



## Fourth Quarter and Annual 1999 Results

February 1, 2000

(C\$ millions)	Three months ended Dec 31		Twelve months ended Dec 31	
	1999	1998	1999	1998
Revenue	603	565	2,230	2,585
Net Income	21.2	(12.9)	59.6	3.2
Cash Flow	64.2	39.6	250.8	226.2
EPS	0.27	(0.16)	0.75	0.04
EPS (adjusted)*	0.27	(0.11)	0.75	0.23

\*See notes on page 3 – Results in Brief

## REVENUE AND NET INCOME IMPROVE SIGNIFICANTLY IN THE FOURTH QUARTER OF 1999

### FOURTH QUARTER RESULTS:

**Consolidated:** Finning International Inc. reported higher revenue and net income in the fourth quarter of 1999 due to improved activity levels, particularly in Canada, and increased productivity in each of its operating units. Revenue increased 7% to \$603 million and cash flow from operations increased significantly by 62% to \$64.2 million. Net income was \$21.2 million (\$0.27 per share) for the three months ending December 31<sup>st</sup> compared with a loss of \$12.9 million (\$0.16 per share) last year. Excluding non-recurring charges in the fourth quarter of 1998, net income was \$0.27 per share in the fourth quarter of 1999 compared with a loss of \$0.11 per share for the same period last year.

Jim Shepard, Chairman and C.E.O. said: "Swift response to the market downturn in 1998 provided higher earnings on a lower revenue and asset base in 1999. Significant reductions in operational costs and inventory levels resulted in the Company's debt being reduced \$234 million in 1999. These results reflect our strategic focus on improved asset performance and operational excellence. Building on the Company's earnings momentum, Finning is now well-positioned for future growth opportunities."

In the fourth quarter, sales of new equipment increased 36% to \$254 million. Revenue from customer service was up 5% while equipment rental revenue was down 4%. Interest expense was lower by \$5 million or 24% while selling and administrative expenses decreased \$4 million or 4%. The Company's operating debt-to-equity ratio showed improvement from 0.97-to-1.0 at the end of 1998 to 0.47-to-1.0 at December 31<sup>st</sup>, 1999. Book value was \$8.74 per share compared with \$8.52 per share last year.

**Canada:** Revenue in the fourth quarter of 1999 was \$310 million, an increase of 27% compared with the same period of 1998. Net income increased 7% to \$15.5 million compared with \$14.6 million in the previous year. New equipment sales increased 85% due to increased sales in mining, construction and forestry. During the quarter, three of Caterpillar's new 360-ton trucks were delivered to Syncrude and two to Suncor Energy in the Athabasca Oil Sands. Customer service revenue was also higher, increasing 10% in the fourth quarter. Alberta and the Northwest Territories generated 58% of Finning (Canada)'s revenue activity while B.C. and the Yukon contributed 42%. Revenue in Alberta was up 30% in the fourth quarter of 1999 reflecting higher sales of new equipment and improving customer service activity.

Revenue in B.C. increased by 22% as a result of higher equipment sales, and improved customer service and rental activity.

**U.K.:** Revenue in the U.K. was \$175 million, down 6% compared with the fourth quarter of 1998. In sterling terms, however, revenue increased 2%. Net income was \$1.2 million compared with a loss of \$23.9 million for the same period last year (in the fourth quarter of 1998, Finning (UK) took an after-tax provision of \$6.4 million for the sale of BCP Plant Hire). New equipment sales increased 12% with higher activity in both the power systems and plant hire sectors. Customer service revenue and used equipment sales decreased in the quarter. Expenses were reduced by \$9 million or 18% in the fourth quarter through asset management and cost containment.

**Chile:** Revenue in Chile increased 3% to \$100 million in the fourth quarter primarily due to higher customer service activity. Net income was \$7.3 million compared with a loss of \$3.4 million last year. Mining equipment sales increased 63%. Despite higher activity in mining, total new equipment sales were down 8% due to lower deliveries to the construction, forestry and trucking industries. Customer service revenue increased 19% to \$63 million while used equipment sales and rental revenue decreased in the quarter.

**International Operations:** Revenue from Universal Machinery Services (UMS) in the fourth quarter of 1999 was \$18 million compared with \$36 million in the same quarter last year. The decline in revenue was due to lower trading volumes in used equipment worldwide. Included in this segment are the operating results of UMS, combined with corporate interest charges and head office expenses. A loss of \$2.9 million was recorded in the fourth quarter of 1999 compared with a loss of \$0.1 million in 1998.

**TWELVE MONTHS CONSOLIDATED RESULTS:** The Company's financial performance for the year ending December 31<sup>st</sup> 1999 was significantly higher compared with the same period a year ago. Despite revenue being lower by 14% in 1999, net income increased significantly to \$59.6 million, or \$0.75 per share, from \$3.2 million, or \$0.04 per share the previous year. During the twelve months ending December 31<sup>st</sup> 1998, earnings were negatively affected by non-recurring charges of \$0.19 per share due to the relocation of Finning Canada's head office to Edmonton and other restructuring costs. Excluding these non-recurring items, earnings per share were \$0.75 compared with \$0.23. Cash flow from operations was \$251 million, up 11% compared with 1998.

**SHARE REPURCHASE PROGRAM:** The Company announced its intention to effect a normal course issuer bid through the Toronto Stock Exchange. Under this notice, Finning International is entitled to purchase up to 6.8 million shares during the one-year period commencing Feb 3<sup>rd</sup>, 2000. The actual number of shares to be repurchased will be determined by Finning and all shares purchased under the issuer bid will be cancelled.

**BOARD AND MANAGEMENT ANNOUNCEMENTS:** On January 26<sup>th</sup> 2000, Chairman and Chief Executive Officer Jim Shepard announced that he will be retiring at the conclusion of the Company's Annual Meeting on April 26<sup>th</sup> in Vancouver. The Board of Directors has unanimously agreed to recommend that Doug Whitehead be appointed to the position of President and CEO of the Company and Conrad Pinette be appointed to the position of non-executive Chairman of the Board. The Directors, to be elected at the upcoming Annual Meeting, will vote on these two recommendations. On Jan 14<sup>th</sup> 2000, Mr. Shepard announced the appointment of two new directors to Finning's Board, Mr. John Cleghorn, Chairman and CEO of Royal Bank, and Mr. John Willson, CEO of Placer Dome Inc. "These appointments reflect our ongoing strategy to attract industry leaders to senior management and our Board of Directors," said Shepard. "Their expertise will add to the strong leadership of the Company in its pursuit of future growth."

## RESULTS IN BRIEF

(C\$ thousands except per share data)

	Three months ended Dec 31		Twelve months ended Dec 31	
	1999	1998	1999	1998
<b>REVENUE</b>				
Canadian operations	\$ 310,150	\$ 245,111	\$ 1,032,922	\$ 1,136,917
U.K. operations	174,956	187,050	712,941	793,020
Chilean operations	99,826	96,825	377,777	503,505
International operations	17,622	36,333	106,221	151,979
Consolidated	<u>\$ 602,554</u>	<u>\$ 565,319</u>	<u>\$ 2,229,861</u>	<u>\$ 2,585,421</u>
<b>NET INCOME (LOSS)</b>				
Canadian operations (Note 1)	\$ 15,528	\$ 14,576	\$ 43,250	\$ 34,747
U.K. operations (Note 2)	1,226	(23,936)	5,903	(32,211)
Chilean operations (Note 3)	7,329	(3,408)	15,464	3,424
International operations	(2,889)	(92)	(5,017)	(2,775)
Consolidated	<u>\$ 21,194</u>	<u>\$ (12,860)</u>	<u>\$ 59,600</u>	<u>\$ 3,185</u>
<b>EARNINGS (LOSS) PER SHARE (EPS)</b>				
Basic (Notes 1, 2 & 3)	\$ 0.27	\$ (0.16)	\$ 0.75	\$ 0.04
Fully diluted	\$ 0.25	\$ (0.16)	\$ 0.72	\$ 0.04
Basic	\$ 0.27	\$ (0.16)	0.75	\$ 0.04
Non-recurring items	-	0.05	-	0.19
Adjusted	<u>\$ 0.27</u>	<u>\$ (0.11)</u>	<u>\$ 0.75</u>	<u>\$ 0.23</u>
Average number of common shares outstanding			79,616,362	79,328,826

**Note 1:** Net income in Canada for the three months ended December 31, 1998 includes a non-recurring gain of \$2.1 million after-tax due to restructuring charges and relocation costs being less than those provided for in the first quarter of 1998. Net income in Canada for the twelve months ended December 31, 1998 includes a net non-recurring charge of \$8.2 million after-tax (\$9.6 million charge for restructuring, severance and relocation costs offset by a \$1.4 million gain on the sale of property). The effect on basic earnings per share is 3 cents for the fourth quarter and 10 cents for the twelve months ended December 31, 1998.

**Note 2:** Net income in the U.K. for the three months and twelve months ended December 31, 1998 includes a non-recurring charge of \$6.4 million after-tax for the sale of BCP Plant Hire. The effect on basic earnings per share is 8 cents for the period ended December 31, 1998.

**Note 3:** Net income in Chile for the twelve months ended December 31, 1998 includes a non-recurring charge of \$0.9 million for severance costs. The effect on basic earnings per share is 1 cent for twelve months ended December 31, 1998.

**Note 4:** Finning operates in four main currencies; Canadian dollars, U.S. dollars, British pound sterling and Chilean pesos. At the end of the fourth quarter of 1999, the Canadian dollar exchange rate against the pound sterling was 2.33 compared with 2.54 at the end of 1998, and the Canadian dollar exchange rate against the US dollar was 1.44 compared with 1.53 at the end of 1998. The Chilean peso against the Canadian dollar was 367 compared with 308 at the end of 1998.

**Note 5:** Consolidated revenue for the three and twelve months ended December 31, 1998 has been reclassified to present revenue from operating leases. Previously, revenue from operating leases was divided between new equipment revenue, used equipment revenue and finance revenue.

**Note 6:** Consolidated revenue for the three and twelve months ended December 31, 1998 has been reclassified to present revenue from customer rental-purchase contracts as rental revenue. Previously, this revenue was divided between new equipment revenue, used equipment revenue and finance revenue.

**Note 7:** The consolidated balance sheet for the years ended December 31, 1999 and 1998 have been reclassified to reflect Finning's amended method of presenting customer rental-purchase contracts as rental equipment assets. This equipment

rental program totalled \$64,430 at December 31, 1999 and \$77,630 at December 31, 1998. Previously, these assets had been presented as equipment leased to customers.

## INTERIM CONSOLIDATED STATEMENTS OF INCOME

(C\$ thousands)

	Three months ended December 31		Twelve months ended December 31	
	1999	1998	1999	1998
Revenue (Notes 5 & 6)				
New equipment	\$ 253,644	\$ 186,740	\$ 856,154	\$ 1,102,585
Used equipment	74,150	113,501	311,429	424,593
Equipment rental	39,601	41,309	155,659	170,063
Operating leases	24,273	23,961	96,014	91,381
Customer support services	207,498	197,177	797,472	783,445
Finance and other	3,388	2,631	13,133	13,354
Total revenue	<b>602,554</b>	565,319	<b>2,229,861</b>	2,585,421
Cost of sales	<b>450,531</b>	448,498	<b>1,648,478</b>	2,004,358
Gross profit	<b>152,023</b>	116,821	<b>581,383</b>	581,063
Selling, general and administrative expenses	<b>110,113</b>	114,101	<b>432,471</b>	498,334
Earnings before interest and taxes	<b>41,910</b>	2,720	<b>148,912</b>	82,729
Finance cost and interest on other indebtedness	<b>15,682</b>	20,694	<b>65,768</b>	75,179
Income (loss) before provision for income taxes	<b>26,228</b>	(17,974)	<b>83,144</b>	7,550
Provision for (recovery of) income taxes	<b>5,034</b>	(5,114)	<b>23,544</b>	4,365
Net income (loss) (Notes 1, 2 & 3)	<b>21,194</b>	(12,860)	<b>59,600</b>	3,185
Dividends on preferred shares	<b>4</b>	16	<b>19</b>	67
Earnings (loss) attributable to common shares	<b>\$ 21,190</b>	<b>\$ (12,876)</b>	<b>\$ 59,581</b>	<b>\$ 3,118</b>
Gross profit as a percentage of revenue	<b>25.2%</b>	20.7%	<b>26.1%</b>	22.5%
Earnings before interest and taxes as a percentage of revenue	<b>7.0%</b>	0.5%	<b>6.7%</b>	3.2%
Net income (loss) as a percentage of revenue	<b>3.5%</b>	(2.3%)	<b>2.7%</b>	0.1%

## NEXT QUARTERLY RESULTS – TUESDAY, APRIL 11, 2000

### FIRST QUARTER RESULTS

Finning International's first quarter results for 2000 will be released at 11:00 a.m. Pacific time on Tuesday, April 11, 2000.

### CONFERENCE CALL

You are invited to participate in the Finning shareholder/analyst conference call at 12:30 p.m. Pacific time on Tuesday, April 11, 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)

	December 31 1999	December 31 1998
<b>ASSETS</b>		
<b>Current assets</b>		
Accounts receivable	\$ 386,561	\$ 400,208
Inventories		
On-hand equipment	406,882	580,488
Parts and supplies	219,423	276,407
Current portion of instalment notes receivable	47,442	52,425
Total current assets	<u>1,060,308</u>	<u>1,309,528</u>
Finance assets		
Instalment notes receivable	71,628	47,505
Equipment leased to customers (Note 7)	272,151	240,060
Total finance assets	<u>343,779</u>	<u>287,565</u>
Rental equipment (Note 7)	341,534	319,879
Land, buildings and equipment	206,254	236,066
Goodwill	74,359	76,563
Total assets	<u>\$ 2,026,234</u>	<u>\$ 2,229,601</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Short-term debt	\$ 305,639	\$ 608,974
Accounts payable and accruals	424,609	421,326
Income tax payable	(11,201)	(12,323)
Current portion of long-term debt	70,494	1,071
Total current liabilities	<u>789,541</u>	<u>1,019,048</u>
Long-term debt	522,426	522,090
Deferred income taxes	17,672	11,548
Total liabilities	<u>1,329,639</u>	<u>1,552,686</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	209,955	208,579
Retained earnings	502,028	458,366
Cumulative currency translation adjustments (note 4)	(15,388)	9,970
Total shareholders' equity	<u>696,595</u>	<u>676,915</u>
Total liabilities and shareholders' equity	<u>\$ 2,026,234</u>	<u>\$ 2,229,601</u>

## ADDITIONAL INFORMATION

### FINNING INTERNATIONAL INC.

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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)

	Twelve months ended December 31	
	1999	1998
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 59,600	\$ 3,185
Add (deduct) items not affecting cash		
Depreciation	184,148	189,627
Amortization of goodwill	2,204	2,204
Deferred income taxes	6,037	(13,163)
Equipment/parts provisions	(429)	33,756
Restructuring charges	-	13,436
Warranty reserves	(4,023)	(3,615)
Other items	3,261	738
	<u>250,798</u>	<u>226,168</u>
Changes in working capital items and other		
Accounts receivable	(14,592)	86,469
Inventories		
On-hand equipment	147,785	(31,444)
Parts and supplies	36,959	194
Instalment notes receivable	(20,116)	101,348
Accounts payable and accruals	37,196	(74,567)
Income taxes	202	(54,277)
	<u>187,434</u>	<u>27,723</u>
Cash provided by working capital items and other		
Rental equipment, net of disposals	(117,866)	(103,994)
Equipment leased to customers, net of disposals	(99,043)	(78,609)
Cash provided by operating activities	<u>221,323</u>	<u>71,288</u>
<b>INVESTING ACTIVITIES</b>		
Cash invested in land, buildings and equipment, net of disposals	(9,020)	(33,868)
Cash used for investing activities	<u>(9,020)</u>	<u>(33,868)</u>
<b>FINANCING ACTIVITIES</b>		
Increase in long-term debt	150,000	58,172
Repayment of long-term debt	(66,370)	(68,158)
Conversion and redemption of preferred shares	(996)	(170)
Issue of common shares on conversion of preferred shares and on exercise of stock options	2,372	3,158
Dividends paid	(15,938)	(15,935)
Currency translation adjustments	21,964	(5,443)
Cash provided by (used for) financing activities	<u>91,032</u>	<u>(28,376)</u>
Decrease in short-term debt	303,335	9,044
Short-term debt at beginning of year	608,974	618,018
Short-term debt at end of year	<u>\$ 305,639</u>	<u>\$ 608,974</u>
Cash paid during the year for:		
Interest	<u>\$ 56,698</u>	<u>\$ 70,027</u>

Approved by the Directors:

(signed)  
J.F. Shepard, Director

(signed)  
W.R. Wyman, Director

## INTEREST AND ASSET COVERAGE

	<u>12 months ended December 31, 1999</u>	<u>12 months ended December 31, 1998</u>
Interest coverage on total consolidated debt <sup>(1)</sup> .....	2.26 times	1.10 times
Net tangible asset coverage on total consolidated debt (before deducting deferred income taxes).....	1.71 times	1.54 times
Net tangible asset coverage on total consolidated debt (after deducting deferred income taxes).....	1.69 times	1.53 times
Net tangible asset coverage on long-term debt (before deducting deferred income taxes).....	2.22 times	2.17 times
Net tangible asset coverage on long-term debt (after deducting deferred income taxes).....	2.19 times	2.15 times

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