



Third Quarter 1999 Interim Results

October 12, 1999

(C\$ millions)	Three months ended Sept 30		Nine months ended Sept 30	
	1999	1998	1999	1998
Revenue	504	582	1,627	2,020
Net Income	16.2	3.7	38.4	16.0
Cash Flow	65.2	53.9	186.6	186.5
EPS	0.20	0.05	0.48	0.20
EPS (adjusted)*	0.20	0.08	0.48	0.34

*See notes on page 3 – Results in Brief

NET INCOME INCREASES FOUR-FOLD IN THIRD QUARTER 1999

THIRD QUARTER RESULTS:

Consolidated: Net income for Finning International Inc. increased significantly in the third quarter of 1999 as a result of the Company's continuing focus on asset management and cost reduction in all of its operations. Net income was \$16.2 million (\$0.20 per share) for the three month period ending Sept. 30th compared with net income of \$3.7 million (\$0.05 per share) last year. Revenue declined 14% to \$504 million in the third quarter of 1999 primarily as a result of lower sales of new and used equipment in Canada and Chile.

Jim Shepard, Chairman and C.E.O. said: "As expected, Finning International is generating improved earnings from a lower revenue base. We expect productivity to continue to increase in all operations as we maintain our focus on costs and asset utilization going into 2000."

Revenue from customer service in the third quarter was the same as last year while rental revenue was down slightly. Selling, general and administrative expenses in the third quarter of 1999 decreased \$20 million or 16% and interest expense was lower by \$1.3 million or 8%. Cash flow from operations increased 21% to \$65.2 million in the third quarter. Total inventory for the Company was \$937 million at Sept. 30th 1999 compared with \$1,099 million at December 31, 1998. The Company's operating debt-to-equity ratio showed improvement from 0.97-to-1.0 at the end of last year to 0.54-to-1.0 in the current quarter. Book value was \$8.64 per share at Sept. 30, 1999.

Canada: Revenue in the third quarter of 1999 was \$221 million, down 15% compared with the same period of 1998. Net income increased 19% to \$9.3 million compared with \$7.8 million in the previous year. New equipment sales decreased 30% primarily due to a higher percentage of customers choosing to lease rather than purchase equipment. On a sales converted basis, construction and forestry sales were higher while mining and governmental sales were lower in the third quarter. Customer service revenue was down 5% in the third quarter. Alberta and the Northwest Territories generated 53% of Finning (Canada)'s revenue activity while B.C. and the Yukon contributed 47%. Revenue in Alberta was down 22% in the third quarter of 1999 reflecting lower sales of new and used equipment. Revenue in B.C. increased by 17% as a result of higher equipment sales and rental activity. As a result of cost containment efforts, SG&A and interest expense were lower by 15% in the

third quarter. During the quarter Finning (Canada) received orders for eighteen 360-ton Caterpillar 797 trucks for use in the Oil Sands in northern Alberta.

U.K.: Revenue in the U.K. was \$178 million, down 4% compared with the third quarter of 1998. In sterling terms, revenue was unchanged. Net income was \$2.4 million compared with a loss of \$5.4 million for the same period last year. New equipment sales decreased 6% with higher activity in plant hire and construction offset by lower activity in coal mining and power systems. Major deliveries in the quarter included twelve 40-ton dump trucks to John Jones Excavations for work on the Chunnel Rail Link project. Customer service revenue increased 13% while used equipment sales declined 37%. Through asset management and cost containment, SG&A and interest expense were reduced by \$8.8 million or 19% in the third quarter.

Chile: Revenue in Chile was down 26% to \$81 million in the third quarter primarily due to a 68% reduction in sales of new equipment to the mining industry. Net income was \$3.1 million, up from \$2.4 million in the third quarter of 1998. Sales of Kenworth trucks and construction equipment were lower given the recent contraction in the Chilean economy. Customer service revenue was stable at \$54 million, matching the previous year's third quarter. Finning Chile reduced its SG&A and interest expense by \$2.5 million or 11% in the quarter.

International Operations: Revenue from Universal Machinery Services (UMS) in the third quarter of 1999 was \$23 million compared with \$26 million in the same quarter last year. Included in this segment is the operating results of UMS, combined with foreign exchange gains, corporate interest charges and head office expenses. Net income of \$1.4 million was recorded in the third quarter of 1999 compared with a loss of \$1.2 million in 1998.

NINE MONTHS CONSOLIDATED RESULTS: The Company's financial performance for the first nine months of 1999 was significantly higher compared with the same period a year ago. Net income more than doubled to \$38.4 million, or \$0.48 per share, from \$16.0 million, or \$0.20 per share, last year. During the nine months ending Sept 30th 1998, earnings were negatively affected by non-recurring charges of \$0.14 per share primarily for the relocation of the Canadian head office to Edmonton. Excluding this non-recurring item, earnings per share improved to \$0.48 per share this year from \$0.34 per share last year on revenue that was 20% lower than the previous year. Cash flow from operations was \$187 million, equal to the nine months of 1998.

IN MEMORY: On September 16th 1999, former Chairman and CEO Maury Young, passed away at the age of 76. Mr. Young had retired from the Company in 1984 after providing 36 years of excellent leadership and management at Finning. His career began in 1948 and he assumed the position of CEO in 1962 after Earl B. Finning retired. Mr. Young took the Company public in 1969 and later acquired two dealerships in the U.K. and one in the Yukon. Jim Shepard, Chairman and CEO, paid tribute to Maury's contribution: "During his years at the helm of the company, Maury transformed Finning into a professionally managed organization. He instilled the values of a strong work ethic and the importance of building customer relationships. His contribution to Finning cannot be overstated."

RESULTS IN BRIEF

(C\$ thousands except per share data)

	Three months ended Sept 30		Nine months ended Sept 30	
	1999	1998	1999	1998
REVENUE				
Canadian operations	\$ 221,281	\$ 259,934	\$ 722,772	\$ 891,806
U.K. operations	178,389	186,640	537,985	605,970
Chilean operations	80,678	109,336	277,951	406,680
International operations	23,268	26,357	88,599	115,647
Consolidated	<u>\$ 503,616</u>	<u>\$ 582,267</u>	<u>\$ 1,627,307</u>	<u>\$ 2,020,103</u>
NET INCOME (LOSS)				
Canadian operations (Note 1)	\$ 9,272	\$ 7,807	\$ 27,722	\$ 20,171
U.K. operations	2,426	(5,398)	4,677	(8,275)
Chilean operations (Note 2)	3,134	2,410	8,135	6,832
International operations	1,401	(1,160)	(2,129)	(2,683)
Consolidated	<u>\$ 16,233</u>	<u>\$ 3,659</u>	<u>\$ 38,405</u>	<u>\$ 16,045</u>
EARNINGS PER SHARE (EPS)				
Basic (Notes 1 & 2)	\$ 0.20	\$ 0.05	\$ 0.48	\$ 0.20
Fully diluted	\$ 0.20	\$ 0.05	\$ 0.47	\$ 0.20
Basic	\$ 0.20	\$ 0.05	\$ 0.48	\$ 0.20
Non-recurring items	-	0.03	-	0.14
Adjusted	<u>\$ 0.20</u>	<u>\$ 0.08</u>	<u>\$ 0.48</u>	<u>\$ 0.34</u>

Average number of common shares outstanding **79,577,169** 79,295,476

Note 1: Net income for the three months and nine months ended September 30, 1998 includes non-recurring after-tax charges in Canada of \$1.9 million and \$10.3 million, respectively. The effect on basic earnings per share is 2 cents for the third quarter and 13 cents for the nine months ended September 30, 1998.

Note 2: Net income for the three months and nine months ended September 30, 1998 includes a non-recurring charge in Chile of \$0.9 million. The effect on basic earnings per share is 1 cent for both the third quarter and the nine months ended September 30, 1998.

Note 3: Finning operates in four main currencies; Canadian dollars, U.S. dollars, British pound sterling and Chilean pesos. At the end of the third quarter of 1999, the Canadian dollar exchange rate against the pound sterling was 2.42 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 362 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

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

INTERIM CONSOLIDATED STATEMENTS OF INCOME

(C\$ thousands)

	Three months ended September 30		Nine months ended September 30	
	1999	1998	1999	1998
Revenue				
New equipment	\$ 194,694	\$ 258,276	\$ 664,179	\$ 978,741
Used equipment	64,040	78,765	248,451	325,003
Equipment rental	37,033	38,476	96,606	100,734
Customer support services	198,246	198,078	589,974	586,268
Finance and other	9,603	8,672	28,097	29,357
Total revenue	<u>503,616</u>	<u>582,267</u>	<u>1,627,307</u>	<u>2,020,103</u>
Cost of sales	<u>362,244</u>	<u>434,639</u>	<u>1,197,947</u>	<u>1,555,860</u>
Gross profit	<u>141,372</u>	<u>147,628</u>	<u>429,360</u>	<u>464,243</u>
Selling, general and administrative expenses	<u>103,913</u>	<u>123,976</u>	<u>322,359</u>	<u>384,233</u>
Earnings before interest and taxes	<u>37,459</u>	<u>23,652</u>	<u>107,001</u>	<u>80,010</u>
Finance cost and interest on other indebtedness	<u>15,958</u>	<u>17,295</u>	<u>50,086</u>	<u>54,486</u>
Income before provision for income taxes	<u>21,501</u>	<u>6,357</u>	<u>56,915</u>	<u>25,524</u>
Provision for income taxes	<u>5,268</u>	<u>2,698</u>	<u>18,510</u>	<u>9,479</u>
Net income (Note 1 - see page 3)	<u>16,233</u>	<u>3,659</u>	<u>38,405</u>	<u>16,045</u>
Dividends on preferred shares	<u>-</u>	<u>18</u>	<u>15</u>	<u>51</u>
Earnings attributable to common shares	<u>\$ 16,233</u>	<u>\$ 3,641</u>	<u>\$ 38,390</u>	<u>\$ 15,994</u>
Gross profit as a percentage of revenue	28.1%	25.4%	26.4%	23.0%
Earnings before interest and taxes as a percentage of revenue	7.4%	4.1%	6.6%	4.0%
Net income as a percentage of revenue	3.2%	0.6%	2.4%	0.8%

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

NEXT QUARTERLY RESULTS – JANUARY 31, 2000

FOURTH QUARTER RESULTS

Finning International's fourth quarter results for 1999 will be released at 11:00 a.m. Pacific time on Monday, January 31, 2000.

CONFERENCE CALL

You are invited to participate in the Finning shareholder/analyst conference call at 12:30 p.m. Pacific time on Monday, January 31, 2000 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)

	September 30 1999	December 31 1998
ASSETS		
Accounts receivable	\$ 360,607	\$ 400,208
Inventories		
On-hand equipment	417,688	554,704
Rental equipment	288,108	268,033
Parts and supplies	230,912	276,407
	<u>936,708</u>	<u>1,099,144</u>
Finance Assets		
Instalment notes receivable	112,141	99,930
Equipment leased to customers	343,690	317,690
	<u>455,831</u>	<u>417,620</u>
Land, buildings and equipment	219,911	236,066
Goodwill	74,900	76,563
	<u>\$ 2,047,957</u>	<u>\$ 2,229,601</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term debt	\$ 426,660	\$ 608,974
Accounts payable and accruals	416,666	421,326
Income taxes payable	(6,186)	(12,323)
Term debt	509,446	523,161
Deferred income taxes	14,120	11,548
Total liabilities	<u>1,360,706</u>	<u>1,552,686</u>
Shareholders' equity		
Share capital	209,727	208,579
Retained earnings	484,839	458,366
Cumulative currency translation adjustments	(7,315)	9,970
Total shareholders' equity	<u>687,251</u>	<u>676,915</u>
Total liabilities and shareholders' equity	<u>\$ 2,047,957</u>	<u>\$ 2,229,601</u>

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

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)

	Nine months ended Sept 30	
	1999	1998
OPERATING ACTIVITIES		
Net income	\$ 38,405	\$ 16,045
Add (deduct) items not affecting cash		
Depreciation	137,380	142,545
Amortization of goodwill	1,663	1,663
Deferred income taxes	2,762	(8,005)
Equipment/parts provisions	472	16,283
Restructuring charges	-	18,400
Warranty reserves	3,690	904
Other items	2,204	(1,314)
	<u>186,576</u>	<u>186,521</u>
Changes in operating assets and liabilities:		
Accounts receivable	17,276	34,927
Inventories		
On-hand equipment	118,609	(14,261)
Rental equipment	(77,842)	(78,416)
Parts and supplies	27,834	(18,000)
Finance Assets		
Instalment notes receivable	(13,040)	113,866
Equipment leased to customers, net of disposals	(90,900)	(68,860)
Accounts payable and accruals	12,195	(44,854)
Income taxes	5,356	(51,775)
Cash provided by operating activities	<u>186,064</u>	<u>59,148</u>
INVESTING ACTIVITIES		
Cash invested in land, buildings and equipment, net of disposals	<u>(7,309)</u>	<u>(22,976)</u>
Cash used for investing activities	<u>(7,309)</u>	<u>(22,976)</u>
FINANCING ACTIVITIES		
Term debt	(5,610)	30,560
Conversion and redemption of preferred shares	(996)	(170)
Issue of common shares on conversion of preferred shares and on exercise of stock options	2,144	3,152
Dividends paid	(11,932)	(11,940)
Currency translation adjustments	19,953	(6,859)
Cash provided by (used for) financing activities	<u>3,559</u>	<u>14,743</u>
Decrease in short-term debt	182,314	50,915
Short-term debt at beginning of period	608,974	618,018
Short-term debt at end of period	<u>\$ 426,660</u>	<u>\$ 567,103</u>

Approved by the Directors:

(signed)
J.F. Shepard, Director

(signed)
W.R. Wyman, Director

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



INTEREST AND ASSET COVERAGE

	12 months ended September 30, 1999	12 months ended December 31, 1998
	<hr/>	<hr/>
Interest coverage on total consolidated debt ⁽¹⁾	1.55 times	1.10 times
Net tangible asset coverage on total consolidated debt (before deducting deferred income taxes).....	1.67 times	1.54 times
Net tangible asset coverage on total consolidated debt (after deducting deferred income taxes).....	1.65 times	1.53 times
Net tangible asset coverage on long term debt (before deducting deferred income taxes).....	2.23 times	2.17 times
Net tangible asset coverage on long term debt (after deducting deferred income taxes).....	2.20 times	2.15 times

⁽¹⁾ Based upon consolidated income of Finning before interest on total consolidated debt and income taxes