

**Second Quarter 1999 Interim Results****July 12, 1999**

(C\$ millions)	<i>Three months ended June 30</i>		<i>Six months ended June 30</i>	
	1999	1998	1999	1998
Revenue	574.7	748.7	1,123.7	1,437.8
Net Income	15.9	20.2	22.2	12.4
Cash Flow	63.2	63.0	121.4	132.6
EPS	0.20	0.25	0.28	0.16
EPS (adjusted)*	0.20	0.25	0.28	0.27

\*See notes on page 3 – Results in Brief

**“EARNINGS IMPROVE AS A RESULT OF COST REDUCTION PROGRAM”**

**Six month consolidated results:** The Company's financial performance for the first six months of 1999 improved compared with the same period a year ago as a result of lower operating costs and reductions in inventories and receivables. Net income nearly doubled from \$12.4 million, or \$0.16 per share, to \$22.2 million, or \$0.28 per share, this year. In the first half of 1998, earnings were negatively affected by a non-recurring charge of (\$8.5) million, or (\$0.11) per share, for the relocation of the Canadian head office from Vancouver to Edmonton. Excluding this non-recurring item, earnings per share improved to \$0.28 per share this year from \$0.27 per share last year despite a 22% reduction in consolidated revenue.

**Second Quarter Results**

**Consolidated:** In the second quarter of 1999, consolidated revenue declined 23% primarily as a result of new and used equipment sales being down 34%. Revenue from customer services was up 2% in the second quarter of 1999 while equipment rental revenue was lower by 9%. Selling, general and administrative expenses in the second quarter of 1999 decreased \$13.3 million or 11% and interest expense was lower by \$2.2 million or 12%. Net income was \$15.9 million, or \$0.20 per share, in 1999 compared with \$20.2 million, or \$0.25 per share, in 1998. Cash flow from operations was \$63.2 million, the same as the prior year's second quarter. Total inventory for the Company was \$980 million at the end of June 30, 1999 compared with \$1,099 million at December 31, 1998. The Company's operating debt-to-equity ratio improved from 0.97 to 1.0 at December 1998 to 0.64 to 1.0 in the current quarter. Book value was \$8.49 per share at June 30, 1999.

**Canada:** Revenue in the second quarter of 1999 was down 15% to \$263 million compared with \$310 million in the same period of 1998. New equipment sales decreased 24% and reflected, in part, the absence of a large number of deliveries made to the construction sector in the second quarter of last year. Used equipment sales declined 17% while customer services revenue remained flat in the second quarter. Alberta and the Northwest

Territories generated 55% of Finning (Canada)'s revenue activity while B.C. and the Yukon contributed 45%. Revenue in Alberta was down 30% in the second quarter of 1999 reflecting lower sales of new and used equipment and a decrease in customer services activity. Revenue in B.C. decreased by 7% as a result of lower equipment sales despite a small increase in customer service activity. Gross margins were lower on new and used equipment. With SG&A and interest expense lower by 14% in the second quarter, net income in Canada was \$11.4 million compared with \$11.9 million in the previous year.

**U.K.:** Revenue in the U.K. in the second quarter was \$181 million, a decrease of 16% compared with the second quarter of 1998. In pounds sterling, revenue decreased 13%. Revenue from new equipment sales declined 18% with higher sales activity in the plant hire industry more than offset by lower activity in power systems and quarrying. Demand was also lower in the materials handling and opencast coal industries during the quarter. Customer service revenue increased 4% and used equipment sales declined 41%. Gross margins improved slightly on equipment sales despite competitive pressure from the major competitors remaining strong. With SG&A and interest expense down a total of 13% in the second quarter, Finning (UK) reported net income of \$2.1 million compared with \$1.7 million for the same period last year.

**Chile:** Revenue in Chile was down 41% to \$101 million in the second quarter compared with \$171 million in the same period of 1998. This decrease was primarily due to a 69% reduction in sales of new equipment to the mining industry compared with the second quarter last year when large package deliveries were made to Radomiro Tomic and Los Pelambres mines. Due to the rapid slowdown in economic activity in Chile, sales of new equipment to the construction industry declined by 72%. Customer service revenue increased 7% as a result of higher parts sales while used equipment sales were lower by 43%. Chile reported net income of \$4.4 million compared with \$5.7 million in the second quarter of 1998 as the significant decrease in revenue was partially offset by a 21% reduction in SG&A and interest expense.

**International Used Equipment and Used Parts:** Revenue in the second quarter of 1999 was \$31 million compared with \$52 million in the same quarter last year. In the second quarter of 1998, UMS reported revenue of \$19 million from the sale of pipeline-laying equipment jointly held with Holt Company of Texas. Adjusting for this sale, revenue was down 6% in the second quarter. Margins on both used equipment and parts were lower during the quarter. The profit generated by UMS was more than offset by corporate interest charges and head office expenses which are reported in this segment. A loss of \$2.0 million was recorded in the second quarter of 1999 compared with a profit of \$0.9 million in 1998.

**Commentary:** Jim Shepard, Chairman and C.E.O. of Finning International, said Finning management launched a major productivity improvement program last year that included the out-sourcing of non-core activities, closing marginal branches and disposing of excessive inventory. The second quarter results indicate these actions are bearing fruit.

"We are now achieving real productivity increases in Canada, U.K. and Chile as our profitability in each sector improves in the face of lower sales levels," said Shepard. "We expect overall productivity to continue to increase as we maintain our focus on cost reduction for the balance of 1999 and into the year 2000."

## RESULTS IN BRIEF

(C\$ thousands except per share data)

	Three months ended June 30		Six months ended June 30	
	1999	1998	1999	1998
<b>REVENUE</b>				
Canadian operations	\$ 262,646	\$ 310,265	\$ 501,491	\$ 631,872
U.K. operations	180,715	215,212	359,596	419,330
Chilean operations	100,641	171,406	197,273	297,344
International operations	30,712	51,797	65,331	89,290
Consolidated	<u>\$ 574,714</u>	<u>\$ 748,680</u>	<u>\$ 1,123,691</u>	<u>\$ 1,437,836</u>
<b>NET INCOME (LOSS)</b>				
Canadian operations (Note 1)	\$ 11,388	\$ 11,912	\$ 18,450	\$ 12,364
U.K. operations	2,148	1,704	2,251	(2,877)
Chilean operations	4,411	5,688	5,001	4,422
International operations	(2,023)	925	(3,529)	(1,523)
Consolidated	<u>\$ 15,924</u>	<u>\$ 20,229</u>	<u>\$ 22,173</u>	<u>\$ 12,386</u>
<b>EARNINGS PER SHARE (EPS)</b>				
Basic (Note 1)	\$ 0.20	\$ 0.25	\$ 0.28	\$ 0.16
Fully diluted	\$ 0.19	\$ 0.25	\$ 0.27	\$ 0.16
Basic	\$ 0.20	\$ 0.25	\$ 0.28	\$ 0.16
Non-recurring items	-	-	-	0.11
Adjusted	<u>\$ 0.20</u>	<u>\$ 0.25</u>	<u>\$ 0.28</u>	<u>\$ 0.27</u>
Average number of common shares outstanding			79,518,091	79,240,710

**Note 1:** Net income in Canada for the six months ended June 30, 1998 includes a non-recurring charge of \$15.0 million (\$8.5 million after-tax) to reflect the relocation costs of moving the Canadian operations head office from Vancouver to Edmonton. The effect on basic earnings per share is 11 cents for the six months ended June 30, 1998.

**Note 2:** Finning operates in four main currencies; Canadian dollars, U.S. dollars, British pound sterling and Chilean pesos. At the end of the second quarter of 1999, the Canadian dollar exchange rate against the pound sterling was 2.32 compared with 2.54 at the end of 1998, and the Canadian dollar exchange rate against the US dollar was 1.47 compared with 1.53 at the end of 1998. The Chilean peso against the Canadian dollar was 349 compared with 308 at the end of 1998.

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

## FOR MORE INFORMATION

David Climie  
Director, Investor and Corporate Relations  
Phone: (604) 331-4885 Fax: (604) 331-4899  
E-mail: [dclimie@finning.ca](mailto:dclimie@finning.ca)

Finning International Inc.  
555 Great Northern Way  
Vancouver, B.C.  
Canada V5T 1E2

## INTERIM CONSOLIDATED STATEMENTS OF INCOME

(C\$ thousands)

	Three months ended June 30		Six months ended June 30	
	1999	1998	1999	1998
Revenue				
New equipment	\$ 252,670	\$ 378,900	\$ 469,485	\$ 720,465
Used equipment	88,009	135,305	184,411	246,238
Equipment rental	29,067	31,894	59,573	62,258
Customer support services	196,281	193,381	391,728	388,190
Finance and other	8,687	9,200	18,494	20,685
Total revenue	574,714	748,680	1,123,691	1,437,836
Cost of sales	426,674	581,041	835,703	1,121,221
Gross profit	148,040	167,639	287,988	316,615
Selling, general and administrative expenses	107,146	120,471	218,445	260,257
Earnings before interest and taxes	40,894	47,168	69,543	56,358
Finance cost and interest on other indebtedness	16,322	18,534	34,128	37,191
Income before provision for income taxes	24,572	28,634	35,415	19,167
Provision for income taxes	8,648	8,405	13,242	6,781
Net income (Note 1 - see page 3)	15,924	20,229	22,173	12,386
Dividends on preferred shares	-	19	15	33
Earnings attributable to common shares	\$ 15,924	\$ 20,210	\$ 22,158	\$ 12,353
Gross profit as a percentage of revenue	25.8%	22.4%	25.6%	22.0%
Earnings before interest and taxes as a percentage of revenue	7.1%	6.3%	6.2%	3.9%
Net income as a percentage of revenue	2.8%	2.7%	2.0%	0.9%

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

## NEXT QUARTERLY RESULTS – OCTOBER 12, 1999

### THIRD QUARTER RESULTS

Finning International's third quarter results for 1999 will be released at 11:00 a.m. Pacific time on Tuesday, October 12, 1999.

### CONFERENCE CALL

You are invited to participate in the Finning shareholder/analyst conference call at 12:30 p.m. Pacific time on Tuesday, October 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)

	June 30 1999	December 31 1998
<b>ASSETS</b>		
Accounts receivable	\$ 377,637	\$ 400,208
Inventories		
On-hand equipment	437,167	554,704
Rental equipment	302,339	268,033
Parts and supplies	240,982	276,407
	<u>980,488</u>	<u>1,099,144</u>
Finance Assets		
Instalment notes receivable	110,503	99,930
Equipment leased to customers	323,247	317,690
	<u>433,750</u>	<u>417,620</u>
Land, buildings and equipment	217,063	236,066
Goodwill	75,454	76,563
	<u>\$ 2,084,392</u>	<u>\$ 2,229,601</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Short-term debt	\$ 496,105	\$ 608,974
Accounts payable and accruals	421,410	421,326
Income taxes payable	(4,355)	(12,323)
Term debt	482,180	523,161
Deferred income taxes	12,984	11,548
Total liabilities	<u>1,408,324</u>	<u>1,552,686</u>
Shareholders' equity		
Share capital	209,391	208,579
Retained earnings	472,592	458,366
Cumulative currency translation adjustments	(5,915)	9,970
Total shareholders' equity	<u>676,068</u>	<u>676,915</u>
Total liabilities and shareholders' equity	<u>\$ 2,084,392</u>	<u>\$ 2,229,601</u>

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## ADDITIONAL INFORMATION

### FINNING INTERNATIONAL INC.

555 Great Northern Way  
Vancouver, B.C.  
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)

	Six months ended June 30	
	1999	1998
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 22,173	\$ 12,386
Add (deduct) items not affecting cash		
Depreciation	90,166	91,433
Amortization of goodwill	1,109	1,109
Deferred income taxes	1,443	(1,210)
Equipment/parts provisions	1,429	12,367
Restructuring charges	-	15,000
Warranty reserves	3,895	1,051
Other items	1,166	469
	<u>121,381</u>	<u>132,605</u>
Changes in operating assets and liabilities:		
Accounts receivable	(1,268)	28,644
Inventories		
On-hand equipment	91,907	(19,390)
Rental equipment	(72,122)	(40,482)
Parts and supplies	19,246	12,068
Finance Assets		
Instalment notes receivable	(11,318)	116,749
Equipment leased to customers, net of disposals	(49,728)	(22,412)
Accounts payable and accruals	23,976	(26,078)
Income taxes	6,976	(41,060)
Cash provided by operating activities	<u>129,050</u>	<u>140,644</u>
<b>INVESTING ACTIVITIES</b>		
Cash invested in land, buildings and equipment, net of disposals	(5,479)	(16,920)
Cash used for investing activities	<u>(5,479)</u>	<u>(16,920)</u>
<b>FINANCING ACTIVITIES</b>		
Term debt	(26,388)	91,701
Conversion and redemption of preferred shares	(996)	(86)
Issue of common shares on conversion of preferred shares and on exercise of stock options	1,807	2,678
Dividends paid	(7,947)	(7,951)
Currency translation adjustments	22,822	4,929
Cash provided by (used for) financing activities	<u>(10,702)</u>	<u>91,271</u>
Decrease in short-term debt	112,869	214,995
Short-term debt at beginning of period	608,974	618,018
Short-term debt at end of period	<u>\$ 496,105</u>	<u>\$ 403,023</u>

Approved by the Directors:

(signed)  
J.F. Shepard, Director

(signed)  
W.R. Wyman, Director

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