

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 6, 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 **KPIs** 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 Second Quarter Highlights

- Revenue of \$2.1 billion was up 24% and net revenue of \$2.0 billion was up 15% from Q2 2018, largely driven by higher new equipment and product support revenues in all of the Company's operations and \$28 million of net revenue generated by 4Refuel this quarter. The Company's Canadian operations recorded strong net revenues of \$1.1 billion in Q2 2019, up 18% from Q2 2018. In the Company's South American operations, product support revenue was up 35% from Q1 2019 and comparable to Q2 2018 in functional currency, reflecting the return to normal parts flow at the end of March 2019.
- **EBIT** was \$137 million, up 9% from Q2 2018 mainly due to higher revenues, particularly in the Company's Canadian operations. EBIT as a percentage of net revenue ⁽¹⁾ was 6.9% in Q2 2019, down 40 basis points from the same prior year period primarily driven by a higher proportion of new equipment sales as well as lower profitability in the Company's South American operations, partially offset by lower **SG&A** as a percentage of net revenue ⁽¹⁾ in all operations.
- **EBITDA** ⁽¹⁾ was \$213 million and EBITDA as a percentage of net revenue ⁽¹⁾ was 10.7% in Q2 2019, compared to \$171 million and 9.9%, respectively, earned in Q2 2018. EBITDA in Q2 2019 was higher due to strong results in the Company's Canadian operations and the contribution from 4Refuel since its acquisition on February 1, 2019. 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.
- Q2 2019 basic **EPS** was \$0.54 compared to Q2 2018 basic EPS of \$0.48 reflecting higher earnings from the Company's Canadian operations.
- Adjusted **ROIC** ⁽¹⁾⁽²⁾ at June 30, 2019 was 12.3%, a decrease from Adjusted ROIC of 14.2% at June 30, 2018, mostly due to lower Adjusted ROIC in the Company's South American operations.

⁽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 this financial metric, 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 12 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.

Second Quarter Overview

(\$ millions, except for per share amounts)	Q2 2019	Q2 2018 ⁽¹⁾	% change <i>fav (unfav)</i>
Revenue	\$ 2,137	\$ 1,729	24%
Net revenue	\$ 1,995	\$ 1,729	15%
Gross profit	\$ 482	\$ 466	3%
SG&A	(350)	(345)	(2)%
Equity earnings of joint ventures and associate	5	5	<i>n/m</i>
EBIT	\$ 137	\$ 126	9%
Net income	\$ 88	\$ 81	11%
Basic EPS	\$ 0.54	\$ 0.48	14%
EBITDA	\$ 213	\$ 171	25%
Free Cash Flow ⁽²⁾	\$ (162)	\$ (28)	n/m
<i>Gross profit as a % of net revenue ⁽²⁾</i>	24.1%	26.9%	
<i>SG&A as a % of net revenue</i>	17.5%	19.9%	
<i>EBIT as a % of net revenue</i>	6.9%	7.3%	
<i>EBITDA as a % of net revenue</i>	10.7%	9.9%	
<i>Adjusted ROIC</i>	12.3%	14.2%	

(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.

(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.

Table of Contents

Strategic Framework.....	4
Non-GAAP Financial Measures and Significant Items	5
Quarterly Key Performance Measures	6
Second Quarter Results	8
Year-to-Date Results	11
Acquisition	15
Invested Capital	16
Adjusted Return on Invested Capital and Invested Capital Turnover	17
Results by Reportable Segment.....	18
Outlook	25
Liquidity and Capital Resources	26
Accounting Policies and Pronouncements	28
Risk Factors and Management.....	28
Controls and Procedures Certification.....	29
Outstanding Share Data	29
Description of Non-GAAP Financial Measures and Reconciliations	30
Selected Quarterly Information.....	39
Forward-Looking Disclaimer	40
Glossary of Defined Terms.....	42

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

Sustainability 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.

⁽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 this financial metric, 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.

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". There were no significant items identified by management for the three months ended June 30, 2019 and 2018. Significant items identified in prior periods, described on pages 12 and 31 - 32 of this MD&A, impact certain reported metrics for the Q2 2019 and Q2 2018 periods included in the Quarterly Key Performance Measures section.

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⁾		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
ROIC ⁽³⁾ (%)									
Consolidated	10.7 %	10.8 %	12.8 %	13.7 %	14.3 %	13.7 %	13.1 %	10.1 %	9.3 %
Canada	14.5 %	14.6 %	16.6 %	16.4 %	15.5 %	14.5 %	13.3 %	9.2 %	8.1 %
South America	7.9 %	8.6 %	12.2 %	16.2 %	17.5 %	17.6 %	17.8 %	15.5 %	14.9 %
UK & Ireland	14.5 %	14.8 %	14.2 %	14.0 %	13.2 %	13.4 %	12.8 %	12.9 %	13.9 %
EBIT ⁽³⁾ (\$ millions)									
Consolidated	137	62	91	93	126	113	109	100	97
Canada	92	50	71	78	77	71	67	57	55
South America	41	6	12	37	47	46	50	48	42
UK & Ireland	14	13	12	15	14	10	8	9	13
EBIT as a % of net revenue ⁽³⁾									
Consolidated	6.9 %	3.6 %	4.9 %	5.3 %	7.3 %	6.8 %	6.3 %	6.5 %	6.1 %
Canada	8.5 %	5.5 %	7.1 %	8.6 %	8.5 %	8.4 %	7.8 %	7.7 %	7.0 %
South America	6.5 %	1.2 %	2.5 %	6.7 %	8.5 %	8.4 %	8.6 %	8.6 %	8.1 %
UK & Ireland	4.8 %	4.4 %	3.7 %	5.1 %	5.3 %	3.7 %	3.0 %	3.5 %	4.6 %
EBITDA ⁽³⁾ (\$ millions)									
Consolidated	213	134	140	142	171	157	154	146	145
Canada	138	93	97	104	99	93	91	82	81
South America	62	26	29	52	62	61	65	61	57
UK & Ireland	23	22	18	23	21	17	14	16	20
EBITDA as a % of net revenue ⁽³⁾									
Consolidated	10.7 %	7.8 %	7.6 %	8.1 %	9.9 %	9.4 %	8.9 %	9.5 %	9.1 %
Canada	12.9 %	10.2 %	9.7 %	11.4 %	11.0 %	10.9 %	10.6 %	11.2 %	10.3 %
South America	9.8 %	5.2 %	5.8 %	9.3 %	11.2 %	11.1 %	11.0 %	11.2 %	11.0 %
UK & Ireland	7.7 %	7.3 %	5.7 %	7.7 %	7.9 %	6.3 %	5.2 %	6.0 %	7.0 %
Invested Capital ⁽⁴⁾ (\$ millions)									
Consolidated	3,964	3,753	3,163	3,431	3,362	3,226	2,830	3,095	3,108
Canada	2,285	2,148	1,675	1,889	1,840	1,778	1,621	1,746	1,764
South America	1,287	1,243	1,190	1,173	1,172	1,140	983	1,069	1,047
UK & Ireland	390	361	336	404	372	322	250	311	307
Invested Capital Turnover ⁽⁴⁾									
Consolidated	2.04x	2.06x	2.12x	2.14x	2.13x	2.13x	2.09x	2.01x	1.97x
Canada	1.95x	1.98x	2.05x	1.98x	1.92x	1.87x	1.82x	1.74x	1.70x
South America	1.80x	1.78x	1.86x	2.01x	2.05x	2.08x	2.09x	2.03x	1.97x
UK & Ireland	3.27x	3.25x	3.22x	3.30x	3.44x	3.65x	3.56x	3.47x	3.66x
Inventory (\$ millions)	2,366	2,356	2,061	2,017	1,968	1,906	1,708	1,744	1,789
Inventory Turns (Dealership) ⁽⁴⁾ (times)	2.36x	2.46x	2.68x	2.58x	2.57x	2.80x	2.82x	2.60x	2.52x
Working Capital to Net Revenue ⁽⁴⁾	26.7 %	26.7 %	26.6 %	26.7 %	26.9 %	27.1 %	27.4 %	28.6 %	29.1 %
Free Cash Flow (\$ millions)	(162)	(347)	418	(49)	(28)	(263)	350	22	(131)
Net Debt ⁽³⁾ to EBITDA Ratio ⁽³⁾⁽⁴⁾	3.0	2.9	1.7	2.1	2.0	1.9	1.5	2.4	2.5

(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 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 12 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⁾		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Adjusted ROIC									
Consolidated	12.3 %	12.5 %	13.5 %	14.5 %	14.2 %	13.5 %	13.1 %	11.8 %	11.1 %
Canada	15.4 %	15.5 %	16.2 %	16.0 %	15.1 %	14.0 %	13.2 %	12.0 %	11.0 %
South America	8.5 %	9.2 %	12.2 %	16.4 %	17.7 %	17.8 %	18.1 %	16.5 %	16.0 %
UK & Ireland	14.5 %	14.8 %	14.2 %	14.0 %	13.2 %	13.4 %	12.8 %	12.9 %	13.9 %
Adjusted EBIT ⁽³⁾ (\$ millions)									
Consolidated	137	91	91	123	126	106	110	100	97
Canada	92	67	71	78	77	64	66	57	55
South America	41	14	12	37	47	46	52	48	42
UK & Ireland	14	13	12	15	14	10	8	9	13
Adjusted EBIT as a % of net revenue ⁽³⁾									
Consolidated	6.9 %	5.3 %	4.9 %	7.0 %	7.3 %	6.4 %	6.4 %	6.5 %	6.1 %
Canada	8.5 %	7.4 %	7.1 %	8.6 %	8.5 %	7.5 %	7.6 %	7.7 %	7.0 %
South America	6.5 %	2.7 %	2.5 %	6.7 %	8.5 %	8.4 %	9.1 %	8.6 %	8.1 %
UK & Ireland	4.8 %	4.4 %	3.7 %	5.1 %	5.3 %	3.7 %	3.0 %	3.5 %	4.6 %
Adjusted EBITDA ⁽³⁾ (\$ millions)									
Consolidated	213	163	140	172	171	150	155	146	145
Canada	138	110	97	104	99	86	90	82	81
South America	62	34	29	52	62	61	67	61	57
UK & Ireland	23	22	18	23	21	17	14	16	20
Adjusted EBITDA as a % of net revenue ⁽³⁾									
Consolidated	10.7 %	9.4 %	7.6 %	9.7 %	9.9 %	9.0 %	9.0 %	9.5 %	9.1 %
Canada	12.9 %	12.1 %	9.7 %	11.4 %	11.0 %	10.1 %	10.5 %	11.2 %	10.3 %
South America	9.8 %	6.7 %	5.8 %	9.3 %	11.2 %	11.1 %	11.4 %	11.2 %	11.0 %
UK & Ireland	7.7 %	7.3 %	5.7 %	7.7 %	7.9 %	6.3 %	5.2 %	6.0 %	7.0 %
Net Debt to Adjusted EBITDA Ratio ⁽⁴⁾	2.8	2.6	1.7	2.0	2.0	2.0	1.5	2.1	2.3

(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) 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 12 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.

(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.

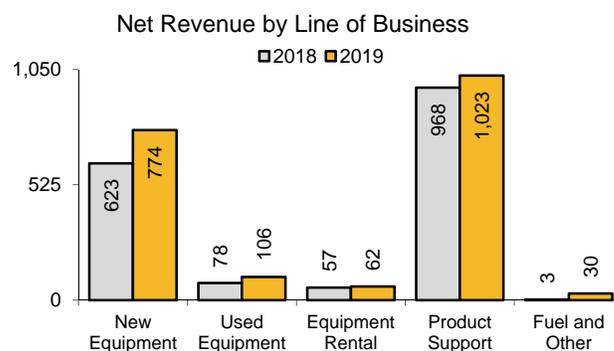
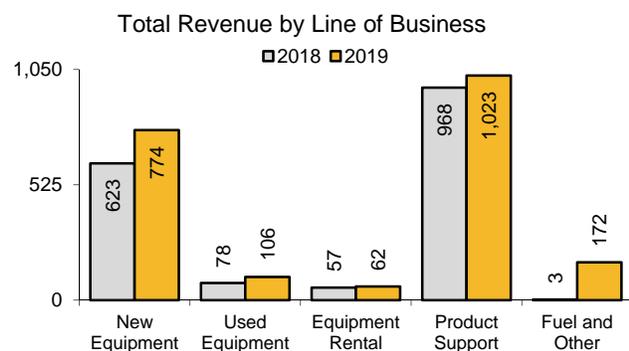
Second Quarter Results

Total and Net Revenue

Total and Net Revenue by Line of Business

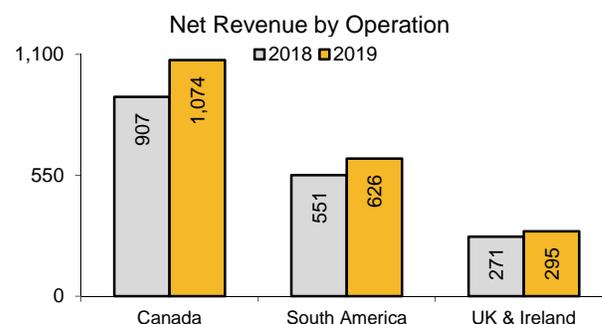
3 months ended June 30

(\$ millions)



The Company generated revenue of \$2.1 billion during the second quarter of 2019. Due to the pass through nature of fuel costs in the newly acquired mobile refueling business of 4Refuel, the Company believes net revenue, which excludes cost of fuel, is a more meaningful measure of the performance for this business. Q2 2019 net revenue was \$2.0 billion, up 15% from the same prior year period, up in all of lines of business as well as in all of the Company's operations.

The weaker CAD relative to the **USD**, partially offset by the stronger CAD relative to the **GBP**, on average in Q2 2019 compared to the same prior year period resulted in a favourable foreign currency translation impact on net revenue in Q2 2019 of approximately \$15 million which was not significant at the EBITDA or EBIT level.



Second quarter 2019 new equipment revenue of \$774 million was up 24% over Q2 2018. New equipment revenue was up in all operations, particularly in all sectors in the Company's Canadian operations and the mining sector of the Company's South American operations in Chile.

Equipment backlog ⁽¹⁾ was \$0.9 billion at June 30, 2019, down from \$1.2 billion at March 31, 2019, \$1.3 billion at December 31, 2018, and \$1.5 billion at June 30, 2018. Higher new equipment revenue in Q2 2019 outpaced order intake ⁽¹⁾, resulting in lower equipment backlog levels at June 30, 2019 compared to recent quarters.

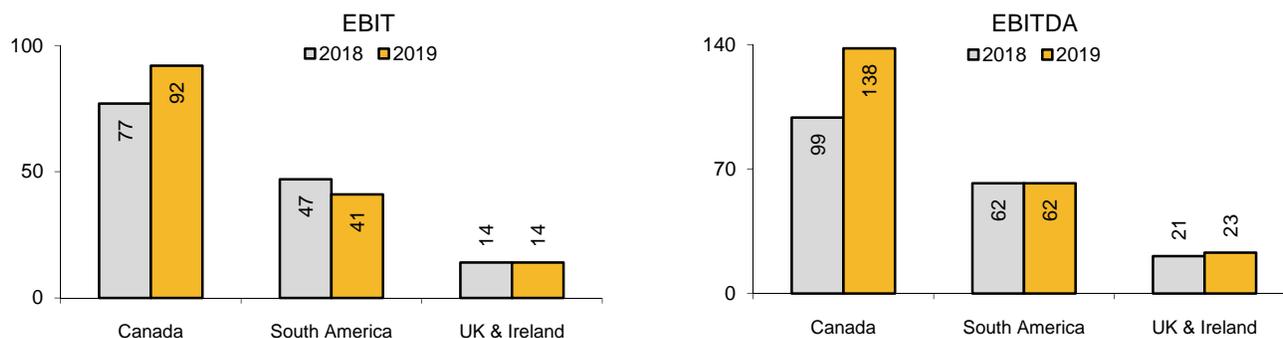
Product support revenue in Q2 2019 was 6% higher than the same prior year period driven by strong volume and demand for parts and service in the mining sector of the Company's Canadian operations.

⁽¹⁾ These are non-GAAP financial measures that do not have standardized meanings under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding this financial metric, including definitions and reconciliations from each of 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.

EBIT and EBITDA by Operation ⁽¹⁾⁽²⁾

3 months ended June 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

Q2 2019 gross profit was \$482 million, 3% higher than the same period in the prior year, driven by higher revenues partially offset by lower overall gross profit as a percentage of net revenue. Overall gross profit as a percentage of net revenue was lower in Q2 2019 compared to Q2 2018 due to a shift in revenue mix to a higher proportion of new equipment revenue in all of the Company's operations and lower profitability, primarily in the Company's South American operations.

SG&A in Q2 2019 of \$350 million was 2% higher than the same prior year period primarily due to additional SG&A from 4Refuel. SG&A as a percentage of net revenue was down 240 basis points compared to the same prior year period, down in all operations as management focuses on cost efficiencies and due to the operational benefit from the leverage of fixed costs to higher revenues.

The Company reported EBIT of \$137 million and EBIT as a percentage of net revenue of 6.9% in the second quarter of 2019 compared to EBIT of \$126 million and EBIT as a percentage of net revenue of 7.3% in Q2 2018. The benefit of higher volume and the leverage of fixed costs to higher revenue was offset by lower profitability in the Company's South American operations. The adoption of IFRS 16 did not significantly impact EBIT.

Q2 2019 EBITDA was \$213 million and EBITDA as a percentage of net revenue was 10.7% compared to EBITDA of \$171 million and 9.9% earned in Q2 2018. EBITDA in Q2 2019 increased due to higher earnings in the Company's Canadian operations and the contribution from 4Refuel. EBITDA 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 June 30, 2019 was 2.8 times, up from the 2.0 times at June 30, 2018 in part due to higher average short-term debt levels to fund working capital and the acquisition of 4Refuel, increasing by more than the increase in Adjusted EBITDA. This ratio remains below the Company's long-term target of 3.0 times.

Finance Costs

Finance costs in Q2 2019 were \$27 million, higher than Q2 2018 finance costs of \$18 million primarily due to higher average short-term debt levels and higher interest expense of \$2 million related to leases, due to the Company's adoption of IFRS 16.

Provision for Income Taxes

The effective income tax rate in Q2 2019 was 18.8%, down from 25.3% in Q2 2018. The effective income tax rate was lower primarily due to the substantively enacted tax rate changes in Alberta resulting in a one-time revaluation of the Company's deferred tax balances by approximately \$3 million. In May 2019, the Alberta provincial government announced a gradual reduction of the corporate income tax rate from 12% to 8% over 4 years.

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 source of income from various jurisdictions, relative income from the various jurisdictions in which the Company carries on business, changes in the estimation of tax reserves, and changes in tax rates and tax legislation.

Net Income

Net income was \$88 million in Q2 2019, compared to \$81 million earned in Q2 2018. Basic EPS in Q2 2019 was \$0.54 per share, higher than \$0.48 per share reported in Q2 2018 primarily due to higher earnings in the Company's Canadian operations.

Year-to-Date Overview

(\$ millions, except for per share amounts)	YTD 2019	YTD 2018 ⁽¹⁾	% change fav (unfav)
Revenue	\$ 3,947	\$ 3,399	16%
Net revenue	3,714	3,399	9%
Gross profit	912	906	1%
SG&A	(693)	(673)	(3)%
Equity earnings of joint ventures and associate	9	6	n/m
Other expenses	(29)	—	n/m
EBIT	\$ 199	\$ 239	(17)%
Net income	\$ 116	\$ 152	(23)%
Basic EPS	\$ 0.71	\$ 0.90	(21)%
EBITDA	\$ 347	\$ 328	6%
Free cash flow	\$ (509)	\$ (291)	(75)%
Adjusted EBIT	\$ 228	\$ 232	(2)%
Adjusted net income ⁽²⁾⁽³⁾	\$ 138	\$ 147	(5)%
Adjusted basic EPS ⁽²⁾⁽³⁾	\$ 0.85	\$ 0.87	(3)%
Adjusted EBITDA	\$ 376	\$ 321	17%
<i>Gross profit as a % of net revenue</i>	24.6%	26.6%	
<i>SG&A as a % of net revenue</i>	18.7%	19.8%	
<i>EBIT as a % of net revenue</i>	5.4%	7.0%	
<i>EBITDA as a % of net revenue</i>	9.3%	9.7%	
<i>ROIC</i>	10.7%	14.3%	
<i>Adjusted EBIT as a % of net revenue</i>	6.1%	6.8%	
<i>Adjusted EBITDA as a % of net revenue</i>	10.1%	9.4%	
<i>Adjusted ROIC</i>	12.3%	14.2%	

(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.

(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 this financial metric, 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.

(3) 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 12 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.

Significant items that affected the reported results of the Company for the six months ended June 30, 2019 and 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 in the Company's Canadian and South American operations as the Company continues to align its cost structure to market activity and drive improved operating efficiency.
- Restructuring costs and impairment losses recorded in the Company's Canadian operations related to planned facility closures and consolidations to optimize the branch network.
- Acquisition costs related to the purchase of 4Refuel.

Year-to-date 2018 significant item:

- Insurance proceeds received in 2018 related to the final settlement of the Company's business interruption claim resulting from the 2016 Alberta wildfires.

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

6 months ended June 30, 2019 (\$ millions, except per share amounts)	EBIT				Net	EPS
	Canada	South America	UK & Ireland	Consol	Income	Consol
EBIT, net income, and basic EPS	\$ 142	\$ 47	\$ 27	\$ 199	\$ 116	\$ 0.71
Significant items:						
Severance costs	10	8	—	18	13	0.08
Facility closure related restructuring costs and impairment losses	7	—	—	7	5	0.03
Acquisition costs	—	—	—	4	4	0.03
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	\$ 159	\$ 55	\$ 27	\$ 228	\$ 138	\$ 0.85

6 months ended June 30, 2018 ⁽¹⁾ (\$ millions, except per share amounts)	EBIT				Net	EPS
	Canada	South America	UK & Ireland	Consol	Income	Consol
EBIT, net income, and basic EPS	\$ 148	\$ 93	\$ 24	\$ 239	\$ 152	\$ 0.90
Significant item:						
Insurance proceeds from Alberta wildfires	(7)	—	—	(7)	(5)	(0.03)
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	\$ 141	\$ 93	\$ 24	\$ 232	\$ 147	\$ 0.87

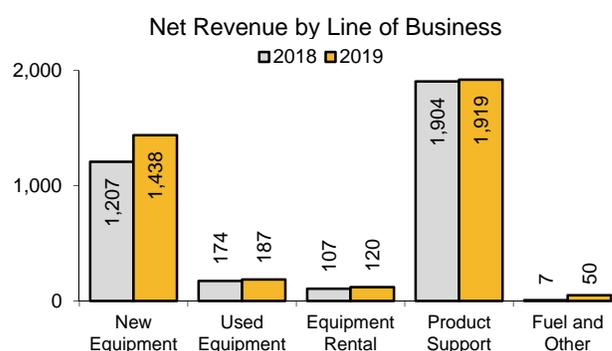
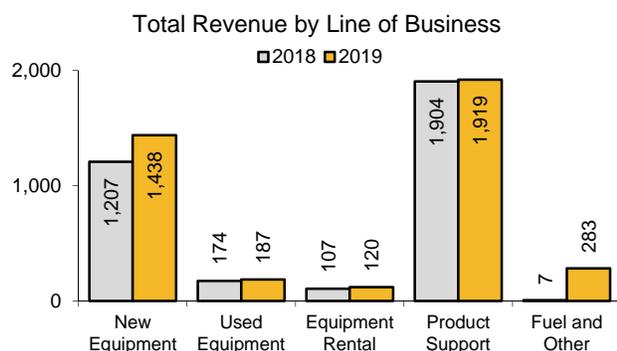
⁽¹⁾ Comparative results prior to Q1 2019 have not been restated for the Company's adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Revenue

Total and Net Revenue by Line of Business

6 months ended June 30

(\$ millions)



The Company generated revenue of \$3.9 billion during the six months ended June 30, 2019. Net revenue increased 9% from the same period last year, up in the Company's Canadian and UK & Ireland operations and was up particularly in new equipment reflecting strong activity in all market sectors.

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 six months of 2019 of approximately \$35 million and was not significant at the EBITDA or EBIT level.

New equipment revenue was up 19% during the six months ended June 30, 2019, compared to the prior year period, up in all operations. Strong sales in the construction sector of the Company's Canadian operations and the power systems sector in the Company's UK & Ireland operations contributed to higher new equipment revenues in the first half of 2019 compared to the same period in 2018. Higher new equipment sales in the mining and construction sectors in Chile more than offset lower new equipment revenue in Argentina.

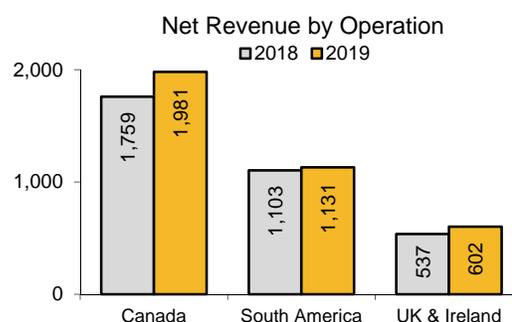
The six months ended June 30, 2019 included \$47 million of net revenue from 4Refuel.

Product support revenue in the six months ended June 30, 2019 was comparable to the first six months of 2018, up primarily in the Company's Canadian operations due to strong volumes in the mining sector. This increase was partially offset by lower product support revenue in the mining sector in the Company's Chile business, primarily in the first three months of 2019 due to operational challenges following an **ERP** implementation.

EBIT and EBITDA

Gross profit in the first six months of 2019 of \$912 million was up slightly from the comparative prior year period largely due to higher volumes partially offset by lower margins. Overall gross profit as a percentage of net revenue of 24.6% was down from the first six months of 2018 primarily due to a higher proportion of new equipment revenue to total revenues.

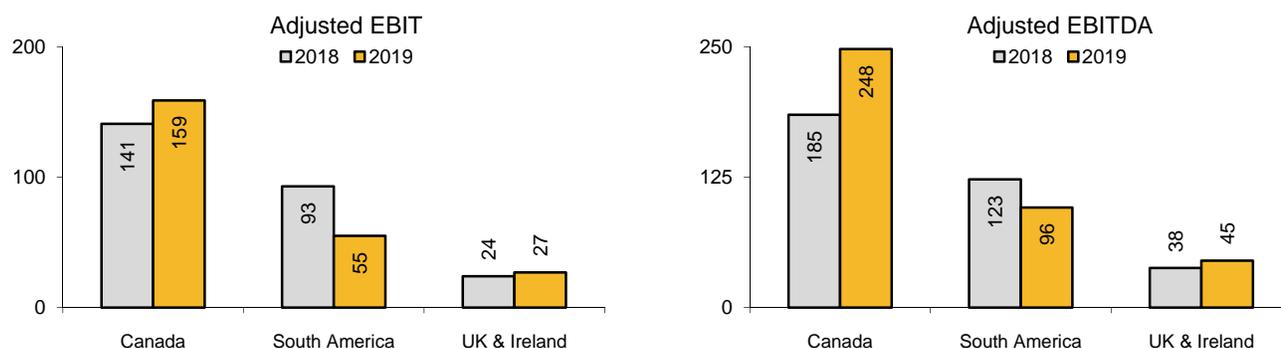
SG&A for the first six months of 2018 included the favourable impact of \$7 million of insurance proceeds received by the Company's Canadian operations in Q1 2018 in relation to the business interruption resulting from the Alberta wildfires in 2016. Excluding the benefit of the insurance proceeds in the prior six-month period, current year SG&A was 2% 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.



Adjusted EBIT and Adjusted EBITDA by Operation ⁽¹⁾⁽²⁾

6 months ended June 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 \$199 million and EBIT as a percentage of net revenue of 5.4% in the first six months of 2019, compared to \$239 million and 7.0%, respectively, earned in the first six months of 2018. Excluding significant items not indicative of financial and operational trends described on page 12, Adjusted EBIT was \$228 million and Adjusted EBIT as a percentage of net revenue was 6.1%, compared to \$232 million and 6.8%, respectively, in the same period in 2018. Adjusted EBIT as a percentage of net revenue in the first six months of 2019 was lower than the first six months of the prior year due to a higher proportion of new equipment revenue to total revenues which typically generates lower margins.

EBITDA for the first six months of 2019 was \$347 million and EBITDA as a percentage of net revenue was 9.3% (in the first six months of 2018 EBITDA was \$328 million and EBITDA as a percentage of net revenue was 9.7%). Excluding the significant items not indicative of financial and operational trends described on page 12, 2019 year-to-date Adjusted EBITDA was \$376 million and Adjusted EBITDA as a percentage of net revenue was 10.1%, higher than Adjusted EBITDA of 9.4% earned in the same prior year period. Adjusted EBITDA was higher due to improved earnings primarily from the Company's Canadian operations as well as approximately \$40 million due to the Company's adoption of IFRS 16.

Finance Costs

Finance costs for the six months ended June 30, 2019 were \$51 million, higher than the \$36 million in the same period in 2018, primarily due to higher average short-term debt levels and \$5 million of 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 six months of 2019 was 21.2% compared to 25.3% in the prior year comparable period. The lower rate was primarily due to the substantively enacted tax rate changes in Alberta in May 2019, described in the Second Quarter Results, and a lower proportion of earnings in higher tax jurisdictions.

Net Income

Net income was \$116 million in the first six months of 2019, compared to \$152 million earned in the comparable period in 2018 and basic EPS was \$0.71 per share compared with \$0.90 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 \$138 million and Adjusted basic EPS was \$0.85 compared to Adjusted net income of \$147 million and Adjusted basic EPS of \$0.87 in the prior year comparable 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 potentially 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 net working capital ⁽¹⁾ of \$44 million, property, plant, and equipment of \$42 million, and intangible assets and goodwill of \$215 million and assumed lease liabilities and deferred tax liabilities of \$60 million. The purchase price allocation is not final as management is continuing to estimate 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 \$280 million of revenue (\$47 million of net revenue) in the six month period ended June 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)	June 30, 2019	March 31 2019	Increase from March 31 2019	December 31, 2018	Increase from December 31, 2018
Consolidated	\$ 3,964	\$ 3,753	\$ 211	\$ 3,163	\$ 801
Canada	\$ 2,285	\$ 2,148	\$ 137	\$ 1,675	\$ 610
South America	\$ 1,287	\$ 1,243	\$ 44	\$ 1,190	\$ 97
UK & Ireland	\$ 390	\$ 361	\$ 29	\$ 336	\$ 54
<i>South America (USD)</i>	\$ 983	\$ 930	\$ 53	\$ 872	\$ 111
<i>UK & Ireland (GBP)</i>	£ 235	£ 207	£ 28	£ 193	£ 42

Compared to December 31, 2018:

The \$801 million increase in consolidated invested capital from December 31, 2018 to June 30, 2019 includes a foreign exchange impact of approximately \$75 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 4% stronger CAD relative to the USD and 5% stronger CAD relative to the GBP at June 30, 2019 compared to the rates at December 31, 2018.

Excluding the impact of foreign exchange, consolidated invested capital increased by approximately \$875 million from December 31, 2018 to June 30, 2019 reflecting:

- an increase in net assets from the 2019 acquisition of 4Refuel;
- an increase in new equipment inventories attributable to increased demand in the Company's Canadian and UK & Ireland operations; and,
- higher parts inventories in all operations partially offset by an increase in accounts payables due to timing in the Company's South American operations.

Compared to March 31, 2019:

The \$211 million increase in consolidated invested capital from March 31, 2019 to June 30, 2019 includes a foreign exchange impact of \$45 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 2% stronger CAD relative to the USD and 5% stronger CAD relative to the GBP at June 30, 2019 compared to the rates at March 31, 2019.

Excluding the impact of foreign exchange, consolidated invested capital increased by approximately \$255 million from March 31, 2019 to June 30, 2019 reflecting:

- an increase in accounts receivable and new equipment inventory, primarily in the Company's Canadian and South American operations;
- lower accounts payable in the Company's Canadian and UK & Ireland operations;
- higher rental equipment in the Company's Canadian operations; and,
- partially offset by lower parts inventory, mainly in the Company's South American operations.

Adjusted ROIC and Invested Capital Turnover

	June 30, 2019	March 31, 2019	December 31, 2018 ⁽¹⁾	June 30, 2018 ⁽¹⁾
Adjusted ROIC				
Consolidated	12.3 %	12.5 %	13.5 %	14.2 %
Canada	15.4 %	15.5 %	16.2 %	15.1 %
South America	8.5 %	9.2 %	12.2 %	17.7 %
UK & Ireland	14.5 %	14.8 %	14.2 %	13.2 %
Invested Capital Turnover (times)				
Consolidated	2.04x	2.06x	2.12x	2.13x
Canada	1.95x	1.98x	2.05x	1.92x
South America	1.80x	1.78x	1.86x	2.05x
UK & Ireland	3.27x	3.25x	3.22x	3.44x

⁽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 June 30, 2019 compared to December 31, 2018 reflects lower Adjusted EBIT earned in the last twelve-month period by the Company's South American operations, as well as 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 June 30, 2019 compared to June 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. The Company's Canadian and UK & Ireland operations Adjusted ROIC improved over June 30, 2018 reflecting higher Adjusted EBIT outpacing the growth in average invested capital levels in the last twelve-month period demonstrating improved capital efficiency.

Invested capital turnover

Consolidated invested capital turnover at June 30, 2019 was down from December 31, 2018 reflecting lower invested capital turnover in the Company's South American and Canadian operations as the increase in average invested capital levels exceeded the net revenue growth over the last twelve-month period. The decrease was partially offset by an improvement in invested capital turnover in the Company's UK & Ireland operations.

Consolidated invested capital turnover at June 30, 2019 was lower than June 30, 2018 reflecting lower invested capital turnover in the Company's South American and UK & Ireland operations. The invested capital turnover rate in the Company's Canadian operations improved from June 30, 2018 as higher net revenues in the last twelve-month period exceeded the growth in average invested capital levels.

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 June 30, 2019		South		UK		Net Revenue	
(\$ millions)		Canada	America	& Ireland	Consol	%	
New equipment	\$ 384	\$ 198	\$ 192	\$ 774	39%		
Used equipment	71	16	19	106	5%		
Equipment rental	41	12	9	62	3%		
Product support	549	400	74	1,023	51%		
Fuel and other	29	—	1	30	2%		
Net revenue	\$ 1,074	\$ 626	\$ 295	\$ 1,995	100%		
Net revenue % by operation	54%	31%	15%	100%			
3 months ended June 30, 2018		South		UK		Net Revenue	
(\$ millions)		Canada	America	& Ireland	Consol	%	
New equipment	\$ 308	\$ 145	\$ 170	\$ 623	36%		
Used equipment	52	9	17	78	5%		
Equipment rental	33	15	9	57	3%		
Product support	513	381	74	968	56%		
Other	1	1	1	3	—		
Net revenue	\$ 907	\$ 551	\$ 271	\$ 1,729	100%		
Net revenue % by operation	52%	32%	16%	100%			
6 months ended June 30, 2019		South		UK		Net Revenue	
(\$ millions)		Canada	America	& Ireland	Consol	%	
New equipment	\$ 658	\$ 388	\$ 392	\$ 1,438	39%		
Used equipment	119	27	41	187	5%		
Equipment rental	80	23	17	120	3%		
Product support	1,076	693	150	1,919	52%		
Fuel and other	48	—	2	50	1%		
Net revenue	\$ 1,981	\$ 1,131	\$ 602	\$ 3,714	100%		
Net revenue % by operation	53%	31%	16%	100%			
6 months ended June 30, 2018		South		UK		Net Revenue	
(\$ millions)		Canada	America	& Ireland	Consol	%	
New equipment	\$ 576	\$ 298	\$ 333	\$ 1,207	36%		
Used equipment	108	32	34	174	5%		
Equipment rental	63	27	17	107	3%		
Product support	1,011	744	149	1,904	56%		
Other	1	2	4	7	—		
Net revenue	\$ 1,759	\$ 1,103	\$ 537	\$ 3,399	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:

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2019	2018 ⁽¹⁾	2019	2018 ⁽¹⁾
Net revenue	\$ 1,074	\$ 907	\$ 1,981	\$ 1,759
Operating costs	(941)	(813)	(1,742)	(1,577)
Equity earnings of joint venture	5	5	9	10
Other expenses	—	—	(17)	—
EBITDA	\$ 138	\$ 99	\$ 231	\$ 192
Depreciation and amortization	(46)	(22)	(89)	(44)
EBIT	\$ 92	\$ 77	\$ 142	\$ 148
EBITDA as a % of net revenue	12.9%	11.0%	11.7%	10.9%
EBIT as a % of net revenue	8.5%	8.5%	7.1%	8.4%
Adjusted EBITDA	\$ 138	\$ 99	\$ 248	\$ 185
Adjusted EBITDA as a % of net revenue	12.9%	11.0%	12.5%	10.5%
Adjusted EBIT	\$ 92	\$ 77	\$ 159	\$ 141
Adjusted EBIT as a % of net revenue	8.5%	8.5%	8.0%	8.0%

⁽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.

Second Quarter Overview

Q2 2019 net revenue of \$1.1 billion was 18% higher than Q2 2018, reflecting higher net revenue in all lines of business, driven primarily by higher new equipment and product support revenue as well as the contribution from 4Refuel.

New equipment revenue was \$384 million in Q2 2019, 24% higher than the same period in 2018, up in all sectors. Significant equipment deliveries in Q2 2019 exceeded order intake in the quarter resulting in lower backlog levels at June 30, 2019.

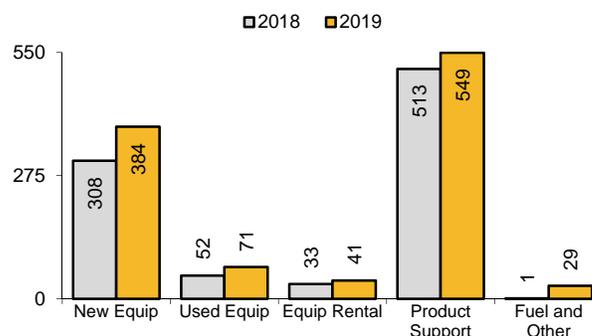
Product support revenue in Q2 2019 was up 7% compared to the same prior year period, driven by strong parts volumes and demand in the mining sector, partially offset by lower activity in the construction sector.

Used equipment revenue increased 36% over Q2 2018, primarily due to strong sales in the mining sector.

Q2 2019 net revenue from 4Refuel of \$28 million was included in fuel and other net revenue.

Gross profit in 2019 was higher than the prior year, reflecting higher sales volumes in all lines of business. Overall gross profit as a percentage of net revenue decreased in Q2 2019 compared to Q2 2018 primarily due to a revenue mix shift to a higher proportion of new equipment revenue.

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



SG&A in Q2 2019 was up compared to the prior year period due to additional SG&A from 4Refuel. Excluding 4Refuel, SG&A in Q2 2019 was down 3% primarily due to lower people-related costs from restructuring initiatives conducted in Q1 2019 and long-term incentive plan costs due to lower performance against targets. SG&A as a percentage of net revenue was down 220 basis points from Q2 2018, reflecting leverage of incremental net revenue on fixed costs and disciplined spending.

The Company's Canadian operations contributed EBITDA of \$138 million in Q2 2019, up 39% from the same period in the prior year. Improved operating results were driven by strong new equipment sales as well as contribution from 4Refuel. EBITDA in Q2 2019 was also \$14 million higher than Q2 2018 due to the Company's adoption of IFRS 16. EBITDA as a percentage of net revenue in Q2 2019 was 12.9%, an improvement of 190 basis points over Q2 2018.

Year-to-Date Overview

Net revenue for the first six months ended June 30, 2019 of \$2.0 billion increased by 13% compared to the same prior year period, up in all lines of business, driven primarily by higher new equipment and product support revenues.

New equipment revenue was up 14% in the first six months of 2019 compared to the same period in 2018, largely driven by sales to the construction sector.

Product support revenue was 7% higher in the first six months of 2019 compared to the same period in 2018, due to increased activity in the mining sector.

2019 net revenue from 4Refuel of \$47 million was included in fuel and other net revenue.

Gross profit in the first six months of 2019 increased compared to the first six months of 2018, largely due to higher volumes partially offset by lower overall gross profit as a percentage of net revenue due to a revenue mix shift to a higher proportion of new equipment revenue.

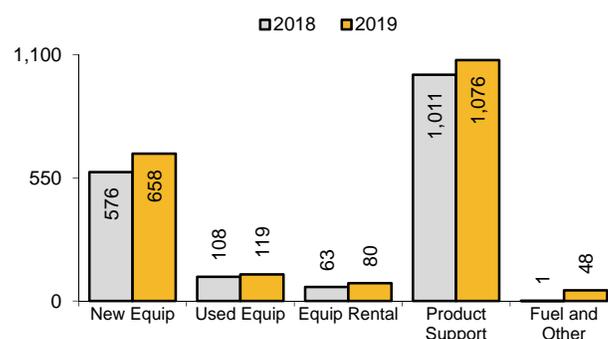
SG&A for the first six months of 2018 included the favourable impact of \$7 million of insurance proceeds received in Q1 2018 in relation to the business interruption resulting from the Alberta wildfires in 2016. Excluding these insurance proceeds, SG&A increased 8% compared to the same period in 2018 on 13% higher net revenue, with SG&A costs relative to net revenue down from the prior year period.

The Company's Canadian operations contributed EBITDA of \$231 million in the first six months of 2019. In Q1 2019, Finning (Canada) took steps to lower its cost structure, including a planned reduction of its non-revenue generating workforce resulting in severance costs of \$10 million and a planned closure of certain facilities resulting in \$7 million of impairment losses on leased properties and related restructuring provisions. Severance and facility costs related to this restructuring were included in other expenses in the first six months of 2019. Excluding these severance and facility costs incurred in the first half of 2019 and the insurance proceeds received in the first half of 2018, Adjusted EBITDA was \$248 million, up 34% from the same prior year period. Adjusted EBITDA in the first six months of 2019 increased due to higher new equipment and product support revenues and five months of contribution from 4Refuel as well as \$29 million from the Company's adoption of IFRS 16. Adjusted EBITDA as a percentage of net revenue in the first six months of 2019 was 12.5%, an improvement of 200 basis points over the same period of 2018.

Other Developments

The collective agreement between Finning Canada and **IAMAW Local 99**, representing approximately 1,600 hourly employees in Alberta and the Northwest Territories, expired on April 30, 2019. Finning Canada and IAMAW Local 99 have reached a memorandum of agreement for a new three-year collective agreement, which is subject to ratification by the union membership. The ratification vote is expected to be concluded in the coming weeks. The union bargaining committee is recommending that its members ratify the agreement.

Canada – Net revenue by Line of Business
6 months ended June 30
(\$ millions)



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:

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2019	2018 ⁽¹⁾	2019	2018 ⁽¹⁾
Net revenue	\$ 626	\$ 551	\$ 1,131	\$ 1,103
Operating costs	(564)	(489)	(1,035)	(980)
Other expenses	—	—	(8)	—
EBITDA	\$ 62	\$ 62	\$ 88	\$ 123
Depreciation and amortization	(21)	(15)	(41)	(30)
EBIT	\$ 41	\$ 47	\$ 47	\$ 93
EBITDA as a % of net revenue	9.8%	11.2%	7.7%	11.1%
EBIT as a % of net revenue	6.5%	8.5%	4.1%	8.4%
Adjusted EBITDA	\$ 62	\$ 62	\$ 96	\$ 123
Adjusted EBITDA as a % of net revenue	9.8%	11.2%	8.4%	11.1%
Adjusted EBIT	\$ 41	\$ 47	\$ 55	\$ 93
Adjusted EBIT as a % of net revenue	6.5%	8.5%	4.8%	8.4%

⁽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.

Second Quarter Overview

Q2 2019 net revenue increased 14% to \$626 million compared to Q2 2018 (up 10% in functional currency), primarily due to higher new equipment sales in Chile partially offset by lower net revenues in Argentina reflecting challenging market conditions.

New equipment revenue in Q2 2019 was up 37% (up 32% in functional currency) compared to Q2 2018, reflecting higher mining equipment deliveries in Chile, partially offset by lower new equipment sales in Argentina. Equipment deliveries in Q2 2019 exceeded order intake in the quarter resulting in lower backlog levels at June 30, 2019.

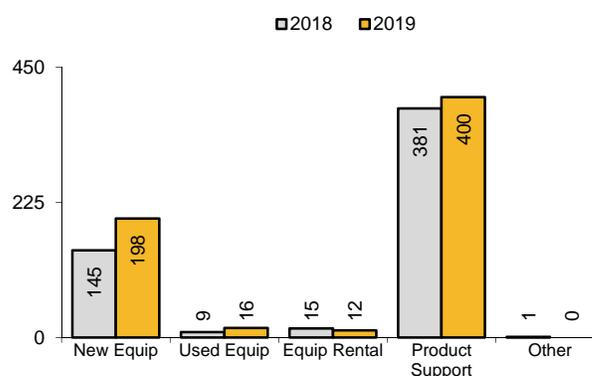
Product support revenue in Q2 2019 was up 5% (up 1% in functional currency) compared to Q2 2018 and up 35% (in functional currency) compared to Q1 2019, primarily driven by higher parts revenues in the mining sector reflecting the return to normal parts flow at the end of March 2019.

The weaker CAD relative to the USD on average in Q2 2019 compared to Q2 2018 had a favourable foreign currency translation impact on net revenue in Q2 2019 of approximately \$20 million and was not significant at the EBITDA level.

In functional currency, gross profit was lower than Q2 2018. Gross profit as a percentage of net revenue decreased in Q2 2019 compared to Q2 2018, impacted by a revenue mix shift to higher new equipment revenue which typically generates lower gross margin. In addition, higher costs were incurred to meet customer requirements.

Q2 2019 SG&A was lower than the prior year period due to lower people-related costs from the benefit of cost reduction measures taken in Q1 2019. In addition, there were lower operating costs from a weaker **CLP** and **ARS** relative to the USD partially offset by higher costs related to ERP implementation in Q2 2019 compared to the prior year. SG&A relative to net revenue was down compared to the same prior year period.

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



The Company's South American operations contributed EBITDA of \$62 million in Q2 2019, which included a \$2 million favourable impact due to the Company's adoption of IFRS 16, and was comparable to Q2 2018. EBITDA as a percentage of net revenue was down 140 basis points from 11.2% achieved in Q2 2018, mainly due to a higher proportion of new equipment revenue in the revenue mix and higher ERP related costs partially offset by lower SG&A in Q2 2019.

Year-to-Date Overview

For the six months ended June 30, 2019, net revenue of \$1.1 billion increased 3% from the same period in 2018 (down 2% in functional currency). In functional currency, lower product support revenue was partially offset by higher new equipment revenue in Chile.

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 revenue in the first six months of 2019 of approximately \$45 million and was not significant at the EBITDA level.

New equipment revenues increased 30% (25% in functional currency) compared to the same period last year mainly due to higher activity in the mining and construction sectors in Chile, partially offset by lower activity in Argentina.

Product support revenue was down 7% in the first six months of 2019 (down 11% in functional currency) compared to the same period in the prior year, impacted by lower product support revenue in the mining sector in Chile in Q1 2019 driven by transactional velocity challenges due to the ERP implementation.

Gross profit in the first six 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. New equipment revenue comprised 34% of total revenue in the first six months of 2019 compared to 27% in the same period in 2018.

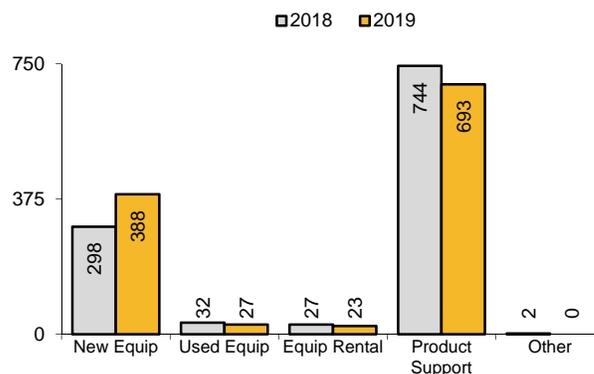
SG&A (in functional currency) in the first six months of 2019 decreased compared to the same period in the prior year. SG&A relative to net revenue also declined from the comparable prior year period due to lower costs as a result of measures taken in Q1 2019 and the benefit of the devaluation of the CLP and ARS when translating local currency costs to USD partially offset by higher costs related to the ERP implementation.

In the six months ended June 30, 2019, the Company took cost reduction measures with a focus on improving efficiencies and velocity, increasing workforce productivity and reducing the cost to serve customers. These initiatives resulted in severance costs of \$8 million recorded in other expenses in Q1 2019. Excluding severance costs, the Company's South American operations contributed Adjusted EBITDA of \$96 million for the six months ended June 30, 2019 and Adjusted EBITDA as a percentage of net revenue of 8.4% compared to \$123 million and 11.1%, respectively, in the same period in the prior year. The decrease in Adjusted EBITDA was mainly due to lower gross profit in Chile, largely driven by ERP challenges in Q1 2019, and lower gross profit in Argentina due to weaker economic conditions partially offset by lower SG&A. 2019 year-to-date Adjusted EBITDA was higher by \$4 million due to the Company's adoption of IFRS 16.

South America – Net revenue by Line of Business

6 months ended June 30

(\$ millions)



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 June 30		6 months ended June 30	
	2019	2018 ⁽¹⁾	2019	2018 ⁽¹⁾
Net revenue	\$ 295	\$ 271	\$ 602	\$ 537
Operating costs	(272)	(250)	(557)	(499)
EBITDA	\$ 23	\$ 21	\$ 45	\$ 38
Depreciation and amortization	(9)	(7)	(18)	(14)
EBIT	\$ 14	\$ 14	\$ 27	\$ 24
EBITDA as a % of net revenue	7.7%	7.9%	7.5%	7.1%
EBIT as a % of net revenue	4.8%	5.3%	4.6%	4.5%

⁽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.

Second Quarter Overview

Second quarter 2019 net revenue of \$295 million was 9% higher than the same period in 2018 (up 11% in functional currency), driven primarily by an increase in new equipment revenue in the power systems and construction sectors.

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 Q2 2019 of approximately \$5 million and was not significant at the EBITDA level.

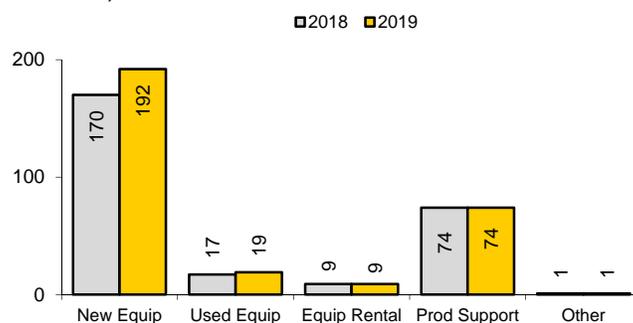
Q2 2019 new equipment revenue was up 13% (up 16% in functional currency) over the same prior year period. Equipment deliveries in Q2 2019 exceeded order intake resulting in lower backlog at June 30, 2019 compared to March 31, 2019.

Q2 2019 gross profit was higher than the prior year period driven by higher sales volumes, partially offset by lower overall gross profit as a percentage of net revenue, mainly due to a revenue mix shift to a higher proportion of new equipment revenue.

In functional currency, SG&A was up 7% in Q2 2019 compared to Q2 2018 on net revenue growth of 11%. SG&A as a percentage of net revenue was 40 basis points lower in Q2 2019 compared to Q2 2018 due to leverage of fixed costs on incremental net revenue.

For Q2 2019, the Company's UK & Ireland operations contributed EBITDA of \$23 million and EBITDA as a percentage of net revenue of 7.7%, compared to EBITDA of \$21 million and EBITDA as a percentage of net revenue of 7.9% achieved in Q2 2018. Q2 2019 EBITDA was higher by \$4 million due to the Company's adoption of IFRS 16. EBITDA as a percentage of net revenue was lower in Q2 2019 primarily due to a higher proportion of new equipment revenue in the revenue mix, partially offset by lower SG&A relative to net revenue and the impact of IFRS 16 in the current year.

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



Year-to-Date Overview

For the six months ended June 30, 2019, net revenue of \$602 million was 12% higher than the same period in 2018 (up 14% 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 six months of 2019 of approximately \$10 million and was not significant at the EBITDA level.

New equipment revenue was up 18% from the same period in the prior year (up 20% in functional currency), higher in all sectors, primarily driven by robust activity in the power systems sector.

Gross profit increased in 2019 compared to 2018 reflecting higher volumes. Overall gross profit as a percentage of net revenue was lower due to a revenue mix shift to a higher proportion of new equipment revenue.

SG&A for the six months ended June 30, 2019 (in functional currency) was 6% higher than the same period in the prior year, on net revenue growth of 14%. SG&A relative to net revenue was lower in Q2 2019 reflecting the benefit of fixed costs on incremental revenues.

For the six months ended June 30, 2019, the Company's UK & Ireland operations contributed EBITDA of \$45 million compared to EBITDA of \$38 million in 2018, up 20% in functional currency compared to the same period in the prior year. 2019 EBITDA was higher by \$7 million due to the Company's adoption of IFRS 16. EBITDA as a percentage of net revenue of 7.5% was higher than the 7.1% earned in the comparable period in 2018.

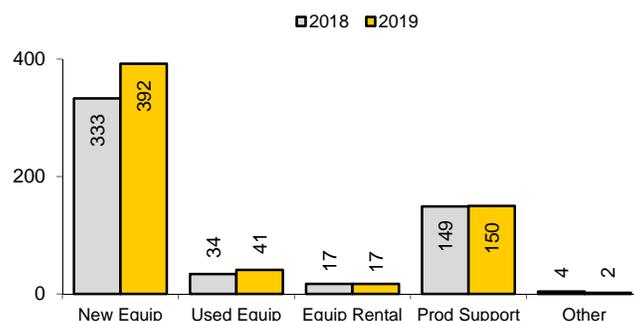
Other Operations

The Other operations segment includes corporate operating costs.

Losses before finance costs and income taxes of this segment were \$10 million in Q2 2019 (year-to-date 2019: \$17 million loss) and \$12 million in Q2 2018 (year-to-date 2018: \$26 million loss).

Losses before finance costs and income taxes in Q2 2019 were \$2 million lower than Q2 2018 primarily due to lower long-term incentive plan costs. In the first six months of 2019, losses before finance costs and income taxes were \$9 million lower than the comparable period in the prior year due to lower long-term incentive plan costs and corporate operating costs.

UK & Ireland – Net revenue by Line of Business 6 months ended June 30 (\$ millions)



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, including component rebuilds, remains strong. Activity levels in other mining segments continue to be steady.

In the construction industry, the Company has been gaining share in competitive markets in British Columbia and Alberta. Demand for power systems products, parts, and service is expected to remain healthy, mainly driven by ongoing midstream infrastructure expansion and maintenance, particularly in the gas compression sector.

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 product support 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, the Company remains constructive on the medium term outlook for copper and expects increased copper production to have a positive impact on demand for mining equipment and product support. The Company sees global miners beginning to make investments in Chile and is responding to an increase in customer requests for quotations for large mining equipment.

In Argentina, market activity remains weak and is not expected to improve until after the presidential elections at the end of 2019. The Argentine government has curtailed infrastructure spend, resulting in significantly reduced demand for construction equipment. Power systems activity is also currently constrained. The Company expects oil and gas development at Vaca Muerta to proceed and provide meaningful upside opportunities for future equipment, power systems, and product support demand.

The Company's South American operations are expected to achieve EBIT as a percentage of net revenue of 8.5% to 9.0% by the end of 2019.

UK & Ireland Operations

In the UK & Ireland, the political uncertainty around **Brexit** and its impact on the trade relationship with the European Union is impacting customer confidence and activity levels in the general construction and plant hire sectors. As a result, the Company expects reduced demand for construction equipment and product support in the near term. 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, the Company is capitalizing on strong demand for products in the industrial and electric power sectors. 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.

Improving ROIC

For the remainder of 2019, the Company expects the year over year revenue growth rate to be similar to the first half of this year.

Various initiatives to reduce the cost to serve and advance operating improvements are expected to generate earnings torque. In addition, global supply chain initiatives and disciplined inventory management are expected to increase capital efficiencies and support positive annual free cash flow. As a result, the Company expects improved Adjusted ROIC performance in all regions.

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 each of these items is shown in the following table:

(\$ millions)	3 months ended June 30			6 months ended June 30		
	2019	2018 ⁽¹⁾	(Decrease) Increase in cash from 2018	2019	2018 ⁽¹⁾	(Decrease) Increase in cash from 2018
Cash flow (used in) provided by operating activities	\$ (127)	\$ 18	\$ (145)	\$ (451)	\$ (224)	\$ (227)
Cash flow used in investing activities	\$ (35)	\$ (47)	\$ 12	\$ (287)	\$ (68)	\$ (219)
Cash flow provided by financing activities	\$ 39	\$ —	\$ 39	\$ 457	\$ 117	\$ 340
Free Cash Flow	\$ (162)	\$ (28)	\$ (134)	\$ (509)	\$ (291)	\$ (218)

⁽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 over Year
Cash (used in) provided by operating activities	<ul style="list-style-type: none"> higher receivable balances from timing of collections and higher sales volume in the Company's South American and Canadian operations partially offset by 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 Q2 2018) and lower rental additions in all operations 	<ul style="list-style-type: none"> higher receivable balances in the Company's South American and Canadian operations due to the timing of collections higher spend on parts and service inventory in the Company's South American operations and equipment inventory in the Company's Canadian operations partially offset by lower inventory spend in the Company's UK & Ireland operations and lower parts spend in the Company's Canadian operations partially offset by approximately \$40 million lower cash outflow related to lease payments presented as financing cash outflows (operating cash outflows in 2018) and lower rental additions in all operations
Cash used in investing activities	<ul style="list-style-type: none"> lower capital expenditures in Q2 2019 primarily due to an investment in an ERP system in the Company's South American operations in Q2 2018 	<ul style="list-style-type: none"> \$229 million net cash consideration to acquire 4Refuel lower capital expenditures as a result of the investment in an ERP system in the Company's South American operations in 2018
Cash (used in) provided by financing activities	<ul style="list-style-type: none"> \$50 million additional cash provided by short-term debt in Q2 2019 approximately \$20 million higher use of cash related to lease payments presented as financing cash outflows (operating cash outflows in Q2 2018) 	<ul style="list-style-type: none"> approximately \$400 million additional cash provided by short-term debt in the first six months of 2019 higher use of cash to repurchase common shares than first six months of 2018 approximately \$40 million higher use of cash related to lease payments presented as financing cash outflows (operating cash outflows in 2018)
Free Cash Flow use	<ul style="list-style-type: none"> higher use of cash in operating activities for the reasons outlined above 	<ul style="list-style-type: none"> higher use of cash in operating activities for the reasons outlined above

Capital resources and management

The Company's cash and cash equivalents balance at June 30, 2019 was \$160 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 \$610 million was available at June 30, 2019.

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 June 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	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
DBRS	BBB (high)	BBB (high)	R-2 (high)	R-2 (high)
S&P	BBB+	BBB+	n/a	n/a

During the first six 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 half of 2018, the Company repurchased 314,693 common shares for cancellation at an average cost of \$32.89 per share.

Net Debt to 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.

June 30	Company long-term target	2019	2018 ⁽¹⁾
Net debt to Adjusted EBITDA Ratio	< 3.0	2.8	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 **Audit Committee** reviews the Company's process with respect to risk assessment and management of key risks, including the Company's major financial risks and exposures and the steps taken to monitor and control such exposures. The Audit Committee reviews any changes to the key risks on a quarterly basis. The Audit Committee also reviews 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	June 30			December 31		3 months ended June 30 – average			6 months ended June 30 – average		
	2019	2018	Change	2018	Change	2019	2018	Change	2019	2018	Change
USD/CAD	1.3087	1.3168	1 %	1.3642	4 %	1.3377	1.2911	(4)%	1.3336	1.2781	(4)%
GBP/CAD	1.6624	1.7357	4 %	1.7439	5 %	1.7197	1.7563	2 %	1.7256	1.7582	2 %
USD/CLP	679.86	647.95	(5)%	695.69	2 %	683.44	620.48	(10)%	675.34	611.43	(10)%
USD/ARS	42.46	28.85	(47)%	37.70	(13)%	43.90	23.21	(89)%	41.31	21.35	(94)%

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 and 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 June 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 August 1, 2019

Common shares outstanding	163,310,278
Options outstanding	3,532,685

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 page 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 (\$ millions)	2019		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	\$ 137	\$ 62	\$ 91	\$ 93	\$ 126	\$ 113	\$ 109	\$ 100	\$ 97
Depreciation and amortization	76	72	49	49	45	44	45	46	48
EBITDA	\$ 213	\$ 134	\$ 140	\$ 142	\$ 171	\$ 157	\$ 154	\$ 146	\$ 145
EBITDA – last 12 months	\$ 629	\$ 587	\$ 610	\$ 624	\$ 628	\$ 602	\$ 576	\$ 487	\$ 460
EBIT	\$ 137	\$ 62	\$ 91	\$ 93	\$ 126	\$ 113	\$ 109	\$ 100	\$ 97
Significant items:									
Severance costs	—	18	—	—	—	—	5	—	—
Facility closure related restructuring costs and impairment losses	—	7	—	—	—	—	—	—	—
Acquisition costs related to 4Refuel	—	4	—	—	—	—	—	—	—
Write-off and loss related to Energyst	—	—	—	30	—	—	—	—	—
Insurance proceeds from Alberta wildfires	—	—	—	—	—	(7)	(4)	—	—
Adjusted EBIT	\$ 137	\$ 91	\$ 91	\$ 123	\$ 126	\$ 106	\$ 110	\$ 100	\$ 97
Depreciation and amortization	76	72	49	49	45	44	45	46	48
Adjusted EBITDA	\$ 213	\$ 163	\$ 140	\$ 172	\$ 171	\$ 150	\$ 155	\$ 146	\$ 145
Adjusted EBIT – last 12 months	\$ 442	\$ 431	\$ 446	\$ 465	\$ 442	\$ 413	\$ 393	\$ 353	\$ 326
Adjusted EBITDA – last 12 months	\$ 688	\$ 646	\$ 633	\$ 648	\$ 622	\$ 596	\$ 577	\$ 539	\$ 512

⁽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 (\$ millions)	2019		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	\$ 92	\$ 50	\$ 71	\$ 78	\$ 77	\$ 71	\$ 67	\$ 57	\$ 55
Significant items:									
Severance costs	—	10	—	—	—	—	3	—	—
Facility closure related restructuring costs and impairment losses	—	7	—	—	—	—	—	—	—
Insurance proceeds from Alberta wildfires	—	—	—	—	—	(7)	(4)	—	—
Adjusted EBIT	\$ 92	\$ 67	\$ 71	\$ 78	\$ 77	\$ 64	\$ 66	\$ 57	\$ 55
Depreciation and amortization	46	43	26	26	22	22	24	25	26
Adjusted EBITDA	\$ 138	\$ 110	\$ 97	\$ 104	\$ 99	\$ 86	\$ 90	\$ 82	\$ 81
Adjusted EBIT – last 12 months	\$ 308	\$ 293	\$ 290	\$ 285	\$ 264	\$ 242	\$ 224	\$ 202	\$ 182

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 (\$ millions)	2019		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	\$ 41	\$ 6	\$ 12	\$ 37	\$ 47	\$ 46	\$ 50	\$ 48	\$ 42
Significant items:									
Severance costs	—	8	—	—	—	—	2	—	—
Adjusted EBIT	\$ 41	\$ 14	\$ 12	\$ 37	\$ 47	\$ 46	\$ 52	\$ 48	\$ 42
Depreciation and amortization	21	20	17	15	15	15	15	13	15
Adjusted EBITDA	\$ 62	\$ 34	\$ 29	\$ 52	\$ 62	\$ 61	\$ 67	\$ 61	\$ 57
Adjusted EBIT – last 12 months	\$ 104	\$ 110	\$ 142	\$ 182	\$ 193	\$ 188	\$ 186	\$ 171	\$ 163

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 (\$ millions)	2019		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Reported and Adjusted EBIT ⁽³⁾	\$ 14	\$ 13	\$ 12	\$ 15	\$ 14	\$ 10	\$ 8	\$ 9	\$ 13
Depreciation and amortization	9	9	6	8	7	7	6	7	7
Adjusted EBITDA ⁽³⁾	\$ 23	\$ 22	\$ 18	\$ 23	\$ 21	\$ 17	\$ 14	\$ 16	\$ 20
Adjusted EBIT – last 12 months ⁽³⁾	\$ 54	\$ 54	\$ 51	\$ 47	\$ 41	\$ 40	\$ 37	\$ 37	\$ 38

⁽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 (\$ millions)	2019		2018 ⁽¹⁾				2017 ⁽¹⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cash flow (used in) provided by operating activities	\$ (127)	\$ (324)	\$ 490	\$ (6)	\$ 18	\$ (242)	\$ 398	\$ 55	\$ (112)
Additions to property, plant, and equipment and intangible assets	(37)	(23)	(77)	(46)	(46)	(32)	(49)	(33)	(20)
Proceeds on disposal of property, plant, and equipment	2	—	5	3	—	11	1	—	1
Free Cash Flow	\$ (162)	\$ (347)	\$ 418	\$ (49)	\$ (28)	\$ (263)	\$ 350	\$ 22	\$ (131)

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:

(\$ millions, except as noted)	2019		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cost of sales – annualized	\$ 6,069	\$ 5,618	\$ 5,470	\$ 5,139	\$ 4,987	\$ 5,056	\$ 4,862	\$ 4,590	\$ 4,342
Cost of sales related to mobile refueling operations – annualized	510	198	—	—	—	—	—	—	—
Cost of sales related to the dealership – annualized	\$ 5,559	\$ 5,420	\$ 5,470	\$ 5,139	\$ 4,987	\$ 5,056	\$ 4,862	\$ 4,590	\$ 4,342
Inventory – 2 quarter average	\$ 2,361	\$ 2,209	\$ 2,039	\$ 1,992	\$ 1,937	\$ 1,807	\$ 1,726	\$ 1,767	\$ 1,720
Fuel inventory – 2 quarter average	2	1	—	—	—	—	—	—	—
Inventory related to the dealership – 2 quarter average	\$ 2,359	\$ 2,208	\$ 2,039	\$ 1,992	\$ 1,937	\$ 1,807	\$ 1,726	\$ 1,767	\$ 1,720
Inventory turns (dealership) (number of times)	2.36	2.46	2.68	2.58	2.57	2.80	2.82	2.60	2.52

(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:

(\$ millions, except as noted)	2019		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cash and cash equivalents	\$ (160)	\$ (290)	\$ (454)	\$ (221)	\$ (300)	\$ (325)	\$ (458)	\$ (516)	\$ (411)
Short-term debt	751	658	154	223	213	169	18	32	102
Current portion of long-term debt	—	—	—	—	—	—	—	350	350
Long-term debt	1,321	1,341	1,354	1,315	1,330	1,322	1,296	1,291	1,116
Net debt	1,912	1,709	1,054	1,317	1,243	1,166	856	1,157	1,157
Shareholders' equity	2,052	2,044	2,109	2,114	2,119	2,060	1,974	1,938	1,951
Invested capital	\$ 3,964	\$ 3,753	\$ 3,163	\$ 3,431	\$ 3,362	\$ 3,226	\$ 2,830	\$ 3,095	\$ 3,108

(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:

(\$ millions, except as noted)	2019		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Consolidated									
Net revenue – last 12 months	\$ 7,311	\$ 7,045	\$ 6,996	\$ 6,887	\$ 6,670	\$ 6,525	\$ 6,256	\$ 6,014	\$ 5,809
Invested capital – 4 quarter average	\$ 3,578	\$ 3,427	\$ 3,295	\$ 3,212	\$ 3,128	\$ 3,065	\$ 2,993	\$ 2,989	\$ 2,944
Invested capital turnover (number of times)	2.04	2.06	2.12	2.14	2.13	2.13	2.09	2.01	1.97
Canada									
Net revenue – last 12 months	\$ 3,896	\$ 3,729	\$ 3,674	\$ 3,525	\$ 3,351	\$ 3,234	\$ 3,072	\$ 2,932	\$ 2,815
Invested capital – 4 quarter average	\$ 1,999	\$ 1,888	\$ 1,795	\$ 1,782	\$ 1,746	\$ 1,727	\$ 1,690	\$ 1,684	\$ 1,660
Invested capital turnover (number of times)	1.95	1.98	2.05	1.98	1.92	1.87	1.82	1.74	1.70
South America									
Net revenue – last 12 months	\$ 2,198	\$ 2,123	\$ 2,170	\$ 2,250	\$ 2,241	\$ 2,206	\$ 2,157	\$ 2,103	\$ 2,015
Invested capital – 4 quarter average	\$ 1,223	\$ 1,195	\$ 1,169	\$ 1,117	\$ 1,091	\$ 1,060	\$ 1,032	\$ 1,036	\$ 1,024
Invested capital turnover (number of times)	1.80	1.78	1.86	2.01	2.05	2.08	2.09	2.03	1.97
UK & Ireland									
Net revenue – last 12 months	\$ 1,217	\$ 1,193	\$ 1,152	\$ 1,112	\$ 1,078	\$ 1,085	\$ 1,027	\$ 979	\$ 979
Invested capital – 4 quarter average	\$ 373	\$ 368	\$ 358	\$ 337	\$ 314	\$ 298	\$ 288	\$ 282	\$ 267
Invested capital turnover (number of times)	3.27	3.25	3.22	3.30	3.44	3.65	3.56	3.47	3.66

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:

(\$ millions, except as noted)	2019		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Net debt	\$ 1,912	\$ 1,709	\$ 1,054	\$ 1,317	\$ 1,243	\$ 1,166	\$ 856	\$ 1,157	\$ 1,157
EBITDA – last 12 months	\$ 629	\$ 587	\$ 610	\$ 624	\$ 628	\$ 602	\$ 576	\$ 487	\$ 460
Adjusted EBITDA – last 12 months	\$ 688	\$ 646	\$ 633	\$ 648	\$ 622	\$ 596	\$ 577	\$ 539	\$ 512
Net Debt to EBITDA Ratio	3.0	2.9	1.7	2.1	2.0	1.9	1.5	2.4	2.5
Net Debt to Adjusted EBITDA Ratio	2.8	2.6	1.7	2.0	2.0	2.0	1.5	2.1	2.3

⁽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:

(\$ millions, except as noted)	2019		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Total revenue	\$ 2,137	\$ 1,810	\$ 1,842	\$ 1,755	\$ 1,729	\$ 1,670	\$ 1,733	\$ 1,538	\$ 1,584
Cost of fuel	(142)	(91)	—	—	—	—	—	—	—
Net revenue	\$ 1,995	\$ 1,719	\$ 1,842	\$ 1,755	\$ 1,729	\$ 1,670	\$ 1,733	\$ 1,538	\$ 1,584
Gross profit	\$ 482	\$ 430	\$ 413	\$ 449	\$ 466	\$ 440	\$ 434	\$ 405	\$ 422
Gross profit as a % of net revenue	24.1%	25.0%	22.4%	25.6%	26.9%	26.3%	25.1%	26.4%	26.6%
SG&A	\$ 350	\$ 343	\$ 324	\$ 330	\$ 345	\$ 328	\$ 326	\$ 307	\$ 331
SG&A as a % of net revenue	17.5%	20.0%	17.6%	18.9%	19.9%	19.6%	18.8%	20.0%	20.9%
EBITDA	\$ 213	\$ 134	\$ 140	\$ 142	\$ 171	\$ 157	\$ 154	\$ 146	\$ 145
EBITDA as a % of net revenue	10.7%	7.8%	7.6%	8.1%	9.9%	9.4%	8.9%	9.5%	9.1%
Adjusted EBITDA	\$ 213	\$ 163	\$ 140	\$ 172	\$ 171	\$ 150	\$ 155	\$ 146	\$ 145
Adjusted EBITDA as a % of net revenue	10.7%	9.4%	7.6%	9.7%	9.9%	9.0%	9.0%	9.5%	9.1%
EBIT	\$ 137	\$ 62	\$ 91	\$ 93	\$ 126	\$ 113	\$ 109	\$ 100	\$ 97
EBIT as a % of net revenue	6.9%	3.6%	4.9%	5.3%	7.3%	6.8%	6.3%	6.5%	6.1%
Adjusted EBIT	\$ 137	\$ 91	\$ 91	\$ 123	\$ 126	\$ 106	\$ 110	\$ 100	\$ 97
Adjusted EBIT as a % of net revenue	6.9%	5.3%	4.9%	7.0%	7.3%	6.4%	6.4%	6.5%	6.1%

(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.

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:

(\$ millions, except as noted)	2019		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Consolidated									
EBIT – last 12 months	\$ 383	\$ 372	\$ 423	\$ 441	\$ 448	\$ 419	\$ 392	\$ 301	\$ 274
Adjusted EBIT – last 12 months	\$ 442	\$ 431	\$ 446	\$ 465	\$ 442	\$ 413	\$ 393	\$ 353	\$ 326
Invested capital – 4 quarter average	\$ 3,578	\$ 3,427	\$ 3,295	\$ 3,212	\$ 3,128	\$ 3,065	\$ 2,993	\$ 2,989	\$ 2,944
ROIC	10.7%	10.8%	12.8%	13.7%	14.3%	13.7%	13.1%	10.1%	9.3%
Adjusted ROIC	12.3%	12.5%	13.5%	14.5%	14.2%	13.5%	13.1%	11.8%	11.1%
Canada									
EBIT – last 12 months	\$ 291	\$ 276	\$ 297	\$ 293	\$ 272	\$ 250	\$ 225	\$ 155	\$ 135
Adjusted EBIT – last 12 months	\$ 308	\$ 293	\$ 290	\$ 285	\$ 264	\$ 242	\$ 224	\$ 202	\$ 182
Invested capital – 4 quarter average	\$ 1,999	\$ 1,888	\$ 1,795	\$ 1,782	\$ 1,746	\$ 1,727	\$ 1,690	\$ 1,684	\$ 1,660
ROIC	14.5%	14.6%	16.6%	16.4%	15.5%	14.5%	13.3%	9.2%	8.1%
Adjusted ROIC	15.4%	15.5%	16.2%	16.0%	15.1%	14.0%	13.2%	12.0%	11.0%
South America									
EBIT – last 12 months	\$ 96	\$ 102	\$ 142	\$ 180	\$ 191	\$ 186	\$ 184	\$ 161	\$ 153
Adjusted EBIT – last 12 months	\$ 104	\$ 110	\$ 142	\$ 182	\$ 193	\$ 188	\$ 186	\$ 171	\$ 163
Invested capital – 4 quarter average	\$ 1,223	\$ 1,195	\$ 1,169	\$ 1,117	\$ 1,091	\$ 1,060	\$ 1,032	\$ 1,036	\$ 1,024
ROIC	7.9%	8.6%	12.2%	16.2%	17.5%	17.6%	17.8%	15.5%	14.9%
Adjusted ROIC	8.5%	9.2%	12.2%	16.4%	17.7%	17.8%	18.1%	16.5%	16.0%
UK & Ireland									
EBIT – last 12 months	\$ 54	\$ 54	\$ 51	\$ 47	\$ 41	\$ 40	\$ 37	\$ 37	\$ 38
Adjusted EBIT – last 12 months	\$ 54	\$ 54	\$ 51	\$ 47	\$ 41	\$ 40	\$ 37	\$ 37	\$ 38
Invested capital – 4 quarter average	\$ 373	\$ 368	\$ 358	\$ 337	\$ 314	\$ 298	\$ 288	\$ 282	\$ 267
ROIC	14.5%	14.8%	14.2%	14.0%	13.2%	13.4%	12.8%	12.9%	13.9%
Adjusted ROIC	14.5%	14.8%	14.2%	14.0%	13.2%	13.4%	12.8%	12.9%	13.9%

⁽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:

(\$ millions, except as noted)	2019		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Total current assets	\$ 4,217	\$ 4,187	\$ 3,924	\$ 3,696	\$ 3,763	\$ 3,687	\$ 3,531	\$ 3,566	\$ 3,493
Cash and cash equivalents	(160)	(290)	(454)	(221)	(300)	(325)	(458)	(516)	(411)
Total current assets ⁽³⁾	\$ 4,057	\$ 3,897	\$ 3,470	\$ 3,475	\$ 3,463	\$ 3,362	\$ 3,073	\$ 3,050	\$ 3,082
Total current liabilities	\$ 2,584	\$ 2,574	\$ 1,992	\$ 1,734	\$ 1,742	\$ 1,626	\$ 1,545	\$ 1,648	\$ 1,703
Short-term debt	(751)	(658)	(154)	(223)	(213)	(169)	(18)	(32)	(102)
Current portion of long-term debt	—	—	—	—	—	—	—	(350)	(350)
Total current liabilities ⁽⁴⁾	\$ 1,833	\$ 1,916	\$ 1,838	\$ 1,511	\$ 1,529	\$ 1,457	\$ 1,527	\$ 1,266	\$ 1,251
Working capital	\$ 2,224	\$ 1,981	\$ 1,632	\$ 1,964	\$ 1,934	\$ 1,905	\$ 1,546	\$ 1,784	\$ 1,831
Working capital – 4 quarter average	\$ 1,950	\$ 1,878	\$ 1,859	\$ 1,837	\$ 1,793	\$ 1,767	\$ 1,712	\$ 1,717	\$ 1,690
Net revenue – last 12 months	\$ 7,311	\$ 7,045	\$ 6,996	\$ 6,887	\$ 6,670	\$ 6,525	\$ 6,256	\$ 6,014	\$ 5,809
Working capital to net revenue	26.7%	26.7%	26.6%	26.7%	26.9%	27.1%	27.4%	28.6%	29.1%

(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.

(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		2018 ⁽¹⁾				2017 (Restated) ⁽¹⁾⁽²⁾	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue from operations ⁽³⁾								
Canada	\$ 1,216	\$ 998	\$ 1,005	\$ 910	\$ 907	\$ 852	\$ 856	\$ 736
South America	626	505	509	558	551	552	589	549
UK & Ireland	295	307	328	287	271	266	288	253
Total revenue	\$ 2,137	\$ 1,810	\$ 1,842	\$ 1,755	\$ 1,729	\$ 1,670	\$ 1,733	\$ 1,538
Net income ⁽³⁾⁽⁴⁾	\$ 88	\$ 28	\$ 55	\$ 25	\$ 81	\$ 71	\$ 64	\$ 50
Earnings Per Share ⁽³⁾⁽⁴⁾								
Basic EPS	\$ 0.54	\$ 0.17	\$ 0.33	\$ 0.15	\$ 0.48	\$ 0.42	\$ 0.38	\$ 0.29
Diluted EPS	\$ 0.54	\$ 0.17	\$ 0.33	\$ 0.15	\$ 0.48	\$ 0.42	\$ 0.38	\$ 0.29
Total assets ⁽³⁾	\$ 6,473	\$ 6,459	\$ 5,696	\$ 5,413	\$ 5,457	\$ 5,254	\$ 5,069	\$ 5,111
Long-term debt								
Current	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 350
Non-current	1,321	1,341	1,354	1,315	1,330	1,322	1,296	1,291
Total long-term debt ⁽⁵⁾	\$ 1,321	\$ 1,341	\$ 1,354	\$ 1,315	\$ 1,330	\$ 1,322	\$ 1,296	\$ 1,641
Cash dividends paid per common share	20.50¢	20.00¢	20.00¢	20.00¢	20.00¢	19.00¢	19.00¢	19.00¢
Common shares outstanding (000's)	163,310	163,310	164,382	168,191	168,184	168,401	168,267	168,118
Options outstanding (000's)	3,550	3,055	3,164	3,226	3,241	3,301	3,864	4,574

- (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)		2018 ^(a)		2017 ^(a)	
	Q1	Q3	Q1	Q4	Q3	Q3
Severance costs	\$ 18	\$ —	\$ —	\$ 5	\$ —	\$ —
Facility closure related restructuring costs and impairment losses	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	\$ 29	\$ 30	\$ (7)	\$ 1	\$ —	\$ —
Significant items impacting EBIT - impact on basic EPS	\$ 0.13	\$ 0.18	\$ (0.03)	\$ 0.01	\$ —	\$ —
Significant items impacting net income only (below EBIT) - impact on basic EPS:						
Tax impact of devaluation of ARS (\$20 million)	—	0.12	—	—	—	—
Redemption costs on early repayment of long-term debt (\$7 million after tax)	—	—	—	—	—	0.04
Impact of significant items on basic EPS:	\$ 0.13	\$ 0.30	\$ (0.03)	\$ 0.01	\$ 0.04	\$ 0.04

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

- (5) In September 2017, the Company issued \$200 million of 2.84% senior unsecured Notes, due September 29, 2021. Proceeds from the issuance of the Notes were used to redeem, prior to maturity, all of the outstanding \$350 million 6.02% *MTNs* due June 1, 2018.
- 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; expected synergies to the Canadian operations from the 4Refuel acquisition; the Company's expectation that the 4Refuel acquisition purchase price allocation will be finalized no later than December 31, 2019; in Canada, activity levels from mining producers and contractors, demand for mining, oil sands, construction and pipeline equipment, parts and product support, demand for power systems products, competitive market conditions, upcoming infrastructure projects, activity in the oil and gas sector and gas compression sector, and union ratification of the new collective agreement reached between Finning Canada and IAMAW Local 99; in South America, the impact of trade tensions on the price of copper, the outlook for copper and copper production, that the Company's South American operations expects to achieve EBIT as a percentage of net revenue of 8.5% to 9.0% range by the end of the year, expected demand for mining and construction equipment and product support as a result of copper production and expected increases in copper production, expectations regarding the Chilean government's public investment in infrastructure and resulting demand for construction equipment and product support, expectations for investments by global miners in Chile, expectations that market activity in Argentina will remain weak and may improve after the presidential elections there at the end of 2019; and the expectation that oil and gas development will proceed at Vaca Muerta in Argentina and provide meaningful upside for future equipment and product support demand; in the UK & Ireland, demand expectations for construction equipment and product support; demand for power systems in the industrial and electric power segments, Brexit's impact on customer confidence and activity levels, general construction and plant hire sectors, the Company's risk mitigation strategy with respect to Brexit, and the expected future opportunities from the UK government's investment in large-scale rail, power, road, and airport infrastructure projects; expectations regarding revenue growth rate for the remainder of the year; expected impact of and volatility in foreign exchange markets; expected revenue and free cash flow; expected profitability levels; expected annual effective tax rate; expected Adjusted ROIC performance; 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 commitment to improving ROIC; 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; (iv) Finning's ability to attract and retain skilled staff; (v) market competition; (vi) the products and technology offered by the Company's competitors; and (vii) 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
IAMAW Local 99	International Association of Machinists and Aerospace Workers Union Local 99
IAS	International Accounting Standards
Interim Financial Statements	Interim condensed consolidated financial statements
IFRS	International Financial Reporting Standards
KPI	Key performance indicator
MD&A	Management's Discussion and Analysis
MTNs	Medium term notes
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