



First Quarter 2003 Results

April 24, 2003

FINNING DELIVERS RECORD FIRST QUARTER RESULTS

(C\$ millions, except EPS data)

	Three months ended March 31	
	2003	2002
Revenue	874.2	771.5
EBIT	67.3	63.8
Net Income	35.1	30.7
Basic EPS	\$0.45	\$0.40
Diluted EPS	\$0.44	\$0.39
Normalized Basic EPS	\$0.36	\$0.30
Cash Flow after Working Capital Changes	154.6	178.9

Vancouver, Canada – Finning International Inc. today reported record first-quarter revenue of \$874.2 million, up \$102.7 million, or 13.3%, from the first quarter of 2002. Earnings Before Interest and Taxes (EBIT) for the quarter reached \$67.3 million, up \$3.5 million or 5.5% higher than the same period last year. Net income for the quarter rose 14.2% or \$4.4 million to a first quarter record \$35.1 million. Basic EPS for the quarter increased 12.5% to \$0.45.

The results for the quarter included gains on asset disposals and other expenses. Excluding these items, normalized net income was a first quarter record high \$28.0 million (2002: \$23.1 million) and normalized Basic EPS was \$0.36 (2002: \$0.30).

Cash flow after working capital changes was \$154.6 million for the first quarter, slightly lower than the same period last year, but up significantly from \$40.5 million in the fourth quarter of 2002 reflecting improved working capital productivity.

Doug Whitehead, President and CEO of Finning International Inc. said: “In the first quarter of 2003, Finning delivered record first quarter results and the strongest quarterly revenue in its history. Our well-timed acquisition of two South American Caterpillar dealerships, strength in our core Canadian and U.K. markets, and our focus on asset efficiencies resulted in the strong quarter over quarter improvement.

Finning South America and Finning U.K. both reported strong year over year EBIT performance. Hewden Stuart returned a similar EBIT to last year, while Finning Canada’s EBIT was slightly lower than the prior year, reflecting a revenue mix shift to lower margin activities.

Economic conditions in our areas of operations range from soft in South America to strong in Canada and the U.K. We are confident, therefore, that we will exceed the level of profitability this year that we achieved in 2002.”

Rick Mahler, Executive Vice President and CFO of Finning noted: “We continue to deliver record quarterly results while continuing to improve our balance sheet. Despite adding \$93.7 million in assets for our new South American acquisitions, total assets were reduced by \$167 million from year-end 2002. This reduction reflects continued improvement in working capital and a lower exchange rate vis-à-vis the British pound. As a result, our average operating return on assets of 9.0% and our total debt to equity ratio of 0.57 continued to improve from December 2002 results of 8.9% and 0.58, respectively. Return on equity was 15.8%, up from 15.5% one year ago.”

In addition, there were a number of other important events during the quarter, including:

- In January, Finning announced the closing of the acquisitions of the Caterpillar dealerships in Argentina and Uruguay, effective January 1, 2003.
- Early in March, Finning announced the investment in Energyst Rental SolutionsSM, a newly established company offering energy rental services to national and international customers across Europe. The investment is valued at approximately \$6.7 million, and provides Finning a 15.17% ownership interest in Energyst. Concurrently, Finning (UK) sold its Power Systems assets to Energyst for \$34 million and a resulting profit of \$9 million.
- Mid March, Finning (Canada) announced a \$30 million sale of trucks to Syncrude Canada Ltd. to be delivered between April and July 2003.
- Later in March, Finning (Canada) announced the partnership with Caterpillar Inc. and the Northern Alberta Institute of Technology (NAIT) to provide Caterpillar Inc.'s ThinkBIG equipment technician program for the first time in Canada. NAIT and Finning will be recruiting 24 qualified applicants for the Caterpillar Dealer Service Technician Program to be delivered by NAIT starting September 2003. Caterpillar and Finning have jointly donated equipment and tooling to NAIT to be used for the training. Additionally Finning will provide employment opportunities for successful candidates. Industry demands for heavy equipment technicians in North America are predicted to outstrip supply in coming years. ThinkBIG is one initiative designed to help resolve this shortage.
- Finning (UK) has received an order from AMPL, the plant hire division of Alfred McAlpine plc, to supply 38 pieces of new Caterpillar equipment. The equipment will be used on the A1M highway project north of Leeds, and will generate approximately \$7 million in rental revenues over the 24 month term.
- Subsequent to the quarter end, Finning announced the closing of the acquisition of the Caterpillar dealership in Bolivia, effective April 1, 2003.
- Also subsequent to the quarter end, Finning announced a number of executive changes, including the retirement of Rick Mahler, Executive Vice President and Chief Financial Officer and Jack Carthy, President, Power Systems. Wayne Bingham will succeed Mr. Mahler as Executive Vice President and Chief Financial Officer. Before joining Finning Mr. Bingham has been E.V.P. and C.F.O. of Ontario Power Generation for the last four years.

Complete financial statements and management discussion and analysis can be accessed at www.finning.com

Finning International Inc. sells, rents, finances and provides customer support services for Caterpillar equipment and engines, and complementary equipment, in Western Canada, the U.K. and South America (Argentina, Bolivia, Chile and Uruguay). The corporation's Head Office is located in Vancouver, B.C., Canada. Finning International Inc. (www.finning.com) is a widely held, publicly traded corporation, listed on the Toronto Stock Exchange (symbol FTT).

This report contains forward-looking statements and information, which reflect the current view of Finning International Inc. with respect to future events and financial performance. Any such forward-looking statements are subject to risks and uncertainties and Finning's actual results of operations could differ materially from historical results or current expectations. Finning assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein do not materialize.

Refer to Finning's annual report, management information circular, annual information form and other filings with the Ontario Securities Commission and Toronto Stock Exchange for further information on risks and uncertainties that could cause actual results to differ materially from forward-looking statements contained in this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

The Company achieved record high quarterly revenues, and first quarter records for earnings before interest and taxes (EBIT) and net income in Q1, 2003. Consolidated revenues increased 13.3% to \$874.2 million, EBIT increased 5.5% to \$67.3 million and consolidated net income increased 14.2% to \$35.1 million. Basic Earnings Per Share (EPS) for the quarter was \$0.45 compared with \$0.40 in the same period last year, representing a 12.5% increase.

Normalized results exclude the impact of other expenses (income) (see note 4 of Notes to the Interim Consolidated Financial Statements). These expense or income items may be occasional in nature and are regarded as not part of the core business of the Company; and, as such, are shown separately to facilitate comparison of the core business with the prior year. Normalized EBIT for the quarter was \$56.2 million, compared to \$54.0 million for the first quarter of 2002. Normalized net income was \$28.0 million (2002: \$23.1 million) and Normalized Basic EPS was \$0.36 (2002: \$0.30).

Cash flow after changes in working capital was \$154.6 million, down \$24.3 million from the same quarter last year. The Company made a net investment of \$57.0 million (2002: \$75.2 million) in revenue-earning assets in this quarter.

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

(C\$ millions)	Q1, 2003	Q1, 2002	Q1, 2003 (% of Revenue)	Q1, 2002 (% of Revenue)
Revenue	874.2	771.5		
Gross profit	250.2	223.8	28.6%	29.0%
Selling, general & administrative expenses	194.0	169.8	22.2%	22.0%
Normalized EBIT	56.2	54.0	6.4%	7.0%
Other Expenses/ (Income)	(11.1)	(9.8)	-1.3%	-1.3%
EBIT	67.3	63.8	7.7%	8.3%
Finance costs and interest on other indebtedness	15.1	20.4	1.7%	2.6%
Provision for income taxes	12.4	8.8	1.4%	1.1%
Non-controlling interests	4.7	3.9	0.5%	0.5%
Net income	35.1	30.7	4.0%	4.0%

Revenues

Revenues in the first quarter of 2003 increased \$102.7 million (13.3%) to \$874.2 million with all reporting segments showing improvement.

From a line of activity perspective, revenue mix was maintained at the 2002 level. All components of revenue increased with the exception of lower operating lease and finance revenues which reflect the 2002 sale of selected leases and the notes portfolio to Caterpillar Financial Services Limited.

Canada

Revenues increased by \$46.5 million (15.0%) in Canada mainly due to new mobile equipment sales. Revenues were enhanced by large mining equipment package deliveries to Albian Sands Energy and a strengthening in sales to the forestry sector which doubled the comparable quarter's deliveries of new equipment. Construction and petroleum also showed improvement from the comparable period last year. New equipment order backlog improved from both December 2002 and March 2002 levels reflecting the higher mining and forestry activity.

Other improvements in revenue were due to higher customer support services and higher contribution from the CAT rental stores.

United Kingdom

Revenues in the UK were higher by \$23.0 million or 11.2%. In local currency, revenues were higher by 4.5%. New equipment revenue was up 20.0% from the prior year comparative period with significant sales to the quarrying sector. Continued strength from power & energy systems and the materials handling business also contributed to

the overall revenue improvement. In addition, order backlog of materials handling and power systems is significantly stronger than the level experienced in March 2002 and at December 2002.

South America

In January 2003, the acquisitions of the Argentina and Uruguay Caterpillar dealerships were completed. Contributions from these new acquisitions are included from January 1st. Results are combined with the Chile operations and are now reported under the reporting segment "South America".

Revenues from South America increased 14.1% or \$14.7 million. Contribution of \$25.9 million from the new acquisitions, was partially offset by a 10.7% lower revenue from Chile operations as a result of lower equipment deliveries to the mining sector. Revenue from Chile increased in power and energy systems, rental revenues and customer support services.

Hewden

Hewden revenues increased 12.1% or \$18.3 million compared with the first quarter of 2002 partially due to an approximate 6.5% appreciation of the pounds sterling against the Canadian dollar. In local currency, revenue increased 5.5%, primarily due to the sales of underutilized rental assets and non-core business sales of new equipment. Rental revenues were relatively flat compared with last year's quarter reflecting a continued competitive rental hire market.

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

(\$ million)	South					Consolidated	Revenue percentage
	Canada	UK	America	Hewden	Other		
Q1, 2003							
New mobile equipment	120.4	88.5	20.1	7.2	-	236.2	27.0%
New power & energy systems	21.1	30.4	5.8	-	-	57.3	6.6%
Used equipment	38.0	33.7	6.1	11.8	-	89.6	10.3%
Equipment rental	29.3	15.8	6.3	138.6	-	190.0	21.7%
Operating leases	17.8	-	-	-	-	17.8	2.0%
Customer support services	129.5	61.0	80.5	11.3	-	282.3	32.3%
Finance and other	0.6	-	0.2	-	0.2	1.0	0.1%
Total	356.7	229.4	119.0	168.9	0.2	874.2	100.0%
Revenue percentage by operations	40.8%	26.3%	13.6%	19.3%	0.0%	100.0%	
Q1, 2002							
New mobile equipment	69.1	73.7	32.1	2.2	-	177.1	23.0%
New power & energy systems	29.4	24.3	2.4	-	-	56.1	7.3%
Used equipment	40.6	36.2	3.3	7.0	-	87.1	11.3%
Equipment rental	25.9	14.9	3.5	131.7	-	176.0	22.8%
Operating leases	23.8	-	-	-	-	23.8	3.0%
Customer support services	119.9	57.3	62.9	9.7	-	249.8	32.4%
Finance and other	1.5	-	0.1	-	-	1.6	0.2%
Total	310.2	206.4	104.3	150.6	-	771.5	100.0%
Revenue percentage by operations	40.2%	26.8%	13.5%	19.5%	0.0%	100.0%	

Gross profit

Gross profit increased \$26.4 million over the corresponding period last year to \$250.2 million. As a percentage of revenue, the consolidated gross profit was slightly lower at 28.6% compared with 29.0% in the same period last year. Gross margin percentage included:

- in Canada, a higher proportion of lower margin mining packages partially offset by higher rental margins contributed by the CAT rental stores
- parts margin improvement in the UK operation due to price increases implemented in 2002 and the absence of the lower margin export parts business which was closed in the second quarter of 2002.
- in South America, the gross margin percentage increased by 1.4% as the Chile operation enjoyed a revenue mix shift toward higher margined customer service activity.
- in Hewden, rental margin percentage improvement of 2.9% as a result of the absence of the lower margin Tower Crane business, sold in the second half of 2002.

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$24.2 million to \$194.0 million in Q1, 2003. The increase was mainly attributable to the addition of the South American acquisitions and volume increases. As a percentage of revenue, these expenses were 22.2%, the same level as 2002.

Other expenses (income)

Other expenses (income) include items shown separately to facilitate comparison with the corresponding quarter last year. As a result of these items, for the first three months of 2003, the Company recorded a pre-tax other income amount of \$11.1 million, (\$7.2 million after-tax). See note 4 of Notes to the Interim Consolidated Financial Statements for a complete listing. The major pre-tax items included:

- the sale of the UK power rental business to Energyst Rental Solutions (SM) for a pre-tax gain of \$13.8 million.
- costs incurred on the DBSi process reengineering project of \$2.9 million. DBSi is the new information technology from Caterpillar. DBSi enhancements include customer relationship management, finance and administration, and supply chain management. The DBSi project was initiated in 2002, with plans for implementation in the UK operation in late 2003.

Earnings before interest and taxes (EBIT)

Earnings before interest and taxes increased by 5.5% to \$67.3 million mainly due to the volume increase and the net change in other expenses (income). EBIT as a percentage of revenue declined from 8.3% in Q1, 2002 to 7.7%. For the segmentation of EBIT by operation, please refer to note 9 of Notes to the Interim Consolidated Financial Statements.

Finance cost and interest on other indebtedness

Finance cost and interest on other indebtedness at \$15.2 million was 25.6% lower from Q1, 2002 as a result of lower debt levels (see note 5 of Notes to the Interim Consolidated Financial Statements).

Provision for income taxes

Income tax expense for the current quarter amounted to \$12.4 million (26.0% effective tax rate) compared with \$8.8 million (22.2% effective tax rate) for the same period last year, mainly due to the non-taxable portion of capital gains in 2002 included in other expenses (income). Excluding the tax expense on other expense (income) of \$4.0 million in 2003 and \$2.1 million in 2002, the normalized effective tax rates, as a percentage of income before taxes (but after non-controlling interests), would be 23.1% for 2003 compared with 22.3% for 2002.

Non-controlling interests

The distribution to the non-controlling partnership interests for the quarter was \$4.7 million, representing a yield of 4.5% compared to \$3.9 million and a yield of 3.8% in the first quarter of 2002.

Net income

Net income improved by 14.2%, to a first quarter record of \$35.1 million in Q1, 2003. Basic earnings per share for the quarter improved by 12.5% to \$0.45.

The results for the quarter included gains on disposals of assets and other expenses. Excluding these gains and expenses, normalized net income was a record high \$28.0 million (2002: \$23.1 million) and normalized Basic EPS was \$0.36 (2002: \$0.30).

Liquidity and capital resources

Cash flow from operating activities was \$97.6 million in the quarter compared with \$103.6 million in the corresponding period last year, primarily as a result of lower cash flow after working capital changes of \$24.3 million offset by net lower investments of \$18.3 million in revenue earning equipment.

Net cash used for investments totaled \$39.4 million as a result of proceeds of \$34.1 million from the sale of the UK power rental business offset by \$66.2 million (including bank indebtedness assumed) acquisition of the Caterpillar dealerships in Argentina and Uruguay (see Note 1 of Notes to the Interim Consolidated Financial Statements) and \$7.3 million net investment of other capital assets.

In the quarter, the Company increased its quarterly dividend rate from 8 cents per share to 9 cents per share, a 12.5% increase, reflecting the strength in earnings, cashflows, and management's confidence in the future growth of the Company. The Company has an active share repurchase program in effect until December 2, 2003. During the quarter, 1,184,700 common shares were repurchased for a total cash amount of \$28.5 million while \$2.2 million of cash was generated from the exercise of stock options.

The Company's short and long-term borrowings, net of cash balances, of \$740.9 million were lower by \$39.0 million from \$779.9 million at December 31, 2002.

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 (see note 6 of Notes to the Interim Consolidated Financial Statements).

Financial risks and uncertainties

The Company's financial performance may be influenced either favorably or adversely by fluctuations in foreign exchange and commodity prices (see note 11 of Notes to the Interim Consolidated Financial Statements).

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, 2002.

INTERIM CONSOLIDATED STATEMENTS OF INCOME & RETAINED EARNINGS

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

	Three months ended March 31	
	2003	2002
Revenue		
New mobile equipment	\$ 236,237	\$ 177,171
New power and energy systems	57,318	56,091
Used equipment	89,622	87,119
Equipment rental	189,971	175,985
Operating leases	17,846	23,795
Customer support services	282,314	249,812
Finance and other	921	1,596
Total revenue	<u>874,229</u>	<u>771,569</u>
Cost of sales	<u>624,046</u>	<u>547,739</u>
Gross profit	250,183	223,830
Selling, general and administrative expenses	193,982	169,766
Other expenses (income) (Note 4)	<u>(11,144)</u>	<u>(9,752)</u>
Earnings before interest, taxes, and non-controlling interests (EBIT)	67,345	63,816
Finance costs and interest on other indebtedness (Note 5)	<u>15,160</u>	<u>20,380</u>
Income before provision for income taxes and non-controlling interests	52,185	43,436
Provision for income taxes	12,368	8,753
Non-controlling interests	4,703	3,947
Net income	<u>\$ 35,114</u>	<u>\$ 30,736</u>
Retained earnings, beginning of period	\$ 699,741	\$ 590,588
Net income	35,114	30,736
Dividends on common shares	(6,953)	(5,343)
Premium on repurchase of common shares	<u>(24,941)</u>	<u>-</u>
Retained earnings, end of period	<u>\$ 702,961</u>	<u>\$ 615,981</u>
Gross profit as a percentage of revenue	28.6%	29.0%
EBIT as a percentage of revenue	7.7%	8.3%
Net income as a percentage of revenue	4.0%	4.0%
Earnings per share (EPS) (Note 8)		
Basic EPS	\$0.45	\$0.40
Diluted EPS	\$0.44	\$0.39
Weighted average number of shares outstanding	77,062,807	76,084,934

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 2003	December 31 2002
ASSETS		
Current assets		
Accounts receivable and other	\$ 602,993	\$ 641,847
Inventories		
On-hand equipment	383,472	402,316
Parts and supplies	265,797	248,093
Current portion of instalment notes receivable	20,840	13,926
Total current assets	<u>1,273,102</u>	<u>1,306,182</u>
Finance assets		
Instalment notes receivable	3,753	13,410
Equipment leased to customers	184,128	197,115
Total finance assets	<u>187,881</u>	<u>210,525</u>
Rental equipment	832,045	897,891
Land, buildings and equipment	245,839	263,088
Future income taxes	14,019	12,030
Goodwill (Note 2)	349,998	379,866
Total assets	<u>\$ 2,902,884</u>	<u>\$ 3,069,582</u>
LIABILITIES		
Current liabilities		
Short-term debt	\$ 183,204	\$ 223,514
Accounts payable and accruals	797,419	849,261
Income tax payable	43,759	39,068
Current portion of long-term debt	41,069	42,324
Total current liabilities	<u>1,065,451</u>	<u>1,154,167</u>
Long-term debt	516,581	514,051
Future income taxes	31,527	46,004
Total liabilities	<u>1,613,559</u>	<u>1,714,222</u>
NON-CONTROLLING INTERESTS	425,000	425,000
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	232,076	233,450
Retained earnings	702,961	699,741
Cumulative currency translation adjustments	(70,712)	(2,831)
Total shareholders' equity	<u>864,325</u>	<u>930,360</u>
Total liabilities, non-controlling interests and shareholders' equity	<u>\$ 2,902,884</u>	<u>\$ 3,069,582</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	
	2003	2002
OPERATING ACTIVITIES		
Net income	\$ 35,114	\$ 30,736
Add		
Depreciation	80,018	78,883
Future income taxes	(3,559)	(4,279)
Other items	(11,143)	(9,752)
Non-controlling interests distribution	4,703	3,947
	<u>105,133</u>	<u>99,535</u>
Changes in working capital items		
Accounts receivable and other	44,238	(29,754)
Inventories - On-hand equipment	15,916	51,176
Inventories - Parts & supplies	(6,164)	(4,989)
Instalment notes receivable	2,710	(1,224)
Accounts payable and accruals	7,775	63,869
Income taxes	(15,054)	242
	<u>154,554</u>	<u>178,855</u>
Rental equipment, net of disposals	(57,092)	(51,741)
Equipment leased to customers, net of disposals	112	(23,494)
	<u>97,574</u>	<u>103,620</u>
Cash flow from operating activities		
INVESTING ACTIVITIES		
Net cash provided from (used for) land, buildings and equipment	(7,325)	4,987
Proceeds from Canadian property sale leaseback	-	77,049
Proceeds from UK power rental business sale	34,056	-
South American acquisitions (Note 1)		
Aggregate purchase price	(66,197)	-
	<u>(39,466)</u>	<u>82,036</u>
Cash provided by/(used for) investing activities		
FINANCING ACTIVITIES		
Increase of long-term debt	4,613	1,428
Non-controlling interests distribution	(4,703)	(3,947)
Issue of common shares on exercise of stock options	2,192	8,167
Repurchase of common shares	(28,506)	-
Dividends paid	(6,953)	(5,343)
Currency translation adjustments	15,559	2,363
	<u>(17,798)</u>	<u>2,668</u>
Cash provided by/(used for) financing activities		
Decrease/(Increase) in short-term debt	40,310	188,324
Short-term debt at beginning of period	223,514	372,360
Short-term debt at end of period	<u>\$ 183,204</u>	<u>\$ 184,036</u>
Cash flows include the following elements		
Interest paid	\$ 7,368	\$ 12,165
Income taxes paid	\$ 10,818	\$ 9,615

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(C\$ thousands, except for exercise and share prices)

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 December 31, 2002 audited annual financial statements and the notes below.

1. Acquisition of South American Caterpillar dealerships

In January 2003, Finning completed its acquisition of Macroasa Del Plata S.A. and General Machinery Co S.A., the Caterpillar dealerships in Argentina and Uruguay, respectively. The results of the Argentina and Uruguay dealership operations have been included from January 1, 2003 in the Company's consolidated financial statements. The purchase of these operations is accounted for under the purchase method of accounting. The aggregate purchase price of \$40,264 (US\$26,300) was financed through debt. The purchase price allocations for these acquisitions have not yet been finalized. The sellers are also entitled to additional future consideration, to a maximum of \$30,000 (US\$20,000), based on realization of certain performance criteria over a five-year period for these operations.

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

Net assets acquired (\$ '000)

Total tangible assets	\$ 89,401
Total liabilities	24,146
Goodwill	<u>942</u>
Net assets acquired	66,197
Less: assumed debt	<u>25,933</u>
Total purchase price	<u>\$ 40,264</u>

2. Goodwill

	<u>Period ended</u> <u>March 31, 2003</u>	<u>Year ended</u> <u>Dec. 31, 2002</u>
Goodwill, beginning of year	\$ 379,866	\$ 405,744
Goodwill on acquisitions made during the period	942	1,483
Reduction in goodwill for purchase price adjustments	-	(53,699)
Reduction in goodwill on divestitures during the year	-	(8,984)
Foreign exchange translation adjustment	<u>(30,810)</u>	<u>35,322</u>
Goodwill, end of period	<u>\$ 349,998</u>	<u>\$ 379,866</u>

3. Investments

During the quarter, the Company made an equity investment in Energyst Rental Solutions(SM) ("Energyst"), a newly established company offering energy rental services to national and international customers across Europe. Energyst was formed by the combined efforts of Caterpillar Inc. and ten European Caterpillar dealers, including Finning (UK) Ltd. Energyst will build on Caterpillar's dealers' existing power rental operations and will leverage the dealers' resources and capabilities to fulfill the needs of European energy customers. The Company's investment of \$6,755 provided a 15.17% ownership interest in Energyst. As part of this transaction, the Company's UK operation sold its power rental business to Energyst for \$34,065 with a resulting after-tax gain of \$9,168. The investment in Energyst is accounted for using the cost method.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Other expenses/(income)

Other expenses/(income) in the quarter include the following items:

	Three months ended March 31,	
	<u>2003</u>	<u>2002</u>
a) Loss (Gain) on sale of surplus properties in Canada and the U.K.	\$ 243	\$ (8,952)
b) Deferred gain on 2001 sale of the Canadian Materials Handling business	(800)	(800)
c) Costs incurred on DBSi business process reengineering project	2,877	-
d) Gain on sale of the UK Power Rental business	(13,800)	-
e) Loss from equity investment	336	-
	<u>(11,144)</u>	<u>(9,752)</u>
Tax provision on other expenses/(income)	(3,992)	(2,108)
Other expenses/(income), net of tax	<u>\$ (7,152)</u>	<u>\$ (7,644)</u>

5. Short-term and long-term debt

Finance cost and interest on other indebtedness as shown on the consolidated statement of income is comprised of the following elements:

	Three months ended March 31,	
	<u>2003</u>	<u>2002</u>
Interest on debt securities:		
Debentures	\$ 9,409	\$ 10,249
Bank indebtedness, commercial paper and other loans	2,998	3,071
Term facilities	638	2,100
	<u>13,045</u>	<u>15,420</u>
Interest on swap contracts	4,165	3,844
Amortization of deferred debt costs and other finance related (income)/expenses	(2,050)	1,116
	<u>\$ 15,160</u>	<u>\$ 20,380</u>

6. Financial Instruments

The Company uses derivative financial instruments as part of an overall risk management strategy to manage the underlying financial and economic risks of the Company and to achieve lower cost financing. The Company uses derivative financial instruments to manage the mix of fixed and floating interest rate exposure, to manage foreign exchange exposure and to diversify sources of financing.

The fair value of financial instruments is determined by reference to quoted market prices for actual or similar instruments, where available, or by estimates derived using present value or other valuation techniques. The estimated fair value of interest rate swaps and foreign exchange contracts was negative \$99,428 at March 31, 2003 and negative \$156,434 at December 31, 2002. As these financial instruments qualify for accounting as hedges, the gains or losses are accounted for in the same manner as the underlying hedged transaction for the period over which the hedging relationship is effective.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Share capital

Common Shares	Three months ended March 31, 2003		Twelve months ended December 31, 2002	
	Shares	Amount	Shares	Amount
Balance, beginning of period	77,579,954	\$ 233,450	75,816,263	\$ 212,122
Exercise of stock options	178,228	2,192	1,763,691	21,328
Repurchase of common shares	(1,184,700)	(3,566)	-	-
Balance, end of period	<u>76,573,482</u>	<u>\$ 232,076</u>	<u>77,579,954</u>	<u>\$ 233,450</u>

Stock Options

The following table summarizes the information about the stock option activity from the previous year-end to March 31, 2003:

			Number of stock options outstanding
Options outstanding, beginning of period			<u>4,323,218</u>
Options exercised:			
Range of exercise price	Weighted average exercise price	Options exercised	
\$ 6 - \$ 9	\$ 6.63	24,328	
\$ 9 - \$ 12	\$ 10.14	37,000	
\$ 12 - \$ 15	\$ 13.00	82,900	
\$ 15 - \$ 17	\$ 17.00	<u>34,000</u>	
Total exercised			178,228
Options cancelled:	\$ 15.84		52,000
Options outstanding, end of period	\$ 13.20		<u>4,092,990</u>
Total options exercisable, end of period	\$ 13.21		<u>3,801,888</u>

Other Stock-Based Compensation Plans

Changes in the value of all deferred share units and share appreciation rights as a result of fluctuations in the Company's common share price and new issues during the current quarter totaled \$98 (Q1 2002: \$760) and was recognized in selling, general and administrative expenses on the consolidated statement of income.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Earnings per Share

Basic earnings per share is calculated by dividing net income available to the shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated to reflect the dilutive effect of exercising outstanding stock options by application of the treasury stock method.

	Income (numerator)	Shares (denominator)	Per Share Amount
<u>Three months ended March 31, 2003</u>			
Basic earnings per share:			
Income available to common shareholders	\$ 35,114	77,062,807	\$ 0.45
Effect of dilutive securities:			
Stock Options		1,876,986	
Diluted earnings per share:			
Income available to common shareholders and assumed conversions	<u>\$ 35,114</u>	<u>78,939,793</u>	<u>\$ 0.44</u>
<u>Three months ended March 31, 2002</u>			
Basic earnings per share:			
Income available to common shareholders	\$ 30,736	76,084,934	\$ 0.40
Effect of dilutive securities:			
Stock Options		2,354,819	
Diluted earnings per share:			
Income available to common shareholders and assumed conversions	<u>\$ 30,736</u>	<u>78,439,753</u>	<u>\$ 0.39</u>

9. Segmented Information

The Company and its subsidiaries have operated primarily in one industry during the year, that being the selling, servicing, renting and financing of heavy equipment and related products.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

The reportable operating segments are:

Q1, 2003

	Canada	UK	South America	Hewden	Other	Consolidated
Revenue from external sources	\$ 356,691	\$ 229,460	\$ 119,037	\$ 168,866	\$ 175	\$ 874,229
Operating costs	297,918	210,845	104,080	120,788	4,379	738,010
Depreciation	32,511	5,401	5,318	36,788	-	80,018
Other expenses / (income)	-	-	-	-	(11,144)	(11,144)
Earnings before interest and tax	\$ 26,262	\$ 13,214	\$ 9,639	\$ 11,290	\$ 6,940	\$ 67,345
Finance cost and interest on other indebtedness						15,160
Non-controlling interests						4,703
Provision for income taxes						12,368
Net income						\$ 35,114
EBIT as a percentage of revenue	7.4%	5.8%	8.1%	6.7%		7.7%
EBIT percentage by operations	39.0%	19.6%	14.3%	16.8%	10.3%	100.0%
Identifiable assets	\$ 1,017,582	\$ 433,695	\$ 363,059	\$ 1,049,844	\$ 38,704	\$ 2,902,884
Capital expenditures	\$ 1,255	\$ 1,376	\$ 1,657	\$ 3,849	\$ -	\$ 8,137

Q1, 2002

	Canada	UK	South America	Hewden	Other	Consolidated
Revenue from external sources	\$ 310,192	\$ 206,424	\$ 104,329	\$ 150,609	\$ 15	\$ 771,569
Operating costs	243,722	190,202	94,994	105,603	4,101	638,622
Depreciation	37,632	4,871	2,639	33,741	-	78,883
Other expenses / (income)	-	-	-	-	(9,752)	(9,752)
Earnings before interest and tax	\$ 28,838	\$ 11,351	\$ 6,696	\$ 11,265	\$ 5,666	\$ 63,816
Finance cost and interest on other indebtedness						20,380
Non-controlling interests						3,947
Provision for income taxes						8,753
Net income						\$ 30,736
EBIT as a percentage of revenue	9.3%	5.5%	6.4%	7.5%		8.3%
EBIT percentage by operations	45.2%	17.8%	10.5%	17.7%	8.8%	100.0%
Identifiable assets	\$ 1,163,476	\$ 419,219	\$ 293,373	\$ 1,044,070	\$ -	\$ 2,920,138
Capital expenditures	\$ 2,612	\$ 575	\$ 799	\$ 3,539	\$ -	\$ 7,525

10. Guarantees

In 2003, the Company adopted the CICA issued Accounting Guideline 14, Disclosure of Guarantees ("AcG-14") on a prospective basis. AcG-14, supplements other disclosure requirements and as such, some of these disclosures are reported in other areas throughout the consolidated financial statements.

The Company enters into contracts with rights of return, in certain circumstances, for the repurchase of equipment sold to customers for an amount estimated to be the future value of the fair market price at that time. As at March 31, 2003 the total estimated value of these contracts outstanding is \$194,746, coming due at periods ranging from 2003 to 2017. Usually, the equipment at the exercise date of the contract is worth more than the contract value. The total amount recognized as a provision against these contracts is \$5,569.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Currency rates

The Company operates in four main currencies: Canadian dollars, British pound sterling, U.S. dollars and Chilean pesos. At March 31, 2003, December 31, 2002 and March 31, 2002, the Canadian dollar was worth 0.431, 0.393 and 0.441 pounds sterling; 0.681, 0.633 and 0.628 U.S. dollars and 494.3, 456.2 and 413.2 Chilean pesos respectively.

12. Subsequent events

In April 2003, the Company closed the previously announced acquisition of Matreq Ferreyros S.A., the Caterpillar dealership in Bolivia. The acquisition will be recorded as of April 1st, 2003. The Company's investment is approximately \$8,800 (US\$6,000) which will be financed through debt. Other consideration of approximately \$6,000 (US\$4,000) was advanced to the seller against certain performance criteria of this operation. The purchase price allocation for this acquisition has not been finalized.

NEXT QUARTERLY RESULTS – July 22, 2003

SECOND QUARTER RESULTS AND CONFERENCE CALL

Finning International's second quarter results for 2003 will be released at 12:00 noon EDT on July 22, 2003. You are invited to participate in the Finning Shareholder/Analyst Conference Call at 2:00 p.m. EDT on July 22, 2003 by dialing one of the following numbers:

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

**Number for participants dialling from
the Toronto area and overseas:**
(416) 695-9757

ADDITIONAL INFORMATION

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Telephone: (604) 691-6444

REGISTRAR AND TRANSFER AGENT

ComputerShare Trust Company of Canada:
Vancouver, Calgary, Regina,
Winnipeg, Toronto and Montreal

SHARE INQUIRIES

Inquiries relating to shares or
dividends: Computershare Trust
Company of Canada
Telephone: 1-888-661-5566

STOCK

(Symbol: FTT) on
Toronto Stock Exchange (TSX)

INVESTOR RELATIONS

Anthony Guglielmin: (604) 331-4937
Ilona Rojkova: (604) 331-4900
E-mail: irojkova@finning.ca
Fax: (604) 331-4899

INTERNET

<http://www.finning.com/investor>



First Quarter Ending March 31, 2003

Finning International Inc. today reported record first-quarter revenue of \$874.2 million, up \$102.7 million, or 13.3%, from the first quarter of 2002. Earnings Before Interest and Taxes (EBIT) for the quarter reached \$67.3 million, up \$3.5 million or 5.5% higher than the same period last year. Net income for the quarter rose 14.2% or \$4.4 million to a first quarter record \$35.1 million. Basic EPS for the quarter increased 12.5% to \$0.45.

Cash flow after working capital changes was \$154.6 million for the first quarter, slightly lower than the same period last year, but up significantly from \$40.5 million in the fourth quarter of 2002 reflecting improved working capital productivity.

Doug Whitehead, President and CEO of Finning International Inc. said: "In the first quarter of 2003, Finning delivered record first quarter results and the strongest quarterly revenue in its history. Our well-timed acquisition of two South American Caterpillar dealerships, strength in our core Canadian and U.K. markets, and our focus on asset efficiencies resulted in the strong quarter over quarter improvement.

Finning South America and Finning U.K. both reported strong year over year EBIT performance. Hewden Stuart returned a similar EBIT to last year, while Finning Canada's EBIT was slightly lower than the prior year, reflecting a revenue mix shift to lower margin activities.

Economic conditions in our areas of operations range from soft in South America to strong in Canada and the U.K. We are confident, therefore, that we will exceed the level of profitability this year that we achieved in 2002."

Complete financial statements and management discussion and analysis can be accessed at www.finning.com

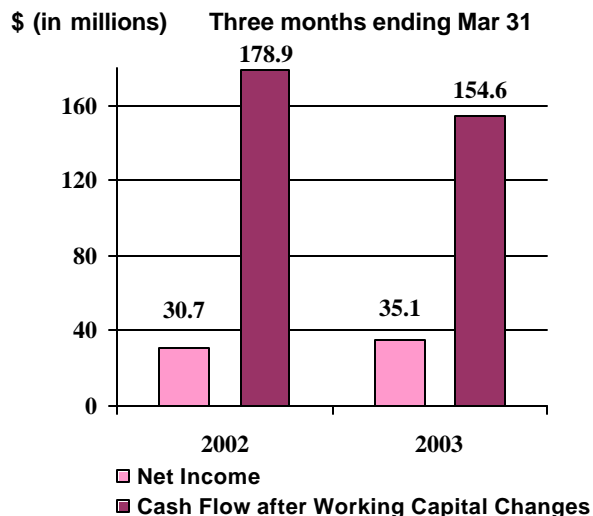
	Three Months Ended	
	March 31	
	2003	2002
Revenue	874.2	771.5
EBIT	67.3	63.8
Net Income	35.1	30.7
Cash Flow after Working Capital Changes	154.6	178.9
Basic EPS	0.45	0.40
Diluted EPS	0.44	0.39
Normalized Basic EPS	0.36	0.30

About Us

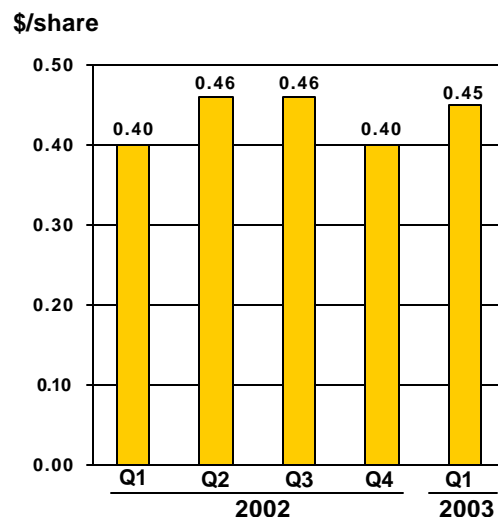
Finning International Inc. sells, rents, finances and provides customer support services for Caterpillar equipment and engines, and complementary equipment, in Western Canada, the U.K., and South America (Argentina, Bolivia, Chile and Uruguay). The corporation's Head Office is located in Vancouver, B.C., Canada. Finning International Inc. (www.finning.com) is a widely held, publicly traded corporation, listed on the Toronto Stock Exchange (symbol FTT).

FINNING DELIVERS RECORD FIRST QUARTER RESULTS

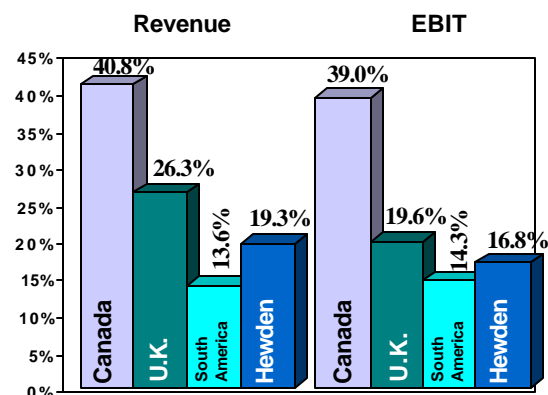
Net Income & Cash Flow



Quarterly EPS



Revenue & EBIT Contribution by Operation



* Excludes other expenses/(income)