



## First Quarter 1999 Interim Results

April 12, 1999

	Three months ended March 31	
	1999	1998
(C\$ millions)		
Revenue	549.0	689.2
Net Income	6.2	(7.8)
Cash Flow	58.2	69.6
Earnings per share	0.08	(0.10)
EPS (adjusted)*	0.08	0.01

\*See notes on page 3 – Results in Brief

### “FINNING INTERNATIONAL REPORTS FIRST QUARTER RESULTS”

**Consolidated Results:** In anticipation of lower revenues in 1999, the Company has undertaken a program to reduce its operating costs and improve its long-term competitiveness. The first quarter results are a reflection of that program and indicate the Company is on track to delivering improved returns to its shareholders. In the first quarter of 1999, consolidated revenue declined 20% to \$549 million compared with the same period in 1998. Revenue from customer support and rental services in the first quarter of 1999 matched the prior year while new and used equipment sales were lower. Selling, general and administrative expenses (excluding non-recurring items) in the first quarter of 1999 declined \$13.5 million or 11%. Net income was \$6.2 million, or \$0.08 per share, in 1999 compared with a loss of \$7.8 million, or \$(0.10) per share, in 1998. In the first quarter of 1998, Finning International Inc.'s results included two charges: (i) a non-recurring after-tax charge of \$8.5 million (\$0.11 per share) for the relocation of the Canadian operations' head office to Edmonton; and (ii) an after-tax operating charge of \$13.6 million (\$0.17 per share) on aged inventories in its four operating units. Excluding the non-recurring charge in the first quarter of 1998, net income was \$0.08 per share for the first three months of this year compared with \$0.01 per share for the same period last year. Cash flow from operations was \$0.73 per share compared with \$0.88 per share from the same period last year. Book value remained stable at \$8.48 per share at the end of March 31, 1999. The Company's operating debt-to-equity ratio improved from 0.97:1.0 in December 1998 to 0.82:1.0 in the current quarter.

**Canada:** Revenue in the first quarter of 1999 was \$239 million compared with \$322 million in the same period of 1998. New equipment sales decreased 45% and reflected, in part, large package deliveries to diamond, coal and oil sands mining customers in the first quarter last year. Used equipment sales declined 14% and customer services revenue was down 8% in the first quarter. Alberta and the Northwest Territories generated 60% of Finning (Canada)'s revenue activity while B.C. and the Yukon contributed 40%. Revenue in Alberta was down 26% in the first quarter of 1999 reflecting lower sales of new equipment and a decrease in customer services activity. Revenue in B.C. was 14% lower as fewer units were delivered to the forest industry reflecting continued lower activity in that sector. Canadian operations experienced lower margins on new and used equipment in the first quarter of 1999. Net income in Canada was \$7.1 million compared with \$0.5 million in the first quarter of 1998. Last year's results included an after-tax charge of \$8.5 million for the relocation of the Canadian head office to Edmonton and a \$3.4 million after-tax operating charge on aged inventory. The unit order backlog at the end of the quarter was higher compared with the prior quarter.

**U.K.:** Revenue in the U.K. in the first quarter was \$179 million, a decrease of 12% compared with the first quarter of 1998. In local currency, revenue decreased 16%. The revenue from new equipment sales declined 17% and reflected the absence of large package sales to the construction industry which occurred in the first quarter of 1998. Major competitors continued downward pressure on new equipment prices. Demand increased in the coal mining and power sectors but was lower in the quarrying and materials handling sectors during the quarter. Rental activity increased as new construction machines were put into operation on the Channel Tunnel Rail Link project. Used equipment sales declined 26% while customer services revenue was up slightly compared with the prior year. Finning (UK) reported net income of \$103,000 in the first quarter of 1999 compared with a loss of \$4.6 million in the first quarter in 1998. Included in last year's results was an after-tax loss of \$3.7 million on the disposition of a fleet of used equipment. Higher margins on equipment sales contributed to the earnings improvement in the first quarter of 1999. At the end of the quarter, the unit order backlog was above the levels of the prior quarter.

**Chile:** Revenue in Chile was \$97 million in the first quarter of the year compared with \$126 million in the same period of 1998. This decrease was primarily due to a 52% reduction in new equipment sales. With copper prices below US\$0.65 per pound, sales of new equipment to the mining industry decreased dramatically by 54% compared with the first quarter of 1998. Due to the rapid slowdown in economic activity in Chile, sales of new equipment to the construction industry declined by 70%. Used equipment sales were higher in the first quarter and customer services revenue increased 15% due to the larger population base of Caterpillar equipment. Chile reported net income of \$590,000 in the first quarter compared with a loss of \$1.3 million in the prior year. The first quarter results in 1998 included an after-tax operating charge of \$3.3 million on aged inventory. The unit order backlog was unchanged from the prior quarter.

**International:** This segment of Finning's business represents the sale of used equipment and used parts by Universal Machinery Services (UMS) and includes the costs associated with the corporate head office. Revenue in the first quarter of 1999 was \$34.6 million, a decline of 8% compared with same quarter last year. Equipment sales in both the U.S. and Latin America increased while revenues in the U.K. declined. Overall margins improved on used equipment sales but were lower on used parts. The profit generated by UMS was offset by corporate interest charges and head office expenses. A loss of \$1.5 million was recorded in the first quarter of 1999 compared with a loss of \$2.4 million in 1998. Last year's results included an after-tax operating charge of \$3.2 million on aged inventory.

**Other Items:**

- In the first quarter of 1999, Dave Edwards, Executive Vice President of Strategic Development, retired after 38 years of distinguished service. The Company is appreciative of the strong contribution that Dave made to both Finning (Canada) and Finning International.
- On April 9<sup>th</sup>, the Company announced the appointment of Brian Bell as Executive Vice President, Customer Support Services. This position was created to provide vision and leadership in enhancing the effectiveness and efficiency of the parts and service operation.
- The Company continues to implement operating efficiencies throughout its dealer territories. In the first quarter of 1999, corporate-wide employment was reduced by 7% and inventories were reduced by 5%. The Company, in February 1999, sold its unprofitable BCP Plant Hire operation in the U.K.
- The Company will hold its annual meeting on Friday, April 23<sup>rd</sup>, 1999 at the King Edward Hotel in Toronto. The meeting will commence at 11:00 am (EDT) in the Vanity Fair Ballroom.



J.F. Shepard  
Chairman and CEO

## RESULTS IN BRIEF

(C\$ thousands except per share data)

	Three months ended March 31	
	1999	1998
<b>REVENUE</b>		
Canadian operations	\$ 238,845	\$ 321,607
U.K. operations	178,881	204,118
Chilean operations	96,632	125,938
International operations	34,619	37,493
Consolidated	<u>\$ 548,977</u>	<u>\$ 689,156</u>
<b>NET INCOME (LOSS)</b>		
Canadian operations (Note 1)	\$ 7,062	\$ 452
U.K. operations	103	(4,581)
Chilean operations	590	(1,266)
International operations	(1,506)	(2,448)
Consolidated	<u>\$ 6,249</u>	<u>\$ (7,843)</u>
<b>EARNINGS (LOSS) PER SHARE (EPS)</b>		
Basic (Note 1)	\$ 0.08	\$ (0.10)
Fully diluted	\$ 0.08	\$ (0.10)
Basic	\$ 0.08	\$ (0.10)
Non-recurring items	-	0.11
Adjusted	<u>\$ 0.08</u>	<u>\$ 0.01</u>
Average number of common shares outstanding	79,439,121	79,134,585

**Note 1:** Net income for the three months ended March 31, 1998 includes a non-recurring after-tax charge of \$8.5 million to reflect the relocation costs of moving the Canadian operations' head office from Vancouver to Edmonton.

**These statements have not been audited and are subject to year-end adjustments.**

## FOR MORE INFORMATION

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## **INTERIM CONSOLIDATED STATEMENTS OF INCOME**

(C\$ thousands)

	<b>Three months ended March 31</b>	
	<b>1999</b>	<b>1998</b>
Revenue		
New equipment	\$ 216,815	\$ 341,565
Used equipment	96,402	110,933
Equipment rental	30,506	30,364
Customer support services	195,447	194,809
Finance and other	<u>9,807</u>	<u>11,485</u>
Total revenue	<b>548,977</b>	689,156
Cost of sales	<u>409,029</u>	<u>540,180</u>
Gross profit	<b>139,948</b>	148,976
Selling, general and administrative expenses	<u>111,299</u>	<u>139,786</u>
Earnings before interest and taxes	<b>28,649</b>	9,190
Finance cost and interest on other indebtedness	<u>17,806</u>	<u>18,657</u>
Income (loss) before provision for income taxes	<b>10,843</b>	(9,467)
Provision for (recovery of) income taxes	<u>4,594</u>	<u>(1,624)</u>
Net income (loss) (Note 1)	<u>6,249</u>	<u>(7,843)</u>
Dividends on preferred shares	<u>15</u>	<u>14</u>
Earnings (loss) attributable to common shares	<u><b>\$ 6,234</b></u>	<u><b>\$ (7,857)</b></u>
Gross profit as a percentage of revenue	<b>25.5%</b>	21.6%
Earnings before interest and taxes as a percentage of revenue	<b>5.2%</b>	1.3%
Net income (loss) as a percentage of revenue	<b>1.1%</b>	(1.1%)

**These statements have not been audited and are subject to year-end adjustments.**

## **NEXT QUARTERLY RESULTS – MONDAY, JULY 12, 1999**

### **SECOND QUARTER RESULTS**

Finning International's second quarter results for 1999 will be released at 11:00 a.m. Pacific time on Monday, July 12, 1999.

### **CONFERENCE CALL**

You are invited to participate in the Finning shareholder/analyst conference call at 12:30 p.m. Pacific time on Monday, July 12, 1999 by dialing one of the following numbers:

**Toll-free number for participants dialling from  
anywhere within Canada (except Toronto)  
and the United States:  
1-800-446-4498**

**Number for participants dialling from within the  
Toronto area and for participants outside of  
Canada and the United States:  
416-695-9702**

## INTERIM CONSOLIDATED BALANCE SHEETS

(C\$ thousands)

	<b>March 31 1999</b>	<b>December 31 1998</b>
<b>ASSETS</b>		
Accounts receivable	\$ 407,456	\$ 400,208
Inventories		
On-hand equipment	511,108	554,704
Rental equipment	268,316	268,033
Parts and supplies	<u>260,921</u>	<u>276,407</u>
	<b>1,040,345</b>	1,099,144
Finance Assets		
Instalment notes receivable	103,118	99,930
Equipment leased to customers	<u>313,156</u>	<u>317,690</u>
	<b>416,274</b>	417,620
Land, buildings and equipment	226,899	236,066
Goodwill	<u>76,012</u>	<u>76,563</u>
	<b><u>\$ 2,166,986</u></b>	<b><u>\$ 2,229,601</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Short-term debt	\$ 530,153	\$ 608,974
Accounts payable and accruals	448,886	421,326
Income taxes payable	(10,538)	(12,323)
Term debt	512,805	523,161
Deferred income taxes	<u>11,764</u>	<u>11,548</u>
Total liabilities	<b><u>1,493,070</u></b>	<b><u>1,552,686</u></b>
Shareholders' equity		
Share capital	208,670	208,579
Retained earnings	460,628	458,366
Cumulative currency translation adjustments	<u>4,618</u>	<u>9,970</u>
Total shareholders' equity	<b><u>673,916</u></b>	<b><u>676,915</u></b>
Total liabilities and shareholders' equity	<b><u>\$ 2,166,986</u></b>	<b><u>\$ 2,229,601</u></b>

**These statements have not been audited and are subject to year-end adjustments.**

## ADDITIONAL INFORMATION

### FINNING INTERNATIONAL INC.

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Canada V5T 1E2  
Telephone: (604) 872-4444

### SHARE INQUIRIES

Inquiries relating to shares or dividends:  
Montreal Trust Communications  
Telephone: (604) 661-0222

### INVESTOR RELATIONS

David Climie: (604) 331-4885  
Mandy Mather: (604) 331-4900  
E-mail: amather@finning.ca  
Fax: (604) 331-4899

### REGISTRAR AND TRANSFER AGENT

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

### STOCK EXCHANGES

Toronto (TSE) and  
Montreal (MSE)  
(Symbol: FTT)

### INTERNET

<http://www.finning.ca>

## **INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW**

(C\$ thousands)

	<b>Three months ended March 31</b>	
	<b>1999</b>	<b>1998</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 6,249	\$ (7,843)
Add (deduct) items not affecting cash		
Depreciation	45,722	47,402
Amortization of goodwill	554	554
Deferred income taxes	188	(955)
Equipment/parts provisions	1,702	13,024
Restructuring charges	-	15,000
Warranty reserves	2,686	2,610
Other items	1,084	(229)
	<u>58,185</u>	<u>69,563</u>
Changes in operating assets and liabilities:		
Accounts receivable	(16,981)	5,775
Inventories		
On-hand equipment	31,421	(49,177)
Rental equipment	(18,891)	(25,811)
Parts and supplies	10,238	(12,997)
Finance Assets		
Instalment notes receivable	(3,421)	4,232
Equipment leased to customers, net of disposals	(18,471)	(8,025)
Accounts payable and accruals	36,628	10,043
Income taxes	1,302	(22,988)
Cash provided by (used for) operating activities	<u>80,010</u>	<u>(29,385)</u>
<b>INVESTING ACTIVITIES</b>		
Cash invested in land, buildings and equipment, net of disposals	<u>(1,870)</u>	<u>(6,205)</u>
Cash used for investing activities	<u>(1,870)</u>	<u>(6,205)</u>
<b>FINANCING ACTIVITIES</b>		
Term debt	(3,323)	29,756
Conversion and redemption of preferred shares	(56)	(24)
Issue of common shares on conversion of preferred shares and on exercise of stock options	148	2,184
Dividends paid	(3,987)	(3,964)
Currency translation adjustments	7,899	10,191
Cash provided by (used for) financing activities	<u>681</u>	<u>38,143</u>
Decrease (increase) in short-term debt	78,821	2,553
Short-term debt at beginning of period	<u>608,974</u>	<u>618,018</u>
Short-term debt at end of period	<u>\$ 530,153</u>	<u>\$ 615,465</u>

Approved by the Directors:



J.F. Shepard,  
Director



W.R. Wyman,  
Director

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