



First Quarter 2001 Interim Result**May 10, 2001**

(\$ millions, except EPS data)

	2001	2000
Revenue	728.9	612.7
EBIT	47.5	37.1
Net Income	17.3	13.4
Cash Flow from Operating Activities	65.6	116.6
Basic EPS	\$0.23	\$0.17
Diluted EPS	\$0.23	\$0.17

RECORD FIRST QUARTER REVENUES AND STRONG EARNINGS GROWTH**First Quarter Results:**

Finning International Inc. (the Company) revenues increased 19.0% to a first quarter record of \$728.9 million. The increase was mainly due to the inclusion of Hewden Stuart Plc (Hewden) (revenues for the period January 26th to March 31st, 2001: \$109.6 million) and higher revenues at Finning (UK) (\$24.0 million) and Finning (Canada) (\$16.0 million) compared with the first quarter of 2000. This revenue increase was partially offset by lower international used equipment sales (\$31.1million), as Universal Machinery Services restructured its operations, and slightly lower revenues in Finning (Chile) (\$2.3 million), due to the devaluation of Chilean peso against the Canadian dollar.

Earnings before Interest and Taxes (EBIT) were 28.0% higher at \$47.5 million while net income for the quarter was 29.8% higher at \$17.3 million, compared with the same quarter last year.

The Company's cash flow from operating activities remained strong at \$65.6 million in the quarter and was below the prior year level reflecting additional investment in working capital to meet customer demand. Principally due to the acquisition of Hewden, the Company's debt increased from \$942.6 million at December 31, 2000 to \$1,104.0 million at March 31, 2001. The debt to equity (including non-controlling interests) ratio was lower at 0.97 compared with 1.35 at the end of the previous year.

CEO commentary and outlook:

Doug Whitehead, President and C.E.O. said, "With over a 35% increase in EPS, 2001 has started out on a strong note. We are particularly pleased with the improvement in the performance of our existing U.K. operations and achievement of planned profits at recently acquired Hewden. We expect record revenues for the year as the oil and gas activity remains strong in Canada, infrastructure development plans take shape in the U.K., copper prices stabilize at the current levels and prospects for coal improve."

Doug Whitehead,
President and CEO

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

The Company achieved record first quarter revenues as well as higher net income and lower cash flow from operating activities in Q1, 2001 compared with the corresponding period in 2000. Consolidated revenues increased 19.0% to \$728.9 million, whereas consolidated net income increased 29.8% to \$17.3 million. Earnings per share for the quarter were \$0.23 compared with \$0.17 in the same period last year, representing a 35.3% increase. Cash flow from operating activities for the period was \$65.6 million compared with \$116.6 million, reflecting investment in working capital and rental equipment.

The table below sets forth summary financial data for the periods indicated.

	Q1, 2001 (\$ million)	Q1, 2000 (\$ million)	Q1, 2001 (% of Revenue)	Q1, 2000 (% of Revenue)
Revenue	<u>728.9</u>	<u>612.7</u>		
Gross profit	203.1	155.4	27.9%	25.4%
Selling, general & administrative expenses	150.0	117.8	20.6%	19.2%
Amortization of goodwill	2.0	0.5	0.3%	0.1%
Other Expenses/ (Income)	<u>3.6</u>	<u>-</u>	<u>0.5%</u>	<u>0.0%</u>
EBIT	<u>47.5</u>	<u>37.1</u>	<u>6.5%</u>	<u>6.1%</u>
Finance costs and interest on other indebtedness	20.7	15.3	2.8%	2.5%
Provision for income taxes	5.1	8.4	0.7%	1.4%
Non-controlling interests	<u>4.4</u>	<u>-</u>	<u>0.6%</u>	<u>0.0%</u>
Net income	<u>17.3</u>	<u>13.4</u>	<u>2.4%</u>	<u>2.2%</u>

Revenues

Consolidated revenues in Q1, 2001 compared to Q1, 2000 were higher by \$116.2 million (19.0%) mainly due to the inclusion of Hewden revenues (\$109.6 million) and higher revenues at Finning (UK) (\$24.0 million) and Finning (Canada) (\$16.0 million). These were offset by lower international used equipment sales (\$31.1 million), as Universal Machinery Services restructured its operations and lower revenues in Finning (Chile) (\$2.3 million) due to devaluation of Chilean peso against the Canadian dollar.

In Q1, 2001, the sales and geographic mix of the revenues changed with the acquisition of Hewden. Company-wide rental revenues and revenues from the U.K. accounted for 18.6% and 42.3% respectively of the total revenues in Q1, 2001. This compared with 7.1% and 28.6% respectively in the same period last year.

Canada

Revenues for Q1, 2001 were \$16.0 million (5.3%) higher than Q1, 2000, primarily reflecting a \$9.8 million (41.4%) increase in power system product sales. Used equipment and customer support services revenues were also higher, whereas new mobile equipment revenues were lower compared with the same period last year.

United Kingdom

In Finning (UK), the increase in revenue of \$24.0 million (13.8%) was mainly attributable to increased new equipment sales to the plant hire and quarrying sectors. The Birmingham Northern Relief Road project commenced in early 2001 and the revenues for the quarter include approximately \$10.0 million for equipment related to that project. Significant additional deliveries to this project are also expected to take place in the second quarter. Equipment sales to the waste management segment were also strong in the quarter.

Increases in sales to the plant hire, quarrying and waste management sectors were partially offset by weaker construction equipment sales.

Chile

Revenues in the first quarter were marginally lower by \$2.3 million (2.3%) compared with the same period last year as the Chilean peso devalued approximately 7.0% against the Canadian dollar. In local currency, the revenues were higher by 5.7%.

Hewden

Hewden revenues of \$109.6 million, included from the acquisition date, January 26, 2001, met management's expectations. This division's operations have historically been affected by seasonality, with the second and the third quarter being the busiest periods of activity.

Other

Due to the reorganization of Universal Machinery Services, the international used equipment sales business carried on by this operation has been discontinued. Most of this business will be undertaken by the other Finning operations.

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

(\$ million)	Canada	UK	Chile	Hewden	Other	Consolidated	Revenue percentage
Q1, 2001							
New mobile equipment	72.6	86.5	23.2	2.1	-	184.4	25.3%
New power systems products	33.7	22.7	2.5	-	-	58.9	8.1%
Used equipment	46.5	26.0	10.3	4.0	-	86.8	11.9%
Equipment rental	24.7	12.3	2.7	95.9	-	135.6	18.6%
Operating leases	22.6	-	-	-	-	22.6	3.1%
Customer support services	114.7	51.5	59.8	7.6	3.3	236.9	32.5%
Finance and other	3.2	-	0.5	-	-	3.7	0.5%
Total	318.0	199.0	99.0	109.6	3.3	728.9	100.0%
Revenue percentage by operations	43.6%	27.3%	13.6%	15.0%	0.5%	100.0%	
Q1, 2000							
New mobile equipment	79.8	65.6	23.7	-	-	169.1	27.6%
New power systems products	23.9	25.2	3.1	-	-	52.2	8.5%
Used equipment	39.2	22.3	6.6	-	31.2	99.3	16.2%
Equipment rental	24.7	13.5	4.7	-	0.7	43.6	7.1%
Operating leases	23.2	-	-	-	-	23.2	3.8%
Customer support services	108.3	48.4	62.5	-	2.5	221.7	36.2%
Finance and other	3.0	-	0.7	-	-	3.7	0.6%
Total	302.0	175.0	101.3	-	34.4	612.7	100.0%
Revenue percentage by operations	49.3%	28.6%	16.5%	0.0%	5.6%	100.0%	

Gross Profit

Gross profit increased \$47.7 million (30.7%) to \$203.1 million in Q1, 2001 compared with Q1, 2000. As a percentage of revenue, gross profit was higher at 27.9% compared with 25.4% in the same period last year mainly as a result of change in the sales mix towards high gross-margin equipment rental business at Hewden. Gross margin as a percentage of revenue improved in Chile, whereas it was marginally lower in Canada and UK due to a shift in the sales mix and the sale of large equipment packages at lower margins.

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$32.2 million to \$150.0 million in Q1, 2001 compared with Q1, 2000. The increase is attributable to volume increases and selling, general and administrative expenses relating to Hewden. As a percentage of revenue, these expenses were higher at 20.6% compared with 19.2%.

Amortization of goodwill

Amortization of goodwill increased by \$1.5 million primarily due to the amortization of goodwill on acquisition of Hewden.

Other expenses/ (income)

Other expenses/(income) include significant non-operating and occasional items shown separately to facilitate comparison with the corresponding quarter last year. These expenses primarily reflect charges relating to restructuring and realignment of Universal Machinery Services, partially offset by gains on disposal of surplus real estate in the U.K.

Earnings before interest and taxes (EBIT)

Earnings before interest and taxes increased by 28.0% to \$47.5 million mainly due to the Hewden acquisition and improvement in all major operations, particularly Finning (UK). EBIT as a percentage of revenue improved from 6.1% to 6.5% in Q1, 2001. The table below illustrates EBIT contribution by operations.

(\$ million)

	Canada	UK	Chile	Hewden	Other	Consolidated
Q1, 2001						
Revenue from external sources	318.0	199.0	99.0	109.6	3.3	728.9
Operating costs	251.2	186.0	91.6	72.7	8.3	609.8
Depreciation	36.0	5.3	2.1	22.5	0.1	66.0
Amortization of goodwill	0.3	0.3	-	1.4	-	2.0
Other expenses/ (income)					3.6	3.6
Earnings before interest and tax	30.5	7.4	5.3	13.0	(8.7)	47.5
EBIT as a percentage of revenue	9.6%	3.7%	5.4%	11.9%		6.5%
EBIT percentage by operations	64.2%	15.6%	11.2%	27.4%	-18.3%	100.0%
Q1, 2000						
Revenue from external sources	302.0	175.0	101.3	-	34.4	612.7
Operating costs	235.9	162.6	93.1	-	36.7	528.3
Depreciation	36.2	6.8	3.0	-	0.8	46.8
Amortization of goodwill	0.2	0.2	0.1	-	-	0.5
Earnings before interest and tax	29.7	5.4	5.1	-	(3.1)	37.1
EBIT as a percentage of revenue	9.8%	3.1%	5.0%			6.1%
EBIT percentage by operations	80.1%	14.6%	13.7%		-8.4%	100.0%

Finance cost and interest on other indebtedness

Finance cost and interest on other indebtedness increased \$5.3 million to \$20.6 million in Q1, 2001 due to additional debt related to the Hewden acquisition.

Provision for income taxes

Income tax expense for the quarter amounted to \$5.1 million. The decrease (\$3.2 million) in the Company's provision for taxes as compared with Q1, 2000 is mainly due to a shift in the profitability to lower tax jurisdictions associated with the Hewden acquisition and improved profitability of the Finning (UK) operations.

Non-controlling interests

In the first quarter of 2001, Finning formed a partnership for the purpose of raising capital to fund the acquisition of Hewden. Third party investors injected \$425.0 million of capital into the partnership for a non-controlling partnership interest. The partnership interests are entitled to a quarterly distribution on their capital account. The distribution for the quarter was \$4.4 million, representing a yield of approximately 7.0%.

Net Income

Net Income improved by 29.8% to \$17.3 million in Q1, 2001 compared with the same period last year. Basic earnings per share for the year improved by 35.3% to \$0.23 from \$0.17. Basic earnings per share before amortization of goodwill improved by 44.4% to \$0.26 from \$0.18.

Liquidity and capital resources

Cash flow from operating activities was \$65.6 million in the quarter, compared with \$116.6 million in the corresponding period last year, a decrease of \$51.0 million. The decrease from Q1, 2000 was primarily a result of additional investments in working capital (\$57.9 million), rental equipment (\$22.3 million) and leased equipment (\$0.7 million), offset by improved cash earnings of \$29.9 million (\$94.5 million vs. \$64.6 million).

Cash used in investing activities totaled \$616.5 million, representing the net outlay on the acquisition of Hewden (\$621.6 million) offset by proceeds, net of investments, of \$5.0 million on capital assets.

The Company's outstanding short and long-term borrowings of \$1,104.0 million as at March 31, 2001 complemented the internally generated funds from operating activities.

FINANCIAL DERIVATIVES AND RISK MANAGEMENT

The Company uses various financial instruments such as interest rate swaps and forward exchange contracts and options as hedges against actual assets or liabilities.

FINANCIAL RISKS AND UNCERTAINTIES

The Company's financial performance may be influenced either favorably or adversely by fluctuations in foreign exchange and commodity prices.

The Company operates in four main currencies: Canadian dollars, British pound sterling, U.S. dollars and Chilean pesos. At March 31, 2001, December 31, 2000 and March 31, 2000, the Canadian dollar was worth 0.447, 0.446 and 0.432 pound sterling; 0.634, 0.667 and 0.688 U.S. dollar and 377, 382 and 346 Chilean pesos respectively.

For further details on the explanation and the management of liquidity and capital resources, financial derivatives and financial risks and uncertainties, please refer to the Management Discussion and Analysis as of December 31, 2000.

INTERIM CONSOLIDATED STATEMENTS OF INCOME & RETAINED EARNINGS

(C\$ thousands except per share amounts) (unaudited)

	Three months ended March 31	
	2001	2000
Revenue		
New mobile equipment	\$ 184,468	\$ 169,079
New power system products	58,960	52,116
Used equipment	86,353	99,461
Equipment rental	135,511	43,581
Operating leases	22,603	23,217
Customer support services	237,261	221,569
Finance and other	3,759	3,660
Total revenue	728,915	612,683
Cost of sales	525,848	457,286
Gross profit	203,067	155,397
Selling, general and administrative expenses	150,024	117,781
Other expenses/ (income)	3,600	-
Earnings before interest, taxes, amortization of goodwill and non-controlling interests (EBITA)	49,443	37,616
Finance cost and interest on other indebtedness	20,648	15,353
Income before provision for income taxes	28,795	22,263
Provision for income taxes	5,115	8,364
Non-controlling interests	4,372	-
Amortization of goodwill	1,963	541
Net income available to shareholders	17,345	13,358
Retained earnings, beginning of period	521,569	502,028
Dividends on common shares	(3,766)	(3,980)
Premium on repurchase of common shares	(5,747)	(17,872)
Retained earnings, end of period	\$ 529,401	\$ 493,534
Gross profit as a percentage of revenue	27.9%	25.4%
EBITA as a percentage of revenue	6.8%	6.1%
Net income as a percentage of revenue	2.4%	2.2%
Earnings per share (EPS)		
Basic EPS	\$0.23	\$0.17
Diluted EPS	\$0.23	\$0.17
Basic EPS before amortization of goodwill	\$0.26	\$0.18
Diluted EPS before amortization of goodwill	\$0.25	\$0.17
Average number of Shares Outstanding	75,491,674	79,168,501

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

INTERIM CONSOLIDATED BALANCE SHEETS

(C\$ thousands) (unaudited)

	March 31 2001	December 31 2000
ASSETS		
Current assets		
Accounts receivable	\$ 552,380	\$ 375,208
Inventories		
On-hand equipment	446,424	395,420
Parts and supplies	226,505	203,579
Current portion of instalment notes receivable	60,232	66,476
Total current assets	<u>1,285,541</u>	<u>1,040,683</u>
Finance assets		
Instalment notes receivable	65,518	72,569
Equipment leased to customers	243,119	253,949
Total finance assets	<u>308,637</u>	<u>326,518</u>
Rental equipment	722,335	311,019
Land, buildings and equipment	309,197	189,961
Investment	-	218,050
Future income taxes	6,902	7,465
Goodwill (Note 3)	407,307	63,945
Total assets	<u>\$ 3,039,919</u>	<u>\$ 2,157,641</u>
LIABILITIES		
Current liabilities		
Short-term debt	\$ 567,201	\$ 398,208
Accounts payable and accruals	741,088	495,239
Income tax payable	17,112	4,883
Current portion of long-term debt	63,835	67,224
Total current liabilities	<u>1,389,236</u>	<u>965,554</u>
Long-term debt	472,968	477,217
Future income taxes	42,174	16,414
Total liabilities	<u>1,904,378</u>	<u>1,459,185</u>
Non-controlling interests (Note 2)	425,000	-
SHAREHOLDERS' EQUITY		
Share capital	201,061	200,629
Retained earnings	529,401	521,569
Cumulative currency translation adjustments	(19,921)	(23,742)
Total shareholders' equity	<u>710,541</u>	<u>698,456</u>
Total liabilities, non-controlling interests and shareholders' equity	<u>\$ 3,039,919</u>	<u>\$ 2,157,641</u>

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(C\$ thousands) (unaudited)

	Three months ended March 31	
	2001	2000
OPERATING ACTIVITIES		
Net income	\$ 17,345	\$ 13,358
Add		
Depreciation	65,988	46,802
Amortization of goodwill	1,963	541
Future income taxes	1,120	1,784
Other items	3,753	2,139
Non-controlling interests distribution	4,372	-
	<u>94,541</u>	<u>64,624</u>
Changes in working capital items and other		
Accounts receivable	(20,666)	29,024
Inventories - On-hand equipment	(50,877)	(13,956)
Inventories - Parts & Supplies	(10,855)	662
Instalment notes receivable	13,505	(15,586)
Accounts payable and accruals	69,714	59,441
Income taxes	10,633	9,731
Cash provided by working capital items and other	11,454	69,316
Rental equipment, net of disposals	(35,524)	(13,217)
Equipment leased to customers, net of disposals	(4,832)	(4,102)
Cash flow from operating activities	<u>65,639</u>	<u>116,621</u>
INVESTING ACTIVITIES		
Cash invested in land, buildings and equipment, net of disposals	5,043	(2,897)
Acquisition of Hewden		
Aggregate purchase price (Note 1)	(729,112)	-
Assumed debt	(110,493)	-
Less: Initial investment in Hewden	218,050	-
Cash used for investing activities	<u>(616,512)</u>	<u>(2,897)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(7,410)	(1,123)
Non-controlling interests	425,000	-
Non-controlling interests distribution	(4,372)	-
Issue of common shares on exercise of stock options	1,948	163
Repurchase of common shares	(7,262)	(22,819)
Dividends paid	(3,766)	(3,980)
Currency translation adjustments	(22,258)	(4,138)
Cash provided by (used for) financing activities	<u>381,880</u>	<u>(31,897)</u>
Decrease (increase) in short-term debt	(168,993)	81,827
Short-term debt at beginning of period	398,208	305,639
Short-term debt at end of period	<u>\$ 567,201</u>	<u>\$ 223,812</u>
Cash flows include the following elements		
Interest paid	\$ 17,134	\$ 13,336
Income taxes paid	\$ 9,178	\$ 2,140

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

The accompanying unaudited Interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent audited annual financial statements. These unaudited Interim Consolidated Financial Statements do not include all the information and note disclosures required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the said audited annual financial statements and the notes below.

1. Acquisition of Hewden Stuart Plc

At December 31, 2000 Finning had an investment in Hewden of \$218.1 million representing 29.4% of the issued ordinary share capital. The interim consolidated financial statements give effect to the acquisition of the remaining 70.6% of Hewden which was completed on January 26, 2001. Hewden is in the equipment rental and related services business, operating throughout Scotland, England, Wales and Northern Ireland. The results of Hewden's operations have been included from January 26, 2001 in the Company's consolidated financial statements. The purchase of Hewden is accounted for under the purchase method of accounting. The aggregate purchase price of \$729.1 million (including acquisition costs of \$19.7 million) was paid in cash. Goodwill arising on the acquisition is amortized on a straight-line basis over its estimated useful life of 40 years.

The net assets acquired at their fair values comprised the following.

Net assets acquired (\$ '000)

Total assets	\$ 704,995
Total liabilities	<u>307,968</u>
Net assets acquired	397,027
Goodwill	<u>332,084</u>
Total purchase price	<u>\$ 729,111</u>

2. Financing the Acquisition

In the first quarter of 2001, Finning formed a partnership for the purpose of raising equity capital to fund the acquisition of Hewden. Third party investors injected \$425.0 million of capital into the partnership for a non-controlling partnership interest. The partnership interests are entitled to a quarterly distribution on their capital accounts. The partnership interests and the partnership distributions are accounted for as non-controlling interests on the consolidated balance sheet and on the consolidated statement of income.

The remainder of the purchase price was funded with short-term debt in the amount of \$304.1 million.

The financial position, results of operations and cash flows of the partnership is consolidated with Finning from the date of acquisition, January 26, 2001.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Goodwill (\$ '000's)	<u>Period ended</u> <u>March 31, 2001</u>	<u>Year ended</u> <u>December 31,</u> <u>2000</u>
Purchased goodwill, beginning of period	\$ 77,777	\$ 88,619
Goodwill on acquisitions made during the period		
Hewden	332,084	
Finnpave	<u>1,864</u>	
Total goodwill acquired during the period	<u>333,948</u>	<u>4,195</u>
Reduction in goodwill in recognition of future income tax asset	-	(15,257)
Foreign exchange translation adjustment	<u>11,377</u>	<u>220</u>
Purchased goodwill, end of period	<u>423,102</u>	<u>77,777</u>
Accumulated amortization, beginning of period	(13,832)	(14,260)
Amortization for the period	(1,963)	(1,855)
Reduction in accumulated amortization of goodwill	-	<u>2,283</u>
Accumulated amortization, end of period	<u>(15,795)</u>	<u>(13,832)</u>
Net purchased goodwill	<u>\$ 407,307</u>	<u>\$ 63,945</u>

During the period, the Company completed its acquisition of Hewden Stuart Plc and acquired Finnpave Limited. Acquisitions are accounted for under the purchase method. The excess of the cost of the acquisitions over the amounts assigned to the identifiable assets acquired less the liabilities is assigned to goodwill.

NEXT QUARTERLY RESULTS – Wednesday, July 25, 2001

SECOND QUARTER RESULTS & CONFERENCE CALL

Finning International's second quarter results for 2001 will be released at 8:00 a.m. EST on Wednesday, July 25, 2001. You are invited to participate in the Finning shareholder/analyst conference call at 11:00 a.m. EST on Wednesday, July 25, 2001 by dialing one of the following numbers:

**Toll-free number for participants dialling from
anywhere within Canada (except Toronto)
and the United States:
1-877-888-3490**

**Number for participants dialling from
within the Toronto area and for participants
outside of Canada and the United States:
(416) 695-9757**

ADDITIONAL INFORMATION

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