9.5 %	9.1 %	9.3 %
Canada	**10.2 %**	9.7 %	11.4 %	11.0 %	10.9 %	10.6 %	11.2 %	10.3 %	10.1 %
South America	**5.2 %**	5.8 %	9.3 %	11.2 %	11.1 %	11.0 %	11.2 %	11.0 %	11.8 %
UK & Ireland	**7.3 %**	5.7 %	7.7 %	7.9 %	6.3 %	5.2 %	6.0 %	7.0 %	6.5 %
Invested Capital [4] ($ millions)									
Consolidated	**3,753**	3,163	3,431	3,362	3,226	2,830	3,095	3,108	2,940
Canada	**2,148**	1,675	1,889	1,840	1,778	1,621	1,746	1,764	1,630
South America	**1,243**	1,190	1,173	1,172	1,140	983	1,069	1,047	1,029
UK & Ireland	**361**	336	404	372	322	250	311	307	286
Invested Capital Turnover [4]									
Consolidated	**2.06x**	2.12x	2.14x	2.13x	2.13x	2.09x	2.01x	1.97x	1.89x
Canada	**1.98x**	2.05x	1.98x	1.92x	1.87x	1.82x	1.74x	1.70x	1.62x
South America	**1.78x**	1.86x	2.01x	2.05x	2.08x	2.09x	2.03x	1.97x	1.87x
UK & Ireland	**3.25x**	3.22x	3.30x	3.44x	3.65x	3.56x	3.47x	3.66x	3.69x
Inventory ($ millions)	**2,356**	2,061	2,017	1,968	1,906	1,708	1,744	1,789	1,650
Inventory Turns (Dealership) [4] (times)	**2.46x**	2.68x	2.58x	2.57x	2.80x	2.82x	2.60x	2.52x	2.61x
Working Capital to Net Revenue [4]	**26.7 %**	26.6 %	26.7 %	26.9 %	27.1 %	27.4 %	28.6 %	29.1 %	30.5 %
Free Cash Flow ($ millions)	**(347)**	418	(49)	(28)	(263)	350	22	(131)	(76)
Net Debt [3] to EBITDA Ratio [3][4]	**2.9**	1.7	2.1	2.0	1.9	1.5	2.4	2.5	2.6

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results described in this MD&A have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

(3) Certain of these reported financial metrics have been impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount. The financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics and are summarized on page 7 of this MD&A.

(4) These are non-GAAP financial measures that do not have a standardized meaning under IFRS, 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" later in this MD&A.

Adjusted KPIs

Reported financial metrics may be 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 5 and 24 - 25 of this MD&A and the financial metrics that have been adjusted to take these items into account are referred to as "Adjusted" metrics. The impact of these items on certain key performance measures is shown below:

	2019	2018 (1)				2017 (Restated) (1)(2)			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Adjusted ROIC									
Consolidated	**12.5 %**	13.5 %	14.5 %	14.2 %	13.5 %	13.1 %	11.8 %	11.1 %	10.0 %
Canada	**15.5 %**	16.2 %	16.0 %	15.1 %	14.0 %	13.2 %	12.0 %	11.0 %	10.2 %
South America	**9.2 %**	12.2 %	16.4 %	17.7 %	17.8 %	18.1 %	16.5 %	16.0 %	15.6 %
UK & Ireland	**14.8 %**	14.2 %	14.0 %	13.2 %	13.4 %	12.8 %	12.9 %	13.9 %	7.7 %
Adjusted EBIT ($ millions)									
Consolidated	**91**	91	123	126	106	110	100	97	86
Canada	**67**	71	78	77	64	66	57	55	46
South America	**14**	12	37	47	46	52	48	42	44
UK & Ireland	**13**	12	15	14	10	8	9	13	7
Adjusted EBIT as a % of net revenue									
Consolidated	**5.3 %**	4.9 %	7.0 %	7.3 %	6.4 %	6.4 %	6.5 %	6.1 %	6.1 %
Canada	**7.4 %**	7.1 %	8.6 %	8.5 %	7.5 %	7.6 %	7.7 %	7.0 %	6.7 %
South America	**2.7 %**	2.5 %	6.7 %	8.5 %	8.4 %	9.1 %	8.6 %	8.1 %	8.8 %
UK & Ireland	**4.4 %**	3.7 %	5.1 %	5.3 %	3.7 %	3.0 %	3.5 %	4.6 %	3.3 %
Adjusted EBITDA ($ millions)									
Consolidated	**163**	140	172	171	150	155	146	145	131
Canada	**110**	97	104	99	86	90	82	81	70
South America	**34**	29	52	62	61	67	61	57	59
UK & Ireland	**22**	18	23	21	17	14	16	20	13
Adjusted EBITDA as a % of net revenue									
Consolidated	**9.4 %**	7.6 %	9.7 %	9.9 %	9.0 %	9.0 %	9.5 %	9.1 %	9.3 %
Canada	**12.1 %**	9.7 %	11.4 %	11.0 %	10.1 %	10.5 %	11.2 %	10.3 %	10.1 %
South America	**6.7 %**	5.8 %	9.3 %	11.2 %	11.1 %	11.4 %	11.2 %	11.0 %	11.8 %
UK & Ireland	**7.3 %**	5.7 %	7.7 %	7.9 %	6.3 %	5.2 %	6.0 %	7.0 %	6.5 %
Net Debt to Adjusted EBITDA Ratio (3)	**2.6**	1.7	2.0	2.0	2.0	1.5	2.1	2.3	2.1

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results described in this MD&A have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

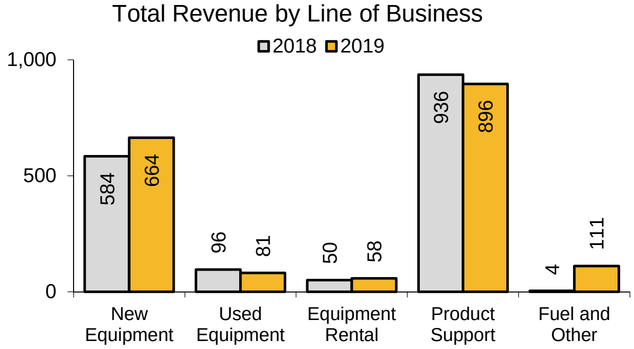
(3) These are non-GAAP financial measures that do not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these 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" later in this MD&A.

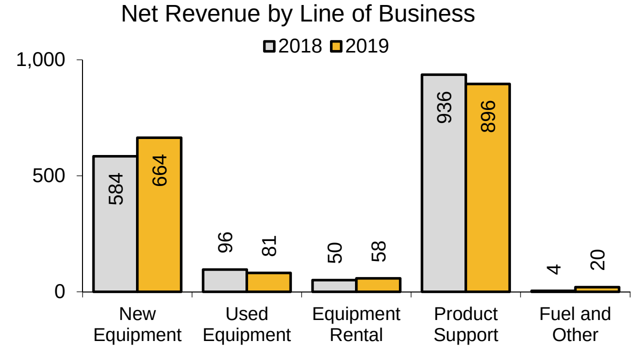
First Quarter Results

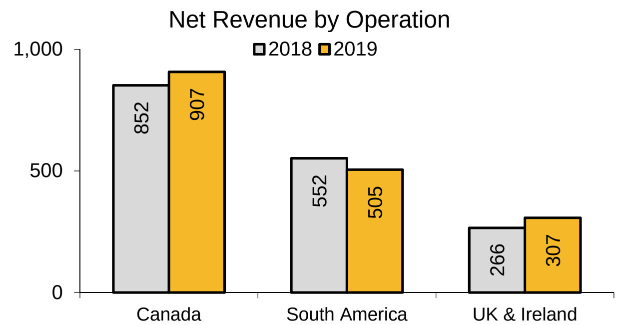
Total and Net Revenue

Total and Net Revenue by Line of Business

3 months ended March 31
($ millions)







The Company generated revenue of $1.8 billion during the first quarter of 2019, 8% higher than Q1 2018, mainly due to the addition of fuel revenue from 4Refuel and higher new equipment sales, partially offset by lower product support revenue in the Company's South American operations. Due to the pass through nature of fuel costs in the newly acquired mobile refueling business of 4Refuel, the Company believes net revenue, which excludes cost of fuel, is a more meaningful measure of the performance for this business. Q1 2019 net revenue was $1.7 billion, up 3% from the same prior year period. The increase in net revenue was largely driven by the Company's Canadian and UK & Ireland operations, offset by lower net revenue in the Company's South American operations.

The weaker CAD relative to the ***USD*** partially offset by the stronger CAD relative to the ***GBP*** on average in Q1 2019 compared to the same prior year period resulted in a net favourable foreign currency translation impact on net revenue in Q1 2019 of approximately $20 million which was not significant at the EBITDA or EBIT level.

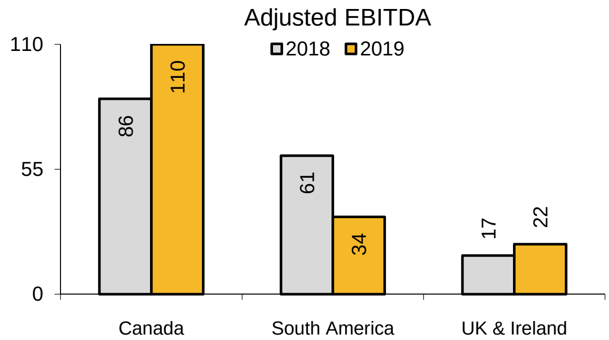
First quarter 2019 new equipment revenue of $664 million was 14% higher than Q1 2018. New equipment revenue was up in all operations, particularly in the power systems sector in the Company's UK & Ireland operations and in the construction and mining sectors of the Company's South American operations in Chile.

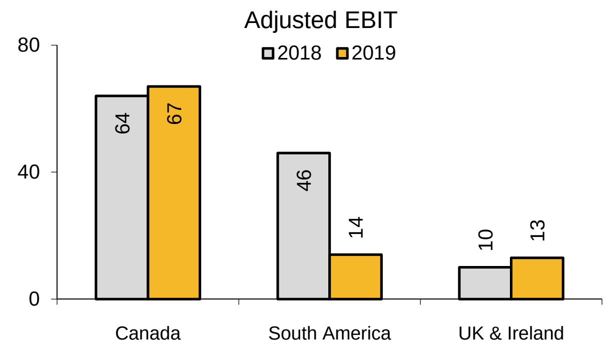
Equipment backlog [(1)] was $1.2 billion at March 31, 2019, down from $1.3 billion at December 31, 2018 and down from $1.6 billion at March 31, 2018 as deliveries outpaced order intake [(1)].

Product support revenue in the first quarter of 2019 was down 4% from the same prior year period, with lower net revenues in the Company's South American operations due to parts flow velocity issues related to the implementation of a new ERP system in November 2018, partially offset by strong demand for parts in the mining and construction sectors of the Company's Canadian operations.

(1) These are non-GAAP financial measures that do not have standardized meanings under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding this financial metric, including definition and reconciliation from each of these non-GAAP financial measures to their most directly comparable GAAP measure, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

Adjusted EBITDA and Adjusted EBIT by Operation [1][2]
3 months ended March 31
($ millions)





(1) Excluding Other operations
(2) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

EBITDA and EBIT

Q1 2019 gross profit of $430 million was 2% lower than the same period in the prior year on 3% higher net revenues. This was driven by lower overall gross profit as a percentage of net revenue in Q1 2019 compared to Q1 2018 due to a shift in revenue mix. New equipment revenues were up in all operations and product support revenues were lower in the Company's South American operations.

SG&A in the first quarter of 2019 was $343 million compared to $328 million in the same prior year period. Q1 2018 SG&A included the receipt of insurance proceeds related to the Alberta wildfires. Excluding these insurance proceeds, Q1 2019 SG&A was 3% higher and SG&A as a percentage of net revenue was down 10 basis points compared to the same prior year period. SG&A was up in Q1 2019 in the Company's Canadian operations driven by higher volumes as well as SG&A from 4Refuel since February 1, 2019. This increase was partially offset by lower operating costs in the Company's South American operations and lower long-term incentive plan costs due to lower performance against targets.

The Company reported EBIT of $62 million and EBIT as a percentage of net revenue of 3.6% in the first quarter of 2019 compared to EBIT of $113 million and EBIT as a percentage of net revenue of 6.8% in Q1 2018. Excluding significant items noted on page 5, Q1 2019 Adjusted EBIT and Adjusted EBIT as a percentage of net revenue were $91 million and 5.3%, respectively. Adjusted EBIT as a percentage of net revenue in Q1 2019 of 5.3% was lower than 6.4% in Q1 2018 mainly due to a higher proportion of equipment sales in the revenue mix, as SG&A as a percentage of net revenue was relatively consistent year over year. The adoption of IFRS 16 did not significantly impact EBIT or Adjusted EBIT.

Adjusted EBITDA for Q1 2019 was $163 million and Adjusted EBITDA as a percentage of net revenue was 9.4% compared to $150 million and 9.0%, respectively, in Q1 2018. Adjusted EBITDA in Q1 2019 was higher by approximately $20 million due to the Company's adoption of IFRS 16, as lease costs previously recognized as operating expense are now recorded primarily as depreciation expense, as well as higher earnings in the Company's Canadian and UK & Ireland operations. This increase was partially offset by lower product support revenues in the Company's South American operations.

The net debt to Adjusted EBITDA ratio at March 31, 2019 was 2.6 times, up from the 2.0 times at March 31, 2018 due to average short-term debt levels increasing by more than the increase in Adjusted EBITDA. This ratio remains below the Company's long-term target of 3.0 times.

Finance Costs

Finance costs in the first quarter of 2019 were $24 million, higher than Q1 2018 finance costs of $18 million primarily due to higher average short-term debt balances and inclusion of interest expense of $2 million related to leases from the adoption of IFRS 16.

Provision for Income Taxes

The effective income tax rate in Q1 2019 was 27.9%, up from 25.3% in Q1 2018. The higher effective income tax rate was driven by the non-deductibility of 4Refuel acquisition costs for tax purposes and the revaluation of deferred tax balances due to the devaluation of the ***ARS*** relative to the USD, partially offset by lower earnings in high tax jurisdictions. Excluding the significant items described on page 5, the Q1 2019 effective tax rate would have been 26.0%.

Management expects the Company's effective tax rate generally to be within the 25-30% range on an annual basis. The rate may fluctuate from period to period as a result of changes in the source of income from various jurisdictions, relative income from the various jurisdictions in which the Company carries on business, changes in the estimation of tax reserves, and changes in tax rates and tax legislation.

Net Income

Net income was $28 million in Q1 2019, compared to $71 million earned in Q1 2018. Basic EPS in Q1 2019 was $0.17 per share. Excluding significant items not indicative of operational and financial trends as noted on page 5, Q1 2019 Adjusted net income was $50 million and Adjusted basic EPS was $0.30 per share, lower than Adjusted net income of $66 million and Adjusted basic EPS of $0.39 in Q1 2018. The decrease in the first quarter of 2019 compared to the prior year period results was driven by lower profitability in the Company's South American operations.

Acquisition

On February 1, 2019, the Company acquired the Canadian and US operations of 4Refuel. 4Refuel is a mobile on-site refueling service provider with operations in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, New Brunswick and Nova Scotia as well as in Texas, US. This acquisition is aligned with the Company's strategic objective of growth and diversification and is expected to generate synergies by providing the Company's Canadian dealership operations with opportunities to sell, rent, and service a potentially new customer base and 4Refuel with opportunities to sell to an expanded customer base and improve customer service.

Cash consideration of approximately $240 million was paid at the time of acquisition and is subject to post-closing working capital adjustments. The Company funded the transaction with cash on hand and from existing credit facilities. Effective February 1, 2019, the Company recorded on the balance sheet net working capital [(1)] of $44 million (comprising cash and cash equivalents, receivables, inventory, and payables); property, plant, and equipment of $40 million; intangible assets and goodwill of $187 million; and lease liabilities of $30 million. The purchase price allocation is not final as management is continuing to identify intangible assets acquired and estimate the acquisition-date fair value of acquired assets and liabilities and related amount of deferred income taxes arising on their recognition. The Company expects to finalize the purchase price allocation no later than December 31, 2019.

Acquisition costs of approximately $4 million are included in the Q1 2019 results.

The results of the newly acquired business since the date of acquisition have been included in the Company's Canadian operations reportable segment. 4Refuel contributed approximately $110 million of revenue ($19 million of net revenue) in the three month period ended March 31, 2019.

(1) These are non-GAAP financial measures that do not have standardized meanings under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding this financial metric, including definition and reconciliation from each of these non-GAAP financial measures to their most directly comparable GAAP measure, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

Invested Capital

($ millions, unless otherwise stated)	March 31, 2019	December 31, 2018	Increase from December 31, 2018	March 31, 2018	Increase from March 31, 2018
Consolidated	**$ 3,753**	$ 3,163	**$** 590	**$** 3,226	**$** 527
Canada	**$ 2,148**	$ 1,675	**$** 473	**$** 1,778	**$** 370
South America	**$ 1,243**	$ 1,190	**$** 53	**$** 1,140	**$** 103
UK & Ireland	**$ 361**	$ 336	**$** 25	**$** 322	**$** 39
South America (USD)	***$ 930***	*$ 872*	***$** 58*	***$** 884*	***$** 46*
UK & Ireland (GBP)	***£ 207***	*£ 193*	***£** 14*	***£** 178*	***£** 29*

Compared to December 31, 2018:

The $590 million increase in consolidated invested capital from December 31, 2018 to March 31, 2019 includes a foreign exchange impact of approximately $25 million in translating the invested capital balances of the Company's South American and UK & Ireland operations. The foreign exchange impact was primarily the result of the 2% stronger CAD relative to the USD at March 31, 2019 compared to the rate at December 31, 2018.

Excluding the impact of foreign exchange, consolidated invested capital increased by $615 million from December 31, 2018 to March 31, 2019 reflecting:

- an increase in net assets from the 2019 acquisition of 4Refuel; and
- an increase in equipment inventories in Canada reflecting timing of mining deliveries and seasonality of construction demand, as well as higher parts inventories in South America to respond to delays in processing mining parts orders.

Compared to March 31, 2018:

The $527 million increase in consolidated invested capital from March 31, 2018 to March 31, 2019 includes a foreign exchange impact of approximately $30 million in translating the invested capital balances of the Company's South American and UK & Ireland operations. The foreign exchange impact was primarily the result of the 4% weaker CAD relative to the USD, offset by 4% stronger CAD relative to the GBP at March 31, 2019 compared to the rate at March 31, 2018.

Excluding the impact of foreign exchange, consolidated invested capital increased by $497 million from March 31, 2018 to March 31, 2019 reflecting:

- an increase in net assets from the 2019 acquisition of 4Refuel; and
- an increase in new equipment inventory in all operations, primarily in the Company's Canadian operations, as well as an increase in parts inventory in all operations, mainly in the Company's South American operations;
- partially offset by higher accounts payable in all operations.

Adjusted ROIC and Invested Capital Turnover

	March 31, 2019	December 31, 2018[(1)]	March 31, 2018[(1)]
Adjusted ROIC			
Consolidated	**12.5%**	13.5%	13.5%
Canada	**15.5%**	16.2%	14.0%
South America	**9.2%**	12.2%	17.8%
UK & Ireland	**14.8%**	14.2%	13.4%
Invested Capital Turnover (times)			
Consolidated	**2.06x**	2.12x	2.13x
Canada	**1.98x**	2.05x	1.87x
South America	**1.78x**	1.86x	2.08x
UK & Ireland	**3.25x**	3.22x	3.65x

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Adjusted ROIC

On a consolidated basis, Adjusted ROIC at March 31, 2019 was 12.5%, lower than Adjusted ROIC of 13.5% at December 31, 2018. The decrease in Adjusted ROIC compared to the prior year end reflects lower EBIT earned in 2019 by the Company's South American operations and higher invested capital levels in all operations. Adjusted ROIC at March 31, 2019 improved in the Company's UK & Ireland operations compared to December 31, 2018 reflecting higher Adjusted EBIT outpacing the growth in average invested capital levels in the last twelve-month period demonstrating improved capital efficiency.

On a consolidated basis, Adjusted ROIC at March 31, 2019 was lower than Adjusted ROIC of 13.5% at March 31, 2018. The decrease in Adjusted ROIC compared to the March 31, 2018 reflects lower EBIT earned in 2019 by the Company's South American operations and higher invested capital levels in all operations. Adjusted ROIC at March 31, 2019 increased in the Company's UK & Ireland operations and the Company's Canadian operations compared to March 31, 2018 driven primarily by improved profitability.

Invested capital turnover

Consolidated invested capital turnover at March 31, 2019 was 2.06 times, down from 2.12 times at December 31, 2018. This decrease reflected lower invested capital turnover in the Company's South American operations on higher average invested capital levels with lower net revenues over the last twelve-month period. Also, the Company's Canadian operations reported higher average invested capital levels which exceeded the net revenue growth over the last twelve-month period. The decrease was partially offset by an improvement in invested capital turnover in the Company's UK & Ireland operations, as net revenue growth outpaced growth in average invested capital levels.

Consolidated invested capital turnover at March 31, 2019 was lower than the 2.13 times at March 31, 2018 reflecting lower invested capital turnover in the Company's South American and UK & Ireland operations. This decline was partially offset by higher invested capital turnover in the Company's Canadian operations where higher net revenues in the last twelve-month period outpaced the growth in average invested capital levels demonstrating improved capital efficiency.

Results by Reportable Segment

The Company and its subsidiaries operate primarily in one principal business: the sale, service, and rental of heavy equipment, engines, and related products in various markets worldwide as noted below. Finning's reportable segments are as follows:

- *Canada operations:* dealership territories comprising British Columbia, Alberta, Saskatchewan, Yukon, the Northwest Territories, and a portion of Nunavut, as well as mobile refuelling operations in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, New Brunswick and Nova Scotia and in Texas, US
- *South America operations:* Chile, Argentina, and Bolivia
- *UK & Ireland operations:* England, Scotland, Wales, Northern Ireland, and the Republic of Ireland
- *Other operations:* Corporate head office

The table below provides details of net revenue by lines of business and operation.

3 months ended March 31, 2019 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consol**	**Net Revenue %**
New equipment	**$ 274**	**$ 190**	**$ 200**	**$ 664**	**39%**
Used equipment	**48**	**11**	**22**	**81**	**5%**
Equipment rental	**39**	**11**	**8**	**58**	**3%**
Product support	**527**	**293**	**76**	**896**	**52%**
Fuel and other	**19**	**—**	**1**	**20**	**1%**
Total net revenue	**$ 907**	**$ 505**	**$ 307**	**$ 1,719**	**100%**
Net revenue % by operation	**53%**	**29%**	**18%**	**100%**	

3 months ended March 31, 2018 ($ millions)	Canada	South America	UK & Ireland	Consol	Net Revenue %
New equipment	$ 268	$ 153	$ 163	$ 584	35%
Used equipment	56	23	17	96	6%
Equipment rental	30	12	8	50	3%
Product support	498	363	75	936	56%
Other	—	1	3	4	—
Total net revenue	$ 852	$ 552	$ 266	$ 1,670	100%
Net revenue % by operation	51%	33%	16%	100%	

Canadian Operations

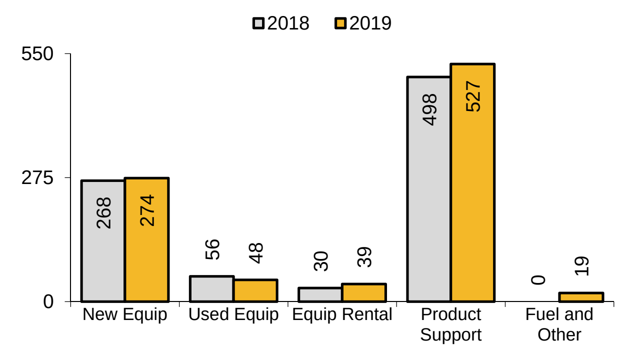
The Canadian reporting segment includes Finning (Canada), ***OEM***, and a 25% interest in ***PLM*** as well as 4Refuel since the acquisition date of February 1, 2019. The Canadian operations sell, service, and rent mainly ***Caterpillar*** equipment and engines in British Columbia, Alberta, Saskatchewan, Yukon, the Northwest Territories, and a portion of Nunavut, and also provide mobile refueling operations in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, New Brunswick and Nova Scotia and in Texas, US. The Canadian operations' markets include mining (including the oil sands), construction, conventional oil and gas, forestry, and power systems.

The table below provides details of the results from the Canadian operations:

3 months ended March 31 ($ millions)	**2019**	2018 [(1)]
Net revenue	**$ 907**	$ 852
Operating costs	**(801)**	(764)
Equity earnings of joint ventures	**4**	5
Other expenses	**(17)**	—
EBITDA	**93**	93
Depreciation and amortization	**(43)**	(22)
EBIT	**$ 50**	$ 71
EBITDA as a % of net revenue	**10.2%**	10.9%
EBIT as a % of net revenue	**5.5%**	8.4%
Adjusted EBITDA	**$ 110**	$ 86
Adjusted EBITDA as a % of net revenue	**12.1%**	10.1%
Adjusted EBIT	**$ 67**	$ 64
Adjusted EBIT as a % of net revenue	**7.4%**	7.5%

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Canadian Operations – Net Revenue by Line of Business
3 months ended March 31
($ millions)



First quarter 2019 net revenue of $907 million was 7% higher than Q1 2018, reflecting higher net revenues in most lines of business, but primarily higher product support revenue as well as the contribution from 4Refuel since February 1, 2019.

Product support revenue in Q1 2019 was up 6% compared to the same prior year period, driven by strong parts volumes and demand in the mining and construction sectors.

New equipment revenue of $274 million in Q1 2019 was 2% higher than the same period in 2018, driven by higher construction industry activity. This increase was partially offset by lower sales in the power systems and mining sectors. Strong deliveries in Q1 2019 exceeded order intake in the quarter resulting in lower backlog levels at March 31, 2019.

Equipment rental revenue increased 32% over Q1 2018 as a result of higher demand as well as new projects in the power sector.

Q1 2019 net revenue from 4Refuel since acquisition of $19 million was included in fuel and other net revenue.

Gross profit increased compared to the first quarter of 2018, reflecting higher volumes in most lines of business. Gross profit as a percentage of net revenue increased in Q1 2019 compared to the Q1 2018 due to strong product support as well as the contribution from 4Refuel.

SG&A in the Company's Canadian operations in Q1 2018 included the $7 million favourable impact of the final insurance proceeds received in relation to the business interruption resulting from the Alberta wildfires in 2016. Excluding these insurance proceeds, SG&A in Q1 2019 was up 12% compared to the prior year period primarily due to SG&A from 4Refuel and higher variable costs on increased volumes.

The Company's Canadian operations contributed EBITDA of $93 million in Q1 2019, comparable to the same period in the prior year. In Q1 2019, Finning (Canada) took steps to reduce its cost structure to align with softening market activity. These steps include a planned reduction of its non-revenue generating workforce resulting in severance costs of $10 million and a planned closure of certain facilities resulting in $7 million of impairment losses on leased properties and related restructuring provisions. Severance and facility costs related to this restructuring were included in other expenses in Q1 2019. Excluding these severance and facility costs incurred in Q1 2019 and the insurance proceeds received in Q1 2018, Adjusted EBITDA in Q1 2019 was $110 million, up 28% from Q1 2018. Q1 2019 Adjusted EBITDA was higher by $15 million due to the Company's adoption of IFRS 16 as well as improved operating results due to strong product support and rental demand as well as two months of contribution from 4Refuel. Adjusted EBITDA as a percentage of net revenue in Q1 2019 was 12.1%, an improvement of 200 basis points over Q1 2018.

Other Developments

The collective agreement between the Company and ***IAMAW Local 99***, representing approximately 1,600 hourly employees in Alberta and the Northwest Territories, expired on April 30, 2019. Negotiations on a new collective agreement are currently underway with the union. The Company is committed to the collective bargaining process and concluding a fair contract for its employees and Finning.

South American Operations

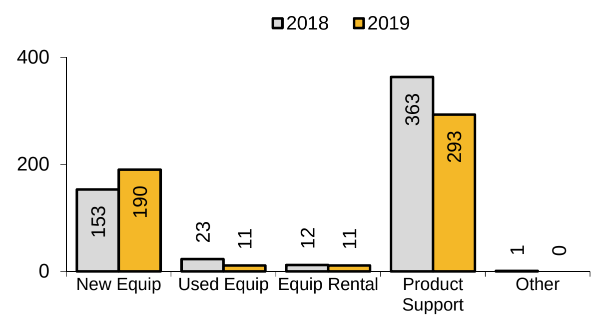
Finning's South American operations sell, service, and rent mainly Caterpillar equipment and engines in Chile, Argentina, and Bolivia. The South American operations' markets include mining, construction, forestry, and power systems.

The table below provides details of the results from the South American operations:

3 months ended March 31 ($ millions)		2019		2018 (1)
Net revenue	$	505	$	552
Operating costs		(471)		(491)
Other expenses		(8)		—
EBITDA	$	26	$	61
Depreciation and amortization		(20)		(15)
EBIT	$	6	$	46
EBITDA as a % of net revenue		5.2%		11.1%
EBIT as a % of net revenue		1.2%		8.4%
Adjusted EBITDA	$	34	$	61
Adjusted EBITDA as a % of net revenue		6.7%		11.1%
Adjusted EBIT	$	14	$	46
Adjusted EBIT as a % of net revenue		2.7%		8.4%

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

South America – Net Revenue by Line of Business
3 months ended March 31
($ millions)



Q1 2019 net revenue decreased 9% to $505 million compared to Q1 2018 (down 13% in functional currency), primarily due to lower product support revenue in Chile and lower net revenues in Argentina reflecting challenging market conditions, partially offset by higher new equipment revenue.

Product support revenue in Q1 2019 was down 19% (down 23% in functional currency) compared to Q1 2018, primarily driven by lower parts revenues in the mining sector in Chile following the launch of the ERP system in late 2018, which slowed the speed of processing mining parts and components. Product support revenue in Q1 2019 increased 9% (increased 8% in functional currency) compared to Q4-18 as the velocity of parts flow increased throughout Q1 2019 and was fully restored by the end of March.

New equipment revenue in Q1 2019 was up 24% (up 18% in functional currency) from the prior year quarter, reflecting higher activity in the construction and mining sectors in Chile, partially offset by lower new equipment sales in Argentina. Both order intake and deliveries were strong in the quarter and as a result, equipment backlog levels at March 31, 2019 were comparable to December 31, 2018.

The weaker CAD relative to the USD on average in the quarter compared to the same quarter last year had a favourable foreign currency translation impact on net revenue in Q1 2019 of approximately $25 million and was not significant at the EBITDA level.

In functional currency, gross profit was 28% lower than Q1 2018, driven by the lower product support revenues discussed above. Gross profit as a percentage of net revenue decreased in Q1 2019 compared to Q1 2018, due to a revenue mix shift to higher new equipment revenue in Q1 2019 (38%) compared to Q1 2018 (28%).

Q1 2019 SG&A was down 11% in functional currency, in line with lower net revenue and due to lower operating costs from a weaker ***CLP*** and ARS relative to the USD and lower people-related costs.

The Company's South American operations contributed Adjusted EBITDA of $34 million in Q1 2019 and Adjusted EBITDA as a percentage of net revenue of 6.7% compared to $61 million and 11.1%, respectively, achieved in Q1 2018. The decrease in Adjusted EBITDA was mainly due to reduced product support revenues in Chile and lower revenues in Argentina. The Company is taking cost reduction measures with a focus on improving efficiencies and velocity, increasing workforce productivity, reducing the cost to serve customers, and leveraging the new ERP system. These initiatives resulted in severance costs of $8 million recorded in other expenses in Q1 2019. Q1 2019 Adjusted EBITDA was higher by approximately $2 million due to the Company's adoption of IFRS 16.

UK & Ireland Operations

The Company's UK & Ireland operations sell, service, and rent mainly Caterpillar equipment and engines in England, Scotland, Wales, Northern Ireland, and the Republic of Ireland. The UK & Ireland operations' markets include quarrying, construction, power systems, and mining.

The table below provides details of the results from the UK & Ireland operations:

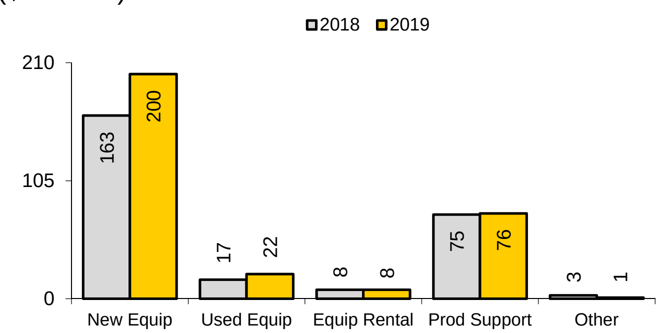
3 months ended March 31 ($ millions)		2019		2018 [(1)]
Net revenue	$	**307**	$	266
Operating costs		**(285)**		(249)
EBITDA	$	**22**	$	17
Depreciation and amortization		**(9)**		(7)
EBIT	$	**13**	$	10
EBITDA as a % of net revenue		**7.3%**		6.3%
EBIT as a % of net revenue		**4.4%**		3.7%

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

First quarter 2019 net revenue of $307 million was 16% higher than the same period in 2018 (up 18% in functional currency), up in all market sectors, primarily the power systems sector, reflecting sales order realization in Q1 2019 on strong backlog levels at December 31, 2018. New equipment revenue comprised 65% of total net revenue in the first quarter of 2019 compared to 62% in Q1 2018.

The stronger CAD relative to the GBP on average in the quarter compared to the same period last year had an unfavourable foreign currency translation impact on net revenue in the first quarter of 2019 of approximately $5 million and was not significant at the EBITDA level.

UK & Ireland – Net Revenue by Line of Business
3 months ended March 31
($ millions)



Q1 2019 gross profit was higher than the prior year period reflecting higher sales volumes, partially offset by lower overall gross profit as a percentage of net revenue, reflecting a revenue mix shift to new equipment sales.

In functional currency, SG&A was up 5% in Q1 2019 on net revenue growth of 18%. SG&A as a percentage of net revenue was lower in Q1 2019 compared to Q1 2018 due to leverage of incremental net revenue on fixed costs.

For Q1 2019, the Company's UK & Ireland operations contributed EBITDA of $22 million and EBITDA as a percentage of net revenue of 7.3%, higher than EBITDA of $17 million and EBITDA as a percentage of net revenue of 6.3% achieved in Q1 2018. Q1 2019 EBITDA was higher by approximately $3 million due to the Company's adoption of IFRS 16. EBITDA as a percentage of net revenue was higher in Q1 2019 due to the impact of IFRS 16 and lower SG&A relative to net revenue, partially offset by lower gross profit as a percentage of net revenue in the current year.

Other Operations

The Other operations segment includes corporate operating costs. In Q1 2018, the Other operations segment also included equity losses from the Company's 28.8% investment in ***Energyst***. Losses before finance costs and income taxes of this segment were $7 million in the first quarter of 2019, lower than the $14 million in Q1 2018. The decrease in losses before finance and income taxes was primarily due to no equity earnings or loss in Q1 2019 from Energyst, lower corporate operating costs, and lower long-term incentive plan costs due to lower performance against targets, partially offset by acquisition costs related to 4Refuel.

Outlook

Canada Operations

In the oil sands, demand for equipment and product support, including component rebuilds, remains strong, despite a shortage of pipeline capacity and government imposed production restrictions. Activity levels in other mining segments continue to be steady.

In the construction industry, activity levels in Alberta have slowed compared to 2018. Large infrastructure projects, notably LNG Canada, are expected to create incremental demand for construction and power systems equipment and product support in the future.

Demand for power systems products, parts and service is expected to remain healthy, mainly driven by ongoing midstream infrastructure expansion and maintenance, particularly in the gas compression sector.

South America Operations

International trade tensions continue to pose a risk to the price of copper. Longer term, the Company remains constructive on the outlook for copper and expects increased copper production to have a positive impact on demand for mining equipment and product support. The Chilean government is business-friendly and has announced public investment in infrastructure which is expected to continue to benefit the construction sector and generate improved demand for construction equipment and product support in the medium term.

In Argentina, economic conditions remain challenging. The Argentine government has curtailed infrastructure spend, resulting in significantly reduced demand for construction equipment. Power systems markets continue to be steady. The Company expects oil and gas development at Vaca Muerta to proceed and provide meaningful upside potential for future equipment and product support demand.

Following the ERP system implementation in Q4 2018 in Chile, the Company elevated its parts inventory to support its customers through processing delays. The velocity of parts flow increased throughout Q1 2019 and was fully restored by the end of March. The Company expects a return to normal product support revenue run rates in Chile in Q2 2019 and reduction in inventory in the second half of the year. The South American operations are focused on leveraging the new ERP system to improve efficiencies and velocity, increase workforce productivity, and reduce the cost to serve. The Company expects South America's EBIT as a percentage of net revenue to be in the 8.5% to 9.0% range in the second half of the year.

UK & Ireland Operations

In the UK & Ireland, the Company is capitalizing on strong demand for power systems products in the industrial and electric power sectors. Activity levels in the quarry, general construction, and plant hire sectors are generating healthy demand for construction equipment and product support. The UK government's commitment to invest in large-scale rail, power, road, and airport infrastructure projects is expected to provide future opportunities for construction equipment sales and product support.

Uncertainty continues around Brexit and the impact of any resulting changes in the trade relationship with the European Union. The Company is monitoring all activities related to Brexit, and has developed a risk mitigation strategy with Caterpillar to manage the impact on the supply chain.

Improving ROIC

In 2019, the Company expects low revenue growth and improved Adjusted ROIC performance in all regions.

Various initiatives to reduce the cost to serve and advance operating improvements are expected to generate earnings torque. The Company took certain measures in Q1 2019 to restructure its Canadian and South American operations. By the end of 2019, the Company expects its global workforce to be 5% lower than at the end of 2018. In addition, global supply chain initiatives and disciplined inventory management are expected to increase capital efficiencies and support positive annual free cash flow.

Foreign Exchange Exposure

The Company expects on-going volatility in foreign exchange markets to continue to impact its results. Any devaluation of the CAD increases earnings translated from the Company's foreign subsidiaries. The opposite is true for any appreciation of the CAD. Transactional gains or losses are dependent on the Company's hedging activities and general market conditions.

Liquidity and Capital Resources

Management assesses liquidity in terms of the Company's ability to generate sufficient cash flow, along with other sources of liquidity including cash and borrowings, to fund its operations and growth in operations. Liquidity is affected by the following items:

- operating activities, including the level of accounts receivable, inventories, accounts payable, rental equipment, and financing provided to customers;
- investing activities, including property, plant, and equipment and intangible asset expenditures, acquisitions of complementary businesses, and divestitures of non-core businesses; and
- financing activities, including bank credit facilities, long-term debt, and other capital market activities, providing both short-term and long-term financing.

The magnitude of each of these items is shown in the following table:

3 months ended March 31 ($ millions)	**2019**	2018 [1]	(Decrease) Increase in cash
Cash used in operating activities	**$ (324)**	$ (242)	$ (82)
Cash used in investing activities	**$ (252)**	$ (21)	$ (231)
Cash provided by financing activities	**$ 418**	$ 117	$ 301
Free Cash Flow	**$ (347)**	$ (263)	$ (84)

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

The most significant contributors to the changes in cash flows for Q1 2019 over Q1 2018 were as follows:

Cash used in operating activities	• lower earnings in Q1 2019 than Q1 2018 from the Company's South American operations • higher use of cash for parts inventory purchases in the Company's South American operations and higher levels of service inventory in the Company's Canadian and South American operations • higher income taxes paid, particularly in the Company's Canadian operations • partly offset by higher accounts payable and other liabilities in the Company's South American operations, as well as, approximately $20 million lower cash outflow related to lease payments presented as financing cash outflows following the adoption of IFRS 16
Cash used in investing activities	• higher use of cash for the acquisition of 4Refuel
Cash used in financing activities	• approximately $350 million higher cash provided by short-term borrowings • partly offset by $31 million used to repurchase common shares in Q1 2019 ($nil in the same prior year period) and approximately $20 million higher use of cash related to lease payments presented as financing cash outflows in 2019 (operating cash outflow in Q1 2018)
Free Cash Flow generation	• higher use of cash largely due to higher purchases of inventory in 2019 • lower earnings from the Company's South American operations • partly offset by lower use of free cash flow due to the change in presentation of lease payments following the adoption of IFRS 16

Capital resources and management

The Company's cash and cash equivalents balance at March 31, 2019 was $290 million (December 31, 2018: $454 million). To complement the internally generated funds from operating and investing activities, the Company has $2.0 billion in unsecured credit facilities. Included in this amount is a syndicated committed credit facility totaling $1.3 billion with various Canadian and global financial institutions, of which $652 million was available at March 31, 2019.

Based on the availability of these facilities, the Company's business operating plans, and the discretionary nature of some of the cash outflows, such as rental and capital expenditures, the Company believes it continues to have sufficient liquidity to meet operational needs and planned growth and development.

The Company is subject to certain covenants in its syndicated committed credit facility. As at March 31, 2019, the Company was in compliance with these covenants.

The Company is rated [a] by both ***DBRS*** and ***S&P***:

	Long-term debt		Short-term debt	
	Mar 31, 2019	Dec 31, 2018	**Mar 31, 2019**	Dec 31, 2018
DBRS	BBB (high)	BBB (high)	R-2 (high)	R-2 (high)
S&P	BBB+	BBB+	***n/a***	n/a

During the first quarter of 2019, the Company repurchased 1,073,354 common shares for cancellation at an average cost of $24.75 per share (totalling $27 million) through an ***NCIB*** [b]. No common shares were repurchased in Q1 2018.

The Company is renewing its NCIB for a further year effective May 11, 2019. See the Company's Q1 2019 earnings release announcing the share repurchase plan for a summary of material terms, which is filed on SEDAR at www.sedar.com and on the Company's website.

Net Debt to EBITDA

The Company monitors net debt to Adjusted EBITDA to assess operating leverage and ability to repay debt. This ratio approximates the length of time, in years, that it would take the Company to repay its debt, with net debt and Adjusted EBITDA held constant.

March 31	**Company long-term target**	**2019**	2018 [1]
Net debt to Adjusted EBITDA Ratio	**< 3.0**	**2.6**	2.0

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

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

(b) A copy of the NCIB notice is available on request from the Company. Direct your request to the Corporate Secretary, 300 – 565 Great Northern Way, Vancouver, BC V5T 0H8.

Accounting Policies and Pronouncements

New Accounting Policy

Effective January 1, 2019, the Company adopted IFRS 16, *Leases.* The Company's new accounting policy and the impact of the adoption of the new accounting policy on the Company's financial results are disclosed in note 1 of the Company's Interim Financial Statements.

Risk Factors and Management

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

The Company is dedicated to a strong risk management culture to protect and enhance shareholder value. On a quarterly basis, the ***Audit Committee*** reviews the Company's process with respect to risk assessment and management of key risks, including the Company's major financial risks and exposures and the steps taken to monitor and control such exposures. The Audit Committee reviews any changes to the key risks on a quarterly basis. The Audit Committee also reviews the adequacy of disclosures of key risks in the Company's AIF, MD&A, and annual consolidated financial statements. All key financial risks are disclosed in the annual MD&A and other key business risks are disclosed in the Company's AIF.

Key exchange rates that impacted the Company's results were as follows:

Exchange rate	March 31			December 31		3 months ended March 31 – average		
	2019	2018	Change	2018	Change	**2019**	2018	Change
USD/CAD	**1.3363**	1.2894	(4)%	1.3642	2 %	**1.3295**	1.2647	(5)%
GBP/CAD	**1.7418**	1.8106	4 %	1.7439	0 %	**1.7316**	1.7601	2 %
USD/CLP	**681.09**	605.26	(13)%	695.69	2 %	**667.25**	602.16	(11)%
USD/ARS	**43.35**	20.15	(115)%	37.70	(15)%	**38.95**	19.68	(98)%

The impact of foreign exchange due to fluctuation in the value of the CAD relative to the USD, GBP, CLP, and ARS is expected to continue to affect Finning's results.

Controls and Procedures Certification

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the ***CEO*** and ***CFO***, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to them in a timely manner.

The Company has a Corporate Disclosure Policy and a Disclosure Committee in place to mitigate risks associated with the disclosure of inaccurate or incomplete information, or failure to disclose required information.

- The Corporate Disclosure Policy sets out accountabilities, authorized spokespersons, and Finning's approach to the determination, preparation, and dissemination of material information. The policy also defines restrictions on insider trading and the handling of confidential information.
- The Disclosure Committee, consisting of senior management and legal counsel, reviews all financial information prepared for communication to the public to ensure it meets all regulatory requirements. The Disclosure Committee is responsible for raising any outstanding issues it believes require the attention of the Audit Committee for that Committee's approval prior to recommending disclosure, subject to legal requirements applicable to disclosure of material information.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of the Company's internal control over financial reporting during the quarter ended March 31, 2019, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management employed additional procedures to ensure key financial internal controls remained in place during and after the conversion to a new ERP in the Company's South American operations in the second half of 2018. Management also performed additional account reconciliations and other analytical substantive procedures to mitigate any financial risks from the introduction of the new system.

On February 1, 2019, the Company acquired 4Refuel. As part of the post-closing integration, the Company is engaged in harmonizing the internal controls and processes of the acquired business with those of the Company. In keeping with scope limitation provisions of applicable securities laws, management intends to exclude the design and operating effectiveness assessment of internal controls over financial reporting of 4Refuel from its annual assessment of the effectiveness of the Company's internal control over financial reporting for 2019. Additional information regarding the acquisition can be found on page 10 of this MD&A.

Regular involvement of the Company's internal audit function and quarterly reporting to the Audit Committee assist in providing reasonable assurance that the objectives of the control system are met. While the officers of the Company have designed the Company's disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that the objectives of the control systems are met, they are aware that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Outstanding Share Data

As at May 2, 2019	
Common shares outstanding	163,309,949
Options outstanding	3,054,416

Description of Non-GAAP Financial Measures and Reconciliations

Management believes that certain non-GAAP financial measures provide users of the Company’s MD&A and consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. Management uses KPIs to consistently measure performance against the Company’s priorities across the organization. KPIs, including those that are expressed as ratios, are non-GAAP financial measures. The non-GAAP financial measures used by management do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for GAAP measures as determined in accordance with IFRS. By considering these measures in combination with the comparable IFRS financial measures, where available, 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 financial measures alone.

A description of the non-GAAP financial measures used by the Company in this MD&A is set out below. A quantitative reconciliation from each non-GAAP financial measure to their most directly comparable measure, where available, specified, defined, or determined under GAAP and used in the Company’s consolidated financial statements (GAAP measures) can be found on pages 24 - 31 of this MD&A.

Adjusted net income and Adjusted basic EPS

Adjusted net income excludes from net income (as disclosed in the Company’s Interim Financial Statements) the after-tax amounts of significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company’s underlying business performance. The tax impact of each significant item is calculated by applying the relevant applicable tax rate for the jurisdiction in which the significant item occurred.

Adjusted basic EPS is calculated by dividing Adjusted net income by the weighted average number of common shares outstanding during the period.

The most directly comparable GAAP measure to Adjusted net income and Adjusted basic EPS are net income and basic EPS, respectively. A reconciliation from net income and basic EPS to Adjusted net income and Adjusted basic EPS can be found on page 5 of this MD&A.

EBITDA, Adjusted EBITDA, and Adjusted EBIT

EBITDA is defined as earnings before finance costs, income taxes, depreciation, and amortization and is utilized by management to assess and evaluate the financial performance of its reportable segments. Management believes that EBITDA improves comparability between periods by eliminating the impact of finance costs, income taxes, depreciation, and amortization. EBITDA is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses and is a common valuation metric.

Management may also calculate an Adjusted EBIT and Adjusted EBITDA to exclude items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company’s underlying business performance.

EBITDA is calculated by adding depreciation and amortization to EBIT. Adjusted EBITDA is calculated by adding depreciation and amortization to Adjusted EBIT.

The most directly comparable GAAP measure to EBITDA is EBIT.

A reconciliation from EBIT to EBITDA, Adjusted EBIT, and Adjusted EBITDA for the consolidated operations for the last nine quarters is as follows:

3 months ended	**2019**	2018 [1]				2017 (Restated) [1][2]			
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
EBIT	**$ 62**	$ 91	$ 93	$ 126	$ 113	$ 109	$ 100	$ 97	$ 86
Depreciation and amortization	**72**	49	49	45	44	45	46	48	45
EBITDA	**$ 134**	$ 140	$ 142	$ 171	$ 157	$ 154	$ 146	$ 145	$ 131
EBITDA – last 12 months	**$ 587**	$ 610	$ 624	$ 628	$ 602	$ 576	$ 487	$ 460	$ 392
EBIT	**$ 62**	$ 91	$ 93	$ 126	$ 113	$ 109	$ 100	$ 97	$ 86
Significant items:									
Severance costs	**18**	—	—	—	—	5	—	—	—
Facility closure related restructuring costs and impairment losses	**7**	—	—	—	—	—	—	—	—
Acquisition costs related to 4Refuel	**4**	—	—	—	—	—	—	—	—
Write-off and loss related to Energyst	**—**	—	30	—	—	—	—	—	—
Insurance proceeds from Alberta wildfires	**—**	—	—	—	(7)	(4)	—	—	—
Adjusted EBIT	**$ 91**	$ 91	$ 123	$ 126	$ 106	$ 110	$ 100	$ 97	$ 86
Depreciation and amortization	**72**	49	49	45	44	45	46	48	45
Adjusted EBITDA	**$ 163**	$ 140	$ 172	$ 171	$ 150	$ 155	$ 146	$ 145	$ 131
Adjusted EBIT – last 12 months	**$ 431**	$ 446	$ 465	$ 442	$ 413	$ 393	$ 353	$ 326	$ 292
Adjusted EBITDA – last 12 months	**$ 646**	$ 633	$ 648	$ 622	$ 596	$ 577	$ 539	$ 512	$ 478

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the Canadian operations for the last nine quarters is as follows:

3 months ended	**2019**	2018 (1)				2017 (Restated) (1)(2)			
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
EBIT	**$ 50**	$ 71	$ 78	$ 77	$ 71	$ 67	$ 57	$ 55	$ 46
Significant items:									
Severance costs	**10**	—	—	—	—	3	—	—	—
Facility closure related restructuring costs and impairment losses	**7**	—	—	—	—	—	—	—	—
Insurance proceeds from Alberta wildfires	**—**	—	—	—	(7)	(4)	—	—	—
Adjusted EBIT	**$ 67**	$ 71	$ 78	$ 77	$ 64	$ 66	$ 57	$ 55	$ 46
Depreciation and amortization	**43**	26	26	22	22	24	25	26	24
Adjusted EBITDA	**$ 110**	$ 97	$ 104	$ 99	$ 86	$ 90	$ 82	$ 81	$ 70
Adjusted EBIT – last 12 months	**$ 293**	$ 290	$ 285	$ 264	$ 242	$ 224	$ 202	$ 182	$ 167

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the South American operations for the last nine quarters is as follows:

3 months ended	**2019**	2018 (1)				2017 (Restated) (1)(2)			
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
EBIT	**$ 6**	$ 12	$ 37	$ 47	$ 46	$ 50	$ 48	$ 42	$ 44
Significant items:									
Severance costs	**8**	—	—	—	—	2	—	—	—
Adjusted EBIT	**$ 14**	$ 12	$ 37	$ 47	$ 46	$ 52	$ 48	$ 42	$ 44
Depreciation and amortization	**20**	17	15	15	15	15	13	15	15
Adjusted EBITDA	**$ 34**	$ 29	$ 52	$ 62	$ 61	$ 67	$ 61	$ 57	$ 59
Adjusted EBIT – last 12 months	**$ 110**	$ 142	$ 182	$ 193	$ 188	$ 186	$ 171	$ 163	$ 160

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the UK & Ireland operations for the last nine quarters is as follows:

3 months ended	**2019**	2018 (1)				2017 (Restated) (1)(2)			
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Reported and Adjusted EBIT (3)	**$ 13**	$ 12	$ 15	$ 14	$ 10	$ 8	$ 9	$ 13	$ 7
Depreciation and amortization	**9**	6	8	7	7	6	7	7	6
Adjusted EBITDA (3)	**$ 22**	$ 18	$ 23	$ 21	$ 17	$ 14	$ 16	$ 20	$ 13
Adjusted EBIT – last 12 months (3)	**$ 54**	$ 51	$ 47	$ 41	$ 40	$ 37	$ 37	$ 38	$ 20

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

(3) There have been no significant items adjusted in the UK & Ireland operations since Q2 2016, therefore the Adjusted metrics for all periods presented above are the same as the reported metrics.

Adjusted EBIT as a percentage of net revenue, EBITDA as a percentage of net revenue, and Adjusted EBITDA as a percentage of net revenue

These measures are defined, respectively, as Adjusted EBIT divided by total net revenue, EBITDA divided by total net revenue, and Adjusted EBITDA divided by net revenue, using net revenue as calculated on page 29 for the Company's Consolidated operations and as disclosed in the Company's Interim Financial Statements for the Company's Canadian, South American, and UK & Ireland operations. Management uses these measures to assess and evaluate the financial performance or profitability of its reportable segments.

Equipment Backlog and Order Intake

The Company's global equipment backlog is defined as the retail value of new equipment units ordered by customers for future deliveries. Order intake represents committed new equipment orders. Management uses equipment backlog and order intake as measures of projecting future new equipment deliveries. There are no directly comparable IFRS measures for equipment backlog and order intake.

Free Cash Flow

Free Cash Flow is defined as cash flow provided by (used in) operating activities less net additions to property, plant, and equipment and intangible assets, as disclosed in the Company's Interim Financial Statements. Free Cash Flow is a measure used by the Company to assess cash operating performance and the ability to raise and service debt. A reconciliation of Free Cash Flow is as follows:

3 months ended	**2019**	2018 [(1)]				2017 [(1)]			
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Cash flow (used in) provided by operating activities	**$ (324)**	$ 490	$ (6)	$ 18	$ (242)	$ 398	$ 55	$ (112)	$ (58)
Additions to property, plant, and equipment and intangible assets	**(23)**	(77)	(46)	(46)	(32)	(49)	(33)	(20)	(19)
Proceeds on disposal of property, plant, and equipment	**-**	5	3	—	11	1	—	1	1
Free Cash Flow	**$ (347)**	$ 418	$ (49)	$ (28)	$ (263)	$ 350	$ 22	$ (131)	$ (76)

Inventory Turns (Dealership)

Inventory Turns (Dealership) is the number of times the Company's dealership inventory is sold and replaced over a period and is used by management as a measure of asset utilization. Inventory Turns (Dealership) is calculated as annualized cost of sales (excluding cost of sales related to the mobile refueling operations) for the last six months divided by average inventory (excluding fuel inventory), based on an average of the last two quarters, as follows:

	2019	2018 [(1)]				2017 (Restated) [(1)(2)]			
($ millions, except as noted)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Cost of sales – annualized	**$ 5,618**	$ 5,470	$ 5,139	$ 4,987	$ 5,056	$ 4,862	$ 4,590	$ 4,342	$ 4,240
Cost of sales related to mobile refueling operations – annualized	**198**	—	—	—	—	—	—	—	—
Cost of sales related to the dealership – annualized	**$ 5,420**	$ 5,470	$ 5,139	$ 4,987	$ 5,056	$ 4,862	$ 4,590	$ 4,342	$ 4,240
Inventory – 2 quarter average	**$ 2,209**	$ 2,039	$ 1,992	$ 1,937	$ 1,807	$ 1,726	$ 1,767	$ 1,720	$ 1,624
Fuel inventory – 2 quarter average	**1**	—	—	—	—	—	—	—	—
Inventory related to the dealership – 2 quarter average	**$ 2,208**	$ 2,039	$ 1,992	$ 1,937	$ 1,807	$ 1,726	$ 1,767	$ 1,720	$ 1,624
Inventory turns (dealership) (number of times)	**2.46**	2.68	2.58	2.57	2.80	2.82	2.60	2.52	2.61

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

Invested Capital

Invested capital is calculated as net debt plus shareholders' equity. Invested capital is also calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term and long-term debt, net of cash. Management uses invested capital as a measure of the total cash investment made in the Company and each reportable segment. Management uses invested capital in a number of different measurements in assessing financial performance against other companies and between reportable segments. The calculation of invested capital is as follows:

	2019	2018 [1]				2017 (Restated) [1)2)]			
($ millions, except as noted)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Cash and cash equivalents	**$ (290)**	$ (454)	$ (221)	$ (300)	$ (325)	$ (458)	$ (516)	$ (411)	$ (489)
Short-term debt	**658**	154	223	213	169	18	32	102	16
Current portion of long-term debt	**—**	—	—	—	—	—	350	350	—
Long-term debt	**1,341**	1,354	1,315	1,330	1,322	1,296	1,291	1,116	1,481
Net debt	**1,709**	1,054	1,317	1,243	1,166	856	1,157	1,157	1,008
Shareholders' equity	**2,044**	2,109	2,114	2,119	2,060	1,974	1,938	1,951	1,932
Invested capital	**$ 3,753**	$ 3,163	$ 3,431	$ 3,362	$ 3,226	$ 2,830	$ 3,095	$ 3,108	$ 2,940

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

Invested Capital Turnover

Invested capital turnover is used by management as a measure of efficiency in the use of the Company's invested capital and is calculated as net revenue (defined on page 29) for the last twelve months divided by invested capital (defined on page 27) based on an average of the last four quarters, as follows:

	2019	2018 [1]				2017 (Restated) [1][2]			
($ millions, except as noted)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Consolidated									
Net revenue – last 12 months	**$ 7,045**	$ 6,996	$ 6,887	$ 6,670	$ 6,525	$ 6,256	$ 6,014	$ 5,809	$ 5,535
Invested capital – 4 quarter average	**$ 3,427**	$ 3,295	$ 3,212	$ 3,128	$ 3,065	$ 2,993	$ 2,989	$ 2,944	$ 2,927
Invested capital turnover (number of times)	**2.06**	2.12	2.14	2.13	2.13	2.09	2.01	1.97	1.89
Canada									
Net revenue – last 12 months	**$ 3,729**	$ 3,674	$ 3,525	$ 3,351	$ 3,234	$ 3,072	$ 2,932	$ 2,815	$ 2,659
Invested capital – 4 quarter average	**$ 1,888**	$ 1,795	$ 1,782	$ 1,746	$ 1,727	$ 1,690	$ 1,684	$ 1,660	$ 1,643
Invested capital turnover (number of times)	**1.98**	2.05	1.98	1.92	1.87	1.82	1.74	1.70	1.62
South America									
Net revenue – last 12 months	**$ 2,123**	$ 2,170	$ 2,250	$ 2,241	$ 2,206	$ 2,157	$ 2,103	$ 2,015	$ 1,930
Invested capital – 4 quarter average	**$ 1,195**	$ 1,169	$ 1,117	$ 1,091	$ 1,060	$ 1,032	$ 1,036	$ 1,024	$ 1,031
Invested capital turnover (number of times)	**1.78**	1.86	2.01	2.05	2.08	2.09	2.03	1.97	1.87
UK & Ireland									
Net revenue – last 12 months	**$ 1,193**	$ 1,152	$ 1,112	$ 1,078	$ 1,085	$ 1,027	$ 979	$ 979	$ 946
Invested capital – 4 quarter average	**$ 368**	$ 358	$ 337	$ 314	$ 298	$ 288	$ 282	$ 267	$ 256
Invested capital turnover (number of times)	**3.25**	3.22	3.30	3.44	3.65	3.56	3.47	3.66	3.69

Net Debt to EBITDA Ratio and Net Debt to Adjusted EBITDA Ratio

These ratios are calculated, respectively, as net debt, defined and calculated above, divided by EBITDA, and net debt divided by Adjusted EBITDA, for the last twelve months. Management uses these ratios to assess the Company's operating leverage and ability to repay its debt. These ratios approximate the length of time, in years, that it would take the Company to repay its debt, with net debt and EBITDA or Adjusted EBITDA held constant. These ratios are calculated as follows:

	2019	2018 [1]				2017 (Restated) [1][2]			
($ millions, except as noted)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Net debt	**$ 1,709**	$ 1,054	$ 1,317	$ 1,243	$ 1,166	$ 856	$ 1,157	$ 1,157	$ 1,008
EBITDA – last 12 months	**$ 587**	$ 610	$ 624	$ 628	$ 602	$ 576	$ 487	$ 460	$ 392
Adjusted EBITDA – last 12 months	**$ 646**	$ 633	$ 648	$ 622	$ 596	$ 577	$ 539	$ 512	$ 478
Net Debt to EBITDA Ratio	**2.9**	1.7	2.1	2.0	1.9	1.5	2.4	2.5	2.6
Net Debt to Adjusted EBITDA Ratio	**2.6**	1.7	2.0	2.0	2.0	1.5	2.1	2.3	2.1

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

Net Revenue, Gross Profit as a % of Net Revenue, SG&A as a $ of Net Revenue, EBTIDA as a % of Net Revenue, and EBIT as a % of Net Revenue

Net revenue is defined as total revenue (as disclosed in the Company's Interim Financial Statements) less the cost of fuel related to the mobile refueling operations in the Company's Canadian operations. As these fuel costs are pass-through in nature for this business, management views net revenue as more representative in assessing the performance of the business because the rack price for the cost of fuel is not in the Company's control and is fully passed through to the customer. For 2018 results of all operations in this MD&A, net revenue is the same as total revenue. For 2019 results of the Company's South American and UK & Ireland operations net revenue is the same as total revenue.

The Company's results and non-GAAP financial measures, including KPIs and ratios, which prior to Q1 2019 were calculated using total revenue or sales are calculated from Q1 2019 and going forward using net revenue.

The most directly comparable GAAP measure to net revenue is total revenue. The ratios are calculated, respectively, as gross profit divided by net revenue, SG&A divided by net revenue, EBITDA divided by net revenue, and EBIT divided by net revenue. Net revenue and these ratios are calculated as follows:

	2019	2018 [1]				2017 (Restated) [1][2]			
($ millions, except as noted)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Total revenue	**$ 1,810**	$ 1,842	$ 1,755	$ 1,729	$ 1,670	$ 1,733	$ 1,538	$ 1,584	$ 1,401
Cost of fuel	**(91)**	—	—	—	—	—	—	—	—
Net revenue	**$ 1,719**	$ 1,842	$ 1,755	$ 1,729	$ 1,670	$ 1,733	$ 1,538	$ 1,584	$ 1,401
Gross profit	**$ 430**	$ 413	$ 449	$ 466	$ 440	$ 434	$ 405	$ 422	$ 393
Gross profit as a % of net revenue	***25.0%***	*22.4%*	*25.6%*	*26.9%*	*26.3%*	*25.1%*	*26.4%*	*26.6%*	*28.0%*
SG&A	**$ 343**	$ 324	$ 330	$ 345	$ 328	$ 326	$ 307	$ 331	$ 307
SG&A as a % of net revenue	***20.0%***	*17.6%*	*18.9%*	*19.9%*	*19.6%*	*18.8%*	*20.0%*	*20.9%*	*21.9%*
EBITDA	**$ 134**	$ 140	$ 142	$ 171	$ 157	$ 154	$ 146	$ 145	$ 131
EBITDA as a % of net revenue	***7.8%***	*7.6%*	*8.1%*	*9.9%*	*9.4%*	*8.9%*	*9.5%*	*9.1%*	*9.3%*
Adjusted EBITDA	**$ 163**	$ 140	$ 172	$ 171	$ 150	$ 155	$ 146	$ 145	$ 131
Adjusted EBITDA as a % of net revenue	***9.4%***	*7.6%*	*9.7%*	*9.9%*	*9.0%*	*9.0%*	*9.5%*	*9.1%*	*9.3%*
EBIT	**$ 62**	$ 91	$ 93	$ 126	$ 113	$ 109	$ 100	$ 97	$ 86
EBIT as a % of net revenue	***3.6%***	*4.9%*	*5.3%*	*7.3%*	*6.8%*	*6.3%*	*6.5%*	*6.1%*	*6.1%*
Adjusted EBIT	**$ 91**	$ 91	$ 123	$ 126	$ 106	$ 110	$ 100	$ 97	$ 86
Adjusted EBIT as a % of net revenue	***5.3%***	*4.9%*	*7.0%*	*7.3%*	*6.4%*	*6.4%*	*6.5%*	*6.1%*	*6.1%*

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

ROIC and Adjusted ROIC

Return on Invested Capital, or ROIC, is defined as EBIT for the last twelve months divided by invested capital (defined above), based on an average of the last four quarters, expressed as a percentage.

Management views ROIC (at a consolidated and reportable segment level), as a useful measure for supporting investment and resource allocation decisions, as it adjusts for certain items that may affect comparability between certain competitors and segments. Management may also calculate an Adjusted ROIC using Adjusted EBIT to exclude significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company's underlying business performance.

ROIC and Adjusted ROIC are calculated as follows:

	2019	2018 [1]				2017 (Restated) [1][2]			
($ millions, except as noted)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Consolidated									
EBIT – last 12 months	**$ 372**	$ 423	$ 441	$ 448	$ 419	$ 392	$ 301	$ 274	$ 206
Adjusted EBIT – last 12 months	**$ 431**	$ 446	$ 465	$ 442	$ 413	$ 393	$ 353	$ 326	$ 292
Invested capital – 4 quarter average	**$ 3,427**	$ 3,295	$ 3,212	$ 3,128	$ 3,065	$ 2,993	$ 2,989	$ 2,944	$ 2,927
ROIC	**10.8%**	12.8%	13.7%	14.3%	13.7%	13.1%	10.1%	9.3%	7.1%
Adjusted ROIC	**12.5%**	13.5%	14.5%	14.2%	13.5%	13.1%	11.8%	11.1%	10.0%
Canada									
EBIT – last 12 months	**$ 276**	$ 297	$ 293	$ 272	$ 250	$ 225	$ 155	$ 135	$ 108
Adjusted EBIT – last 12 months	**$ 293**	$ 290	$ 285	$ 264	$ 242	$ 224	$ 202	$ 182	$ 167
Invested capital – 4 quarter average	**$ 1,888**	$ 1,795	$ 1,782	$ 1,746	$ 1,727	$ 1,690	$ 1,684	$ 1,660	$ 1,643
ROIC	**14.6%**	16.6%	16.4%	15.5%	14.5%	13.3%	9.2%	8.1%	6.6%
Adjusted ROIC	**15.5%**	16.2%	16.0%	15.1%	14.0%	13.2%	12.0%	11.0%	10.2%
South America									
EBIT – last 12 months	**$ 102**	$ 142	$ 180	$ 191	$ 186	$ 184	$ 161	$ 153	$ 149
Adjusted EBIT – last 12 months	**$ 110**	$ 142	$ 182	$ 193	$ 188	$ 186	$ 171	$ 163	$ 160
Invested capital – 4 quarter average	**$ 1,195**	$ 1,169	$ 1,117	$ 1,091	$ 1,060	$ 1,032	$ 1,036	$ 1,024	$ 1,031
ROIC	**8.6%**	12.2%	16.2%	17.5%	17.6%	17.8%	15.5%	14.9%	14.5%
Adjusted ROIC	**9.2%**	12.2%	16.4%	17.7%	17.8%	18.1%	16.5%	16.0%	15.6%
UK & Ireland									
EBIT – last 12 months	**$ 54**	$ 51	$ 47	$ 41	$ 40	$ 37	$ 37	$ 38	$ (1)
Adjusted EBIT – last 12 months	**$ 54**	$ 51	$ 47	$ 41	$ 40	$ 37	$ 37	$ 38	$ 20
Invested capital – 4 quarter average	**$ 368**	$ 358	$ 337	$ 314	$ 298	$ 288	$ 282	$ 267	$ 256
ROIC	**14.8%**	14.2%	14.0%	13.2%	13.4%	12.8%	12.9%	13.9%	(0.5)%
Adjusted ROIC	**14.8%**	14.2%	14.0%	13.2%	13.4%	12.8%	12.9%	13.9%	7.7%

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

Working Capital and Working Capital to Net Revenue Ratio

Working capital is defined as total current assets (excluding cash and cash equivalents) less total current liabilities (excluding short-term debt and current portion of long-term debt). Management views working capital as a measure for assessing overall liquidity.

The working capital to net revenue ratio is calculated as working capital, based on an average of the last four quarters, divided by net revenue for the last twelve months. This is a useful KPI for management in assessing the Company's efficiency in its use of working capital to generate net revenue.

The working capital to net revenue ratio is calculated as follows:

	2019	2018 [1]				2017 (Restated) [1][2]			
($ millions, except as noted)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Total current assets	**$ 4,187**	$ 3,924	$ 3,696	$ 3,763	$ 3,687	$ 3,531	$ 3,566	$ 3,493	$ 3,389
Cash and cash equivalents	**(290)**	(454)	(221)	(300)	(325)	(458)	(516)	(411)	(489)
Total current assets [3]	**$ 3,897**	$ 3,470	$ 3,475	$ 3,463	$ 3,362	$ 3,073	$ 3,050	$ 3,082	$ 2,900
Total current liabilities	**$ 2,574**	$ 1,992	$ 1,734	$ 1,742	$ 1,626	$ 1,545	$ 1,648	$ 1,703	$ 1,232
Short-term debt	**(658)**	(154)	(223)	(213)	(169)	(18)	(32)	(102)	(16)
Current portion of long-term debt	**—**	—	—	—	—	—	(350)	(350)	—
Total current liabilities [4]	**$ 1,916**	$ 1,838	$ 1,511	$ 1,529	$ 1,457	$ 1,527	$ 1,266	$ 1,251	$ 1,216
Working capital	**$ 1,981**	$ 1,632	$ 1,964	$ 1,934	$ 1,905	$ 1,546	$ 1,784	$ 1,831	$ 1,684
Working capital – 4 quarter average	**$ 1,878**	$ 1,859	$ 1,837	$ 1,793	$ 1,767	$ 1,712	$ 1,717	$ 1,690	$ 1,687
Net revenue – last 12 months	**$ 7,045**	$ 6,996	$ 6,887	$ 6,670	$ 6,525	$ 6,256	$ 6,014	$ 5,809	$ 5,535
Working capital to net revenue	**26.7%**	26.6%	26.7%	26.9%	27.1%	27.4%	28.6%	29.1%	30.5%

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

(3) Excluding cash and cash equivalents.

(4) Excluding short-term debt and current portion of long-term debt.

Selected Quarterly Information

($ millions, except for share, per share, and option amounts)	2019	2018 (1)				2017 (Restated) (1)(2)		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue from operations (3)								
Canada	**$ 998**	$ 1,005	$ 910	$ 907	$ 852	$ 856	$ 736	$ 790
South America	**505**	509	558	551	552	589	549	516
UK & Ireland	**307**	328	287	271	266	288	253	278
Total revenue	**$ 1,810**	$ 1,842	$ 1,755	$ 1,729	$ 1,670	$ 1,733	$ 1,538	$ 1,584
Net income (3)(4)	**$ 28**	$ 55	$ 25	$ 81	$ 71	$ 64	$ 50	$ 55
Earnings Per Share (3)(4)								
Basic EPS	**$ 0.17**	$ 0.33	$ 0.15	$ 0.48	$ 0.42	$ 0.38	$ 0.29	$ 0.33
Diluted EPS	**$ 0.17**	$ 0.33	$ 0.15	$ 0.48	$ 0.42	$ 0.38	$ 0.29	$ 0.33
Total assets (3)	**$ 6,459**	$ 5,696	$ 5,413	$ 5,457	$ 5,254	$ 5,069	$ 5,111	$ 5,002
Long-term debt								
Current	**$ —**	$ —	$ —	$ —	$ —	$ —	$ 350	$ 350
Non-current	**1,341**	1,354	1,315	1,330	1,322	1,296	1,291	1,116
Total long-term debt (5)	**$ 1,341**	$ 1,354	$ 1,315	$ 1,330	$ 1,322	$ 1,296	$ 1,641	$ 1,466
Cash dividends paid per common share	**20.00¢**	20.00¢	20.00¢	20.00¢	19.00¢	19.00¢	19.00¢	18.25¢
Common shares outstanding (000's)	**163,310**	164,382	168,191	168,184	168,401	168,267	168,118	168,097
Options outstanding (000's)	**3,055**	3,164	3,226	3,241	3,301	3,864	4,574	4,755

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

(3) In February 2019, the Company acquired 4Refuel in its Canadian reportable segment. The results of operations and financial position of this acquired business have been included in the figures since the date of acquisition.

(4) Results were impacted by the following significant items:

($ millions except per share amounts)	2019	2018 (a)		2017 (a)	
	Q1	Q3	Q1	Q4	Q3
Severance costs	**$ 18**	$ —	$ —	$ 5	$ —
Facility closure related restructuring costs and impairment losses	**7**	—	—	—	—
Acquisition costs related to 4Refuel	**4**	—	—	—	—
Write-off and loss related to Energyst	**—**	30	—	—	—
Insurance proceeds from Alberta wildfires	**—**	—	(7)	(4)	—
Impact of significant items on EBIT	**$ 29**	$ 30	$ (7)	$ 1	$ —
Significant items impacting EBIT - impact on basic EPS	**$ 0.13**	$ 0.18	$ (0.03)	$ 0.01	$ —
Significant items impacting net income only (below EBIT) - impact on basic EPS:					
Tax impact of devaluation of ARS ($20 million)	**—**	0.12	—	—	—
Redemption costs on early repayment of long-term debt ($7 million after tax)	**—**	—	—	—	0.04
Impact of significant items on basic EPS:	**$ 0.13**	$ 0.30	$ (0.03)	$ 0.01	$ 0.04

(a) There were no adjustments in Q4 2018, Q2 2018, and Q2 2017.

(5) In September 2017, the Company issued $200 million of 2.84% senior unsecured Notes, due September 29, 2021. Proceeds from the issuance of the Notes were used to redeem, prior to maturity, all of the outstanding $350 million 6.02% ***MTNs*** due June 1, 2018.

In December 2018, the Company amended its previous $1 billion credit facility which was set to fully mature in October 2022 by, among other things, extending the maturity date to December 2023 and increasing the credit facility commitment to $1.3 billion.

Forward-Looking Disclaimer

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 results from execution of the Company's strategic framework, including the Company's Global Strategic Priorities and strategic pillars; expected synergies to the Canadian operations from the 4Refuel acquisition; in Canada, activity levels from mining producers and contractors, demand for mining, oil sands, construction and pipeline equipment, parts and product support, demand for power systems products, competitive market conditions, upcoming infrastructure projects, activity in the oil and gas sector and gas compression sector, and union collective agreement negotiations; in South America, the impact of trade tensions on the price of copper, the outlook for copper and copper production, expected return to a normal product support revenue run rate in Chile in Q2 2019 and reduction in inventory in the second half of the year, expected South America's EBIT as a percentage of net revenue to be in the 8.5% to 9.0% range in the second half of the year, expected demand for mining and construction equipment and product support as a result of copper production and expected increases in copper production, expectations regarding the Chilean government's public investment in infrastructure and resulting demand for construction equipment and product support, expectations regarding the Argentina government's level of public investment in infrastructure and the expectation that oil and gas development will proceed at Vaca Muerta in Argentina and provide meaningful upside for future equipment and product support demand; in the UK & Ireland, demand for power systems in the industrial and electric power segments, future opportunities for construction equipment sales and product support in the quarry, general construction, and plant hire sectors; the Company's risk mitigation strategy with respect to Brexit; expected impact of and volatility in foreign exchange markets; expected revenue and free cash flow; expected profitability levels; expected annual effective tax rate; expected ROIC performance; expected cost and financial benefits and operating improvements of various initiatives being taken by the Company, including those related to workforce, facilities, global supply chain and disciplined inventory management, expectations that by the end of 2019 the global workforce will be 5% lower than at the end of 2018; Finning's belief that it continues to have sufficient liquidity to meet operational needs and planned growth and development; the Company's commitment to improving ROIC; the expected impact of recently adopted accounting standards and interpretation or future expected changes; and Finning's plans to manage its financial risks and uncertainties. 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 this 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 impact of Brexit and changes in the trade relationship with the European union; 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 negotiate satisfactory purchase or investment terms and prices, obtain necessary approvals, and secure financing on attractive terms or at all; Finning's ability to manage its growth strategy effectively; Finning's ability to effectively price and manage long-term product support contracts with its customers; 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 occurrence of one or more natural disasters, pandemic outbreaks, geo-political events, acts of terrorism or similar disruptions; fluctuations in defined benefit pension plan contributions and related pension expenses; the availability of insurance at commercially reasonable rates or that the amount of insurance coverage will be adequate to cover all liability or loss incurred by Finning; the potential of warranty claims being greater than Finning anticipates; 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 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 including but not limited to (i) that general economic and market conditions will be maintained; (ii) that the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services will be maintained; (iii) Finning's ability to successfully execute its plans and intentions; (vi) Finning's ability to attract and retain skilled staff; (iv) market competition; (v) the products and technology offered by the Company's competitors; and (vi) that our current good relationships with Caterpillar, our suppliers, service providers and other third parties will be maintained. Refer in particular to the Outlook section of this 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 operation.

Glossary of Defined Terms

4Refuel	4Refuel Canada and 4Refuel US
AIF	Annual Information Form
ARS	Argentine Peso
Audit Committee	Audit committee of the Board of Directors
CAD	Canadian dollar
Caterpillar	Caterpillar Inc.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLP	Chilean Peso
Company	Finning International Inc.
Consol	Consolidated
DBRS	Dominion Bond Rating Service
EBIT	Earnings (loss) before finance costs and income tax
EBITDA	Earnings (loss) before finance costs, income tax, depreciation, and amortization
Energyst	Energyst B.V.
EPS	Earnings per share
ERM	Enterprise risk management
ERP	Enterprise Resource Planning
fav	Favourable
Finning	Finning International Inc.
GAAP	Generally accepted accounting principles
GBP	UK pound sterling
IAMAW Local 99	International Association of Machinists and Aerospace Workers Union Local 99
IAS	International Accounting Standards
Interim Financial Statements	Interim condensed consolidated financial statements
IFRS	International Financial Reporting Standards
KPI	Key performance indicator
MD&A	Management's Discussion and Analysis
MTNs	Medium term notes
n/a	not applicable
n/m	% change not meaningful
NCIB	Normal course issuer bid
OEM	OEM Remanufacturing Company Inc.
PLM	PipeLine Machinery International
ROIC	Return on invested capital
S&P	Standard and Poor's
SEDAR	System for Electronic Document Analysis
SG&A	Selling, general, and administrative costs
unfav	Unfavourable
USD	US dollar

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian $ millions)		March 31, 2019		December 31, 2018
ASSETS				
Current assets				
Cash and cash equivalents	$	**290**	$	454
Accounts receivable		**1,023**		969
Unbilled work in progress		**199**		152
Inventories		**2,356**		2,061
Other assets		**319**		288
Total current assets		**4,187**		3,924
Property, plant, and equipment		**924**		645
Rental equipment		**452**		441
Intangible assets		**299**		176
Goodwill		**181**		120
Distribution network		**100**		100
Investments in joint ventures and associate		**88**		87
Other assets		**228**		203
Total assets	$	**6,459**	$	5,696
LIABILITIES				
Current liabilities				
Short-term debt (Note 5)	$	**658**	$	154
Accounts payable and accruals		**1,390**		1,220
Deferred revenue		**451**		517
Provisions		**52**		46
Other liabilities		**23**		55
Total current liabilities		**2,574**		1,992
Long-term debt		**1,341**		1,354
Long-term lease liability		**249**		25
Net post-employment obligation		**84**		72
Other liabilities		**167**		144
Total liabilities	$	**4,415**	$	3,587
SHAREHOLDERS' EQUITY				
Share capital	$	**569**	$	573
Accumulated other comprehensive income		**260**		282
Retained earnings		**1,215**		1,254
Total shareholders' equity		**2,044**		2,109
Total liabilities and shareholders' equity	$	**6,459**	$	5,696

The accompanying Notes to the Interim Condensed Consolidated Financial Statements are an integral part of these statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

3 months ended March 31 **(Canadian $ millions, except share and per share amounts)**		**2019**		2018
Revenue				
New equipment	**$**	**664**	$	584
Used equipment		**81**		96
Equipment rental		**58**		50
Product support		**896**		936
Fuel and other		**111**		4
Total revenue		**1,810**		1,670
Cost of sales		**(1,380)**		(1,230)
Gross profit		**430**		440
Selling, general, and administrative expenses		**(343)**		(328)
Equity earnings of joint ventures and associate		**4**		1
Other expenses (Note 4)		**(29)**		—
Earnings before finance costs and income taxes		**62**		113
Finance costs (Note 5)		**(24)**		(18)
Income before provision for income taxes		**38**		95
Provision for income taxes		**(10)**		(24)
Net income	**$**	**28**	$	71

Earnings per share (Note 3)				
Basic	**$**	**0.17**	$	0.42
Diluted	**$**	**0.17**	$	0.42
Weighted average number of shares outstanding (Note 3)				
Basic		**163,781,185**		168,345,298
Diluted		**163,872,602**		169,174,420

The accompanying Notes to the Interim Condensed Consolidated Financial Statements are an integral part of these statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

3 months ended March 31 (Canadian $ millions)	2019	2018
Net income	**$ 28**	$ 71
Other comprehensive (loss) income, net of income tax		
Items that may be subsequently reclassified to net income:		
Foreign currency translation adjustments	**(33)**	62
Share of foreign currency translation adjustments of joint ventures and associate	**(1)**	—
Gain (loss) on net investment hedges	**14**	(25)
Impact of foreign currency translation and net investment hedges, net of income tax	**(20)**	37
Loss on cash flow hedges	**(3)**	(1)
Loss on cash flow hedges, reclassified to net income	**—**	1
Income tax recovery on cash flow hedges	**1**	—
Impact of cash flow hedges, net of income tax	**(2)**	—
Items that will not be subsequently reclassified to net income:		
Actuarial (loss) gain (Note 6)	**(15)**	10
Income tax recovery (expense) on actuarial (loss) gain	**4**	(1)
Actuarial (loss) gain, net of income tax	**(11)**	9
Total comprehensive (loss) income	**$ (5)**	$ 117

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Share Capital			Accumulated Other Comprehensive Income			
(Canadian $ millions, except number of shares)	Number of shares	Amount	Contributed Surplus	Impact of Foreign Currency Translation and Net Investment Hedges	Impact of Cash Flow Hedges	Retained Earnings	Total Shareholders' Equity
Balance, January 1, 2018	168,266,582	$ 580	$ —	$ 195	$ —	$ 1,199	$ 1,974
Net income	—	—	—	—	—	71	71
Other comprehensive income	—	—	—	37	—	9	46
Total comprehensive income	—	—	—	37	—	80	117
Issued on exercise of share options	134,556	4	(1)	—	—	(4)	(1)
Share option expense	—	—	1	—	—	—	1
Hedging loss transferred to statement of financial position	—	—	—	—	1	—	1
Dividends on common shares	—	—	—	—	—	(32)	(32)
Balance, March 31, 2018	168,401,138	$ 584	$ —	$ 232	$ 1	$ 1,243	$ 2,060
Balance, January 1, 2019	**164,381,967**	**$ 573**	**$ —**	**$ 279**	**$ 3**	**$ 1,254**	**$ 2,109**
Net income	**—**	**—**	**—**	**—**	**—**	**28**	**28**
Other comprehensive loss	**—**	**—**	**—**	**(20)**	**(2)**	**(11)**	**(33)**
Total comprehensive (loss) income	**—**	**—**	**—**	**(20)**	**(2)**	**17**	**(5)**
Issued on exercise of share options	**1,336**	**—**	**—**	**—**	**—**	**—**	**—**
Repurchase of common shares	**(1,073,354)**	**(4)**	**—**	**—**	**—**	**(23)**	**(27)**
Dividends on common shares	**—**	**—**	**—**	**—**	**—**	**(33)**	**(33)**
Balance, March 31, 2019	**163,309,949**	**$ 569**	**$ —**	**$ 259**	**$ 1**	**$ 1,215**	**$ 2,044**

The accompanying Notes to the Interim Condensed Consolidated Financial Statements are an integral part of these statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

3 months ended March 31 (Canadian $ millions)	2019	2018
OPERATING ACTIVITIES		
Net income	**$ 28**	$ 71
Adjusting for:		
Depreciation and amortization	**72**	44
Gain on disposal of rental equipment and property, plant, and equipment	**—**	(3)
Impairment of long-lived assets (Note 4)	**5**	—
Equity earnings of joint ventures and associate	**(4)**	(1)
Share-based payment (recovery) expense	**(1)**	5
Provision for income taxes	**10**	24
Finance costs	**24**	18
Net benefit cost of post-employment benefit plans (Note 6)	**3**	4
Changes in operating assets and liabilities (Note 7)	**(372)**	(329)
Additions to rental equipment	**(45)**	(66)
Proceeds on disposal of rental equipment	**29**	32
Interest paid	**(21)**	(15)
Income tax paid	**(52)**	(26)
Cash flow used in operating activities	**(324)**	(242)
INVESTING ACTIVITIES		
Additions to property, plant, and equipment and intangible assets	**(23)**	(32)
Proceeds on disposal of property, plant, and equipment	**—**	11
Payment for business acquisition, net of cash acquired (Note 8)	**(229)**	—
Cash flow used in investing activities	**(252)**	(21)
FINANCING ACTIVITIES		
Increase in short-term debt (Note 7)	**504**	150
Decrease in finance lease liabilities (Note 7)	**(22)**	(1)
Repurchase of common shares	**(31)**	—
Dividends paid	**(33)**	(32)
Cash flow provided by financing activities	**418**	117
Effect of currency translation on cash balances	**(6)**	13
Decrease in cash and cash equivalents	**(164)**	(133)
Cash and cash equivalents, beginning of period	**454**	458
Cash and cash equivalents, end of period (Note 7)	**$ 290**	$ 325

The accompanying Notes to the Interim Condensed Consolidated Financial Statements are an integral part of these statements

1. Significant Accounting Policies, Key Assumptions, and Significant Judgments

These unaudited interim condensed consolidated financial statements (Interim Statements) of Finning International Inc. and its subsidiaries (together, Finning or the Company) have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting,* as issued by the International Accounting Standard Board (IASB). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and therefore these Interim Statements should be read in conjunction with the December 31, 2018 audited annual consolidated financial statements and the notes to such financial statements.

These Interim Statements are based on the IFRS issued and effective as of May 7, 2019, the date these Interim Statements were authorized for issuance by the Company's Board of Directors, and follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policies disclosed below:

(a) New Accounting Standard and Interpretation

The Company has adopted the following new accounting standard and interpretation:

- IFRS 16, *Leases* (effective January 1, 2019) introduced new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases on the condensed consolidated statement of financial position. The adoption of IFRS 16 has resulted in higher non-current assets and current and non-current liabilities in the consolidated statement of financial position in all reporting segments, primarily in the Canadian segment. The categories of assets most impacted were properties and vehicles. Implementation of IFRS 16 results in lower selling, general, and administrative expense due to lower operating lease expense partially offset by higher depreciation expense and higher interest expense. Although total cash movement is unchanged, the presentation in the condensed consolidated statement of cash flows has been revised under the new standard. Cash flows used in operating activities are lower, offset by an increase in cash flows used in financing activities, as the principal component of lease payments previously accounted for as operating activities are now presented as financing activities.

  The Company has applied IFRS 16 retrospectively and recognized the cumulative effect of initial application on January 1, 2019, on the condensed consolidated statement of financial position, subject to permitted and elected practical expedients. This method of application has not resulted in a restatement of amounts reported in periods prior to January 1, 2019. The Company measured the right-of-use asset at an amount equal to the lease liability on January 1, 2019 and applied a single discount rate to leases with a similar remaining lease term for similar classes of underlying assets. The weighted average borrowing rate applied to lease liabilities recognized in the statement of financial position is approximately 4%. The Company did not apply this standard to short-term leases and leases for which the underlying asset is of low value. The Company elected to rely on assessments of whether leases were onerous by applying IAS 37, *Provisions*, *Contingent Liabilities*, and *Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review.

  The difference between operating lease commitments disclosed in the 2018 annual financial statements and lease liabilities recorded at January 1, 2019 is due to discounting gross lease commitments, changes in determining lease terms (estimating extension options reasonably expected to be exercised), and applying this standard to embedded leases previously considered service arrangements.

  Accounting for leases by lessors remains relatively unchanged under IFRS 16.

  The impact of IFRS 16 on the statement of financial position for January 1, 2019 is as follows:

($ millions)		Increase
Property, plant, and equipment	$	253
Rental equipment	$	25
Total assets	$	278
Accounts payable and accruals	$	72
Total current liabilities	$	72
Long-term lease liability	$	206
Total liabilities	$	278

The Company's accounting policy for Leases is as follows:

At inception of a contract, the Company assesses whether the contract is or contains a lease.

The Company as Lessee

At the commencement of the lease, the Company recognizes a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The right-of-use asset at inception includes the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is recorded in selling, general, and administrative expenses for all assets except leases of rental equipment, where depreciation is recorded in cost of sales in the consolidated statement of net income. Depreciation is recorded on a straight-line basis over the shorter of the term of the lease or the estimated useful like of the underlying asset, commencing when the asset becomes available for use.

Right-of-use assets are reviewed for indicators of impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Where an impairment loss is recognized for a right-of-use asset, the asset is reviewed for possible reversal of the impairment at the end of each subsequent reporting period.

The lease liability is initially measured at the present value of the remaining lease payments that have not been paid at the commencement date, discounted by using the Company's incremental borrowing rate unless the rate implicit in the lease is readily determinable.

Lease payments over the estimated lease term included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and,
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term changes or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate,
- The lease payments change due to a change in an index, rate, or expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or,
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use asset is presented within property, plant, and equipment and the lease liability is presented within accrued liabilities (current portion) and other liabilities (non-current portion) on the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a term of 12 months or less and leases of low-value assets. The Company recognizes these lease payments as an expense on a straight-line basis over the lease term.

The Company as Lessor

Revenue from equipment rentals and operating leases is presented as equipment rental revenue and in accordance with the terms of the relevant agreement with the customer, either recognized evenly over the term of that agreement or on a usage basis such as the number of hours that the equipment is used.

- IFRIC 23, *Uncertainty over Income Tax Treatments* (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. This interpretation did not have an impact on the Company's consolidated financial statements.

2. Segmented Information

On February 1, 2019, the Company acquired 4Refuel Canada and 4Refuel US (4Refuel) (Note 8). 4Refuel is a mobile on-site refuelling company in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia and in Texas, US. Management reviews the results of 4Refuel with the Canada reportable segment, which has been revised as follows:

- Canada Operations: dealership territories comprising British Columbia, Alberta, Saskatchewan, Yukon, the Northwest Territories, and portions of Nunavut (Canada dealership) and mobile refuelling operations in the above-listed provinces in Canada and in Texas, US.

With the acquisition of 4Refuel, the Company views total revenue less cost of fuel (net revenue) as more representative in assessing the performance of this business as the cost of fuel is not in the Company's control and is fully passed through to the customer.

The Company's revenue, results, and other information by reportable segment is as follows:

3 months ended March 31, 2019 ($ millions)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue					
New equipment	$ 274	$ 190	$ 200	$ —	$ 664
Used equipment	48	11	22	—	81
Equipment rental	39	11	8	—	58
Product support	527	293	76	—	896
Fuel and other	110	—	1	—	111
Total revenue	$ 998	$ 505	$ 307	$ —	$ 1,810
Cost of fuel	(91)	—	—	—	(91)
Net revenue	$ 907	$ 505	$ 307	$ —	$ 1,719
Operating costs [1]	(801)	(471)	(285)	(3)	(1,560)
Equity earnings of joint ventures	4	—	—	—	4
Other expenses (Note 4)	(17)	(8)	—	(4)	(29)
Earnings (loss) before finance costs, income taxes, depreciation and amortization	$ 93	$ 26	$ 22	$ (7)	$ 134
Depreciation and amortization	(43)	(20)	(9)	—	(72)
Earnings (loss) before finance costs and income taxes	$ 50	$ 6	$ 13	$ (7)	$ 62
Finance costs					(24)
Provision for income taxes					(10)
Net income					$ 28
Invested capital [2]	$ 2,148	$ 1,243	$ 361	$ 1	$ 3,753
Capital and rental equipment [3]	$ 991	$ 471	$ 163	$ 50	$ 1,675
Gross capital expenditures [3][4]	$ 31	$ 1	$ 4	$ 5	$ 41
Gross rental asset expenditures [4]	$ 35	$ 3	$ 4	$ —	$ 42

(1) Operating costs are calculated as cost of sales less cost of fuel plus selling, general, and administration expenses less depreciation and amortization.
(2) Invested capital is calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term debt and long-term debt, net of cash.
(3) Capital includes property, plant and equipment and intangible assets.
(4) Includes leases and borrowing costs capitalized and excludes additions through business acquisitions.

3 months ended March 31, 2018 ($ millions)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue					
New equipment	$ 268	$ 153	$ 163	$ —	$ 584
Used equipment	56	23	17	—	96
Equipment rental	30	12	8	—	50
Product support	498	363	75	—	936
Other	—	1	3	—	4
Total revenue [1]	$ 852	$ 552	$ 266	$ —	$ 1,670
Operating costs [2]	(764)	(491)	(249)	$ (10)	$ (1,514)
Equity earnings (loss) of joint ventures and associate	5	—	—	(4)	1
Earnings (loss) before finance costs, income taxes, depreciation and amortization	$ 93	$ 61	$ 17	$ (14)	$ 157
Depreciation and amortization	(22)	(15)	(7)	—	(44)
Earnings (loss) before finance costs and income taxes	$ 71	$ 46	$ 10	$ (14)	$ 113
Finance costs					(18)
Provision for income taxes					(24)
Net income					$ 71
Invested capital [3]	$ 1,778	$ 1,140	$ 322	$ (14)	$ 3,226
Capital and rental equipment [4]	$ 553	$ 396	$ 144	$ 14	$ 1,107
Gross capital expenditures [4][5]	$ 7	$ 19	$ 2	$ 4	$ 32
Gross rental asset expenditures [5]	$ 44	$ 15	$ 7	$ —	$ 66

(1) Total revenue is the same as net revenue.
(2) Operating costs are calculated as cost of sales and selling, general, and administration expenses less depreciation and amortization.
(3) Invested capital is calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term debt and long-term debt, net of cash.
(4) Capital includes property, plant and equipment and intangible assets.
(5) Includes finance leases and borrowing costs capitalized and excludes additions through business acquisitions.

3. Earnings Per Share

3 months ended March 31 ($ millions, except share and per share amounts) 2019	**Net Income**		**Shares**	**Per Share**	
Basic EPS:					
Net income, weighted average shares outstanding, EPS	**$**	**28**	**163,781,185**	**$**	**0.17**
Effect of dilutive securities: share options		**—**	**91,417**		**—**
Diluted EPS:					
Net income and assumed conversions	**$**	**28**	**163,872,602**	**$**	**0.17**
2018					
Basic EPS:					
Net income, weighted average shares outstanding, EPS	$	71	168,345,298	$	0.42
Effect of dilutive securities: share options		—	829,122		—
Diluted EPS:					
Net income and assumed conversions	$	71	169,174,420	$	0.42

At March 31, 2019 and 2018, an insignificant number of share options were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

4. Other Expenses

3 months ended March 31 ($ millions)	**2019**		2018	
Severance costs (a)	**$**	**18**	$	—
Impairment of long-lived assets (a)		**5**		—
Provision on onerous contracts (a)		**2**		—
Acquisition costs (Note 8)		**4**		—
Other expenses	**$**	**29**	$	—

(a) As part of actions taken to adjust to market conditions, the Company is implementing plans to reduce its workforce in its Canadian and South American operations and therefore, recorded provisions related to the restructuring plans. The Company is also implementing plans to consolidate certain branches and exit some facilities in its Canadian operations and therefore has recorded an impairment loss on leased properties and any related equipment and leasehold improvements, as well as provisions for the unavoidable non-lease costs for these properties.

5. Short-term Debt and Finance Costs

At March 31, 2019, short-term debt includes $648 million drawn on the Company's syndicated committed credit facility, partially to fund the acquisition of 4Refuel (Note 8), and local bank borrowings in the Company's Argentina operations of $10 million. At December 31, 2018, short-term debt represented $150 million drawn on the Company's syndicated committed credit facility and local bank borrowings in the Company's Argentina operations of $4 million.

Finance costs as shown on the interim condensed consolidated statements of net income comprise the following:

3 months ended March 31 ($ millions)	**2019**	2018
Interest on short-term debt	**$ 7**	$ 3
Interest on long-term debt	**13**	13
Interest on debt securities	**20**	16
Interest on lease liabilities	**3**	—
Other finance related expenses	**1**	2
Finance costs	**$ 24**	$ 18

6. Post-Employment Benefits

The significant actuarial assumptions used in the valuations of the Company's defined benefit pension plans in Canada and UK and other post-employment benefit plans in South America include:

	March 31, 2019			March 31, 2018		
	Canada	**UK**	**South America**	Canada	UK	South America
Discount rate – obligation	**3.3%**	**2.5%**	**1.4%**	3.4%	2.6%	1.7%
Discount rate – expense (1)	**3.7%**	**2.9%**	**1.5%**	3.4%	2.5%	1.8%
Retail price inflation – obligation	**n/m (2)**	**3.3%**	**n/a (2)**	n/m (2)	3.2%	n/a (2)
Retail price inflation – expense (1)	**n/m (2)**	**3.3%**	**n/a (2)**	n/m (2)	3.3%	n/a (2)
Average staff turnover – obligation	**n/m (2)**	**n/m (2)**	**9.8%**	n/m (2)	n/m (2)	10.4%
Rate of compensation increase – obligation	**n/m (2)**	**n/a (2)**	**3.0%**	n/m (2)	n/a (2)	3.0%

(1) Used to determine the net interest cost and expense for the three months ended March 31, 2019 and March 31, 2018
(2) n/m – not a material assumption used in the valuation
n/a – not applicable

The net benefit cost and actuarial (gain) loss for the Company's post-employment benefit plans are as follows:

	March 31, 2019				March 31, 2018			
3 months ended ($ millions)	**Canada**	**UK**	**South America**	**Total**	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	**$ 2**	**$ —**	**$ 1**	**$ 3**	$ 2	$ —	$ 2	$ 4
Net benefit cost	**$ 2**	**$ —**	**$ 1**	**$ 3**	$ 2	$ —	$ 2	$ 4
Actuarial (gain) loss on plan assets	**$ (16)**	**$ (43)**	**$ —**	**$ (59)**	$ 5	$ 9	$ —	$ 14
Actuarial loss (gain) on plan liabilities	**15**	**45**	**14**	**74**	—	(24)	—	(24)
Total actuarial (gain) loss recognized in other comprehensive income	**$ (1)**	**$ 2**	**$ 14**	**$ 15**	$ 5	$ (15)	$ —	$ (10)

7. Supplemental Cash Flow Information

The components of cash and cash equivalents are as follows:

March 31 ($ millions)		2019		2018
Cash	**$**	**219**	$	217
Cash equivalents		**71**		108
Cash and cash equivalents	**$**	**290**	$	325

The changes in operating assets and liabilities are as follows:

3 months ended March 31 ($ millions)		2019		2018
Accounts receivable	**$**	**(3)**	$	(29)
Unbilled work in progress		**(47)**		(25)
Inventories		**(310)**		(168)
Other assets		**(31)**		(14)
Accounts payable and accruals		**77**		(65)
Other liabilities		**(58)**		(28)
Changes in operating assets and liabilities	**$**	**(372)**	$	(329)

The changes in liabilities arising from financing and operating activities are as follows:

($ millions)		Short-term debt		Long-term debt		Lease liability		Total
Balance, December 31, 2018	**$**	**154**	**$**	**1,354**	**$**	**30**	**$**	**1,538**
IFRS 16 adjustment (Note 1)		**—**		**—**		**278**		**278**
Balance, January 1, 2019	**$**	**154**	**$**	**1,354**	**$**	**308**	**$**	**1,816**
Cash flows provided by (used in)								
Financing activities		**504**		**—**		**(22)**		**482**
Operating activities		**—**		**—**		**(3)**		**(3)**
Total cash movements	**$**	**504**	**$**	**—**	**$**	**(25)**	**$**	**479**
Non-cash changes								
Additions through business combination		**—**		**—**		**30**		**30**
Additions		**—**		**—**		**18**		**18**
Interest expense		**—**		**—**		**3**		**3**
Disposals		**—**		**—**		**(4)**		**(4)**
Foreign exchange rate changes		**—**		**(13)**		**—**		**(13)**
Total non-cash movements	**$**	**—**	**$**	**(13)**	**$**	**47**	**$**	**34**
Balance, March 31, 2019	**$**	**658**	**$**	**1,341**	**$**	**330**	**$**	**2,329**

($ millions)		Short-term debt		Long-term debt		Lease liability		Total
Balance, January 1, 2018	$	18	$	1,296	$	34	$	1,348
Cash flows provided by (used in)								
Financing activities		150		—		(1)		149
Operating activities		—		—		—		—
Total cash movements	$	150	$	—	$	(1)	$	149
Non-cash changes								
Foreign exchange rate changes		1		26		1		28
Total non-cash movements	$	1	$	26	$	1	$	28

8. Acquisition

On February 1, 2019, the Company acquired a 100% ownership interest in the Canadian and US operations of 4Refuel. 4Refuel is a mobile on-site refueling company operating in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia and in Texas, US. Acquiring 4Refuel provides a complementary service offering to the Company's existing customer base and provides opportunities for the Company to sell, rent, and service to a new customer base.

Cash consideration of $241 million was paid based on the fair value of the business at acquisition date, which includes $12 million cash acquired and is subject to customary closing adjustments. The Company funded the transaction with cash on hand and from existing credit facilities. This purchase has been accounted for as a business combination using the acquisition method of accounting.

The purchase price allocation is not final as management is continuing to identify intangible assets acquired and obtaining and verifying information required to determine the fair value of certain assets and liabilities, and related amount of deferred income taxes arising on their recognition. The Company expects to finalize the amounts recognized as it obtains the information necessary to complete the analysis, and no later than December 31, 2019.

The preliminary allocation of the purchase price, based on management's best estimate, is as follows:

Preliminary purchase price allocation ($ millions)	**February 1, 2019**	
Cash	**$**	**12**
Accounts and other receivables		**60**
Property, plant, and equipment		**40**
Intangible assets		**126**
Goodwill		**61**
Other assets		**4**
Accounts payable		**(32)**
Lease liabilities		**(30)**
Net assets acquired	**$**	**241**

Goodwill relates to the expected synergies from combining complementary capabilities and existing customer bases across Finning's territory in British Columbia, Alberta, Yukon, Northwest Territories and part of Nunavut and new customers in Canada and in Texas. The goodwill is assigned to the Company's Canada reportable segment.

Acquisition costs of $4 million were paid on the transaction and recorded as other expense in the consolidated statement of income in the three months ended March 31, 2019.

The results of the newly acquired business since the date of acquisition have been included in the Company's Canada reportable segment. From the acquisition date to March 31, 2019, 4Refuel contributed approximately $110 million of revenue.