MANAGEMENT'S DISCUSSION AND ANALYSIS

November 4, 2019

This ***MD&A*** of ***Finning*** should be read in conjunction with the ***Interim Financial Statements*** and the accompanying notes thereto, which have been prepared in accordance with ***IAS*** 34, *Interim Financial Reporting*. All dollar amounts presented in this MD&A are expressed in ***CAD***, unless otherwise stated. Additional information relating to the ***Company***, including its current ***AIF***, can be found under the Company's profile on the ***SEDAR*** website at www.sedar.com and in the investors section of the Company's website at www.finning.com.

Effective January 1, 2019, the Company adopted ***IFRS*** 16, *Leases*. Details of the impact of IFRS 16 for the date of initial application at January 1, 2019 can be found in Note 1 of the Company's Interim Financial Statements. The 2018 comparative results described in this MD&A have not been restated for the adoption of this standard.

Effective February 1, 2019, the Company acquired ***4Refuel*** and is including 4Refuel's results in the Company's Canadian reportable segment. For additional information regarding the acquisition, see the heading "Acquisition" later in this MD&A. The results described in this MD&A include the results of 4Refuel from the acquisition date.

Following the acquisition of 4Refuel, management views total revenue less cost of fuel (net revenue [1]) as more representative in assessing the performance of the business as the cost of fuel is not in the Company's control and is fully passed through to the customer. The Company's results and non-***GAAP*** financial measures, including ***KPI***s and ratios, previously reported or calculated using total revenue now use net revenue in this MD&A. For 2019 results of the Company's South American and ***UK*** & Ireland operations, net revenue is the same as total revenue. For 2018 results of all operations in this MD&A, net revenue is the same as total revenue.

A glossary of defined terms is included on page 42. The first time a defined term is used in this MD&A, it is shown in bold italics.

2019 Third Quarter Highlights

- Revenue was $2.0 billion in Q3 2019. Net revenue of $1.8 billion in Q3 2019 was up 4% from Q3 2018, largely driven by higher product support revenue and $31 million of net revenue generated by 4Refuel.
- Q3 2019 ***EBIT*** was $129 million and EBIT as a percentage of net revenue [1] was 7.1%, compared to $93 million and 5.3% in Q3 2018, respectively. Excluding significant items not considered indicative of operational and financial trends, Adjusted EBIT [1][2] and Adjusted EBIT as a percentage of net revenue [1][2] in Q3 2019 were $132 million and 7.3%, respectively, up from $123 million and 7.0% reported in Q3 2018.
- Adjusted ***EBITDA*** [1][2] was $204 million and Adjusted EBITDA as a percentage of net revenue [1][2] was 11.2% in Q3 2019, compared to $172 million and 9.7%, respectively, earned in Q3 2018. Adjusted EBITDA in Q3 2019 was higher due to strong results in the Company's South American operations as well as the contribution from 4Refuel since its acquisition on February 1, 2019. Adjusted EBITDA also increased by approximately $20 million due to the adoption of IFRS 16, which resulted in costs previously recognized as operating expenses now being recorded primarily as depreciation expense.
- Q3 2019 basic ***EPS*** was $0.46 compared to Q3 2018 basic EPS of $0.15. Excluding significant items not considered indicative of operational and financial trends, Q3 2019 Adjusted basic EPS [1][2] was $0.49, higher than Adjusted basic EPS of $0.45 in Q3 2018 reflecting higher earnings from the Company's South American operations and the contribution from 4Refuel since its acquisition.
- Adjusted ***ROIC*** [1][2] at September 30, 2019 was 12.2%, a decrease from Adjusted ROIC of 14.5% at September 30, 2018, mostly due to lower Adjusted ROIC in the Company's South American operations.
- Free Cash Flow [1] generation in Q3 2019 of $165 million was up from the Free Cash Flow use of $49 million in the same prior year period mainly driven by the Company's Canadian operations and the company-wide focus on inventory management.

(1) These are non-GAAP financial measures that do not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from these non-GAAP financial measures to their most directly comparable GAAP measure, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

(2) Reported financial metrics may be impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 5 and 31 - 32 of this MD&A. Financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics.

Third Quarter Overview

($ millions, except for per share amounts)	Q3 2019	Q3 2018 [1]	% change fav (unfav)
Revenue	**$ 1,959**	$ 1,755	12%
Net revenue	**$ 1,819**	$ 1,755	4%
Gross profit	**$ 459**	$ 449	2%
SG&A	**(333)**	(330)	(1)%
Equity earnings of joint ventures and associate	**3**	4	(15)%
Other expenses	**—**	(30)	***n/m***
EBIT	**$ 129**	$ 93	40%
Net income	**$ 76**	$ 25	199%
Basic EPS	**$ 0.46**	$ 0.15	208%
EBITDA [2]	**$ 201**	$ 142	42%
Free Cash Flow	**$ 165**	$ (49)	n/m
Adjusted EBIT	**$ 132**	$ 123	8%
Adjusted net income [2][3]	**$ 81**	$ 75	7%
Adjusted basic EPS	**$ 0.49**	$ 0.45	10%
Adjusted EBITDA	**$ 204**	$ 172	19%
Gross profit as a % of net revenue [2]	***25.3%***	*25.6%*	
SG&A as a % of net revenue [2][3]	***18.3%***	*18.9%*	
EBIT as a % of net revenue	***7.1%***	*5.3%*	
EBITDA as a % of net revenue	***11.1%***	*8.1%*	
Adjusted EBIT as a % of net revenue	***7.3%***	*7.0%*	
Adjusted EBITDA as a % of net revenue	***11.2%***	*9.7%*	
Adjusted ROIC	***12.2%***	*14.5%*	

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) These are "non-GAAP financial measures" that do not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-GAAP financial measures to their most directly comparable measure under GAAP, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

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Strategic Framework

Finning's customer-centric growth strategy is based on three pillars – Develop, Perform, Innovate – which provide a strong foundation for the Company's five Global Strategic Priorities:

- Customer Centricity – be our customers' trusted partner by providing consistent and innovative services that add value to their business;
- Lean & Agile Global Finning – maintain relentless focus on productivity, efficiency, and our customers' total cost of equipment ownership;
- Global Supply Chain – transform our globally-leveraged supply chain to enhance the omni-channel customer experience while increasing working capital [(1)] efficiencies and generating free cash flow;
- Digital Enterprise – advance the use of technology to improve our customers' experience, enable data-driven decisions, and reduce cost to serve; and,
- Growth & Diversification – achieve profitable and capital efficient growth.

STRATEGIC PILLARS

OUR PURPOSE

We believe in partnering and innovating to build and power a better world.

OUR VISION

Leveraging our global expertise and insight, we are a trusted partner in transforming our customers' performance.

OUR VALUES

We are trusted: We act ethically and honour our commitments.

We are collaborative: We build diverse and respectful partnerships.

We are innovative: We look for new and better ways to serve our customers.

We are passionate: We are driven to safely deliver results.

Sustainability

Sustainabilty is an integral part of our business, and is woven through our strategy and operations. We live our values every day, and they guide our behaviour in every interaction we have. Living our values means that how we do things is just as important as what we do.

Our approach to sustainability is closely aligned with our purpose and covers all of our material sustainability topics.

In 2018, we conducted a gap analysis of our sustainability practices to make sure they align with our peers, and with internationally recognized guidelines and best practices. Based on the gap analysis, we defined metrics and focus areas for the next five years.

The full 2018 Sustainability Report, including the five-year roadmap and performance summary, can be found in the sustainability section of the Company's website at www.finning.com.

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Non-GAAP Financial Measures and Significant Items

Management believes that providing certain non-GAAP financial measures provides users of the Company's MD&A and consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS measures set out in this MD&A, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

Management uses KPIs to consistently measure performance against the Company's priorities across the organization. KPIs, including those that are expressed as ratios, are non-GAAP financial measures.

Reported financial metrics may be impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount. As a result, management excludes these items from its financial metrics when evaluating its consolidated operating financial performance and the performance of each of its operations; these are referred to as "Adjusted metrics". Significant items described below and on pages 31 - 32 of this MD&A impacted certain reported metrics for the Q3 2019 and Q3 2018 periods included in the Quarterly Key Performance Measures section.

Significant items that affected the reported results of the Company for the three months ended September 30, 2019 and September 30, 2018 which were not considered by management to be indicative of operational and financial trends, either by nature or amount, are detailed below.

Q3 2019 significant items:

The impact of economic and business uncertainty following the primary elections in Argentina and the imposition of restrictive monetary policies by the Argentina government was as follows:

- The ***ARS*** experienced a significant devaluation relative to the ***USD*** in the third quarter of 2019, losing approximately 35% of its value in Q3 2019 (2019 year-to-date devaluation of approximately 53%) and reaching a new historic low of 60.1 in Q3 2019. This devaluation resulted in higher tax expense due to the revaluation of deferred taxes in Q3 2019.
- Severance costs related to workforce reductions and restructuring costs related to facility closures in the Company's operations in Argentina as the Company aligns its cost structure to market activity.

Q3 2018 significant items:

- Following the Company's review of its investment in ***Energyst***, it was determined that Energyst was no longer a strategic fit and as a result, the Company wrote off its investment and released cumulative foreign translation losses to the income statement upon Energyst's sale of its wholly-owned subsidiary in Argentina in Q3 2018.
- Tax impact of the significant devaluation of the ARS relative to the USD.

3 months ended September 30, 2019 ($ millions, except per share amounts)	**EBIT Canada**	**EBIT South America**	**EBIT UK & Ireland**	***EBIT Consol***	**Net Income Consol**	**EPS Consol**
EBIT, net income, and basic EPS	**$ 82**	**$ 42**	**$ 14**	**$ 129**	**$ 76**	**$ 0.46**
Significant items:						
Severance costs	**—**	**2**	**—**	**2**	**1**	**0.01**
Facility closure related restructuring costs	**—**	**1**	**—**	**1**	**—**	**—**
Tax impact of devaluation of ARS	**—**	**—**	**—**	**—**	**4**	**0.02**
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	**$ 82**	**$ 45**	**$ 14**	**$ 132**	**$ 81**	**$ 0.49**

3 months ended September 30, 2018 [(1)] ($ millions, except per share amounts)	EBIT Canada	EBIT South America	EBIT UK & Ireland	EBIT Consol	Net Income Consol	EPS Consol
EBIT, net income, and basic EPS	$ 78	$ 37	$ 15	$ 93	$ 25	$ 0.15
Significant item:						
Write-off and loss related to Energyst	—	—	—	30	30	0.18
Tax impact of devaluation of ARS	—	—	—	—	20	0.12
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	$ 78	$ 37	$ 15	$ 123	$ 75	$ 0.45

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

For additional information regarding these financial measures, including definitions and reconciliations to their most directly comparable measure under GAAP, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

Quarterly Key Performance Measures

The Company utilizes the following KPIs to enable consistent measurement of performance across the organization.

	2019			2018 (1)				2017 (Restated) (1)(2)	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
ROIC (3)(4) (%)									
Consolidated	**11.3 %**	10.7 %	10.8 %	12.8 %	13.7 %	14.3 %	13.7 %	13.1 %	10.1 %
Canada	**14.2 %**	14.5 %	14.6 %	16.6 %	16.4 %	15.5 %	14.5 %	13.3 %	9.2 %
South America	**8.1 %**	7.9 %	8.6 %	12.2 %	16.2 %	17.5 %	17.6 %	17.8 %	15.5 %
UK & Ireland	**14.1 %**	14.5 %	14.8 %	14.2 %	14.0 %	13.2 %	13.4 %	12.8 %	12.9 %
EBIT (3) ($ millions)									
Consolidated	**129**	137	62	91	93	126	113	109	100
Canada	**82**	92	50	71	78	77	71	67	57
South America	**42**	41	6	12	37	47	46	50	48
UK & Ireland	**14**	14	13	12	15	14	10	8	9
EBIT as a % of net revenue (3)									
Consolidated	**7.1 %**	6.9 %	3.6 %	4.9 %	5.3 %	7.3 %	6.8 %	6.3 %	6.5 %
Canada	**8.5 %**	8.5 %	5.5 %	7.1 %	8.6 %	8.5 %	8.4 %	7.8 %	7.7 %
South America	**7.3 %**	6.5 %	1.2 %	2.5 %	6.7 %	8.5 %	8.4 %	8.6 %	8.6 %
UK & Ireland	**5.1 %**	4.8 %	4.4 %	3.7 %	5.1 %	5.3 %	3.7 %	3.0 %	3.5 %
EBITDA (3) ($ millions)									
Consolidated	**201**	213	134	140	142	171	157	154	146
Canada	**125**	138	93	97	104	99	93	91	82
South America	**62**	62	26	29	52	62	61	65	61
UK & Ireland	**22**	23	22	18	23	21	17	14	16
EBITDA as a % of net revenue (3)(4)									
Consolidated	**11.1 %**	10.7 %	7.8 %	7.6 %	8.1 %	9.9 %	9.4 %	8.9 %	9.5 %
Canada	**12.8 %**	12.9 %	10.2 %	9.7 %	11.4 %	11.0 %	10.9 %	10.6 %	11.2 %
South America	**10.8 %**	9.8 %	5.2 %	5.8 %	9.3 %	11.2 %	11.1 %	11.0 %	11.2 %
UK & Ireland	**8.3 %**	7.7 %	7.3 %	5.7 %	7.7 %	7.9 %	6.3 %	5.2 %	6.0 %
Invested Capital (4) ($ millions)									
Consolidated	**3,907**	3,964	3,753	3,163	3,431	3,362	3,226	2,830	3,095
Canada	**2,209**	2,285	2,148	1,675	1,889	1,840	1,778	1,621	1,746
South America	**1,276**	1,287	1,243	1,190	1,173	1,172	1,140	983	1,069
UK & Ireland	**416**	390	361	336	404	372	322	250	311
Invested Capital Turnover (4)									
Consolidated	**1.99x**	2.04x	2.06x	2.12x	2.14x	2.13x	2.13x	2.09x	2.01x
Canada	**1.91x**	1.95x	1.98x	2.05x	1.98x	1.92x	1.87x	1.82x	1.74x
South America	**1.77x**	1.80x	1.78x	1.86x	2.01x	2.05x	2.08x	2.09x	2.03x
UK & Ireland	**3.18x**	3.27x	3.25x	3.22x	3.30x	3.44x	3.65x	3.56x	3.47x
Inventory ($ millions)	**2,215**	2,366	2,356	2,061	2,017	1,968	1,906	1,708	1,744
Inventory Turns (Dealership) (4) (times)	**2.49x**	2.36x	2.46x	2.68x	2.58x	2.57x	2.80x	2.82x	2.60x
Working Capital to Net Revenue (4)	**26.9 %**	26.7 %	26.7 %	26.6 %	26.7 %	26.9 %	27.1 %	27.4 %	28.6 %
Free Cash Flow ($ millions)	**165**	(162)	(347)	418	(49)	(28)	(263)	350	22
Net Debt (4) to EBITDA Ratio (3)(4)	**2.6**	3.0	2.9	1.7	2.1	2.0	1.9	1.5	2.4

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results described in this MD&A have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

(3) Certain of these reported financial metrics have been impacted in some quarters in this table by significant items management does not consider indicative of operational and financial trends either by nature or amount. Financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics and are summarized on page 7 of this MD&A.

(4) These are non-GAAP financial measures that do not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-GAAP financial measures to their most directly comparable measure under GAAP, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

Adjusted KPIs

KPIs may be impacted by significant items described on pages 5 and 31 - 32 of this MD&A. KPIs that have been adjusted to take these items into account are referred to as “Adjusted” KPIs and are as follows:

	2019			2018 [1]				2017 (Restated) [1][2]	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Adjusted ROIC									
Consolidated	**12.2 %**	12.3 %	12.5 %	13.5 %	14.5 %	14.2 %	13.5 %	13.1 %	11.8 %
Canada	**15.0 %**	15.4 %	15.5 %	16.2 %	16.0 %	15.1 %	14.0 %	13.2 %	12.0 %
South America	**9.0 %**	8.5 %	9.2 %	12.2 %	16.4 %	17.7 %	17.8 %	18.1 %	16.5 %
UK & Ireland	**14.1 %**	14.5 %	14.8 %	14.2 %	14.0 %	13.2 %	13.4 %	12.8 %	12.9 %
Adjusted EBIT ($ millions)									
Consolidated	**132**	137	91	91	123	126	106	110	100
Canada	**82**	92	67	71	78	77	64	66	57
South America	**45**	41	14	12	37	47	46	52	48
UK & Ireland	**14**	14	13	12	15	14	10	8	9
Adjusted EBIT as a % of net revenue									
Consolidated	**7.3 %**	6.9 %	5.3 %	4.9 %	7.0 %	7.3 %	6.4 %	6.4 %	6.5 %
Canada	**8.5 %**	8.5 %	7.4 %	7.1 %	8.6 %	8.5 %	7.5 %	7.6 %	7.7 %
South America	**7.8 %**	6.5 %	2.7 %	2.5 %	6.7 %	8.5 %	8.4 %	9.1 %	8.6 %
UK & Ireland	**5.1 %**	4.8 %	4.4 %	3.7 %	5.1 %	5.3 %	3.7 %	3.0 %	3.5 %
Adjusted EBITDA ($ millions)									
Consolidated	**204**	213	163	140	172	171	150	155	146
Canada	**125**	138	110	97	104	99	86	90	82
South America	**65**	62	34	29	52	62	61	67	61
UK & Ireland	**22**	23	22	18	23	21	17	14	16
Adjusted EBITDA as a % of net revenue									
Consolidated	**11.2 %**	10.7 %	9.4 %	7.6 %	9.7 %	9.9 %	9.0 %	9.0 %	9.5 %
Canada	**12.8 %**	12.9 %	12.1 %	9.7 %	11.4 %	11.0 %	10.1 %	10.5 %	11.2 %
South America	**11.2 %**	9.8 %	6.7 %	5.8 %	9.3 %	11.2 %	11.1 %	11.4 %	11.2 %
UK & Ireland	**8.3 %**	7.7 %	7.3 %	5.7 %	7.7 %	7.9 %	6.3 %	5.2 %	6.0 %
Net Debt to Adjusted EBITDA Ratio [3][4]	**2.5**	2.8	2.6	1.7	2.0	2.0	2.0	1.5	2.1

(1) Comparative results prior to Q1 2019 have not been restated for the Company’s adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results described in this MD&A have been restated to reflect the Company’s adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

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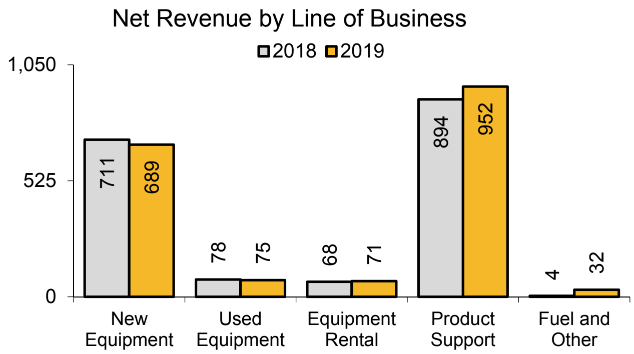
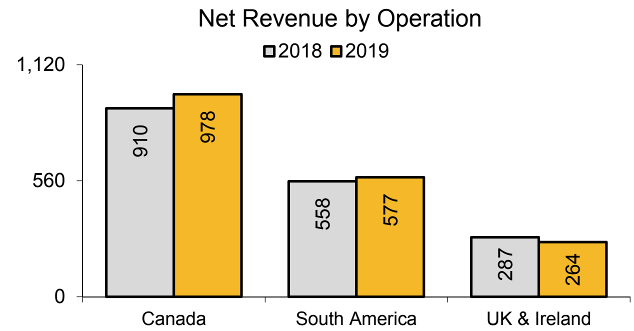
Third Quarter Results

Revenue

Net Revenue by Line of Business and by Operation
3 months ended September 30
($ millions)





The Company generated revenue of $2.0 billion during the third quarter of 2019. Q3 2019 net revenue was $1.8 billion, up 4% from the same prior year period, primarily driven by higher product support revenue partially offset by lower new equipment revenue.

The stronger CAD relative to the ***GBP***, partially offset by the weaker CAD relative to the USD, on average in Q3 2019 compared to the same prior year period resulted in an unfavourable foreign currency translation impact on net revenue in Q3 2019 of approximately $10 million and was not significant at the EBITDA or EBIT level.

Third quarter 2019 product support revenue was 6% higher than the same prior year period driven by strong volume and demand for parts and service in the mining sector of the Company's South American operations.

New equipment revenue of $689 million was down 3% in Q3 2019 compared to Q3 2018. New equipment revenue was down in the mining sector of the Company's South American operations and the Company's UK & Ireland operations had lower sales in power systems due to the timing of project deliveries to the electricity capacity market, which was particularly strong in Q3 2018. This was partially offset by higher activity in the mining and core sectors in the Company's Canadian operations.

Equipment backlog [(1)] was approximately $850 million at September 30, 2019, down from approximately $900 million at June 30, 2019 and $1.3 billion at December 31, 2018. Equipment deliveries in Q3 2019 outpaced order intake [(1)], resulting in lower equipment backlog levels at September 30, 2019 compared to recent quarters.

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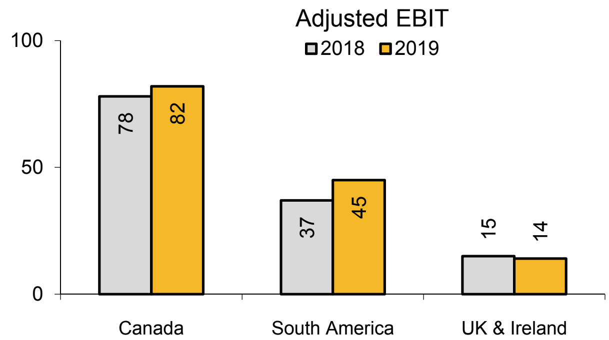
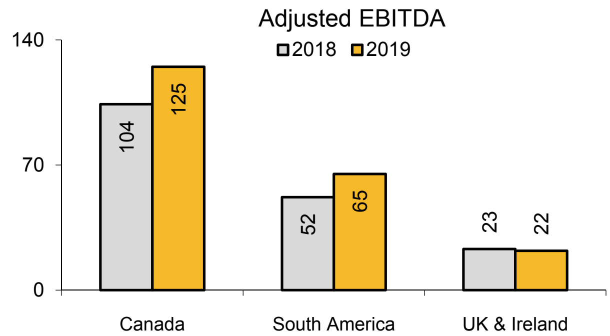
Adjusted EBIT and Adjusted EBITDA by Operation (1)(2)
3 months ended September 30
($ millions)





(1) Excluding Other operations
(2) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

EBIT and EBITDA

Q3 2019 gross profit was $459 million, 2% higher than the same period in the prior year, driven by higher revenues. Overall gross profit as a percentage of net revenue of 25.3% in Q3 2019 was relatively consistent compared to Q3 2018.

SG&A in Q3 2019 of $333 million included severance and restructuring costs in the Company's Argentinean operations that are not considered to be indicative of operational and financial trends. Excluding these items, SG&A was comparable to the same period in the prior year on net revenue growth of 4% primarily due to management's focus on cost efficiencies. Excluding severance and restructuring costs, SG&A as a percentage of net revenue was down 70 basis points compared to the same period in the prior year.

Other expenses of $30 million reported in the third quarter of 2018 included the write-off and foreign translation losses related to the Company's investment in Energyst as described on page 5.

The Company reported EBIT of $129 million and EBIT as a percentage of net revenue of 7.1% in the third quarter of 2019 compared to EBIT of $93 million and EBIT as a percentage of net revenue of 5.3% in Q3 2018. Excluding the significant items not considered indicative of operational and financial trends described on page 5, Q3 2019 Adjusted EBIT and Adjusted EBIT as a percentage of net revenue of $132 million and 7.3%, respectively, improved from $123 million and 7.0% earned in Q3 2018. The adoption of IFRS 16 did not significantly impact EBIT.

Adjusted EBITDA in Q3 2019 was $204 million and Adjusted EBITDA as a percentage of net revenue was 11.2%, higher than Q3 2018 due to higher earnings in the Company's South American operations and the contribution from 4Refuel. Q3 2018 Adjusted EBITDA was $172 million and Adjusted EBITDA as a percentage of net revenue was 9.7%. Adjusted EBITDA in Q3 2019 was also higher by approximately $20 million due to the Company's adoption of IFRS 16, as lease costs previously recognized as operating expense are now recorded primarily as depreciation expense.

The net debt to Adjusted EBITDA ratio at September 30, 2019 was 2.5 times, up from the 2.0 times at September 30, 2018 in part due to higher average short-term debt levels to fund working capital and the acquisition of 4Refuel. This ratio remains below the Company's long-term target of 3.0 times.

Finance Costs

Finance costs in Q3 2019 were $26 million, higher than Q3 2018 finance costs of $20 million primarily due to higher average short-term debt levels as well as $2 million higher interest expense related to leases, due to the Company's adoption of IFRS 16.

Provision for Income Taxes

The effective income tax rate in Q3 2019 was 27.3%, compared to 65.4% in Q3 2018. The effective income tax rate in Q3 2018 was high due to the non-deductibility, for tax purposes, of the write-off and foreign translation losses related to the investment in Energyst. In addition, tax expense was higher in both years due to the impact of the significant devaluation of the ARS relative to the USD, primarily relating to the revaluation of deferred tax balances. Excluding these items, the effective tax rate would have been 24.1% in Q3 2019 and 26.5% in Q3 2018.

Management expects the Company's effective tax rate generally to be within the 25-30% range on an annual basis. The rate may fluctuate from period to period as a result of changes in the relative income from the various jurisdictions in which the Company carries on business, source of income, changes in the estimation of tax reserves, outcomes of any tax audits, and changes in tax rates and tax legislation.

Net Income and EPS

Net income was $76 million and Basic EPS was $0.46 per share in Q3 2019, compared to $25 million and $0.15 per share earned in Q3 2018. Q3 2019 Adjusted net income of $81 million and Adjusted basic EPS of $0.49 per share were higher than Q3 2018 Adjusted net income of $75 million and Adjusted EPS of $0.45 per share primarily due to higher earnings in the Company's South American operations.

Year-to-Date Overview

($ millions, except for per share amounts)	YTD 2019	YTD 2018 [1]	% change fav (unfav)
Revenue	**$ 5,906**	$ 5,154	15%
Net revenue	**5,533**	5,154	7%
Gross profit	**1,371**	1,355	1%
SG&A	**(1,026)**	(1,003)	(2)%
Equity earnings of joint ventures and associate	**12**	10	17%
Other expenses	**(29)**	(30)	n/m
EBIT	**$ 328**	$ 332	(1)%
Net income	**$ 192**	$ 177	9%
Basic EPS	**$ 1.17**	$ 1.05	12%
EBITDA	**$ 548**	$ 470	17%
Free cash flow	**$ (344)**	$ (340)	(1)%
Adjusted EBIT	**$ 360**	$ 355	1%
Adjusted net income	**$ 219**	$ 222	(1)%
Adjusted basic EPS	**$ 1.34**	$ 1.32	2%
Adjusted EBITDA	**$ 580**	$ 493	18%
Gross profit as a % of net revenue	***24.8%***	*26.3%*	
SG&A as a % of net revenue	***18.5%***	*19.5%*	
EBIT as a % of net revenue	***5.9%***	*6.4%*	
EBITDA as a % of net revenue	***9.9%***	*9.1%*	
Adjusted EBIT as a % of net revenue	***6.5%***	*6.9%*	
Adjusted EBITDA as a % of net revenue	***10.5%***	*9.5%*	
Adjusted ROIC	***12.2%***	*14.5%*	

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Significant items that affected the reported results of the Company for the nine months ended September 30, 2019 and September 30, 2018 which were not considered by management to be indicative of operational and financial trends, either by nature or amount, are detailed below.

Year-to-date 2019 significant items:

- Severance costs related to workforce reductions and restructuring costs related to planned facility closures in the Company's Canadian and South American operations as the Company aligns its cost structure to market conditions and drive improved operating efficiency.
- Acquisition costs related to the purchase of 4Refuel.
- Tax impact of the significant devaluation of the ARS relative to the USD.

Year-to-date 2018 significant item:

- Write-off and loss related to the Company's investment in Energyst.
- Tax impact of the significant devaluation of the ARS relative to the USD.
- Insurance proceeds received in 2018 related to the final settlement of the Company's business interruption claim resulting from the Alberta wildfires in 2016.

The following table shows the magnitude of these items and reconciliations of the non-GAAP financial measures to their most directly comparable GAAP measure.

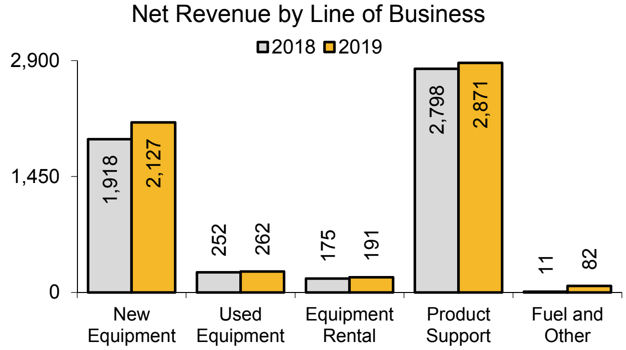
9 months ended September 30, 2019 ($ millions, except per share amounts)	**EBIT**				**Net Income**	**EPS**
	Canada	**South America**	**UK & Ireland**	**Consol**	**Consol**	**Consol**
EBIT, net income, and basic EPS	$ 224	$ 89	$ 41	$ 328	$ 192	$ 1.17
Significant items:						
Severance costs	10	10	—	20	14	0.09
Facility closure related restructuring costs and impairment losses	7	1	—	8	5	0.03
Acquisition costs	—	—	—	4	4	0.03
Tax impact of devaluation of ARS	—	—	—	—	4	0.02
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	$ 241	$ 100	$ 41	$ 360	$ 219	$ 1.34

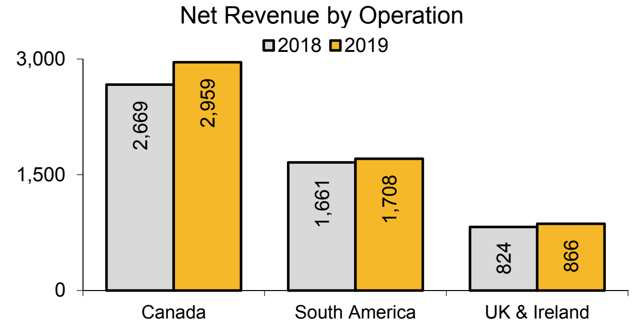
9 months ended September 30, 2018 [(1)] ($ millions, except per share amounts)	EBIT				Net Income	EPS
	Canada	South America	UK & Ireland	Consol	Consol	Consol
EBIT, net income, and basic EPS	$ 226	$ 130	$ 39	$ 332	$ 177	$ 1.05
Significant item:						
Write-off and loss related to Energyst	—	—	—	30	30	0.18
Tax impact of devaluation of ARS	—	—	—	—	20	0.12
Insurance proceeds from Alberta wildfires	(7)	—	—	(7)	(5)	(0.03)
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	$ 219	$ 130	$ 39	$ 355	$ 222	$ 1.32

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Revenue

Net Revenue by Line of Business and by Operation
9 months ended September 30
($ millions)





The Company generated revenue of $5.9 billion in the nine months ended September 30, 2019. Net revenue of $5.5 billion increased 7% from the same period last year, up in all lines of business.

The weaker CAD relative to the USD, partially offset by the stronger CAD relative to the GBP, on average in the year-to-date period compared to the same period last year resulted in a favourable foreign currency translation impact on net revenue in the first nine months of 2019 of approximately $25 million and was not significant at the EBITDA or EBIT level.

New equipment revenue was up 11% during the nine months ended September 30, 2019, compared to the prior year period, up in all operations. Strong sales in the mining and construction sectors of all of the Company's operations contributed to higher new equipment revenues in the first nine months of 2019 compared to the same period in 2018. This increase was partially offset by lower sales in the power systems sector in the Company's Canadian and South American operations.

Product support revenue in the nine months ended September 30, 2019 was higher than the first nine months of 2018, primarily in the Company's Canadian operations due to strong volumes in the mining sector. This was partially offset by lower product support revenue in the mining sector in the Company's Chilean business primarily in the first three months of 2019 due to operational challenges following an ***ERP*** implementation.

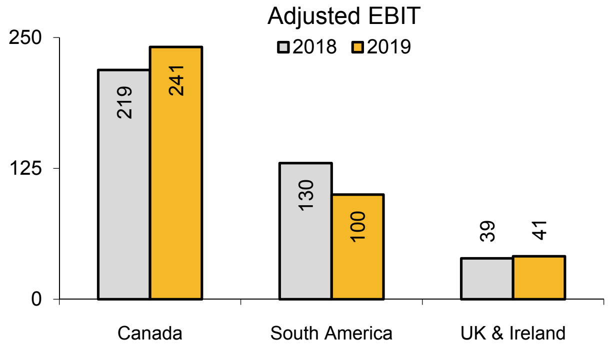
The nine months ended September 30, 2019 included $78 million of net revenue from 4Refuel.

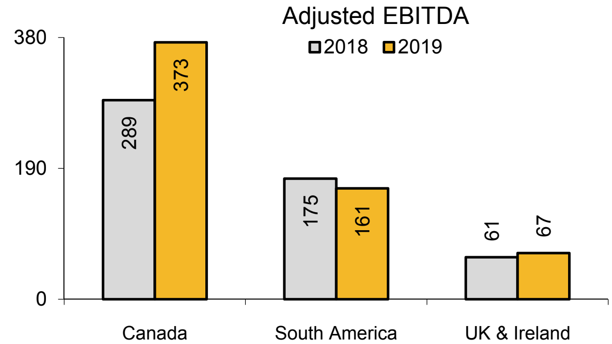
EBIT and EBITDA

Gross profit in the first nine months of 2019 of $1.4 billion was up slightly from the comparative prior year period largely due to higher volumes. Overall gross profit as a percentage of net revenue of 24.8% was down from the first nine months of 2018 primarily due to a higher proportion of new equipment revenue as well as lower margins in most lines of business.

SG&A for the first nine months of 2019 include severance and restructuring costs of $3 million in the Company's Argentinean operations due to cost reduction measures taken in the third quarter of 2019 (described on pages 5 and 12). SG&A for the first nine months of 2018 included the favourable impact of $7 million of insurance proceeds received by the Company's Canadian operations in Q1 2018 relating to the business interruption resulting from the Alberta wildfires in 2016. Excluding these significant items, SG&A for the first nine months of 2019 was 1% higher than the same period of the prior year primarily due to additional SG&A from 4Refuel. SG&A as a percentage of net revenue was down in all of the Company's operations due to the leverage of fixed costs on higher revenues and a focus on efficiencies and cost management. The Company also incurred $25 million of severance and restructuring costs in Q1 2019 in the Company's Canadian and South American operations, which were recorded in Other Expenses.

Adjusted EBIT and Adjusted EBITDA by Operation (1)(2)
9 months ended September 30
($ millions)





(1) Excluding Other operations
(2) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, Leases effective for the financial year beginning January 1, 2019.

The Company reported EBIT of $328 million and EBIT as a percentage of net revenue of 5.9% in the first nine months of 2019, compared to $332 million and 6.4%, respectively, earned in the first nine months of 2018. Excluding significant items not indicative of financial and operational trends described on page 12, Adjusted EBIT in the first nine months of 2019 was $360 million and Adjusted EBIT as a percentage of net revenue was 6.5%, compared to $355 million and 6.9%, respectively, in the same period in 2018. Adjusted EBIT as a percentage of net revenue in the first nine months of 2019 was lower than the first nine months of the prior year due to a higher proportion of new equipment revenue which typically generates lower margins and lower margins in all lines of business.

2019 year-to-date Adjusted EBITDA was $580 million and Adjusted EBITDA as a percentage of net revenue was 10.5%, higher than Adjusted EBITDA of $493 million and Adjusted EBITDA as a percentage of net revenue of 9.5% earned in the same prior year period. Adjusted EBITDA in 2019 was higher due to improved earnings from Finning (Canada), the contribution from 4Refuel, and approximately $60 million due to the Company's adoption of IFRS 16.

Finance Costs

Finance costs for the nine months ended September 30, 2019 were $77 million, higher than the $56 million in the same period in 2018 primarily due to higher average short-term debt levels and $6 million higher interest expense related to leases from the Company's adoption of IFRS 16.

Provision for Income Taxes

The effective income tax rate for the first nine months of 2019 was 23.7% compared to 35.9% in the prior year comparable period. The higher tax rate in 2018 was primarily due to the non-deductibility, for tax purposes, of the write-off and foreign translation losses related to the Company's investment in Energyst. In addition, tax expense was higher in both years due to the impact of the significant devaluation of the ARS relative to the USD, primarily relating to the revaluation of deferred tax balances. Excluding these items, the effective income tax rate would have been 22.5% and 25.6% for the first nine months of 2019 and 2018, respectively. This lower effective income tax rate in 2019 was primarily due to tax rate changes announced in Alberta in May 2019 resulting in a one-time revaluation of the Company's deferred tax balances and a lower proportion of earnings in higher tax jurisdictions.

Net Income and EPS

Net income was $192 million in the first nine months of 2019, compared to $177 million earned in the comparable period in 2018 and basic EPS was $1.17 per share compared with $1.05 per share in 2018. Excluding the significant items not indicative of financial and operational trends described on page 12, Adjusted net income in 2019 was $219 million and Adjusted basic EPS was $1.34 compared to Adjusted net income of $222 million and Adjusted basic EPS of $1.32 in the same prior year period.

Acquisition

On February 1, 2019, the Company acquired the Canadian and ***US*** operations of 4Refuel. 4Refuel is a mobile on-site refueling service provider with operations in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia as well as in Texas, US. This acquisition is aligned with the Company's strategic objective of growth and diversification and is expected to generate synergies by providing the Company's Canadian dealership operations with opportunities to sell, rent, and service a new customer base and 4Refuel with opportunities to sell to an expanded customer base and improve customer service.

Cash consideration of $241 million was paid for the acquisition. The Company funded the transaction with cash on hand and from existing credit facilities. Effective February 1, 2019, the Company acquired $44 million of net working capital [(1)], $42 million of property, plant, and equipment, and $215 million of intangible assets and goodwill and assumed $60 million of lease liabilities and deferred tax liabilities. The purchase price allocation is not final as management is continuing to finalize its estimate of the acquisition-date fair value of acquired assets and assumed liabilities. The Company expects to finalize the purchase price allocation no later than December 31, 2019.

Acquisition costs of approximately $4 million are included in the year-to-date 2019 results.

The results of the newly acquired business since the date of acquisition have been included in the Company's Canadian operations reportable segment. 4Refuel contributed approximately $450 million of revenue ($78 million of net revenue) in the nine month period ended September 30, 2019.

(1) Net working capital acquired from the acquisition of 4Refuel comprises cash, receivables, other assets, and payables

Invested Capital

($ millions, unless otherwise stated)	**September 30, 2019**	June 30, 2019	(Decrease)/ Increase from June 30, 2019	December 31, 2018	Increase from December 31, 2018
Consolidated	**$ 3,907**	$ 3,964	$ (57)	$ 3,163	**$** 744
Canada	**$ 2,209**	$ 2,285	$ (76)	$ 1,675	**$** 534
South America	**$ 1,276**	$ 1,287	$ (11)	$ 1,190	**$** 86
UK & Ireland	**$ 416**	$ 390	$ 26	$ 336	**$** 80
South America (USD)	***$ 964***	*$ 983*	*$ (19)*	*$ 872*	***$*** *92*
UK & Ireland (GBP)	***£ 256***	*£ 235*	*£ 21*	*£ 193*	***£*** *63*

Compared to December 31, 2018:

The $744 million increase in consolidated invested capital from December 31, 2018 to September 30, 2019 includes a foreign exchange impact of approximately $70 million in translating the invested capital balances of the Company's South American and UK & Ireland operations. The foreign exchange impact was primarily the result of the 3% stronger CAD relative to the USD and 7% stronger CAD relative to the GBP at September 30, 2019 compared to the rates at December 31, 2018.

Excluding the impact of foreign exchange, consolidated invested capital increased by approximately $812 million from December 31, 2018 to September 30, 2019 reflecting:

- an increase in net assets from the 2019 acquisition of 4Refuel;
- an increase in inventories (primarily parts and internal service work in progress) driven by the Company's South American and Canadian operations; and,
- a decrease in accounts payable and deferred revenue in the Company's Canadian and UK & Ireland operations.

Compared to June 30, 2019:

The $57 million decrease in consolidated invested capital from June 30, 2019 to September 30, 2019 includes a foreign exchange impact of approximately $5 million in translating the invested capital balances of the Company's South American and UK & Ireland operations. The foreign exchange impact was primarily the result of the 1% weaker CAD relative to the USD partially offset by 2% stronger CAD relative to the GBP at September 30, 2019 compared to the rates at June 30, 2019.

Excluding the impact of foreign exchange, consolidated invested capital decreased by approximately $63 million from June 30, 2019 to September 30, 2019 reflecting:

- a decrease in trade receivables and new equipment inventory primarily in the Company's Canadian and South American operations; and,
- partially offset by lower accounts payable in all of the Company's operations and lower deferred revenue in the Company's Canadian operations.

Adjusted ROIC and Invested Capital Turnover

	September 30, 2019	June 30, 2019	December 31, 2018 (1)	September 30, 2018 (1)
Adjusted ROIC				
Consolidated	**12.2 %**	12.3 %	13.5 %	14.5 %
Canada	**15.0 %**	15.4 %	16.2 %	16.0 %
South America	**9.0 %**	8.5 %	12.2 %	16.4 %
UK & Ireland	**14.1 %**	14.5 %	14.2 %	14.0 %
Invested Capital Turnover (times)				
Consolidated	**1.99x**	2.04x	2.12x	2.14x
Canada	**1.91x**	1.95x	2.05x	1.98x
South America	**1.77x**	1.80x	1.86x	2.01x
UK & Ireland	**3.18x**	3.27x	3.22x	3.30x

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Adjusted ROIC

On a consolidated basis, the decrease in Adjusted ROIC at September 30, 2019 compared to December 31, 2018 is primarily due to higher average invested capital levels in all operations including an increase from the 2019 acquisition of 4Refuel.

On a consolidated basis, the decrease in Adjusted ROIC at September 30, 2019 compared to September 30, 2018 reflects lower Adjusted EBIT earned in the last twelve-month period by the Company's South American operations with higher invested capital levels in all of the Company's operations.

Invested capital turnover

Consolidated invested capital turnover at September 30, 2019 was down from December 31, 2018 with lower invested capital turnover in all of the Company's operations as the increase in average invested capital levels exceeded net revenue growth over the last twelve-month period. Invested capital turnover reported by the Company's Canadian operations was also impacted by higher invested capital with the acquisition of 4Refuel.

Consolidated invested capital turnover at September 30, 2019 was lower than at September 30, 2018 due to lower invested capital turnover in all of the Company's operations as growth in average invested capital levels outpaced net revenue growth.

Results by Reportable Segment

The Company and its subsidiaries operate primarily in one principal business: the sale, service, and rental of heavy equipment, engines, and related products in various markets worldwide as described on pages 19 - 24. Finning's reportable segments are Canada, South America, UK & Ireland, and Other operations.

The table below provides details of net revenue by lines of business for the Canadian, South America, and UK & Ireland operations.

3 months ended September 30, 2019 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consol**	**Net Revenue %**
New equipment	**$ 360**	**$ 167**	**$ 162**	**$ 689**	**38%**
Used equipment	**47**	**10**	**18**	**75**	**4%**
Equipment rental	**49**	**13**	**9**	**71**	**4%**
Product support	**491**	**387**	**74**	**952**	**52%**
Fuel and other	**31**	**—**	**1**	**32**	**2%**
Net revenue	**$ 978**	**$ 577**	**$ 264**	**$ 1,819**	**100%**
Net revenue % by operation	**54%**	**32%**	**14%**	**100%**	

3 months ended September 30, 2018 ($ millions)	Canada	South America	UK & Ireland	Consol	Net Revenue %
New equipment	$ 322	$ 198	$ 191	$ 711	41%
Used equipment	52	11	15	78	4%
Equipment rental	46	12	10	68	4%
Product support	490	335	69	894	51%
Other	—	2	2	4	—
Net revenue	$ 910	$ 558	$ 287	$ 1,755	100%
Net revenue % by operation	52%	32%	16%	100%	

9 months ended September 30, 2019 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consol**	**Net Revenue %**
New equipment	**$ 1,018**	**$ 555**	**$ 554**	**$ 2,127**	**38%**
Used equipment	**166**	**37**	**59**	**262**	**5%**
Equipment rental	**129**	**36**	**26**	**191**	**3%**
Product support	**1,567**	**1,080**	**224**	**2,871**	**52%**
Fuel and other	**79**	**—**	**3**	**82**	**2%**
Net revenue	**$ 2,959**	**$ 1,708**	**$ 866**	**$ 5,533**	**100%**
Net revenue % by operation	**53%**	**31%**	**16%**	**100%**	

9 months ended September 30, 2018 ($ millions)	Canada	South America	UK & Ireland	Consol	Net Revenue %
New equipment	$ 898	$ 496	$ 524	$ 1,918	37%
Used equipment	160	43	49	252	5%
Equipment rental	109	39	27	175	4%
Product support	1,501	1,079	218	2,798	54%
Other	1	4	6	11	—
Net revenue	$ 2,669	$ 1,661	$ 824	$ 5,154	100%
Net revenue % by operation	52%	32%	16%	100%	

Canada Operations

The Canadian reporting segment includes Finning (Canada), ***OEM***, and a 25% interest in ***PLM*** as well as 4Refuel since the acquisition date of February 1, 2019. The Canadian operations sell, service, and rent mainly ***Caterpillar*** equipment and engines in British Columbia, Alberta, Saskatchewan, Yukon, the Northwest Territories, and a portion of Nunavut, and also provide mobile refueling services in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia and in Texas, US. The Canadian operations' markets include mining (including the oil sands), construction, conventional oil and gas, forestry, and power systems.

The table below provides details of the results from the Canadian operations:

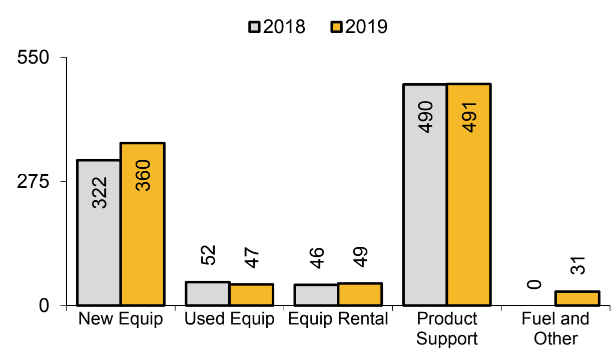
	3 months ended September 30		9 months ended September 30	
($ millions)	**2019**	2018 (1)	**2019**	2018 (1)
Net revenue	**$ 978**	$ 910	**$ 2,959**	$ 2,669
Operating costs	**(856)**	(810)	**(2,598)**	(2,387)
Equity earnings of joint venture	**3**	4	**12**	14
Other expenses	**—**	—	**(17)**	—
EBITDA	**$ 125**	$ 104	**$ 356**	$ 296
Depreciation and amortization	**(43)**	(26)	**(132)**	(70)
EBIT	**$ 82**	$ 78	**$ 224**	$ 226
EBITDA as a % of net revenue	**12.8%**	11.4%	**12.0%**	11.1%
EBIT as a % of net revenue	**8.5%**	8.6%	**7.6%**	8.5%
Adjusted EBITDA	**$ 125**	$ 104	**$ 373**	$ 289
Adjusted EBITDA as a % of net revenue	**12.8%**	11.4%	**12.6%**	10.8%
Adjusted EBIT	**$ 82**	$ 78	**$ 241**	$ 219
Adjusted EBIT as a % of net revenue	**8.5%**	8.6%	**8.2%**	8.2%

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Third Quarter Overview

Q3 2019 net revenue of $978 million was 7% higher than Q3 2018, driven primarily by an increase in new equipment sales and the contribution from 4Refuel.

Canada – Net revenue by Line of Business
3 months ended September 30
($ millions)



New equipment revenue was $360 million in Q3 2019, 12% higher than the same period in 2018, largely due to an increase in deliveries to oil sands customers and improved market share in the construction sector, offset by lower overall demand in the construction industry and reduced sales in the power systems and forestry sectors. Significant equipment deliveries in Q3 2019 exceeded order intake in the quarter resulting in lower backlog levels at September 30, 2019.

Product support revenue in Q3 2019 was comparable to Q3 2018, with higher activity in the oil sands and precious metals sectors as well as strong component volumes at OEM, offset by lower activity in the construction, forestry, and coal sectors. The construction sector was impacted by challenging ground conditions due to unseasonably wet weather in Alberta and Saskatchewan, while demand in the coal and forestry sectors was impacted by lower commodity prices and mill closures.

Q3 2019 net revenue from 4Refuel of $31 million was included in fuel and other net revenue.

Gross profit in 2019 was higher than Q3 2018, driven by the contribution from 4Refuel and higher volumes in Finning (Canada). Overall gross profit as a percentage of net revenue decreased in Q3 2019 compared to Q3 2018 primarily due to a revenue mix shift to new equipment and lower margins in most lines of business.

SG&A in Q3 2019 was up compared to the prior year period due to additional SG&A from 4Refuel partially offset by lower SG&A in Finning (Canada). Excluding 4Refuel, SG&A in Q3 2019 was down 4% primarily due to lower people-related costs from restructuring initiatives commencing in Q1 2019, as well as disciplined cost management. SG&A as a percentage of net revenue was down 100 basis points from Q3 2018, reflecting leverage of incremental net revenue on fixed costs and disciplined spending.

The Company's Canadian operations contributed EBITDA of $125 million in Q3 2019, up 20% from the same period in the prior year. EBITDA included $14 million from the Company's adoption of IFRS 16 as well as the positive contribution from 4Refuel. EBITDA as a percentage of net revenue in Q3 2019 was 12.8%, an improvement of 140 basis points over Q3 2018.

Year-to-Date Overview

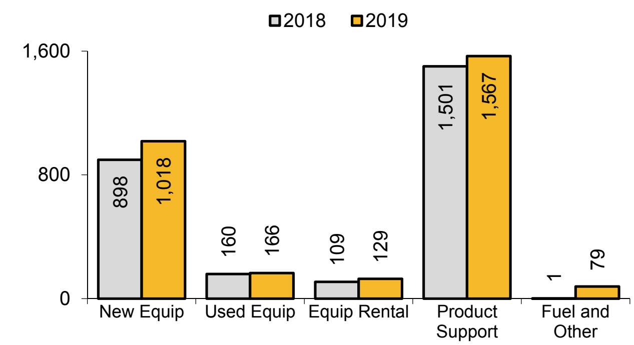
Net revenue for the first nine months ended September 30, 2019 of $3.0 billion increased by 11% from the same prior year period, up in all lines of business, driven primarily by higher new equipment and product support revenues as well as the contribution from 4Refuel.

New equipment revenue was up 13% in the first nine months of 2019 compared to the same period in 2018, largely driven by increased sales in the mining sector.

Product support revenue was 4% higher in the first nine months of 2019 compared to the same period in 2018, due to increased activity in the mining sector.

Net revenue from 4Refuel of $78 million for the first nine months of 2019 was included in fuel and other net revenue.

Canada – Net revenue by Line of Business
9 months ended September 30
($ millions)



Gross profit in the first nine months of 2019 increased compared to the first nine months of 2018, largely due to higher volumes and the contribution from 4Refuel. This increase was partially offset by lower overall gross profit as a percentage of net revenue in the used equipment and product support lines of business.

SG&A for the first nine months of 2018 included the favourable impact of $7 million of insurance proceeds received in Q1 2018 in relation to the business interruption resulting from the Alberta wildfires in 2016. Excluding these insurance proceeds and 4Refuel, SG&A was comparable to the same period in 2018 on 8% higher net revenue, with SG&A costs relative to net revenue down from the prior year period.

The Company's Canadian operations contributed Adjusted EBITDA of $373 million, up 29% from the same prior year period. Adjusted EBITDA in the first nine months of 2019 increased due to higher operating results, eight months of contribution from 4Refuel, and $43 million from the Company's adoption of IFRS 16. Adjusted EBITDA as a percentage of net revenue in the first nine months of 2019 was 12.6%, an improvement of 180 basis points over the same period of 2018.

Other Developments

On October 8, 2019, Finning (Canada)'s hourly employees represented by ***IAMAW Local 99*** voted in support of a new collective agreement. IAMAW Local 99 represents approximately 1,600 hourly employees in Alberta and the Northwest Territories. The new three-year collective agreement will expire on April 30, 2022.

South America Operations

Finning's South American operations sell, service, and rent mainly Caterpillar equipment and engines in Chile, Argentina, and Bolivia. The South American operations' markets include mining, construction, forestry, and power systems.

The table below provides details of the results from the South American operations:

	3 months ended September 30		9 months ended September 30	
($ millions)	2019	2018 [(1)]	2019	2018 [(1)]
Net revenue	$ 577	$ 558	$ 1,708	$ 1,661
Operating costs	(515)	(506)	(1,550)	(1,486)
Other expenses	—	—	(8)	—
EBITDA	$ 62	$ 52	$ 150	$ 175
Depreciation and amortization	(20)	(15)	(61)	(45)
EBIT	$ 42	$ 37	$ 89	$ 130
EBITDA as a % of net revenue	10.8%	9.3%	8.8%	10.5%
EBIT as a % of net revenue	7.3%	6.7%	5.2%	7.8%
Adjusted EBITDA	$ 65	$ 52	$ 161	$ 175
Adjusted EBITDA as a % of net revenue	11.2%	9.3%	9.4%	10.5%
Adjusted EBIT	$ 45	$ 37	$ 100	$ 130
Adjusted EBIT as a % of net revenue	7.8%	6.7%	5.8%	7.8%

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

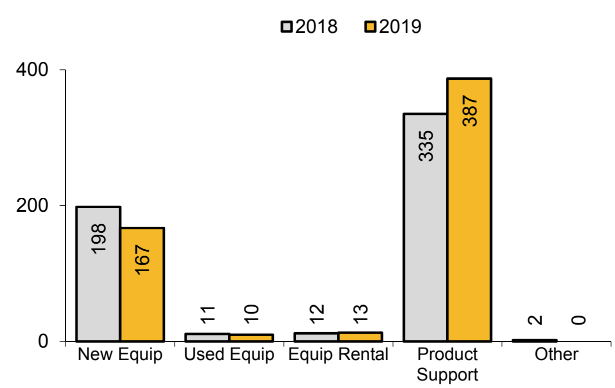
Third Quarter Overview

Q3 2019 net revenue increased 3% to $577 million compared to Q3 2018 (up 2% in functional currency), driven by higher product support revenue partially offset by lower new equipment revenues.

Product support revenue in Q3 2019 was up 16% (up 15% in functional currency) compared to Q3 2018 driven by growth in the mining sector in Chile and higher activity in Argentina despite its challenging economic environment.

New equipment revenue in Q3 2019 was down 16% compared to Q3 2018 due to the timing of mining equipment deliveries in Chile. Q3 2019 order intake, which includes a portion of the new mining equipment order from Teck Resources Limited for its Quebrada Blanca Phase 2 operations in Chile, exceeded equipment deliveries in the quarter resulting in a higher backlog level at September 30, 2019 compared to June 30, 2019.

South America – Net revenue by Line of Business
3 months ended September 30
($ millions)



In functional currency, gross profit was higher than Q3 2018. Gross profit as a percentage of net revenue in Q3 2019 was comparable to Q3 2018 despite a revenue mix shift to higher product support revenue as higher costs were incurred to meet customer requirements during the post-ERP implementation period.

Q3 2019 SG&A was lower than Q3 2018. In response to challenging economic conditions and weaker market activity in Argentina, the Company took additional measures to right-size its cost structure and capital exposure in Argentina resulting in severance and restructuring costs of $3 million recorded in SG&A in Q3 2019. Excluding these severance and restructuring costs, SG&A was 5% lower than the prior year period (in functional currency) primarily due to lower people-related costs from the benefit of previous cost reduction measures taken as well as due to a weaker ***CLP*** and ARS relative to the USD. SG&A relative to net revenue was down compared to the same prior year period.

The Company's South American operations contributed Adjusted EBITDA of $65 million, 23% higher in functional currency than Q3 2018. Adjusted EBITDA increased in Q3 2019 due to improved operating results and included $2 million from the Company's adoption of IFRS 16. Adjusted EBITDA as a percentage of net revenue increased to 11.2% from 9.3% in Q3 2018, mainly due to SG&A cost savings.

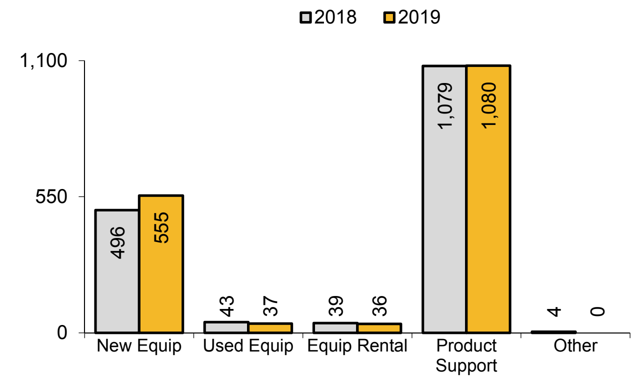
Year-to-Date Overview

For the nine months ended September 30, 2019, net revenue of $1.7 billion increased 3% from the same period in 2018. In functional currency, net revenue was comparable to the same prior year period due to higher new equipment sales being offset by lower revenues in other lines of business, primarily in product support.

The weaker CAD relative to the USD on average in the 2019 year-to-date period compared to the same period last year had a favourable foreign currency translation impact on net revenue in the first nine months of 2019 of approximately $50 million and was not significant at the EBITDA level.

New equipment revenues in the first nine months of 2019 increased 12% (9% in functional currency) compared to the same prior year period mainly due to higher activity in the mining and construction sectors in Chile, partially offset by slower market activity in Argentina.

South America – Net revenue by Line of Business
9 months ended September 30
($ millions)



Product support revenue in the first nine months of 2019 was down 3% in functional currency due to lower product support revenue in the mining sector in Chile in Q1 2019 driven by transactional velocity challenges following the ERP implementation.

Gross profit in the first nine months of 2019 was down from the prior year comparable period. Gross profit as a percentage of net revenue was also down from the same period in the prior year, reflecting a mix shift to higher new equipment sales as well as higher costs to meet customer requirements during the post-ERP implementation period.

In functional currency, SG&A in the first nine months of 2019 decreased compared to the same period in the prior year. Excluding severance and restructuring costs as described on pages 5 and 12, SG&A in 2019 was 7% lower than 2018. SG&A relative to net revenue also declined from the comparable prior year period due to lower costs as a result of cost reduction measures taken in 2019 to right-size the business and the effect of the devaluation of the CLP and ARS when translating local currency costs to USD.

In the nine months ended September 30, 2019, the Company took cost reduction measures resulting in severance and restructuring costs of $11 million (recorded in SG&A and other expenses). Excluding these severance and restructuring costs, the Company's South American operations contributed Adjusted EBITDA of $161 million for the nine months ended September 30, 2019 and Adjusted EBITDA as a percentage of net revenue of 9.4% compared to $175 million and 10.5%, respectively, in the same prior year period. The decrease in Adjusted EBITDA was mainly due to lower gross profit in Chile, largely driven by ERP challenges in Q1 2019. 2019 year-to-date Adjusted EBITDA included $6 million from the Company's adoption of IFRS 16.

UK & Ireland Operations

The Company's UK & Ireland operations sell, service, and rent mainly Caterpillar equipment and engines in England, Scotland, Wales, Northern Ireland, and the Republic of Ireland. The UK & Ireland operations' markets include quarrying, construction, power systems, and mining.

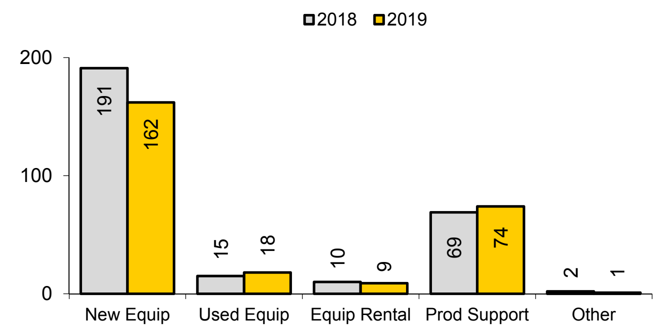
The table below provides details of the results from the UK & Ireland operations:

	3 months ended September 30		9 months ended September 30	
($ millions)	**2019**	2018 [(1)]	**2019**	2018 [(1)]
Net revenue	**$ 264**	$ 287	**$ 866**	$ 824
Operating costs	**(242)**	(264)	**(799)**	(763)
EBITDA	**$ 22**	$ 23	**$ 67**	$ 61
Depreciation and amortization	**(8)**	(8)	**(26)**	(22)
EBIT	**$ 14**	$ 15	**$ 41**	$ 39
EBITDA as a % of net revenue	**8.3%**	7.7%	**7.8%**	7.3%
EBIT as a % of net revenue	**5.1%**	5.1%	**4.7%**	4.7%

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Third Quarter Overview

UK & Ireland – Net revenue by Line of Business
3 months ended September 30
($ millions)



Third quarter 2019 net revenue of $264 million was 8% lower than the same period in 2018 (down 4% in functional currency), driven primarily by a decrease in new equipment sales in the power systems business compared to a relatively strong Q3 2018, partially offset by higher product support revenue.

The stronger CAD relative to the GBP on average in the quarter compared to the same period last year had an unfavourable foreign currency translation impact on net revenue in Q3 2019 of approximately $15 million and was not significant at the EBITDA level.

Q3 2019 new equipment revenue was down 16% (down 12% in functional currency) over the same prior year period, impacted by lower sales in power systems due to the timing of project deliveries to the electricity capacity market which was particularly strong in Q3 2018. Order backlog at September 30, 2019 is comparable to June 30, 2019 with strong order intake in the power systems sector offset by deliveries in the construction sector.

Product support revenue was up 7% (up 12% in functional currency) compared to the same period in the prior year, driven by higher activity in the power systems and construction sectors.

In functional currency, Q3 2019 gross profit was comparable to the prior year period on lower net revenue. Gross profit as a percentage of net revenue increased compared to the same prior year period mainly due to a revenue mix shift to a higher proportion of product support revenue.

In functional currency, SG&A in Q3 2019 was comparable to Q3 2018. SG&A as a percentage of net revenue was slightly higher than the same prior year period, a function of lower net revenue and inflationary fixed cost increases.

For Q3 2019, the Company's UK & Ireland operations contributed EBITDA of $22 million and EBITDA as a percentage of net revenue of 8.3%, compared to EBITDA of $23 million and EBITDA as a percentage of net revenue of 7.7% achieved in Q3 2018. Q3 2019 EBITDA included $4 million from the Company's adoption of IFRS 16.

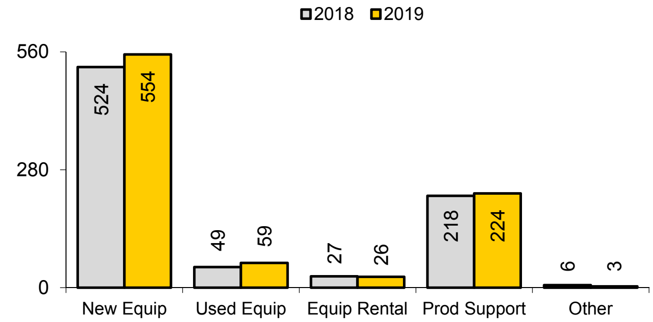
Year-to-Date Overview

For the nine months ended September 30, 2019, net revenue of $866 million was 5% higher than the same period in 2018 (up 8% in functional currency). This increase was driven primarily by higher new equipment revenue.

The stronger CAD had an unfavourable foreign currency translation impact on net revenue in the first nine months of 2019 of approximately $25 million and was not significant at the EBITDA level.

New equipment revenue was up 6% from the same period in the prior year (up 8% in functional currency), higher in all sectors, primarily driven by robust activity in the power systems sector.

UK & Ireland – Net revenue by Line of Business
9 months ended September 30
($ millions)



Gross profit increased in the first nine months of 2019 compared to the same period in 2018 reflecting higher volumes. Overall gross profit as a percentage of net revenue was slightly lower compared to the same period in 2018 reflecting lower margins in most lines of business.

In functional currency, SG&A for the nine months ended September 30, 2019 was 4% higher than the same period in the prior year, on net revenue growth of 8%. SG&A relative to net revenue was lower in 2019 reflecting the benefit of controlling fixed costs on incremental revenues as well as lower variable costs despite higher revenues.

For the nine months ended September 30, 2019, the Company's UK & Ireland operations contributed EBITDA of $67 million compared to EBITDA of $61 million for the first nine months of 2018, up 14% in functional currency. 2019 EBITDA included $11 million from the Company's adoption of IFRS 16. EBITDA as a percentage of net revenue of 7.8% was higher than the 7.3% earned in the comparable period in 2018.

Other Operations

The Other operations segment includes corporate operating costs.

Losses before finance costs and income taxes of this segment were $9 million in Q3 2019 (year-to-date 2019: $26 million loss) compared to $37 million in Q3 2018 (year-to-date 2018: $63 million loss). This was primarily due to the $30 million write-down of the Company's Energyst investment in Q3 2018. In the first nine months of 2019, losses before finance costs and income taxes were lower than the comparable period in the prior year, primarily due to the $30 million write-down of the Company's Energyst investment in 2018 and lower long-term incentive plan costs in 2019 partially offset by $4 million of acquisition costs related to 4Refuel in 2019.

Outlook

Canada Operations

In the oil sands, government-imposed production restrictions are easing while a shortage of pipeline capacity persists. Demand for equipment and product support in the oil sands, including component rebuilds, remains strong. Activity in other mining segments continues to be steady. The Company is quoting on significant equipment packages in the oil sands and other mining segments.

In the construction industry, the Company has been gaining share in competitive markets. In Alberta, activity in the construction markets has softened and equipment utilization has declined. In British Columbia, construction markets remain healthy while forestry saw a significant reduction in activity. Opportunities in power systems are expected to be driven by strong demand for prime and standby electric power from large infrastructure and gas projects.

Large infrastructure projects, notably LNG Canada and Trans Mountain Pipeline, are expected to create incremental demand for construction, power systems, and pipeline equipment, as well as provide product support opportunities in the near future.

South America Operations

In Chile, construction and power systems markets continue to be healthy. The government is business-friendly and has announced increased public investment in infrastructure which is expected to benefit the construction sector and generate improved demand for construction equipment and product support.

International trade tensions continue to pose a risk to the price of copper. However, global miners are beginning to make investments in Chile, and the Company is actively responding to an increase in customer requests for quotations for large mining equipment. The Company remains constructive on the outlook for copper and expects increased copper production to have a positive impact on demand for mining equipment and product support.

The Company is closely monitoring the recent social unrest in Chile, and has not yet experienced any material disruptions to its operations. The situation in Chile remains fluid, and if the unrest is prolonged or escalates, it could have a negative impact on customer activity and Finning's operations in the country.

In Argentina, following the primary elections in August 2019, the government imposed restrictive monetary policies, and business activity has contracted further. The Company expects market conditions in Argentina to remain weak for the foreseeable future, and has taken additional steps to reduce its cost structure. During this period of political and economic instability, the Company remains focused on providing product support to customers in construction, mining, and power systems. The Company expects to manage its exposure to the Argentine peso and expects its operations in Argentina to remain profitable.

UK & Ireland Operations

In the UK & Ireland, the political uncertainty around ***Brexit*** and resulting trade relationship with the European Union continues and is impacting customer confidence and demand for equipment in the construction and plant hire sectors. The Company is monitoring all activities related to Brexit, and has developed a risk mitigation strategy with Caterpillar to manage the impact on the supply chain; however, no assurance can be given that the Company will be able to fully mitigate the impact of Brexit. In power systems, customer demand in the industrial and electric power sectors remains strong. The UK government's commitment to invest in large-scale rail, power, road, and airport infrastructure projects is expected to continue to provide future opportunities.

Revenue and Earnings Outlook

The Company expects Q4 2019 revenue to approximate Q4 2018. Despite a significant increase in earnings year over year, ROIC is not expected to increase due to the addition of 4Refuel and higher working capital.

In 2020, the Company expects revenue to be about flat compared to 2019. The Company believes that even in a low growth environment, a lower cost base and continued operating efficiencies have positioned it well to continue to generate consecutive increases in annual earnings in 2020 and increase ROIC.

Foreign Exchange Exposure

The Company expects on-going volatility in foreign exchange markets to continue to impact its results. Any devaluation of the CAD increases earnings translated from the Company's foreign subsidiaries. The opposite is true for any appreciation of the CAD. Transactional gains or losses are dependent on the Company's hedging activities and general market conditions.

Liquidity and Capital Resources

Management assesses liquidity in terms of the Company's ability to generate sufficient cash flow, along with other sources of liquidity including cash and borrowings, to fund its operations and growth in operations. Liquidity is affected by operating, investing, and financing activities.

The magnitude of cash flows provided by (used in) each of these items is shown in the following table:

($ millions)	3 months ended September 30 2019	3 months ended September 30 2018 (1)	Increase (Decrease)	9 months ended September 30 2019	9 months ended September 30 2018 (1)	(Decrease) Increase
Operating activities	**$ 204**	$ (6)	$ 210	**$ (247)**	$ (230)	$ (17)
Investing activities	**$ (39)**	$ (43)	$ 4	**$ (326)**	$ (111)	$ (215)
Financing activities	**$ (73)**	$ (25)	$ (48)	**$ 384**	$ 92	$ 292
Free Cash Flow	**$ 165**	$ (49)	$ 214	**$ (344)**	$ (340)	$ (4)

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

The most significant contributors to the changes in cash flows for 2019 over 2018 are as follows (all events described are in the current quarter or year-to-date period, unless otherwise stated):

	Quarter over Quarter	Year-to-date over Year-to-date
Cash provided by (used in) operating activities	• lower spend on equipment inventory in all of the Company's operations, primarily in the Company's Canadian and South American operations, with improved inventory management • higher collections on trade receivables in all of the Company's operations • lower rental additions in all of the Company's operations • approximately $20 million lower cash outflow related to lease payments presented as financing cash outflows following the adoption of IFRS 16 (operating cash outflows in Q3 2018) • partially offset by higher supplier payments due to timing	• lower current liabilities in all of the Company's operations mainly driven by lower customer deposits and lower deferred revenue in the Company's UK & Ireland operations • higher levels of service inventory in the Company's South American operations to support increased product support activity • higher supplier payments due to timing in the Company's Canadian operations • partially offset by lower spend on equipment inventory in all of the Company's operations, lower supplier payments in the Company's South American operations due to timing, and approximately $60 million lower cash outflow related to lease payments
Cash used in investing activities	• capital expenditures relatively consistent to prior year as the investment in the ERP system in the Company's South American operations in 2018 was offset by higher investment in global process and technology projects in 2019	• $229 million net cash consideration to acquire 4Refuel • lower capital expenditures in 2019 as 2018 included the investment in the ERP system in the Company's South American operations
Cash (used in) provided by financing activities	• approximately $220 million repayment of short-term debt in Q3 2019 • approximately $200 million cash provided by the issuance of unsecured senior notes in Q3 2019 • approximately $20 million higher use of cash related to lease payments presented as financing cash outflows following the adoption of IFRS 16 (operating cash outflows in Q3 2018)	• approximately $175 million higher cash provided by short-term debt in 2019 • approximately $200 million additional cash provided by issuance of unsecured senior notes • approximately $60 million higher use of cash related to lease payments presented as financing cash outflows following the adoption of IFRS 16 • higher repurchase of common shares in 2019
Free Cash Flow	• higher cash generated from operating activities for the reasons outlined above	• higher use of cash from operating activities for the reasons outlined above

Capital resources and management

The Company's cash and cash equivalents balance at September 30, 2019 was $252 million (December 31, 2018: $454 million). To complement the internally generated funds from operating and investing activities, the Company has $2.0 billion in unsecured credit facilities. Included in this amount is a syndicated committed credit facility totaling $1.3 billion with various Canadian and global financial institutions, of which $829 million was available at September 30, 2019.

In August 2019, the Company issued $200 million of 2.626% senior unsecured notes due August 14, 2026, which rank pari passu with existing senior unsecured obligations. Proceeds of the issuance were used to reduce the outstanding short-term debt under the Company's syndicated committed credit facility.

Based on the availability of these facilities, the Company's business operating plans, and the discretionary nature of certain cash outflows, such as rental and capital expenditures, the Company believes it continues to have sufficient liquidity to meet operational needs and planned growth and development.

The Company is subject to certain covenants in its syndicated committed credit facility. As at September 30, 2019, the Company was in compliance with these covenants.

The Company is rated [a] by both ***DBRS*** and ***S&P***:

	Long-term debt		Short-term debt	
	September 30, 2019	December 31, 2018	**September 30, 2019**	December 31, 2018
DBRS	BBB (high)	BBB (high)	R-2 (high)	R-2 (high)
S&P	BBB+	BBB+	***n/a***	n/a

In August 2019, S&P reconfirmed the Company's BBB+ rating, noting the Company's strong market position as the largest Caterpillar equipment dealer, its diversification by geography and its earnings stability driven by the after-sales parts and services business.

In September 2019, DBRS reconfirmed the Company's BBB (high) long-term rating as well as its commercial paper rating at R-2 (high), reflecting the Company's strong business profile, supportive market conditions, and diversified operations.

During the first nine months of 2019, the Company repurchased 1,073,354 common shares for cancellation at an average cost of $24.75 per share (total cost: $27 million) through an ***NCIB*** [b]. During the first nine months of 2018, the Company repurchased 314,693 common shares for cancellation at an average cost of $32.89 per share.

Net Debt to Adjusted EBITDA

The Company monitors net debt to Adjusted EBITDA to assess operating leverage and ability to repay debt. This ratio approximates the length of time, in years, that it would take the Company to repay its debt, with net debt and Adjusted EBITDA held constant.

September 30	**Company long-term target**	**2019**	2018 [1]
Net debt to Adjusted EBITDA Ratio	**< 3.0**	**2.5**	2.0

[1] Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

[a] A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

[b] The Company renewed its NCIB for a further year effective May 11, 2019. A copy of the NCIB notice is available on request from the Company. Direct your request to the Corporate Secretary, 300 – 565 Great Northern Way, Vancouver, BC V5T 0H8.

Accounting Policies and Pronouncements

New Accounting Policy

Effective January 1, 2019, the Company adopted IFRS 16, *Leases.* The Company's new accounting policy and the impact of the adoption of the new accounting policy on the Company's financial results are disclosed in note 1 of the Company's Interim Financial Statements.

Future Accounting Pronouncement

Amendments to IFRS 3, *Business Combinations* (effective January 1, 2020) are intended to assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. The Company has not elected to apply this amendment early. For further details, refer to note 1 of the Company's Interim Financial Statements.

Risk Factors and Management

Finning and its subsidiaries are exposed to market, credit, liquidity, and other risks in the normal course of their business activities. The Company's ***ERM*** process is designed to ensure that these risks are identified, managed, and reported. This ERM framework assists the Company in managing business activities and risks across the organization in order to achieve the Company's strategic objectives.

The Company maintains a strong risk management culture to protect and enhance shareholder value. On a quarterly basis, the ***Governance and Risk Committee*** reviews the Company's process with respect to risk assessment and management of key risks and the steps taken to monitor and control such exposures. The ***Audit Committee*** reviews the Company's major financial risks and exposures and the steps taken to monitor and control such exposures. The Governance and Risk Committee, the Audit Committee, and other board committees review any changes to the key risks within their mandate on a quarterly basis. The Governance and Risk Committee and Audit Committee also review the adequacy of disclosures of key risks in the Company's AIF, MD&A, and annual consolidated financial statements. All key financial risks are disclosed in the annual MD&A and other key business risks are disclosed in the Company's AIF.

Key exchange rates that impacted the Company's results were as follows:

Exchange rate	September 30			December 31		3 months ended September 30 – average			9 months ended September 30 – average		
	2019	2018	Change	2018	Change	**2019**	2018	Change	**2019**	2018	Change
USD/CAD	**1.3243**	1.2945	(2)%	1.3642	3 %	**1.3204**	1.3070	(1)%	**1.3292**	1.2876	(3)%
GBP/CAD	**1.6290**	1.6875	3 %	1.7439	7 %	**1.6279**	1.7035	4 %	**1.6929**	1.7401	3 %
USD/CLP	**725.68**	661.50	(10)%	695.69	(4)%	**704.85**	662.41	(6)%	**684.89**	627.60	(9)%
USD/ARS	**57.59**	41.25	(40)%	37.70	(53)%	**49.57**	31.18	(59)%	**43.73**	23.86	(83)%

The impact of foreign exchange due to fluctuation in the value of the CAD relative to the USD, GBP, CLP, and ARS is expected to continue to affect Finning's results.

Controls and Procedures Certification

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the ***CEO*** and ***CFO***, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to them in a timely manner.

The Company has a Corporate Disclosure Policy and a Disclosure Committee in place to mitigate risks associated with the disclosure of inaccurate or incomplete information, or failure to disclose required information.

- The Corporate Disclosure Policy sets out accountabilities, authorized spokespersons, and Finning's approach to the determination, preparation, and dissemination of material information. The policy also defines restrictions on insider trading and the handling of confidential information.
- The Disclosure Committee, consisting of senior management, including legal counsel, reviews all financial information prepared for communication to the public to ensure it meets all regulatory requirements. The Disclosure Committee is responsible for raising any outstanding issues it believes require the attention of the Audit Committee for the Audit Committee's approval prior to recommending disclosure, subject to legal requirements applicable to disclosure of material information.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of the Company's internal control over financial reporting during the quarter ended September 30, 2019, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management employed additional procedures to ensure key financial internal controls remained in place during and after the conversion to a new ERP in the Company's South American operations in the second half of 2018. Management also performed additional account reconciliations and other analytical substantive procedures to mitigate any financial risks from the introduction of the new system.

On February 1, 2019, the Company acquired 4Refuel. As part of the post-closing integration, the Company is engaged in harmonizing the internal controls and processes of the acquired business with those of the Company. In keeping with scope limitation provisions of applicable securities laws, management intends to exclude the design and operating effectiveness assessment of internal control over financial reporting of 4Refuel from its annual assessment of the effectiveness of the Company's internal control over financial reporting for 2019. Additional information regarding the acquisition can be found on page 15 of this MD&A.

Regular involvement of the Company's internal audit function and quarterly reporting to the Audit Committee assist in providing reasonable assurance that the objectives of the control system are met. While the officers of the Company have designed the Company's disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that the objectives of the control systems are met, they are aware that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Outstanding Share Data

As at October 31, 2019	
Common shares outstanding	163,310,300
Options outstanding	3,528,805

Description of Non-GAAP Financial Measures and Reconciliations

Management believes that certain non-GAAP financial measures provide users of this MD&A and consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. The non-GAAP financial measures used by management do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for GAAP measures as determined in accordance with IFRS. By considering these measures in combination with the comparable IFRS financial measures, where available, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS financial measures alone.

Management uses KPIs to consistently measure performance against the Company’s priorities across the organization. KPIs, including those that are expressed as ratios, are non-GAAP financial measures.

There may be significant items that management does not consider indicative of future operational and financial trends of the Company either by nature or amount. Management excludes these items when evaluating its operating financial performance. These items may not be non-recurring, but management believes that excluding these significant items from GAAP results provides a better understanding of the Company’s financial performance when considered in conjunction with the GAAP results. Financial metrics that have been adjusted to take into account these significant items are referred to as “Adjusted” metrics. Adjusted metrics are non-GAAP financial measures and are intended to provide additional information to users of the MD&A.

A description of the non-GAAP financial measures used by the Company in this MD&A is set out below. A quantitative reconciliation from each non-GAAP financial measure to their most directly comparable measure, where available, specified, defined, or determined under GAAP and used in the Company’s consolidated financial statements (GAAP measures) can be found on pages 31 - 38 of this MD&A.

Adjusted net income and Adjusted basic EPS

Adjusted net income excludes from net income the after-tax amounts of significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company’s underlying business performance. The tax impact of each significant item is calculated by applying the relevant applicable tax rate for the jurisdiction in which the significant item occurred.

Adjusted basic EPS is calculated by dividing Adjusted net income by the weighted average number of common shares outstanding during the period.

The most directly comparable GAAP measure to Adjusted net income and Adjusted basic EPS are net income and basic EPS, respectively. A reconciliation from net income and basic EPS to Adjusted net income and Adjusted basic EPS can be found on pages 5 and 12 of this MD&A.

EBITDA, Adjusted EBITDA, and Adjusted EBIT

EBITDA is defined as earnings before finance costs, income taxes, depreciation, and amortization and is utilized by management to assess and evaluate the financial performance of its reportable segments. Management believes that EBITDA improves comparability between periods by eliminating the impact of finance costs, income taxes, depreciation, and amortization. EBITDA is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses and is a common valuation metric.

Adjusted EBIT and Adjusted EBITDA exclude items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company’s underlying business performance.

EBITDA is calculated by adding depreciation and amortization to EBIT. Adjusted EBITDA is calculated by adding depreciation and amortization to Adjusted EBIT.

The most directly comparable GAAP measure to EBITDA is EBIT.

A reconciliation from EBIT to EBITDA, Adjusted EBIT, and Adjusted EBITDA for the consolidated operations for the last nine quarters is as follows:

3 months ended	**2019**			2018 [1]				2017 (Restated) [1][2]	
($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**$ 129**	$ 137	$ 62	$ 91	$ 93	$ 126	$ 113	$ 109	$ 100
Depreciation and amortization	**72**	76	72	49	49	45	44	45	46
EBITDA	**$ 201**	$ 213	$ 134	$ 140	$ 142	$ 171	$ 157	$ 154	$ 146
EBITDA – last 12 months	**$ 688**	$ 629	$ 587	$ 610	$ 624	$ 628	$ 602	$ 576	$ 487
EBIT	**$ 129**	$ 137	$ 62	$ 91	$ 93	$ 126	$ 113	$ 109	$ 100
Significant items:									
Severance costs	**2**	—	18	—	—	—	—	5	—
Facility closure related restructuring costs and impairment losses	**1**	—	7	—	—	—	—	—	—
Acquisition costs related to 4Refuel	**—**	—	4	—	—	—	—	—	—
Write-off and loss related to Energyst	**—**	—	—	—	30	—	—	—	—
Insurance proceeds from Alberta wildfires	**—**	—	—	—	—	—	(7)	(4)	—
Adjusted EBIT	**$ 132**	$ 137	$ 91	$ 91	$ 123	$ 126	$ 106	$ 110	$ 100
Depreciation and amortization	**72**	76	72	49	49	45	44	45	46
Adjusted EBITDA	**$ 204**	$ 213	$ 163	$ 140	$ 172	$ 171	$ 150	$ 155	$ 146
Adjusted EBIT – last 12 months	**$ 451**	$ 442	$ 431	$ 446	$ 465	$ 442	$ 413	$ 393	$ 353
Adjusted EBITDA – last 12 months	**$ 720**	$ 688	$ 646	$ 633	$ 648	$ 622	$ 596	$ 577	$ 539

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the Canadian operations for the last nine quarters is as follows:

3 months ended	**2019**			2018 [1]				2017 (Restated) [1][2]	
($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**$ 82**	$ 92	$ 50	$ 71	$ 78	$ 77	$ 71	$ 67	$ 57
Significant items:									
Severance costs	**—**	—	10	—	—	—	—	3	—
Facility closure related restructuring costs and impairment losses	**—**	—	7	—	—	—	—	—	—
Insurance proceeds from Alberta wildfires	**—**	—	—	—	—	—	(7)	(4)	—
Adjusted EBIT	**$ 82**	$ 92	$ 67	$ 71	$ 78	$ 77	$ 64	$ 66	$ 57
Depreciation and amortization	**43**	46	43	26	26	22	22	24	25
Adjusted EBITDA	**$ 125**	$ 138	$ 110	$ 97	$ 104	$ 99	$ 86	$ 90	$ 82
Adjusted EBIT – last 12 months	**$ 312**	$ 308	$ 293	$ 290	$ 285	$ 264	$ 242	$ 224	$ 202

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the South American operations for the last nine quarters is as follows:

3 months ended	**2019**			2018 [1]				2017 (Restated) [1][2]	
($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**$ 42**	$ 41	$ 6	$ 12	$ 37	$ 47	$ 46	$ 50	$ 48
Significant items:									
Severance costs	**2**	—	8	—	—	—	—	2	—
Facility closures and restructuring costs	**1**	—	—	—	—	—	—	—	—
Adjusted EBIT	**$ 45**	$ 41	$ 14	$ 12	$ 37	$ 47	$ 46	$ 52	$ 48
Depreciation and amortization	**20**	21	20	17	15	15	15	15	13
Adjusted EBITDA	**$ 65**	$ 62	$ 34	$ 29	$ 52	$ 62	$ 61	$ 67	$ 61
Adjusted EBIT – last 12 months	**$ 112**	$ 104	$ 110	$ 142	$ 182	$ 193	$ 188	$ 186	$ 171

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the UK & Ireland operations for the last nine quarters is as follows:

3 months ended	**2019**			2018 [1]				2017 (Restated) [1][2]	
($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Reported and Adjusted EBIT [3]	**$ 14**	$ 14	$ 13	$ 12	$ 15	$ 14	$ 10	$ 8	$ 9
Depreciation and amortization	**8**	9	9	6	8	7	7	6	7
Adjusted EBITDA [3]	**$ 22**	$ 23	$ 22	$ 18	$ 23	$ 21	$ 17	$ 14	$ 16
Adjusted EBIT – last 12 months [3]	**$ 53**	$ 54	$ 54	$ 51	$ 47	$ 41	$ 40	$ 37	$ 37

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

(3) There have been no significant items adjusted in the UK & Ireland operations since Q2 2016, therefore the Adjusted metrics for all periods presented above are the same as the reported metrics.

Equipment Backlog and Order Intake

The Company's global equipment backlog is defined as the retail value of new equipment units ordered by customers for future deliveries. Order intake represents committed new equipment orders. Management uses equipment backlog and order intake as measures of projecting future new equipment deliveries. There are no directly comparable IFRS measures for equipment backlog and order intake.

Free Cash Flow

Free Cash Flow is defined as cash flow provided by or used in operating activities less net additions to property, plant, and equipment and intangible assets, as disclosed in the Company's Interim Financial Statements. The Company uses Free Cash Flow to assess cash operating performance and the ability to raise and service debt. A reconciliation of Free Cash Flow is as follows:

3 months ended	**2019**			2018 (1)				2017 (1)	
($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cash flow provided by (used in) operating activities	**$ 204**	$ (127)	$ (324)	$ 490	$ (6)	$ 18	$ (242)	$ 398	$ 55
Additions to property, plant, and equipment and intangible assets	**(40)**	(37)	(23)	(77)	(46)	(46)	(32)	(49)	(33)
Proceeds on disposal of property, plant, and equipment	**1**	2	—	5	3	—	11	1	—
Free Cash Flow	**$ 165**	$ (162)	$ (347)	$ 418	$ (49)	$ (28)	$ (263)	$ 350	$ 22

Inventory Turns (Dealership)

Inventory Turns (Dealership) is the number of times the Company's dealership inventory is sold and replaced over a period and is used by management as a measure of asset utilization. Inventory Turns (Dealership) is calculated as annualized cost of sales (excluding cost of sales related to the mobile refueling operations) for the last six months divided by average inventory (excluding fuel inventory), based on an average of the last two quarters, as follows:

	2019			2018 (1)				2017 (Restated) (1)(2)	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cost of sales (3 months ended)	**$ 1,500**	$ 1,655	$ 1,380	$ 1,429	$ 1,306	$ 1,263	$ 1,230	$ 1,299	$ 1,133
Cost of sales related to mobile refueling operations (3 months ended)	**(156)**	(156)	(99)	—	—	—	—	—	—
Cost of sales related to the dealership (3 months ended)	**$ 1,344**	$ 1,499	$ 1,281	$ 1,429	$ 1,306	$ 1,263	$ 1,230	$ 1,299	$ 1,133
Inventory	**$ 2,215**	$ 2,366	$ 2,356	$ 2,061	$ 2,017	$ 1,968	$ 1,906	$ 1,708	$ 1,744
Fuel inventory	**(3)**	(3)	(3)	—	—	—	—	—	—
Inventory related to the dealership	**$ 2,212**	$ 2,363	$ 2,353	$ 2,061	$ 2,017	$ 1,968	$ 1,906	$ 1,708	$ 1,744
Cost of sales related to the dealership – annualized	**$ 5,686**	$ 5,559	$ 5,420	$ 5,470	$ 5,139	$ 4,987	$ 5,056	$ 4,862	$ 4,590
Inventory related to the dealership – 2 quarter average	**$ 2,287**	$ 2,359	$ 2,208	$ 2,039	$ 1,992	$ 1,937	$ 1,807	$ 1,726	$ 1,767
Inventory turns (dealership) (number of times)	**2.49**	2.36	2.46	2.68	2.58	2.57	2.80	2.82	2.60

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

Invested Capital

Invested capital is calculated as net debt plus shareholders' equity. Invested capital is also calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term and long-term debt, net of cash and cash equivalents. Management uses invested capital as a measure of the total cash investment made in the Company and in each reportable segment. Management uses invested capital in a number of different measurements in assessing financial performance against other companies and between reportable segments. Invested capital is calculated as follows:

	2019			2018 [1]				2017 (Restated) [1)2]	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cash and cash equivalents	**$ (252)**	$ (160)	$ (290)	$ (454)	$ (221)	$ (300)	$ (325)	$ (458)	$ (516)
Short-term debt	**532**	751	658	154	223	213	169	18	32
Current portion of long-term debt	**200**	—	—	—	—	—	—	—	350
Long-term debt	**1,325**	1,321	1,341	1,354	1,315	1,330	1,322	1,296	1,291
Net debt	**1,805**	1,912	1,709	1,054	1,317	1,243	1,166	856	1,157
Shareholders' equity	**2,102**	2,052	2,044	2,109	2,114	2,119	2,060	1,974	1,938
Invested capital	**$ 3,907**	$ 3,964	$ 3,753	$ 3,163	$ 3,431	$ 3,362	$ 3,226	$ 2,830	$ 3,095

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

Invested Capital Turnover

Invested capital turnover is used by management as a measure of efficiency in the use of the Company's invested capital and is calculated as net revenue (defined on page 36) for the last twelve months divided by invested capital (defined on page 34) based on an average of the last four quarters, as follows:

	2019			2018 (1)				2017 (Restated) (1)(2)	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Consolidated									
Net revenue – last 12 months	**$ 7,375**	$ 7,311	$ 7,045	$ 6,996	$ 6,887	$ 6,670	$ 6,525	$ 6,256	$ 6,014
Invested capital – 4 quarter average	**$ 3,697**	$ 3,578	$ 3,427	$ 3,295	$ 3,212	$ 3,128	$ 3,065	$ 2,993	$ 2,989
Invested capital turnover (number of times)	**1.99**	2.04	2.06	2.12	2.14	2.13	2.13	2.09	2.01
Canada									
Net revenue – last 12 months	**$ 3,964**	$ 3,896	$ 3,729	$ 3,674	$ 3,525	$ 3,351	$ 3,234	$ 3,072	$ 2,932
Invested capital – 4 quarter average	**$ 2,079**	$ 1,999	$ 1,888	$ 1,795	$ 1,782	$ 1,746	$ 1,727	$ 1,690	$ 1,684
Invested capital turnover (number of times)	**1.91**	1.95	1.98	2.05	1.98	1.92	1.87	1.82	1.74
South America									
Net revenue – last 12 months	**$ 2,217**	$ 2,198	$ 2,123	$ 2,170	$ 2,250	$ 2,241	$ 2,206	$ 2,157	$ 2,103
Invested capital – 4 quarter average	**$ 1,249**	$ 1,223	$ 1,195	$ 1,169	$ 1,117	$ 1,091	$ 1,060	$ 1,032	$ 1,036
Invested capital turnover (number of times)	**1.77**	1.80	1.78	1.86	2.01	2.05	2.08	2.09	2.03
UK & Ireland									
Net revenue – last 12 months	**$ 1,194**	$ 1,217	$ 1,193	$ 1,152	$ 1,112	$ 1,078	$ 1,085	$ 1,027	$ 979
Invested capital – 4 quarter average	**$ 376**	$ 373	$ 368	$ 358	$ 337	$ 314	$ 298	$ 288	$ 282
Invested capital turnover (number of times)	**3.18**	3.27	3.25	3.22	3.30	3.44	3.65	3.56	3.47

Net Debt to EBITDA Ratio and Net Debt to Adjusted EBITDA Ratio

These ratios are calculated, respectively, as net debt, defined and calculated on page 34, divided by EBITDA, and net debt divided by Adjusted EBITDA, for the last twelve months. Management uses these ratios to assess the Company's operating leverage and ability to repay its debt. These ratios approximate the length of time, in years, that it would take the Company to repay its debt, with net debt and EBITDA or Adjusted EBITDA held constant. These ratios are calculated as follows:

	2019			2018 (1)				2017 (Restated) (1)(2)	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Net debt	**$ 1,805**	$ 1,912	$ 1,709	$ 1,054	$ 1,317	$ 1,243	$ 1,166	$ 856	$ 1,157
EBITDA – last 12 months	**$ 688**	$ 629	$ 587	$ 610	$ 624	$ 628	$ 602	$ 576	$ 487
Adjusted EBITDA – last 12 months	**$ 720**	$ 688	$ 646	$ 633	$ 648	$ 622	$ 596	$ 577	$ 539
Net Debt to EBITDA Ratio	**2.6**	3.0	2.9	1.7	2.1	2.0	1.9	1.5	2.4
Net Debt to Adjusted EBITDA Ratio	**2.5**	2.8	2.6	1.7	2.0	2.0	2.0	1.5	2.1

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

Net Revenue, Gross Profit as a % of Net Revenue, SG&A as a % of Net Revenue, EBITDA as a % of Net Revenue, and EBIT as a % of Net Revenue

Net revenue is defined as total revenue less the cost of fuel related to the mobile refueling operations in the Company's Canadian operations. As these fuel costs are pass-through in nature for this business, management views net revenue as more representative in assessing the performance of the business because the rack price for the cost of fuel is not in the Company's control and is fully passed through to the customer.

For 2018 results of all operations, net revenue is the same as total revenue and the Company's non-GAAP financial measures, including KPIs and ratios, were calculated using total revenue. Effective Q1 2019, these financial measures are calculated using net revenue. For 2019 results of the Company's South American and UK & Ireland operations, net revenue is the same as total revenue.

Management uses these measures, including KPIs and ratios, to assess and evaluate the financial performance or profitability of its reportable segments. Management may also calculate these financial measures using an Adjusted EBITDA and Adjusted EBIT to exclude significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company's underlying business performance.

The most directly comparable GAAP measure to net revenue is total revenue. The ratios are calculated, respectively, as gross profit divided by net revenue, SG&A divided by net revenue, EBITDA divided by net revenue, and EBIT divided by net revenue. Net revenue and these ratios are calculated as follows:

	2019			2018 (1)				2017 (Restated) (1)(2)	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total revenue	**$ 1,959**	$ 2,137	$ 1,810	$ 1,842	$ 1,755	$ 1,729	$ 1,670	$ 1,733	$ 1,538
Cost of fuel	**(140)**	(142)	(91)	—	—	—	—	—	—
Net revenue	**$ 1,819**	$ 1,995	$ 1,719	$ 1,842	$ 1,755	$ 1,729	$ 1,670	$ 1,733	$ 1,538
Gross profit	**$ 459**	$ 482	$ 430	$ 413	$ 449	$ 466	$ 440	$ 434	$ 405
Gross profit as a % of net revenue	***25.3%***	*24.1%*	*25.0%*	*22.4%*	*25.6%*	*26.9%*	*26.3%*	*25.1%*	*26.4%*
SG&A	**$ 333**	$ 350	$ 343	$ 324	$ 330	$ 345	$ 328	$ 326	$ 307
SG&A as a % of net revenue	***18.3%***	*17.5%*	*20.0%*	*17.6%*	*18.9%*	*19.9%*	*19.6%*	*18.8%*	*20.0%*
EBITDA	**$ 201**	$ 213	$ 134	$ 140	$ 142	$ 171	$ 157	$ 154	$ 146
EBITDA as a % of net revenue	***11.1%***	*10.7%*	*7.8%*	*7.6%*	*8.1%*	*9.9%*	*9.4%*	*8.9%*	*9.5%*
Adjusted EBITDA	**$ 204**	$ 213	$ 163	$ 140	$ 172	$ 171	$ 150	$ 155	$ 146
Adjusted EBITDA as a % of net revenue	***11.2%***	*10.7%*	*9.4%*	*7.6%*	*9.7%*	*9.9%*	*9.0%*	*9.0%*	*9.5%*
EBIT	**$ 129**	$ 137	$ 62	$ 91	$ 93	$ 126	$ 113	$ 109	$ 100
EBIT as a % of net revenue	***7.1%***	*6.9%*	*3.6%*	*4.9%*	*5.3%*	*7.3%*	*6.8%*	*6.3%*	*6.5%*
Adjusted EBIT	**$ 132**	$ 137	$ 91	$ 91	$ 123	$ 126	$ 106	$ 110	$ 100
Adjusted EBIT as a % of net revenue	***7.3%***	*6.9%*	*5.3%*	*4.9%*	*7.0%*	*7.3%*	*6.4%*	*6.4%*	*6.5%*

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

ROIC and Adjusted ROIC

Return on Invested Capital, or ROIC, is defined as EBIT for the last twelve months divided by invested capital (defined on page 34), based on an average of the last four quarters, expressed as a percentage.

Management views ROIC as a useful measure for supporting investment and resource allocation decisions, as it adjusts for certain items that may affect comparability between certain competitors and segments. Management may also calculate Adjusted ROIC using Adjusted EBIT to exclude significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company's underlying business performance.

ROIC and Adjusted ROIC are calculated as follows:

	2019			2018 (1)				2017 (Restated) (1)(2)	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Consolidated									
EBIT – last 12 months	**$ 419**	$ 383	$ 372	$ 423	$ 441	$ 448	$ 419	$ 392	$ 301
Adjusted EBIT – last 12 months	**$ 451**	$ 442	$ 431	$ 446	$ 465	$ 442	$ 413	$ 393	$ 353
Invested capital – 4 quarter average	**$ 3,697**	$ 3,578	$ 3,427	$ 3,295	$ 3,212	$ 3,128	$ 3,065	$ 2,993	$ 2,989
ROIC	**11.3%**	10.7%	10.8%	12.8%	13.7%	14.3%	13.7%	13.1%	10.1%
Adjusted ROIC	**12.2%**	12.3%	12.5%	13.5%	14.5%	14.2%	13.5%	13.1%	11.8%
Canada									
EBIT – last 12 months	**$ 295**	$ 291	$ 276	$ 297	$ 293	$ 272	$ 250	$ 225	$ 155
Adjusted EBIT – last 12 months	**$ 312**	$ 308	$ 293	$ 290	$ 285	$ 264	$ 242	$ 224	$ 202
Invested capital – 4 quarter average	**$ 2,079**	$ 1,999	$ 1,888	$ 1,795	$ 1,782	$ 1,746	$ 1,727	$ 1,690	$ 1,684
ROIC	**14.2%**	14.5%	14.6%	16.6%	16.4%	15.5%	14.5%	13.3%	9.2%
Adjusted ROIC	**15.0%**	15.4%	15.5%	16.2%	16.0%	15.1%	14.0%	13.2%	12.0%
South America									
EBIT – last 12 months	**$ 101**	$ 96	$ 102	$ 142	$ 180	$ 191	$ 186	$ 184	$ 161
Adjusted EBIT – last 12 months	**$ 112**	$ 104	$ 110	$ 142	$ 182	$ 193	$ 188	$ 186	$ 171
Invested capital – 4 quarter average	**$ 1,249**	$ 1,223	$ 1,195	$ 1,169	$ 1,117	$ 1,091	$ 1,060	$ 1,032	$ 1,036
ROIC	**8.1%**	7.9%	8.6%	12.2%	16.2%	17.5%	17.6%	17.8%	15.5%
Adjusted ROIC	**9.0%**	8.5%	9.2%	12.2%	16.4%	17.7%	17.8%	18.1%	16.5%
UK & Ireland									
EBIT – last 12 months	**$ 53**	$ 54	$ 54	$ 51	$ 47	$ 41	$ 40	$ 37	$ 37
Adjusted EBIT – last 12 months	**$ 53**	$ 54	$ 54	$ 51	$ 47	$ 41	$ 40	$ 37	$ 37
Invested capital – 4 quarter average	**$ 376**	$ 373	$ 368	$ 358	$ 337	$ 314	$ 298	$ 288	$ 282
ROIC	**14.1%**	14.5%	14.8%	14.2%	14.0%	13.2%	13.4%	12.8%	12.9%
Adjusted ROIC	**14.1%**	14.5%	14.8%	14.2%	14.0%	13.2%	13.4%	12.8%	12.9%

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

Working Capital and Working Capital to Net Revenue Ratio

Working capital is defined as total current assets (excluding cash and cash equivalents) less total current liabilities (excluding short-term debt and current portion of long-term debt). Management views working capital as a measure for assessing overall liquidity.

The working capital to net revenue ratio is calculated as working capital, based on an average of the last four quarters, divided by net revenue for the last twelve months. Management uses this KPI to assess the Company's efficiency in its use of working capital to generate net revenue.

The working capital to net revenue ratio is calculated as follows:

	2019			2018 (1)				2017 (Restated) (1)(2)	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total current assets	**$ 3,959**	$ 4,217	$ 4,187	$ 3,924	$ 3,696	$ 3,763	$ 3,687	$ 3,531	$ 3,566
Cash and cash equivalents	**(252)**	(160)	(290)	(454)	(221)	(300)	(325)	(458)	(516)
Total current assets (3)	**$ 3,707**	$ 4,057	$ 3,897	$ 3,470	$ 3,475	$ 3,463	$ 3,362	$ 3,073	$ 3,050
Total current liabilities	**$ 2,331**	$ 2,584	$ 2,574	$ 1,992	$ 1,734	$ 1,742	$ 1,626	$ 1,545	$ 1,648
Short-term debt	**(532)**	(751)	(658)	(154)	(223)	(213)	(169)	(18)	(32)
Current portion of long-term debt	**(200)**	—	—	—	—	—	—	—	(350)
Total current liabilities (4)	**$ 1,599**	$ 1,833	$ 1,916	$ 1,838	$ 1,511	$ 1,529	$ 1,457	$ 1,527	$ 1,266
Working capital	**$ 2,108**	$ 2,224	$ 1,981	$ 1,632	$ 1,964	$ 1,934	$ 1,905	$ 1,546	$ 1,784
Working capital – 4 quarter average	**$ 1,986**	$ 1,950	$ 1,878	$ 1,859	$ 1,837	$ 1,793	$ 1,767	$ 1,712	$ 1,717
Net revenue – last 12 months	**$ 7,375**	$ 7,311	$ 7,045	$ 6,996	$ 6,887	$ 6,670	$ 6,525	$ 6,256	$ 6,014
Working capital to net revenue	**26.9%**	26.7%	26.7%	26.6%	26.7%	26.9%	27.1%	27.4%	28.6%

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

(3) Excluding cash and cash equivalents.

(4) Excluding short-term debt and current portion of long-term debt.

Selected Quarterly Information

($ millions, except for share, per share, and option amounts)	2019 Q3	2019 Q2	2019 Q1	2018 [(1)] Q4	2018 [(1)] Q3	2018 [(1)] Q2	2018 [(1)] Q1	2017 (Restated) [(1)(2)] Q4
Revenue from operations [(3)]								
Canada	**$ 1,118**	$ 1,216	$ 998	$ 1,005	$ 910	$ 907	$ 852	$ 856
South America	**577**	626	505	509	558	551	552	589
UK & Ireland	**264**	295	307	328	287	271	266	288
Total revenue	**$ 1,959**	$ 2,137	$ 1,810	$ 1,842	$ 1,755	$ 1,729	$ 1,670	$ 1,733
Net income [(3)(4)]	**$ 76**	$ 88	$ 28	$ 55	$ 25	$ 81	$ 71	$ 64
Earnings Per Share [(3)(4)]								
Basic EPS	**$ 0.46**	$ 0.54	$ 0.17	$ 0.33	$ 0.15	$ 0.48	$ 0.42	$ 0.38
Diluted EPS	**$ 0.46**	$ 0.54	$ 0.17	$ 0.33	$ 0.15	$ 0.48	$ 0.42	$ 0.38
Total assets [(3)]	**$ 6,253**	$ 6,473	$ 6,459	$ 5,696	$ 5,413	$ 5,457	$ 5,254	$ 5,069
Long-term debt								
Current	**$ 200**	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Non-current	**$ 1,325**	$ 1,321	$ 1,341	$ 1,354	$ 1,315	$ 1,330	$ 1,322	$ 1,296
Total long-term debt [(5)]	**$ 1,525**	$ 1,321	$ 1,341	$ 1,354	$ 1,315	$ 1,330	$ 1,322	$ 1,296
Cash dividends paid per common share	**20.50¢**	20.50¢	20.00¢	20.00¢	20.00¢	20.00¢	19.00¢	19.00¢
Common shares outstanding (000's)	**163,310**	163,310	163,310	164,382	168,191	168,184	168,401	168,267
Options outstanding (000's)	**3,547**	3,550	3,055	3,164	3,226	3,241	3,301	3,864

(1) Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018.

(3) In February 2019, the Company acquired 4Refuel in its Canadian reportable segment. The results of operations and financial position of this acquired business have been included in the figures since the date of acquisition.

(4) Results were impacted by the following significant items:

($ millions except per share amounts)	2019 [(a)] Q3	2019 [(a)] Q1	2018 [(a)] Q3	2018 [(a)] Q1	2017 [(a)] Q4
Severance costs	**$ 2**	$ 18	$ —	$ —	$ 5
Facility closure related restructuring costs and impairment losses	**1**	7	—	—	—
Acquisition costs related to 4Refuel	**—**	4	—	—	—
Write-off and loss related to Energyst	**—**	—	30	—	—
Insurance proceeds from Alberta wildfires	**—**	—	—	(7)	(4)
Impact of significant items on EBIT	**$ 3**	$ 29	$ 30	$ (7)	$ 1
Significant items impacting EBIT - impact on basic EPS [(b)]	**$ 0.01**	$ 0.13	$ 0.18	$ (0.03)	$ 0.01
Significant items impacting net income only - impact on basic EPS [(b)]:					
Tax impact of devaluation of ARS [(c)]	**0.02**	—	0.12	—	—
Impact of significant items on basic EPS [(b)]:	**$ 0.03**	$ 0.13	$ 0.30	$ (0.03)	$ 0.01

(a) There were no significant items in Q2 2019, Q4 2018, and Q2 2018.

(b) The per share impact for each quarter has been completed based on the weighted average number of shares issued and outstanding during the respective quarters; therefore, quarterly amounts may not add to the annual or year to date total.

(c) Tax impact of devaluation of ARS Q3 2019 ($4 million) and Q3 2018 ($20 million).

(5) In August 2019, the Company issued $200 million of 2.626% senior unsecured notes due August 14, 2026. Proceeds of the issuance were used to reduce outstanding short-term debt under the Company's syndicated committed credit facility.

In December 2018, the Company amended its previous $1 billion credit facility which was set to fully mature in October 2022 by, among other things, extending the maturity date to December 2023 and increasing the credit facility commitment to $1.3 billion.

Forward-Looking Disclaimer

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement Finning makes is forward-looking when it uses what the Company knows and expects today to make a statement about the future. Forward-looking statements may include terminology such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will, and variations of such terminology. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy, markets and activities and the associated impact on the Company's financial results; expected results from execution of the Company's strategic framework, including the Company's Global Strategic Priorities and strategic pillars; the Company's long-term net debt to Adjusted EBITDA ratio target of 3.0 times; that the Company's effective tax rate will generally be within the 25-30% range on an annual basis; expected synergies from the acquisition of 4Refuel, including sales opportunities for the Canadian operations and for 4Refuel; the Company's expectation that the 4Refuel acquisition purchase price allocation will be finalized no later than December 31, 2019; the Company's outlook for Canada, including demand for equipment and product support, including component rebuilds, in the oil sands and activity in other mining segments, opportunities in power systems being driven by demand for prime and standby electric power from large infrastructure and gas projects, the expectation that large infrastructure projects, such as LNG Canada and Trans Mountain Pipeline, will create incremental demand for construction, power systems and pipeline equipment, as well as provide product support opportunities in the near future; the Company's outlook for South America, including that the Chilean government's announced increased public investment in infrastructure and will generate improved demand for construction equipment and product support, the continued risk to the price of copper from international trade tensions, the Company's outlook for copper and expectation that increased copper production will positively affect demand for mining equipment and product support and the effect of recent social unrest in Chile, including the potential negative impact on customer activity and the Company's operations; the Company's outlook for Argentina, including that market conditions in Argentina will remain weak for the foreseeable future, expectations regarding the Company's management of its exposure to the Argentine peso and that its operations in Argentina will remain profitable; the Company's outlook for the UK & Ireland, including the impact of political uncertainty around Brexit on customer confidence and demand for equipment in the construction and plant hire sectors, the Company's risk mitigation strategy with respect to Brexit, the continued strength of customer demand in the industrial and electric power sectors and the expected future opportunities from the UK government's commitment to invest in large-scale rail, power, road, and airport infrastructure projects; the Company's outlook for revenue and EPS, including the expectation that Q4 2019 revenue will approximate Q4 2018, 2019 ROIC is not expected to increase due to the addition of 4Refuel and higher working capital, 2020 revenue will be about flat compared to 2019, and the Company's belief that even in a low growth environment, a lower cost base and continued operating efficiencies have positioned it well to continue to generate consecutive increases in annual earnings in 2020 and increase ROIC; the impact on results of expected ongoing volatility in foreign exchange markets; expected cost and financial benefits and operating improvements of various initiatives being taken by the Company, including those related to workforce, facilities, global supply chain and disciplined inventory management; Finning's belief that it continues to have sufficient liquidity to meet operational needs and planned growth and development; the Company's intention to align its cost structures to market activity and drive operating efficiency; the expected impact of recently adopted accounting standards and interpretation or future expected changes; and Finning's plans to manage its financial risks and uncertainties. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this report reflect Finning's expectations at the date in this MD&A. Except as may be required by Canadian securities laws, Finning does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking statements and that Finning's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, Finning cannot guarantee that any forward-looking statement will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by these forward-looking statements include: general economic and market conditions; foreign exchange rates; commodity prices; the impact of Brexit and changes in the trade relationship with the European union; the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; Finning's ability to maintain its relationship with Caterpillar; Finning's dependence on the continued market acceptance of its products, including Caterpillar products, and the timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenue occurs; Finning's ability to negotiate satisfactory purchase or investment terms and prices, obtain necessary approvals, and secure financing on attractive terms or at all; Finning's ability to manage its growth strategy effectively; Finning's ability to effectively price and manage long-term product support contracts with its customers; Finning's ability to reduce costs in response to slowing activity levels; Finning's ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the occurrence of one or more natural disasters, pandemic outbreaks, geo-political events, acts of terrorism or similar disruptions; fluctuations in defined benefit pension plan contributions and related pension expenses; the availability of insurance at commercially reasonable rates or that the amount of insurance coverage will be adequate to cover all liability or loss incurred by Finning; the potential of warranty claims being greater than Finning anticipates; the integrity, reliability and availability of, and benefits from information technology and the data processed by that technology; and Finning's ability to protect itself from cybersecurity threats or incidents. Forward-looking statements are provided in this report for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of Finning's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this report are based on a number of assumptions that Finning believed were reasonable on the day the Company made the forward-looking statements including but not limited to (i) that general economic and market conditions will be maintained; (ii) that the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services will be maintained; (iii) Finning's ability to successfully execute its plans and intentions; (vi) Finning's ability to attract and retain skilled staff; (iv) market competition; (v) the products and technology offered by the Company's competitors; and (vi) that our current good relationships with Caterpillar, our suppliers, service providers and other third parties will be maintained. Refer in particular to the Outlook section of this MD&A for forward-looking statements. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in Section 4 of the Company's current AIF and in the annual MD&A for the financial risks.

Finning cautions readers that the risks described in the MD&A and the AIF are not the only ones that could impact the Company. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may also have a material adverse effect on Finning's business, financial condition, or results of operation.

Glossary of Defined Terms

4Refuel	4Refuel Canada and 4Refuel US
AIF	Annual Information Form
ARS	Argentine Peso
Audit Committee	Audit Committee of the Board of Directors of Finning
Brexit	Withdrawal of the UK from the European Union
CAD	Canadian dollar
Caterpillar	Caterpillar Inc.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLP	Chilean Peso
Company	Finning International Inc.
Consol	Consolidated
DBRS	Dominion Bond Rating Service
EBIT	Earnings (loss) before finance costs and income tax
EBITDA	Earnings (loss) before finance costs, income tax, depreciation, and amortization
Energyst	Energyst B.V.
EPS	Earnings per share
ERM	Enterprise risk management
ERP	Enterprise resource planning
fav	Favourable
Finning	Finning International Inc.
GAAP	Generally accepted accounting principles
GBP	UK pound sterling
Governance and Risk Committee	Governance and Risk Committee of the Board of Directors of Finning
IAMAW Local 99	International Association of Machinists and Aerospace Workers Union Local 99
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Interim Financial Statements	Interim condensed consolidated financial statements
KPI	Key performance indicator
MD&A	Management's Discussion and Analysis
n/a	not applicable
n/m	% change not meaningful
NCIB	Normal course issuer bid
OEM	OEM Remanufacturing Company Inc.
PLM	PipeLine Machinery International
ROIC	Return on invested capital
S&P	Standard and Poor's
SEDAR	System for Electronic Document Analysis
SG&A	Selling, general, and administrative costs
UK	United Kingdom
unfav	Unfavourable
US	United States of America
USD	US dollar