

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 7, 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 or sales now use net revenue in this MD&A. For 2018 results of all operations in this MD&A, net revenue is the same as total revenue. For 2019 results of the Company's South American and UK & Ireland operations net revenue is the same as total revenue.

A glossary of defined terms is included on page 35. The first time a defined term is used in this MD&A, it is shown in bold italics.

2019 First Quarter Highlights

- Revenue of \$1.8 billion was up 8% and net revenue of \$1.7 billion was up 3% from Q1 2018, largely driven by higher new equipment sales in all of the Company's operations, particularly in the Company's South American operations and UK & Ireland operations, partially offset by lower product support revenue in the Company's South American operations. Q1 2019 net revenue in the Company's Canadian operations was up from Q1 2018 primarily driven by higher product support revenue as well as fuel revenue.
- **EBIT** was \$62 million and EBIT as a percentage of net revenue ⁽¹⁾ was 3.6% in Q1 2019. Excluding significant items that management does not consider indicative of operational and financial trends, Q1 2019 Adjusted EBIT ⁽¹⁾⁽²⁾ was \$91 million, down 15% from Q1 2018 mainly due to lower product support revenues in the Company's South American operations. Adjusted EBIT as a percentage of net revenue ⁽¹⁾⁽²⁾ of 5.3% was down from 6.4% earned in Q1 2018 primarily driven by a higher proportion of new equipment sales in the revenue mix.
- Adjusted **EBITDA** ⁽¹⁾⁽²⁾ was \$163 million and Adjusted EBITDA as a percentage of net revenue ⁽¹⁾⁽²⁾ was 9.4% in Q1 2019 compared to \$150 million and 9.0%, respectively, earned in Q1 2018. Adjusted EBITDA in Q1 2019 was higher 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. This increase was partially offset by lower product support revenues in the Company's South American operations primarily due to issues with the transactional velocity of parts following the **ERP** system implementation. Parts flow was restored by the end of Q1 2019.
- Q1 2019 basic **EPS** was \$0.17 compared to Q1 2018 basic EPS of \$0.42. Excluding significant items not considered indicative of operational and financial trends, Q1 2019 Adjusted basic EPS ⁽¹⁾⁽²⁾ was \$0.30, down 23% from Adjusted basic EPS of \$0.39 in Q1 2018.
- Adjusted ROIC ⁽¹⁾⁽²⁾ at March 31, 2019 was 12.5%, down compared to Adjusted ROIC of 13.5% at March 31, 2018, mostly as a result of lower Adjusted ROIC in the Company's South American operations, due to lower product support revenues in Chile over the last two quarters and reduced profitability in Argentina reflecting challenging market conditions. Q1 2019 Adjusted ROIC in the Company's Canadian operations improved over Q1 2018 by 150 basis points and ROIC of 14.8% for the UK & Ireland operations was the highest in the last four years.
- Effective February 1, 2019 the Company completed its acquisition of 4Refuel for cash consideration of approximately \$240 million, subject to post-closing working capital adjustments. This acquisition is expected to provide synergies with the Company's Canadian operations creating opportunities to expand the existing suite of service offerings to new and existing customers.
- Annualized dividend was raised by 2.5% to \$0.82 per share, reflecting the Company's expectation of improving profitability, driven by South America, and positive annual free cash flow through the cycle.

⁽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 definition and reconciliation from these non-**GAAP** financial measures to their most directly comparable **GAAP** measure, where available, see the heading "Description of Non-**GAAP** Financial Measures and Reconciliations" later in this MD&A.

⁽²⁾ Reported financial metrics may be impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 5 and 24 - 25 of this MD&A and the financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics.

First Quarter Overview

| (\$ millions, except for per share amounts) | Q1 2019 | Q1 2018 ⁽¹⁾ | % change <i>fav (unfav)</i> |
|--|--------------|------------------------|--------------------------------|
| Revenue | \$ 1,810 | \$ 1,670 | 8% |
| Net revenue | \$ 1,719 | \$ 1,670 | 3% |
| Gross profit | \$ 430 | \$ 440 | (2)% |
| SG&A | (343) | (328) | (5)% |
| Equity earnings of joint ventures and associate | 4 | 1 | <i>n/m</i> |
| Other expenses | (29) | — | n/m |
| EBIT | \$ 62 | \$ 113 | (46)% |
| Net income | \$ 28 | \$ 71 | (61)% |
| Basic EPS | \$ 0.17 | \$ 0.42 | (60)% |
| EBITDA ⁽²⁾ | \$ 134 | \$ 157 | (15)% |
| Free Cash Flow ⁽²⁾ | \$ (347) | \$ (263) | (32)% |
| Adjusted EBIT | \$ 91 | \$ 106 | (15)% |
| Adjusted net income ⁽²⁾⁽³⁾ | \$ 50 | \$ 66 | (25)% |
| Adjusted basic EPS | \$ 0.30 | \$ 0.39 | (23)% |
| Adjusted EBITDA | \$ 163 | \$ 150 | 8% |
| <i>Gross profit as a % of net revenue ⁽²⁾</i> | 25.0% | 26.3% | |
| <i>SG&A as a % of net revenue ⁽²⁾</i> | 20.0% | 19.6% | |
| <i>EBIT as a % of net revenue ⁽²⁾</i> | 3.6% | 6.8% | |
| <i>EBITDA as a % of net revenue ⁽²⁾</i> | 7.8% | 9.4% | |
| ROIC ⁽²⁾ | 10.8% | 13.7% | |
| <i>Adjusted EBIT as a % of net revenue</i> | 5.3% | 6.4% | |
| <i>Adjusted EBITDA as a % of net revenue ⁽²⁾⁽³⁾</i> | 9.4% | 9.0% | |
| <i>Adjusted ROIC</i> | 12.5% | 13.5% | |

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

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

⁽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 5 and 24 - 25 of this MD&A and the financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics.

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Strategic Framework

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

- Customer Centricity – be our customers' trusted partner by providing consistent and innovative services that add value to their business;
- Lean & Agile Global Finning – maintain relentless focus on productivity, efficiency, and our customers' total cost of equipment ownership;
- Global Supply Chain – transform our globally-leveraged supply chain to enhance the omni-channel customer experience while increasing working capital 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.

Non-GAAP Financial Measures

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.

During certain periods reported and discussed in this MD&A, there were significant items that management does not consider indicative of future operational and financial trends of the Company either by nature or amount. As a result, management excludes these items when evaluating its consolidated operating financial performance and the performance of each of its operations. These items may not be non-recurring, but management believes that excluding these significant items from financial results reported solely in accordance with GAAP provides a better understanding of the Company's consolidated financial performance when considered along with the GAAP results. Financial metrics that have been adjusted take into account these significant items and are referred to as "Adjusted" metrics. Adjusted metrics are intended to provide additional information to users of the MD&A. This information should not be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. In addition, because non-GAAP financial measures do not have a standardized meaning under GAAP, they may not be comparable to similar measures presented by other companies. Significant items described on pages 24 - 25 of this MD&A impact certain reported metrics included in the Quarterly Key Performance Measures section.

Significant items that affected the reported results of the Company for the three months ended March 31, 2019 and March 31, 2018 that were not considered by management to be indicative of operational and financial trends, either by nature or amount, included:

Q1 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.

Q1 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 provides reconciliations of the non-GAAP financial measures to their most directly comparable GAAP measure:

| 3 months ended March 31, 2019 (\$ millions, except per share amounts) | EBIT | | | | Net | EPS |
|---|--------|---------------|--------------|--------|--------|---------|
| | Canada | South America | UK & Ireland | Consol | Income | Consol |
| EBIT, net income, and basic EPS | \$ 50 | \$ 6 | \$ 13 | \$ 62 | \$ 28 | \$ 0.17 |
| 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 | 0.02 |
| Adjusted EBIT, Adjusted net income, and Adjusted basic EPS | \$ 67 | \$ 14 | \$ 13 | \$ 91 | \$ 50 | \$ 0.30 |
| 3 months ended March 31, 2018 ⁽¹⁾ (\$ millions, except per share amounts) | EBIT | | | | Net | EPS |
| | Canada | South America | UK & Ireland | Consol | Income | Consol |
| EBIT, net income, and basic EPS | \$ 71 | \$ 46 | \$ 10 | \$ 113 | \$ 71 | \$ 0.42 |
| Significant item: | | | | | | |
| Insurance proceeds from Alberta wildfires | (7) | — | — | (7) | (5) | (0.03) |
| Adjusted EBIT, Adjusted net income, and Adjusted basic EPS | \$ 64 | \$ 46 | \$ 10 | \$ 106 | \$ 66 | \$ 0.39 |

⁽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.

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⁾ | | | |
|---|---------------|---------------------|--------|--------|--------|-----------------------------------|--------|--------|--------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| ROIC ⁽³⁾⁽⁴⁾ (%) | | | | | | | | | |
| Consolidated | 10.8 % | 12.8 % | 13.7 % | 14.3 % | 13.7 % | 13.1 % | 10.1 % | 9.3 % | 7.1 % |
| Canada | 14.6 % | 16.6 % | 16.4 % | 15.5 % | 14.5 % | 13.3 % | 9.2 % | 8.1 % | 6.6 % |
| South America | 8.6 % | 12.2 % | 16.2 % | 17.5 % | 17.6 % | 17.8 % | 15.5 % | 14.9 % | 14.5 % |
| UK & Ireland | 14.8 % | 14.2 % | 14.0 % | 13.2 % | 13.4 % | 12.8 % | 12.9 % | 13.9 % | (0.5)% |
| EBIT ⁽³⁾ (\$ millions) | | | | | | | | | |
| Consolidated | 62 | 91 | 93 | 126 | 113 | 109 | 100 | 97 | 86 |
| Canada | 50 | 71 | 78 | 77 | 71 | 67 | 57 | 55 | 46 |
| South America | 6 | 12 | 37 | 47 | 46 | 50 | 48 | 42 | 44 |
| UK & Ireland | 13 | 12 | 15 | 14 | 10 | 8 | 9 | 13 | 7 |
| EBIT as a % of net revenue ⁽³⁾ | | | | | | | | | |
| Consolidated | 3.6 % | 4.9 % | 5.3 % | 7.3 % | 6.8 % | 6.3 % | 6.5 % | 6.1 % | 6.1 % |
| Canada | 5.5 % | 7.1 % | 8.6 % | 8.5 % | 8.4 % | 7.8 % | 7.7 % | 7.0 % | 6.7 % |
| South America | 1.2 % | 2.5 % | 6.7 % | 8.5 % | 8.4 % | 8.6 % | 8.6 % | 8.1 % | 8.8 % |
| UK & Ireland | 4.4 % | 3.7 % | 5.1 % | 5.3 % | 3.7 % | 3.0 % | 3.5 % | 4.6 % | 3.3 % |
| EBITDA ⁽³⁾ (\$ millions) | | | | | | | | | |
| Consolidated | 134 | 140 | 142 | 171 | 157 | 154 | 146 | 145 | 131 |
| Canada | 93 | 97 | 104 | 99 | 93 | 91 | 82 | 81 | 70 |
| South America | 26 | 29 | 52 | 62 | 61 | 65 | 61 | 57 | 59 |
| UK & Ireland | 22 | 18 | 23 | 21 | 17 | 14 | 16 | 20 | 13 |
| EBITDA as a % of net revenue ⁽³⁾ | | | | | | | | | |
| Consolidated | 7.8 % | 7.6 % | 8.1 % | 9.9 % | 9.4 % | 8.9 % | 9.5 % | 9.1 % | 9.3 % |
| Canada | 10.2 % | 9.7 % | 11.4 % | 11.0 % | 10.9 % | 10.6 % | 11.2 % | 10.3 % | 10.1 % |
| South America | 5.2 % | 5.8 % | 9.3 % | 11.2 % | 11.1 % | 11.0 % | 11.2 % | 11.0 % | 11.8 % |
| UK & Ireland | 7.3 % | 5.7 % | 7.7 % | 7.9 % | 6.3 % | 5.2 % | 6.0 % | 7.0 % | 6.5 % |
| Invested Capital ⁽⁴⁾ (\$ millions) | | | | | | | | | |
| Consolidated | 3,753 | 3,163 | 3,431 | 3,362 | 3,226 | 2,830 | 3,095 | 3,108 | 2,940 |
| Canada | 2,148 | 1,675 | 1,889 | 1,840 | 1,778 | 1,621 | 1,746 | 1,764 | 1,630 |
| South America | 1,243 | 1,190 | 1,173 | 1,172 | 1,140 | 983 | 1,069 | 1,047 | 1,029 |
| UK & Ireland | 361 | 336 | 404 | 372 | 322 | 250 | 311 | 307 | 286 |
| Invested Capital Turnover ⁽⁴⁾ | | | | | | | | | |
| Consolidated | 2.06x | 2.12x | 2.14x | 2.13x | 2.13x | 2.09x | 2.01x | 1.97x | 1.89x |
| Canada | 1.98x | 2.05x | 1.98x | 1.92x | 1.87x | 1.82x | 1.74x | 1.70x | 1.62x |
| South America | 1.78x | 1.86x | 2.01x | 2.05x | 2.08x | 2.09x | 2.03x | 1.97x | 1.87x |
| UK & Ireland | 3.25x | 3.22x | 3.30x | 3.44x | 3.65x | 3.56x | 3.47x | 3.66x | 3.69x |
| Inventory (\$ millions) | 2,356 | 2,061 | 2,017 | 1,968 | 1,906 | 1,708 | 1,744 | 1,789 | 1,650 |
| Inventory Turns (Dealership) ⁽⁴⁾ (times) | 2.46x | 2.68x | 2.58x | 2.57x | 2.80x | 2.82x | 2.60x | 2.52x | 2.61x |
| Working Capital to Net Revenue ⁽⁴⁾ | 26.7 % | 26.6 % | 26.7 % | 26.9 % | 27.1 % | 27.4 % | 28.6 % | 29.1 % | 30.5 % |
| Free Cash Flow (\$ millions) | (347) | 418 | (49) | (28) | (263) | 350 | 22 | (131) | (76) |
| Net Debt ⁽³⁾ to EBITDA Ratio ⁽³⁾⁽⁴⁾ | 2.9 | 1.7 | 2.1 | 2.0 | 1.9 | 1.5 | 2.4 | 2.5 | 2.6 |

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

(2) The 2017 comparative results 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 by significant items management does not consider indicative of operational and financial trends either by nature or amount. The 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

Reported financial metrics may be impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 5 and 24 - 25 of this MD&A and the financial metrics that have been adjusted to take these items into account are referred to as “Adjusted” metrics. The impact of these items on certain key performance measures is shown below:

| | 2019 | 2018 ⁽¹⁾ | | | | 2017 (Restated) ⁽¹⁾⁽²⁾ | | | |
|--|---------------|---------------------|--------|--------|--------|-----------------------------------|--------|--------|--------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Adjusted ROIC | | | | | | | | | |
| Consolidated | 12.5 % | 13.5 % | 14.5 % | 14.2 % | 13.5 % | 13.1 % | 11.8 % | 11.1 % | 10.0 % |
| Canada | 15.5 % | 16.2 % | 16.0 % | 15.1 % | 14.0 % | 13.2 % | 12.0 % | 11.0 % | 10.2 % |
| South America | 9.2 % | 12.2 % | 16.4 % | 17.7 % | 17.8 % | 18.1 % | 16.5 % | 16.0 % | 15.6 % |
| UK & Ireland | 14.8 % | 14.2 % | 14.0 % | 13.2 % | 13.4 % | 12.8 % | 12.9 % | 13.9 % | 7.7 % |
| Adjusted EBIT (\$ millions) | | | | | | | | | |
| Consolidated | 91 | 91 | 123 | 126 | 106 | 110 | 100 | 97 | 86 |
| Canada | 67 | 71 | 78 | 77 | 64 | 66 | 57 | 55 | 46 |
| South America | 14 | 12 | 37 | 47 | 46 | 52 | 48 | 42 | 44 |
| UK & Ireland | 13 | 12 | 15 | 14 | 10 | 8 | 9 | 13 | 7 |
| Adjusted EBIT as a % of net revenue | | | | | | | | | |
| Consolidated | 5.3 % | 4.9 % | 7.0 % | 7.3 % | 6.4 % | 6.4 % | 6.5 % | 6.1 % | 6.1 % |
| Canada | 7.4 % | 7.1 % | 8.6 % | 8.5 % | 7.5 % | 7.6 % | 7.7 % | 7.0 % | 6.7 % |
| South America | 2.7 % | 2.5 % | 6.7 % | 8.5 % | 8.4 % | 9.1 % | 8.6 % | 8.1 % | 8.8 % |
| UK & Ireland | 4.4 % | 3.7 % | 5.1 % | 5.3 % | 3.7 % | 3.0 % | 3.5 % | 4.6 % | 3.3 % |
| Adjusted EBITDA (\$ millions) | | | | | | | | | |
| Consolidated | 163 | 140 | 172 | 171 | 150 | 155 | 146 | 145 | 131 |
| Canada | 110 | 97 | 104 | 99 | 86 | 90 | 82 | 81 | 70 |
| South America | 34 | 29 | 52 | 62 | 61 | 67 | 61 | 57 | 59 |
| UK & Ireland | 22 | 18 | 23 | 21 | 17 | 14 | 16 | 20 | 13 |
| Adjusted EBITDA as a % of net revenue | | | | | | | | | |
| Consolidated | 9.4 % | 7.6 % | 9.7 % | 9.9 % | 9.0 % | 9.0 % | 9.5 % | 9.1 % | 9.3 % |
| Canada | 12.1 % | 9.7 % | 11.4 % | 11.0 % | 10.1 % | 10.5 % | 11.2 % | 10.3 % | 10.1 % |
| South America | 6.7 % | 5.8 % | 9.3 % | 11.2 % | 11.1 % | 11.4 % | 11.2 % | 11.0 % | 11.8 % |
| UK & Ireland | 7.3 % | 5.7 % | 7.7 % | 7.9 % | 6.3 % | 5.2 % | 6.0 % | 7.0 % | 6.5 % |
| Net Debt to Adjusted EBITDA Ratio ⁽³⁾ | 2.6 | 1.7 | 2.0 | 2.0 | 2.0 | 1.5 | 2.1 | 2.3 | 2.1 |

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

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

⁽³⁾ 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.

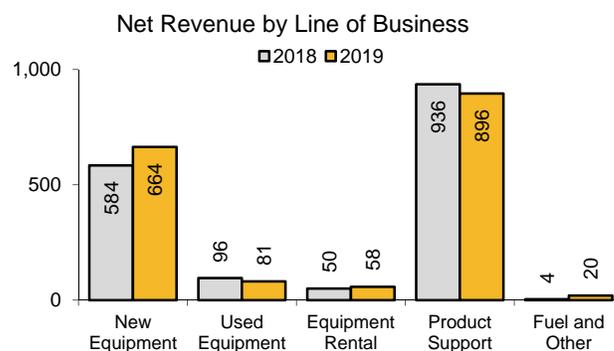
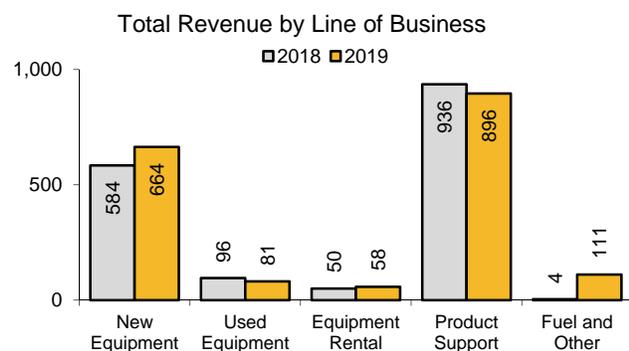
First Quarter Results

Total and Net Revenue

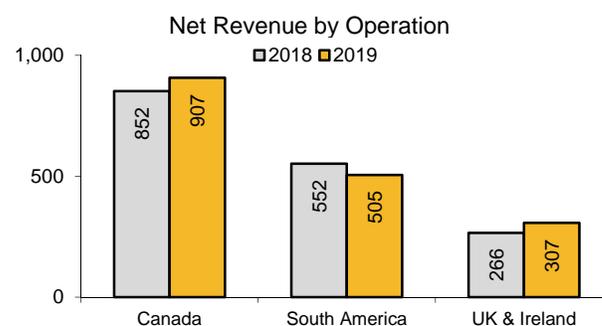
Total and Net Revenue by Line of Business

3 months ended March 31

(\$ millions)



The Company generated revenue of \$1.8 billion during the first quarter of 2019, 8% higher than Q1 2018, mainly due to the addition of fuel revenue from 4Refuel and higher new equipment sales, partially offset by lower product support revenue in the Company's South American operations. 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. Q1 2019 net revenue was \$1.7 billion, up 3% from the same prior year period. The increase in net revenue was largely driven by the Company's Canadian and UK & Ireland operations, offset by lower net revenue in the Company's South American operations.



The weaker CAD relative to the **USD** partially offset by the stronger CAD relative to the **GBP** on average in Q1 2019 compared to the same prior year period resulted in a net favourable foreign currency translation impact on net revenue in Q1 2019 of approximately \$20 million which was not significant at the EBITDA or EBIT level.

First quarter 2019 new equipment revenue of \$664 million was 14% higher than Q1 2018. New equipment revenue was up in all operations, particularly in the power systems sector in the Company's UK & Ireland operations and in the construction and mining sectors of the Company's South American operations in Chile.

Equipment backlog ⁽¹⁾ was \$1.2 billion at March 31, 2019, down from \$1.3 billion at December 31, 2018 and down from \$1.6 billion at March 31, 2018 as deliveries outpaced order intake ⁽¹⁾.

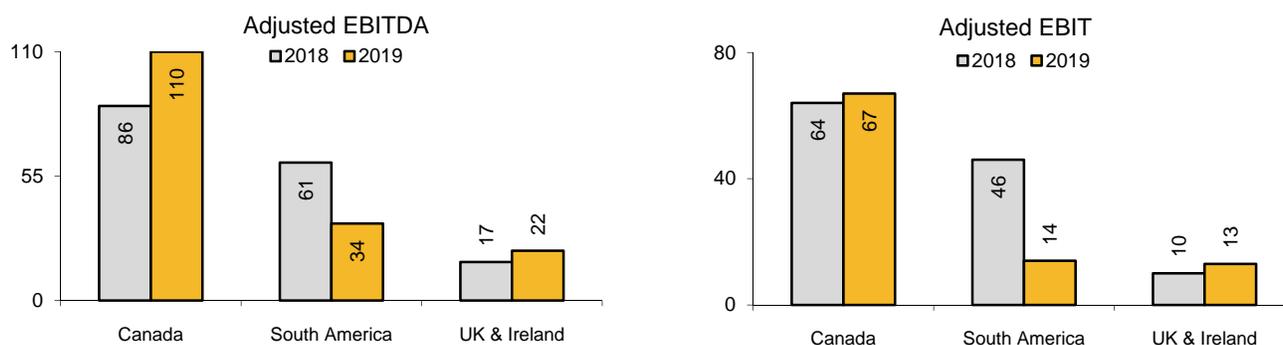
Product support revenue in the first quarter of 2019 was down 4% from the same prior year period, with lower net revenues in the Company's South American operations due to parts flow velocity issues related to the implementation of a new ERP system in November 2018, partially offset by strong demand for parts in the mining and construction sectors 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 definition and reconciliation 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.

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

3 months ended March 31

(\$ 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.

EBITDA and EBIT

Q1 2019 gross profit of \$430 million was 2% lower than the same period in the prior year on 3% higher net revenues. This was driven by lower overall gross profit as a percentage of net revenue in Q1 2019 compared to Q1 2018 due to a shift in revenue mix. New equipment revenues were up in all operations and product support revenues were lower in the Company's South American operations.

SG&A in the first quarter of 2019 was \$343 million compared to \$328 million in the same prior year period. Q1 2018 SG&A included the receipt of insurance proceeds related to the Alberta wildfires. Excluding these insurance proceeds, Q1 2019 SG&A was 3% higher and SG&A as a percentage of net revenue was down 10 basis points compared to the same prior year period. SG&A was up in Q1 2019 in the Company's Canadian operations driven by higher volumes as well as SG&A from 4Refuel since February 1, 2019. This increase was partially offset by lower operating costs in the Company's South American operations and lower long-term incentive plan costs due to lower performance against targets.

The Company reported EBIT of \$62 million and EBIT as a percentage of net revenue of 3.6% in the first quarter of 2019 compared to EBIT of \$113 million and EBIT as a percentage of net revenue of 6.8% in Q1 2018. Excluding significant items noted on page 5, Q1 2019 Adjusted EBIT and Adjusted EBIT as a percentage of net revenue were \$91 million and 5.3%, respectively. Adjusted EBIT as a percentage of net revenue in Q1 2019 of 5.3% was lower than 6.4% in Q1 2018 mainly due to a higher proportion of equipment sales in the revenue mix, as SG&A as a percentage of net revenue was relatively consistent year over year. The adoption of IFRS 16 did not significantly impact EBIT or Adjusted EBIT.

Adjusted EBITDA for Q1 2019 was \$163 million and Adjusted EBITDA as a percentage of net revenue was 9.4% compared to \$150 million and 9.0%, respectively, in Q1 2018. Adjusted EBITDA in Q1 2019 was 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, as well as higher earnings in the Company's Canadian and UK & Ireland operations. This increase was partially offset by lower product support revenues in the Company's South American operations.

The net debt to Adjusted EBITDA ratio at March 31, 2019 was 2.6 times, up from the 2.0 times at March 31, 2018 due to average short-term debt levels 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 the first quarter of 2019 were \$24 million, higher than Q1 2018 finance costs of \$18 million primarily due to higher average short-term debt balances and inclusion of interest expense of \$2 million related to leases from the adoption of IFRS 16.

Provision for Income Taxes

The effective income tax rate in Q1 2019 was 27.9%, up from 25.3% in Q1 2018. The higher effective income tax rate was driven by the non-deductibility of 4Refuel acquisition costs for tax purposes and the revaluation of deferred tax balances due to the devaluation of the **ARS** relative to the USD, partially offset by lower earnings in high tax jurisdictions. Excluding the significant items described on page 5, the Q1 2019 effective tax rate would have been 26.0%.

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 \$28 million in Q1 2019, compared to \$71 million earned in Q1 2018. Basic EPS in Q1 2019 was \$0.17 per share. Excluding significant items not indicative of operational and financial trends as noted on page 5, Q1 2019 Adjusted net income was \$50 million and Adjusted basic EPS was \$0.30 per share, lower than Adjusted net income of \$66 million and Adjusted basic EPS of \$0.39 in Q1 2018. The decrease in the first quarter of 2019 compared to the prior year period results was driven by lower profitability in the Company's South American operations.

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, 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 approximately \$240 million was paid at the time of acquisition and is subject to post-closing working capital adjustments. The Company funded the transaction with cash on hand and from existing credit facilities. Effective February 1, 2019, the Company recorded on the balance sheet net working capital ⁽¹⁾ of \$44 million (comprising cash and cash equivalents, receivables, inventory, and payables); property, plant, and equipment of \$40 million; intangible assets and goodwill of \$187 million; and lease liabilities of \$30 million. The purchase price allocation is not final as management is continuing to identify intangible assets acquired and estimate the acquisition-date fair value of acquired assets and liabilities and related amount of deferred income taxes arising on their recognition. 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 Q1 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 \$110 million of revenue (\$19 million of net revenue) in the three month period ended March 31, 2019.

(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 definition and reconciliation 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.

Invested Capital

| (\$ millions, unless otherwise stated) | | | Increase from | | Increase from | |
|---|-------------------|----------------------|----------------------|-------------------|-------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | December 31, 2018 | March 31, 2018 | March 31, 2018 | March 31, 2018 |
| Consolidated | \$ 3,753 | \$ 3,163 | \$ 590 | \$ 3,226 | \$ 527 | |
| Canada | \$ 2,148 | \$ 1,675 | \$ 473 | \$ 1,778 | \$ 370 | |
| South America | \$ 1,243 | \$ 1,190 | \$ 53 | \$ 1,140 | \$ 103 | |
| UK & Ireland | \$ 361 | \$ 336 | \$ 25 | \$ 322 | \$ 39 | |
| <i>South America (USD)</i> | \$ 930 | \$ 872 | \$ 58 | \$ 884 | \$ 46 | |
| <i>UK & Ireland (GBP)</i> | £ 207 | £ 193 | £ 14 | £ 178 | £ 29 | |

Compared to December 31, 2018:

The \$590 million increase in consolidated invested capital from December 31, 2018 to March 31, 2019 includes a foreign exchange impact of approximately \$25 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 at March 31, 2019 compared to the rate at December 31, 2018.

Excluding the impact of foreign exchange, consolidated invested capital increased by \$615 million from December 31, 2018 to March 31, 2019 reflecting:

- an increase in net assets from the 2019 acquisition of 4Refuel; and
- an increase in equipment inventories in Canada reflecting timing of mining deliveries and seasonality of construction demand, as well as higher parts inventories in South America to respond to delays in processing mining parts orders.

Compared to March 31, 2018:

The \$527 million increase in consolidated invested capital from March 31, 2018 to March 31, 2019 includes a foreign exchange impact of approximately \$30 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% weaker CAD relative to the USD, offset by 4% stronger CAD relative to the GBP at March 31, 2019 compared to the rate at March 31, 2018.

Excluding the impact of foreign exchange, consolidated invested capital increased by \$497 million from March 31, 2018 to March 31, 2019 reflecting:

- an increase in net assets from the 2019 acquisition of 4Refuel; and
- an increase in new equipment inventory in all operations, primarily in the Company's Canadian operations, as well as an increase in parts inventory in all operations, mainly in the Company's South American operations;
- partially offset by higher accounts payable in all operations.

Adjusted ROIC and Invested Capital Turnover

| | March 31, 2019 | December 31, 2018 ⁽¹⁾ | March 31, 2018 ⁽¹⁾ |
|--|-------------------|-------------------------------------|----------------------------------|
| Adjusted ROIC | | | |
| Consolidated | 12.5% | 13.5% | 13.5% |
| Canada | 15.5% | 16.2% | 14.0% |
| South America | 9.2% | 12.2% | 17.8% |
| UK & Ireland | 14.8% | 14.2% | 13.4% |
| Invested Capital Turnover (times) | | | |
| Consolidated | 2.06x | 2.12x | 2.13x |
| Canada | 1.98x | 2.05x | 1.87x |
| South America | 1.78x | 1.86x | 2.08x |
| UK & Ireland | 3.25x | 3.22x | 3.65x |

⁽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, Adjusted ROIC at March 31, 2019 was 12.5%, lower than Adjusted ROIC of 13.5% at December 31, 2018. The decrease in Adjusted ROIC compared to the prior year end reflects lower EBIT earned in 2019 by the Company's South American operations and higher invested capital levels in all operations. Adjusted ROIC at March 31, 2019 improved in the Company's UK & Ireland operations compared to December 31, 2018 reflecting higher Adjusted EBIT outpacing the growth in average invested capital levels in the last twelve-month period demonstrating improved capital efficiency.

On a consolidated basis, Adjusted ROIC at March 31, 2019 was lower than Adjusted ROIC of 13.5% at March 31, 2018. The decrease in Adjusted ROIC compared to the March 31, 2018 reflects lower EBIT earned in 2019 by the Company's South American operations and higher invested capital levels in all operations. Adjusted ROIC at March 31, 2019 increased in the Company's UK & Ireland operations and the Company's Canadian operations compared to March 31, 2018 driven primarily by improved profitability.

Invested capital turnover

Consolidated invested capital turnover at March 31, 2019 was 2.06 times, down from 2.12 times at December 31, 2018. This decrease reflected lower invested capital turnover in the Company's South American operations on higher average invested capital levels with lower net revenues over the last twelve-month period. Also, the Company's Canadian operations reported higher average invested capital levels which 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, as net revenue growth outpaced growth in average invested capital levels.

Consolidated invested capital turnover at March 31, 2019 was lower than the 2.13 times at March 31, 2018 reflecting lower invested capital turnover in the Company's South American and UK & Ireland operations. This decline was partially offset by higher invested capital turnover in the Company's Canadian operations where higher net revenues in the last twelve-month period outpaced the growth in average invested capital levels demonstrating improved capital efficiency.

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 noted below. Finning's reportable segments are as follows:

- *Canada operations*: dealership territories comprising British Columbia, Alberta, Saskatchewan, Yukon, the Northwest Territories, and a portion of Nunavut, as well as mobile refuelling operations in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, New Brunswick and Nova Scotia and in Texas, US
- *South America operations*: Chile, Argentina, and Bolivia
- *UK & Ireland operations*: England, Scotland, Wales, Northern Ireland, and the Republic of Ireland
- *Other operations*: Corporate head office

The table below provides details of net revenue by lines of business and operation.

| 3 months ended March 31, 2019 (\$ millions) | Canada | South America | UK & Ireland | Consol | Net Revenue % |
|---|---------------|----------------------|-------------------------|-----------------|----------------------|
| New equipment | \$ 274 | \$ 190 | \$ 200 | \$ 664 | 39% |
| Used equipment | 48 | 11 | 22 | 81 | 5% |
| Equipment rental | 39 | 11 | 8 | 58 | 3% |
| Product support | 527 | 293 | 76 | 896 | 52% |
| Fuel and other | 19 | — | 1 | 20 | 1% |
| Total net revenue | \$ 907 | \$ 505 | \$ 307 | \$ 1,719 | 100% |
| Net revenue % by operation | 53% | 29% | 18% | 100% | |

| 3 months ended March 31, 2018 (\$ millions) | Canada | South America | UK & Ireland | Consol | Net Revenue % |
|---|---------------|----------------------|-------------------------|-----------------|----------------------|
| New equipment | \$ 268 | \$ 153 | \$ 163 | \$ 584 | 35% |
| Used equipment | 56 | 23 | 17 | 96 | 6% |
| Equipment rental | 30 | 12 | 8 | 50 | 3% |
| Product support | 498 | 363 | 75 | 936 | 56% |
| Other | — | 1 | 3 | 4 | — |
| Total net revenue | \$ 852 | \$ 552 | \$ 266 | \$ 1,670 | 100% |
| Net revenue % by operation | 51% | 33% | 16% | 100% | |

Canadian 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 operations in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, New Brunswick and Nova Scotia and in Texas, US. The Canadian operations' markets include mining (including the oil sands), construction, conventional oil and gas, forestry, and power systems.

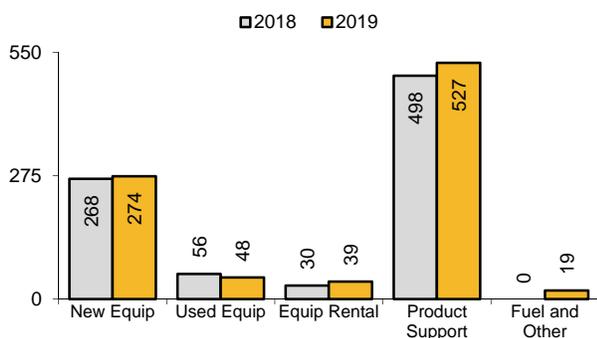
The table below provides details of the results from the Canadian operations:

| 3 months ended March 31 | | |
|---------------------------------------|--------|---------------------|
| (\$ millions) | 2019 | 2018 ⁽¹⁾ |
| Net revenue | \$ 907 | \$ 852 |
| Operating costs | (801) | (764) |
| Equity earnings of joint ventures | 4 | 5 |
| Other expenses | (17) | — |
| EBITDA | 93 | 93 |
| Depreciation and amortization | (43) | (22) |
| EBIT | \$ 50 | \$ 71 |
| EBITDA as a % of net revenue | 10.2% | 10.9% |
| EBIT as a % of net revenue | 5.5% | 8.4% |
| Adjusted EBITDA | \$ 110 | \$ 86 |
| Adjusted EBITDA as a % of net revenue | 12.1% | 10.1% |
| Adjusted EBIT | \$ 67 | \$ 64 |
| Adjusted EBIT as a % of net revenue | 7.4% | 7.5% |

⁽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.

Canadian Operations – Net Revenue by Line of Business

3 months ended March 31
(\$ millions)



First quarter 2019 net revenue of \$907 million was 7% higher than Q1 2018, reflecting higher net revenues in most lines of business, but primarily higher product support revenue as well as the contribution from 4Refuel since February 1, 2019.

Product support revenue in Q1 2019 was up 6% compared to the same prior year period, driven by strong parts volumes and demand in the mining and construction sectors.

New equipment revenue of \$274 million in Q1 2019 was 2% higher than the same period in 2018, driven by higher construction industry activity. This increase was partially offset by lower sales in the power systems and mining sectors. Strong deliveries in Q1 2019 exceeded order intake in the quarter resulting in lower backlog levels at March 31, 2019.

Equipment rental revenue increased 32% over Q1 2018 as a result of higher demand as well as new projects in the power sector.

Q1 2019 net revenue from 4Refuel since acquisition of \$19 million was included in fuel and other net revenue.

Gross profit increased compared to the first quarter of 2018, reflecting higher volumes in most lines of business. Gross profit as a percentage of net revenue increased in Q1 2019 compared to the Q1 2018 due to strong product support as well as the contribution from 4Refuel.

SG&A in the Company's Canadian operations in Q1 2018 included the \$7 million favourable impact of the final insurance proceeds received in relation to the business interruption resulting from the Alberta wildfires in 2016. Excluding these insurance proceeds, SG&A in Q1 2019 was up 12% compared to the prior year period primarily due to SG&A from 4Refuel and higher variable costs on increased volumes.

The Company's Canadian operations contributed EBITDA of \$93 million in Q1 2019, comparable to the same period in the prior year. In Q1 2019, Finning (Canada) took steps to reduce its cost structure to align with softening market activity. These steps include 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 Q1 2019. Excluding these severance and facility costs incurred in Q1 2019 and the insurance proceeds received in Q1 2018, Adjusted EBITDA in Q1 2019 was \$110 million, up 28% from Q1 2018. Q1 2019 Adjusted EBITDA was higher by \$15 million due to the Company's adoption of IFRS 16 as well as improved operating results due to strong product support and rental demand as well as two months of contribution from 4Refuel. Adjusted EBITDA as a percentage of net revenue in Q1 2019 was 12.1%, an improvement of 200 basis points over Q1 2018.

Other Developments

The collective agreement between the Company and **IAMAW Local 99**, representing approximately 1,600 hourly employees in Alberta and the Northwest Territories, expired on April 30, 2019. Negotiations on a new collective agreement are currently underway with the union. The Company is committed to the collective bargaining process and concluding a fair contract for its employees and Finning.

South American Operations

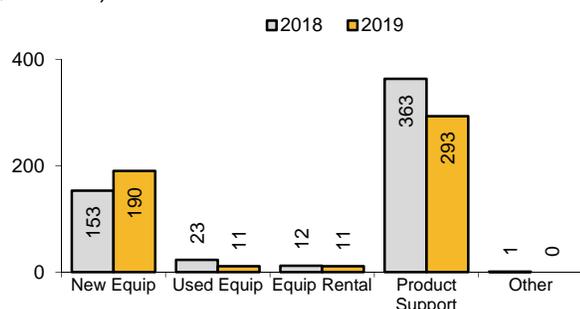
Finning's South American operations sell, service, and rent mainly Caterpillar equipment and engines in Chile, Argentina, and Bolivia. The South American operations' markets include mining, construction, forestry, and power systems.

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

| 3 months ended March 31 (\$ millions) | 2019 | | 2018 ⁽¹⁾ | |
|--|------|-------|---------------------|-------|
| Net revenue | \$ | 505 | \$ | 552 |
| Operating costs | | (471) | | (491) |
| Other expenses | | (8) | | — |
| EBITDA | \$ | 26 | \$ | 61 |
| Depreciation and amortization | | (20) | | (15) |
| EBIT | \$ | 6 | \$ | 46 |
| EBITDA as a % of net revenue | | 5.2% | | 11.1% |
| EBIT as a % of net revenue | | 1.2% | | 8.4% |
| Adjusted EBITDA | \$ | 34 | \$ | 61 |
| Adjusted EBITDA as a % of net revenue | | 6.7% | | 11.1% |
| Adjusted EBIT | \$ | 14 | \$ | 46 |
| Adjusted EBIT as a % of net revenue | | 2.7% | | 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.

South America – Net Revenue by Line of Business 3 months ended March 31 (\$ millions)



Q1 2019 net revenue decreased 9% to \$505 million compared to Q1 2018 (down 13% in functional currency), primarily due to lower product support revenue in Chile and lower net revenues in Argentina reflecting challenging market conditions, partially offset by higher new equipment revenue.

Product support revenue in Q1 2019 was down 19% (down 23% in functional currency) compared to Q1 2018, primarily driven by lower parts revenues in the mining sector in Chile following the launch of the ERP system in late 2018, which slowed the speed of processing mining parts and components. Product support revenue in Q1 2019 increased 9% (increased 8% in functional currency) compared to Q4-18 as the velocity of parts flow increased throughout Q1 2019 and was fully restored by the end of March.

New equipment revenue in Q1 2019 was up 24% (up 18% in functional currency) from the prior year quarter, reflecting higher activity in the construction and mining sectors in Chile, partially offset by lower new equipment sales in Argentina. Both order intake and deliveries were strong in the quarter and as a result, equipment backlog levels at March 31, 2019 were comparable to December 31, 2018.

The weaker CAD relative to the USD on average in the quarter compared to the same quarter last year had a favourable foreign currency translation impact on net revenue in Q1 2019 of approximately \$25 million and was not significant at the EBITDA level.

In functional currency, gross profit was 28% lower than Q1 2018, driven by the lower product support revenues discussed above. Gross profit as a percentage of net revenue decreased in Q1 2019 compared to Q1 2018, due to a revenue mix shift to higher new equipment revenue in Q1 2019 (38%) compared to Q1 2018 (28%).

Q1 2019 SG&A was down 11% in functional currency, in line with lower net revenue and due to lower operating costs from a weaker **CLP** and **ARS** relative to the USD and lower people-related costs.

The Company's South American operations contributed Adjusted EBITDA of \$34 million in Q1 2019 and Adjusted EBITDA as a percentage of net revenue of 6.7% compared to \$61 million and 11.1%, respectively, achieved in Q1 2018. The decrease in Adjusted EBITDA was mainly due to reduced product support revenues in Chile and lower revenues in Argentina. The Company is taking cost reduction measures with a focus on improving efficiencies and velocity, increasing workforce productivity, reducing the cost to serve customers, and leveraging the new ERP system. These initiatives resulted in severance costs of \$8 million recorded in other expenses in Q1 2019. Q1 2019 Adjusted EBITDA was higher by approximately \$2 million due to the Company's adoption of IFRS 16.

UK & Ireland Operations

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

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

| 3 months ended March 31 (\$ millions) | 2019 | 2018 ⁽¹⁾ |
|--|--------|---------------------|
| Net revenue | \$ 307 | \$ 266 |
| Operating costs | (285) | (249) |
| EBITDA | \$ 22 | \$ 17 |
| Depreciation and amortization | (9) | (7) |
| EBIT | \$ 13 | \$ 10 |
| EBITDA as a % of net revenue | 7.3% | 6.3% |
| EBIT as a % of net revenue | 4.4% | 3.7% |

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

First quarter 2019 net revenue of \$307 million was 16% higher than the same period in 2018 (up 18% in functional currency), up in all market sectors, primarily the power systems sector, reflecting sales order realization in Q1 2019 on strong backlog levels at December 31, 2018. New equipment revenue comprised 65% of total net revenue in the first quarter of 2019 compared to 62% in Q1 2018.

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

Q1 2019 gross profit was higher than the prior year period reflecting higher sales volumes, partially offset by lower overall gross profit as a percentage of net revenue, reflecting a revenue mix shift to new equipment sales.

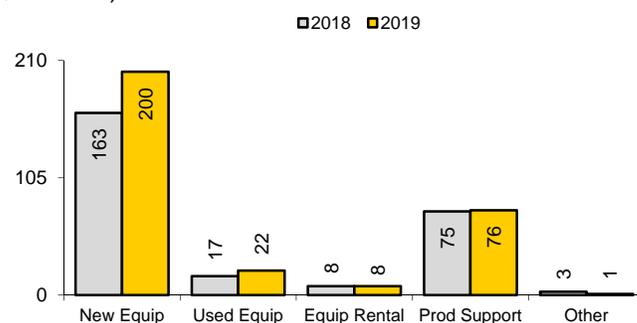
In functional currency, SG&A was up 5% in Q1 2019 on net revenue growth of 18%. SG&A as a percentage of net revenue was lower in Q1 2019 compared to Q1 2018 due to leverage of incremental net revenue on fixed costs.

For Q1 2019, the Company's UK & Ireland operations contributed EBITDA of \$22 million and EBITDA as a percentage of net revenue of 7.3%, higher than EBITDA of \$17 million and EBITDA as a percentage of net revenue of 6.3% achieved in Q1 2018. Q1 2019 EBITDA was higher by approximately \$3 million due to the Company's adoption of IFRS 16. EBITDA as a percentage of net revenue was higher in Q1 2019 due to the impact of IFRS 16 and lower SG&A relative to net revenue, partially offset by lower gross profit as a percentage of net revenue in the current year.

Other Operations

The Other operations segment includes corporate operating costs. In Q1 2018, the Other operations segment also included equity losses from the Company's 28.8% investment in **Energyst**. Losses before finance costs and income taxes of this segment were \$7 million in the first quarter of 2019, lower than the \$14 million in Q1 2018. The decrease in losses before finance and income taxes was primarily due to no equity earnings or loss in Q1 2019 from Energyst, lower corporate operating costs, and lower long-term incentive plan costs due to lower performance against targets, partially offset by acquisition costs related to 4Refuel.

UK & Ireland – Net Revenue by Line of Business 3 months ended March 31 (\$ millions)



Outlook

Canada Operations

In the oil sands, demand for equipment and product support, including component rebuilds, remains strong, despite a shortage of pipeline capacity and government imposed production restrictions. Activity levels in other mining segments continue to be steady.

In the construction industry, activity levels in Alberta have slowed compared to 2018. Large infrastructure projects, notably LNG Canada, are expected to create incremental demand for construction and power systems equipment and product support in the future.

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.

South America Operations

International trade tensions continue to pose a risk to the price of copper. Longer term, the Company remains constructive on the outlook for copper and expects increased copper production to have a positive impact on demand for mining equipment and product support. The Chilean government is business-friendly and has announced public investment in infrastructure which is expected to continue to benefit the construction sector and generate improved demand for construction equipment and product support in the medium term.

In Argentina, economic conditions remain challenging. The Argentine government has curtailed infrastructure spend, resulting in significantly reduced demand for construction equipment. Power systems markets continue to be steady. The Company expects oil and gas development at Vaca Muerta to proceed and provide meaningful upside potential for future equipment and product support demand.

Following the ERP system implementation in Q4 2018 in Chile, the Company elevated its parts inventory to support its customers through processing delays. The velocity of parts flow increased throughout Q1 2019 and was fully restored by the end of March. The Company expects a return to normal product support revenue run rates in Chile in Q2 2019 and reduction in inventory in the second half of the year. The South American operations are focused on leveraging the new ERP system to improve efficiencies and velocity, increase workforce productivity, and reduce the cost to serve. The Company expects South America's EBIT as a percentage of net revenue to be in the 8.5% to 9.0% range in the second half of the year.

UK & Ireland Operations

In the UK & Ireland, the Company is capitalizing on strong demand for power systems products in the industrial and electric power sectors. Activity levels in the quarry, general construction, and plant hire sectors are generating healthy demand for construction equipment and product support. The UK government's commitment to invest in large-scale rail, power, road, and airport infrastructure projects is expected to provide future opportunities for construction equipment sales and product support.

Uncertainty continues around Brexit and the impact of any resulting changes in the trade relationship with the European Union. 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.

Improving ROIC

In 2019, the Company expects low revenue growth and improved Adjusted ROIC performance in all regions.

Various initiatives to reduce the cost to serve and advance operating improvements are expected to generate earnings torque. The Company took certain measures in Q1 2019 to restructure its Canadian and South American operations. By the end of 2019, the Company expects its global workforce to be 5% lower than at the end of 2018. In addition, global supply chain initiatives and disciplined inventory management are expected to increase capital efficiencies and support positive annual free cash flow.

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 the following items:

- operating activities, including the level of accounts receivable, inventories, accounts payable, rental equipment, and financing provided to customers;
- investing activities, including property, plant, and equipment and intangible asset expenditures, acquisitions of complementary businesses, and divestitures of non-core businesses; and
- financing activities, including bank credit facilities, long-term debt, and other capital market activities, providing both short-term and long-term financing.

The magnitude of each of these items is shown in the following table:

| 3 months ended March 31 | (Decrease) | | |
|---------------------------------------|-------------------|----------------------------|-------------------------|
| (\$ millions) | 2019 | 2018 ⁽¹⁾ | Increase in cash |
| Cash used in operating activities | \$ (324) | \$ (242) | \$ (82) |
| Cash used in investing activities | \$ (252) | \$ (21) | \$ (231) |
| Cash provided by financing activities | \$ 418 | \$ 117 | \$ 301 |
| Free Cash Flow | \$ (347) | \$ (263) | \$ (84) |

⁽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 Q1 2019 over Q1 2018 were as follows:

| | |
|-----------------------------------|---|
| Cash used in operating activities | <ul style="list-style-type: none"> • lower earnings in Q1 2019 than Q1 2018 from the Company's South American operations • higher use of cash for parts inventory purchases in the Company's South American operations and higher levels of service inventory in the Company's Canadian and South American operations • higher income taxes paid, particularly in the Company's Canadian operations • partly offset by higher accounts payable and other liabilities in the Company's South American operations, as well as, approximately \$20 million lower cash outflow related to lease payments presented as financing cash outflows following the adoption of IFRS 16 |
| Cash used in investing activities | <ul style="list-style-type: none"> • higher use of cash for the acquisition of 4Refuel |
| Cash used in financing activities | <ul style="list-style-type: none"> • approximately \$350 million higher cash provided by short-term borrowings • partly offset by \$31 million used to repurchase common shares in Q1 2019 (\$nil in the same prior year period) and approximately \$20 million higher use of cash related to lease payments presented as financing cash outflows in 2019 (operating cash outflow in Q1 2018) |
| Free Cash Flow generation | <ul style="list-style-type: none"> • higher use of cash largely due to higher purchases of inventory in 2019 • lower earnings from the Company's South American operations • partly offset by lower use of free cash flow due to the change in presentation of lease payments following the adoption of IFRS 16 |

Capital resources and management

The Company's cash and cash equivalents balance at March 31, 2019 was \$290 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 \$652 million was available at March 31, 2019.

Based on the availability of these facilities, the Company's business operating plans, and the discretionary nature of some of the 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 March 31, 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 | |
|------|-----------------|-----------------|-----------------|-----------------|
| | Mar 31, 2019 | Dec 31, 2018 | Mar 31, 2019 | Dec 31, 2018 |
| DBRS | BBB (high) | BBB (high) | R-2 (high) | R-2 (high) |
| S&P | BBB+ | BBB+ | <i>n/a</i> | n/a |

During the first quarter of 2019, the Company repurchased 1,073,354 common shares for cancellation at an average cost of \$24.75 per share (totalling \$27 million) through an **NCIB** ^(b). No common shares were repurchased in Q1 2018.

The Company is renewing its NCIB for a further year effective May 11, 2019. See the Company's Q1 2019 earnings release announcing the share repurchase plan for a summary of material terms, which is filed on SEDAR at www.sedar.com and on the Company's website.

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.

| March 31 | Company long-term target | 2019 | 2018 ⁽¹⁾ |
|-----------------------------------|-----------------------------|------|---------------------|
| Net debt to Adjusted EBITDA Ratio | < 3.0 | 2.6 | 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) 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.

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 is dedicated to 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 | March 31 | | | December 31 | | 3 months ended March 31 – average | | |
|---------------|---------------|--------|--------|-------------|--------|--------------------------------------|--------|--------|
| | 2019 | 2018 | Change | 2018 | Change | 2019 | 2018 | Change |
| USD/CAD | 1.3363 | 1.2894 | (4)% | 1.3642 | 2 % | 1.3295 | 1.2647 | (5)% |
| GBP/CAD | 1.7418 | 1.8106 | 4 % | 1.7439 | 0 % | 1.7316 | 1.7601 | 2 % |
| USD/CLP | 681.09 | 605.26 | (13)% | 695.69 | 2 % | 667.25 | 602.16 | (11)% |
| USD/ARS | 43.35 | 20.15 | (115)% | 37.70 | (15)% | 38.95 | 19.68 | (98)% |

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 that 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 March 31, 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 controls 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 10 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 May 2, 2019

| | |
|---------------------------|-------------|
| Common shares outstanding | 163,309,949 |
| Options outstanding | 3,054,416 |

Description of Non-GAAP Financial Measures and Reconciliations

Management believes that certain non-GAAP financial measures provide 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. 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. 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.

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 24 - 31 of this MD&A.

Adjusted net income and Adjusted basic EPS

Adjusted net income excludes from net income (as disclosed in the Company's Interim Financial Statements) 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 5 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.

Management may also calculate an Adjusted EBIT and Adjusted EBITDA to 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⁾ | | | |
|--|--------|---------------------|--------|--------|--------|-----------------------------------|--------|--------|--------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| EBIT | \$ 62 | \$ 91 | \$ 93 | \$ 126 | \$ 113 | \$ 109 | \$ 100 | \$ 97 | \$ 86 |
| Depreciation and amortization | 72 | 49 | 49 | 45 | 44 | 45 | 46 | 48 | 45 |
| EBITDA | \$ 134 | \$ 140 | \$ 142 | \$ 171 | \$ 157 | \$ 154 | \$ 146 | \$ 145 | \$ 131 |
| EBITDA – last 12 months | \$ 587 | \$ 610 | \$ 624 | \$ 628 | \$ 602 | \$ 576 | \$ 487 | \$ 460 | \$ 392 |
| EBIT | \$ 62 | \$ 91 | \$ 93 | \$ 126 | \$ 113 | \$ 109 | \$ 100 | \$ 97 | \$ 86 |
| 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 | \$ 91 | \$ 91 | \$ 123 | \$ 126 | \$ 106 | \$ 110 | \$ 100 | \$ 97 | \$ 86 |
| Depreciation and amortization | 72 | 49 | 49 | 45 | 44 | 45 | 46 | 48 | 45 |
| Adjusted EBITDA | \$ 163 | \$ 140 | \$ 172 | \$ 171 | \$ 150 | \$ 155 | \$ 146 | \$ 145 | \$ 131 |
| Adjusted EBIT – last 12 months | \$ 431 | \$ 446 | \$ 465 | \$ 442 | \$ 413 | \$ 393 | \$ 353 | \$ 326 | \$ 292 |
| Adjusted EBITDA – last 12 months | \$ 646 | \$ 633 | \$ 648 | \$ 622 | \$ 596 | \$ 577 | \$ 539 | \$ 512 | \$ 478 |

(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⁾ | | | |
|--|--------|---------------------|--------|--------|--------|-----------------------------------|--------|--------|--------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| EBIT | \$ 50 | \$ 71 | \$ 78 | \$ 77 | \$ 71 | \$ 67 | \$ 57 | \$ 55 | \$ 46 |
| Significant items: | | | | | | | | | |
| Severance costs | 10 | — | — | — | — | 3 | — | — | — |
| Facility closure related restructuring costs and impairment losses | 7 | — | — | — | — | — | — | — | — |
| Insurance proceeds from Alberta wildfires | — | — | — | — | (7) | (4) | — | — | — |
| Adjusted EBIT | \$ 67 | \$ 71 | \$ 78 | \$ 77 | \$ 64 | \$ 66 | \$ 57 | \$ 55 | \$ 46 |
| Depreciation and amortization | 43 | 26 | 26 | 22 | 22 | 24 | 25 | 26 | 24 |
| Adjusted EBITDA | \$ 110 | \$ 97 | \$ 104 | \$ 99 | \$ 86 | \$ 90 | \$ 82 | \$ 81 | \$ 70 |
| Adjusted EBIT – last 12 months | \$ 293 | \$ 290 | \$ 285 | \$ 264 | \$ 242 | \$ 224 | \$ 202 | \$ 182 | \$ 167 |

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⁾ | | | |
|---------------------------------|--------|---------------------|--------|--------|--------|-----------------------------------|--------|--------|--------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| EBIT | \$ 6 | \$ 12 | \$ 37 | \$ 47 | \$ 46 | \$ 50 | \$ 48 | \$ 42 | \$ 44 |
| Significant items: | | | | | | | | | |
| Severance costs | 8 | — | — | — | — | 2 | — | — | — |
| Adjusted EBIT | \$ 14 | \$ 12 | \$ 37 | \$ 47 | \$ 46 | \$ 52 | \$ 48 | \$ 42 | \$ 44 |
| Depreciation and amortization | 20 | 17 | 15 | 15 | 15 | 15 | 13 | 15 | 15 |
| Adjusted EBITDA | \$ 34 | \$ 29 | \$ 52 | \$ 62 | \$ 61 | \$ 67 | \$ 61 | \$ 57 | \$ 59 |
| Adjusted EBIT – last 12 months | \$ 110 | \$ 142 | \$ 182 | \$ 193 | \$ 188 | \$ 186 | \$ 171 | \$ 163 | \$ 160 |

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

⁽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.

Adjusted EBIT as a percentage of net revenue, EBITDA as a percentage of net revenue, and Adjusted EBITDA as a percentage of net revenue

These measures are defined, respectively, as Adjusted EBIT divided by total net revenue, EBITDA divided by total net revenue, and Adjusted EBITDA divided by net revenue, using net revenue as calculated on page 29 for the Company's Consolidated operations and as disclosed in the Company's Interim Financial Statements for the Company's Canadian, South American, and UK & Ireland operations. Management uses these measures to assess and evaluate the financial performance or profitability of its reportable segments.

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 (used in) operating activities less net additions to property, plant, and equipment and intangible assets, as disclosed in the Company's Interim Financial Statements. Free Cash Flow is a measure used by the Company 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⁾ | | | |
|---|----------|---------------------|---------|---------|----------|---------------------|--------|----------|---------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| Cash flow (used in) provided by operating activities | \$ (324) | \$ 490 | \$ (6) | \$ 18 | \$ (242) | \$ 398 | \$ 55 | \$ (112) | \$ (58) |
| Additions to property, plant, and equipment and intangible assets | (23) | (77) | (46) | (46) | (32) | (49) | (33) | (20) | (19) |
| Proceeds on disposal of property, plant, and equipment | - | 5 | 3 | — | 11 | 1 | — | 1 | 1 |
| Free Cash Flow | \$ (347) | \$ 418 | \$ (49) | \$ (28) | \$ (263) | \$ 350 | \$ 22 | \$ (131) | \$ (76) |

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⁾ | | | |
|---|----------|---------------------|----------|----------|----------|-----------------------------------|----------|----------|----------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| Cost of sales – annualized | \$ 5,618 | \$ 5,470 | \$ 5,139 | \$ 4,987 | \$ 5,056 | \$ 4,862 | \$ 4,590 | \$ 4,342 | \$ 4,240 |
| Cost of sales related to mobile refueling operations – annualized | 198 | — | — | — | — | — | — | — | — |
| Cost of sales related to the dealership – annualized | \$ 5,420 | \$ 5,470 | \$ 5,139 | \$ 4,987 | \$ 5,056 | \$ 4,862 | \$ 4,590 | \$ 4,342 | \$ 4,240 |
| Inventory – 2 quarter average | \$ 2,209 | \$ 2,039 | \$ 1,992 | \$ 1,937 | \$ 1,807 | \$ 1,726 | \$ 1,767 | \$ 1,720 | \$ 1,624 |
| Fuel inventory – 2 quarter average | 1 | — | — | — | — | — | — | — | — |
| Inventory related to the dealership – 2 quarter average | \$ 2,208 | \$ 2,039 | \$ 1,992 | \$ 1,937 | \$ 1,807 | \$ 1,726 | \$ 1,767 | \$ 1,720 | \$ 1,624 |
| Inventory turns (dealership) (number of times) | 2.46 | 2.68 | 2.58 | 2.57 | 2.80 | 2.82 | 2.60 | 2.52 | 2.61 |

⁽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. Management uses invested capital as a measure of the total cash investment made in the Company and each reportable segment. Management uses invested capital in a number of different measurements in assessing financial performance against other companies and between reportable segments. The calculation of invested capital is as follows:

| (\$ millions, except as noted) | 2019 | | 2018 ⁽¹⁾ | | | | 2017 (Restated) ⁽¹⁾⁽²⁾ | | | |
|-----------------------------------|----------|----------|---------------------|----------|----------|----------|-----------------------------------|----------|----------|--|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | |
| Cash and cash equivalents | \$ (290) | \$ (454) | \$ (221) | \$ (300) | \$ (325) | \$ (458) | \$ (516) | \$ (411) | \$ (489) | |
| Short-term debt | 658 | 154 | 223 | 213 | 169 | 18 | 32 | 102 | 16 | |
| Current portion of long-term debt | — | — | — | — | — | — | 350 | 350 | — | |
| Long-term debt | 1,341 | 1,354 | 1,315 | 1,330 | 1,322 | 1,296 | 1,291 | 1,116 | 1,481 | |
| Net debt | 1,709 | 1,054 | 1,317 | 1,243 | 1,166 | 856 | 1,157 | 1,157 | 1,008 | |
| Shareholders' equity | 2,044 | 2,109 | 2,114 | 2,119 | 2,060 | 1,974 | 1,938 | 1,951 | 1,932 | |
| Invested capital | \$ 3,753 | \$ 3,163 | \$ 3,431 | \$ 3,362 | \$ 3,226 | \$ 2,830 | \$ 3,095 | \$ 3,108 | \$ 2,940 | |

⁽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 29) for the last twelve months divided by invested capital (defined on page 27) based on an average of the last four quarters, as follows:

| (\$ millions, except as noted) | 2019 | 2018 ⁽¹⁾ | | | | 2017 (Restated) ⁽¹⁾⁽²⁾ | | | |
|---|----------|---------------------|----------|----------|----------|-----------------------------------|----------|----------|----------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| Consolidated | | | | | | | | | |
| Net revenue – last 12 months | \$ 7,045 | \$ 6,996 | \$ 6,887 | \$ 6,670 | \$ 6,525 | \$ 6,256 | \$ 6,014 | \$ 5,809 | \$ 5,535 |
| Invested capital – 4 quarter average | \$ 3,427 | \$ 3,295 | \$ 3,212 | \$ 3,128 | \$ 3,065 | \$ 2,993 | \$ 2,989 | \$ 2,944 | \$ 2,927 |
| Invested capital turnover (number of times) | 2.06 | 2.12 | 2.14 | 2.13 | 2.13 | 2.09 | 2.01 | 1.97 | 1.89 |
| Canada | | | | | | | | | |
| Net revenue – last 12 months | \$ 3,729 | \$ 3,674 | \$ 3,525 | \$ 3,351 | \$ 3,234 | \$ 3,072 | \$ 2,932 | \$ 2,815 | \$ 2,659 |
| Invested capital – 4 quarter average | \$ 1,888 | \$ 1,795 | \$ 1,782 | \$ 1,746 | \$ 1,727 | \$ 1,690 | \$ 1,684 | \$ 1,660 | \$ 1,643 |
| Invested capital turnover (number of times) | 1.98 | 2.05 | 1.98 | 1.92 | 1.87 | 1.82 | 1.74 | 1.70 | 1.62 |
| South America | | | | | | | | | |
| Net revenue – last 12 months | \$ 2,123 | \$ 2,170 | \$ 2,250 | \$ 2,241 | \$ 2,206 | \$ 2,157 | \$ 2,103 | \$ 2,015 | \$ 1,930 |
| Invested capital – 4 quarter average | \$ 1,195 | \$ 1,169 | \$ 1,117 | \$ 1,091 | \$ 1,060 | \$ 1,032 | \$ 1,036 | \$ 1,024 | \$ 1,031 |
| Invested capital turnover (number of times) | 1.78 | 1.86 | 2.01 | 2.05 | 2.08 | 2.09 | 2.03 | 1.97 | 1.87 |
| UK & Ireland | | | | | | | | | |
| Net revenue – last 12 months | \$ 1,193 | \$ 1,152 | \$ 1,112 | \$ 1,078 | \$ 1,085 | \$ 1,027 | \$ 979 | \$ 979 | \$ 946 |
| Invested capital – 4 quarter average | \$ 368 | \$ 358 | \$ 337 | \$ 314 | \$ 298 | \$ 288 | \$ 282 | \$ 267 | \$ 256 |
| Invested capital turnover (number of times) | 3.25 | 3.22 | 3.30 | 3.44 | 3.65 | 3.56 | 3.47 | 3.66 | 3.69 |

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

These ratios are calculated, respectively, as net debt, defined and calculated above, 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⁾ | | | |
|-----------------------------------|----------|---------------------|----------|----------|----------|-----------------------------------|----------|----------|----------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| Net debt | \$ 1,709 | \$ 1,054 | \$ 1,317 | \$ 1,243 | \$ 1,166 | \$ 856 | \$ 1,157 | \$ 1,157 | \$ 1,008 |
| EBITDA – last 12 months | \$ 587 | \$ 610 | \$ 624 | \$ 628 | \$ 602 | \$ 576 | \$ 487 | \$ 460 | \$ 392 |
| Adjusted EBITDA – last 12 months | \$ 646 | \$ 633 | \$ 648 | \$ 622 | \$ 596 | \$ 577 | \$ 539 | \$ 512 | \$ 478 |
| Net Debt to EBITDA Ratio | 2.9 | 1.7 | 2.1 | 2.0 | 1.9 | 1.5 | 2.4 | 2.5 | 2.6 |
| Net Debt to Adjusted EBITDA Ratio | 2.6 | 1.7 | 2.0 | 2.0 | 2.0 | 1.5 | 2.1 | 2.3 | 2.1 |

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

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

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

Net revenue is defined as total revenue (as disclosed in the Company's Interim Financial Statements) 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 in this MD&A, net revenue is the same as total revenue. For 2019 results of the Company's South American and UK & Ireland operations net revenue is the same as total revenue.

The Company's results and non-GAAP financial measures, including KPIs and ratios, which prior to Q1 2019 were calculated using total revenue or sales are calculated from Q1 2019 and going forward using net revenue.

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⁾ | | | |
|--|--------------|---------------------|----------|----------|----------|-----------------------------------|----------|----------|----------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| Total revenue | \$ 1,810 | \$ 1,842 | \$ 1,755 | \$ 1,729 | \$ 1,670 | \$ 1,733 | \$ 1,538 | \$ 1,584 | \$ 1,401 |
| Cost of fuel | (91) | — | — | — | — | — | — | — | — |
| Net revenue | \$ 1,719 | \$ 1,842 | \$ 1,755 | \$ 1,729 | \$ 1,670 | \$ 1,733 | \$ 1,538 | \$ 1,584 | \$ 1,401 |
| Gross profit | \$ 430 | \$ 413 | \$ 449 | \$ 466 | \$ 440 | \$ 434 | \$ 405 | \$ 422 | \$ 393 |
| <i>Gross profit as a % of net revenue</i> | 25.0% | 22.4% | 25.6% | 26.9% | 26.3% | 25.1% | 26.4% | 26.6% | 28.0% |
| SG&A | \$ 343 | \$ 324 | \$ 330 | \$ 345 | \$ 328 | \$ 326 | \$ 307 | \$ 331 | \$ 307 |
| <i>SG&A as a % of net revenue</i> | 20.0% | 17.6% | 18.9% | 19.9% | 19.6% | 18.8% | 20.0% | 20.9% | 21.9% |
| EBITDA | \$ 134 | \$ 140 | \$ 142 | \$ 171 | \$ 157 | \$ 154 | \$ 146 | \$ 145 | \$ 131 |
| <i>EBITDA as a % of net revenue</i> | 7.8% | 7.6% | 8.1% | 9.9% | 9.4% | 8.9% | 9.5% | 9.1% | 9.3% |
| Adjusted EBITDA | \$ 163 | \$ 140 | \$ 172 | \$ 171 | \$ 150 | \$ 155 | \$ 146 | \$ 145 | \$ 131 |
| <i>Adjusted EBITDA as a % of net revenue</i> | 9.4% | 7.6% | 9.7% | 9.9% | 9.0% | 9.0% | 9.5% | 9.1% | 9.3% |
| EBIT | \$ 62 | \$ 91 | \$ 93 | \$ 126 | \$ 113 | \$ 109 | \$ 100 | \$ 97 | \$ 86 |
| <i>EBIT as a % of net revenue</i> | 3.6% | 4.9% | 5.3% | 7.3% | 6.8% | 6.3% | 6.5% | 6.1% | 6.1% |
| Adjusted EBIT | \$ 91 | \$ 91 | \$ 123 | \$ 126 | \$ 106 | \$ 110 | \$ 100 | \$ 97 | \$ 86 |
| <i>Adjusted EBIT as a % of net revenue</i> | 5.3% | 4.9% | 7.0% | 7.3% | 6.4% | 6.4% | 6.5% | 6.1% | 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 above), based on an average of the last four quarters, expressed as a percentage.

Management views ROIC (at a consolidated and reportable segment level), 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 an 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⁾ | | | |
|--------------------------------------|----------|---------------------|----------|----------|----------|-----------------------------------|----------|----------|----------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| Consolidated | | | | | | | | | |
| EBIT – last 12 months | \$ 372 | \$ 423 | \$ 441 | \$ 448 | \$ 419 | \$ 392 | \$ 301 | \$ 274 | \$ 206 |
| Adjusted EBIT – last 12 months | \$ 431 | \$ 446 | \$ 465 | \$ 442 | \$ 413 | \$ 393 | \$ 353 | \$ 326 | \$ 292 |
| Invested capital – 4 quarter average | \$ 3,427 | \$ 3,295 | \$ 3,212 | \$ 3,128 | \$ 3,065 | \$ 2,993 | \$ 2,989 | \$ 2,944 | \$ 2,927 |
| ROIC | 10.8% | 12.8% | 13.7% | 14.3% | 13.7% | 13.1% | 10.1% | 9.3% | 7.1% |
| Adjusted ROIC | 12.5% | 13.5% | 14.5% | 14.2% | 13.5% | 13.1% | 11.8% | 11.1% | 10.0% |
| Canada | | | | | | | | | |
| EBIT – last 12 months | \$ 276 | \$ 297 | \$ 293 | \$ 272 | \$ 250 | \$ 225 | \$ 155 | \$ 135 | \$ 108 |
| Adjusted EBIT – last 12 months | \$ 293 | \$ 290 | \$ 285 | \$ 264 | \$ 242 | \$ 224 | \$ 202 | \$ 182 | \$ 167 |
| Invested capital – 4 quarter average | \$ 1,888 | \$ 1,795 | \$ 1,782 | \$ 1,746 | \$ 1,727 | \$ 1,690 | \$ 1,684 | \$ 1,660 | \$ 1,643 |
| ROIC | 14.6% | 16.6% | 16.4% | 15.5% | 14.5% | 13.3% | 9.2% | 8.1% | 6.6% |
| Adjusted ROIC | 15.5% | 16.2% | 16.0% | 15.1% | 14.0% | 13.2% | 12.0% | 11.0% | 10.2% |
| South America | | | | | | | | | |
| EBIT – last 12 months | \$ 102 | \$ 142 | \$ 180 | \$ 191 | \$ 186 | \$ 184 | \$ 161 | \$ 153 | \$ 149 |
| Adjusted EBIT – last 12 months | \$ 110 | \$ 142 | \$ 182 | \$ 193 | \$ 188 | \$ 186 | \$ 171 | \$ 163 | \$ 160 |
| Invested capital – 4 quarter average | \$ 1,195 | \$ 1,169 | \$ 1,117 | \$ 1,091 | \$ 1,060 | \$ 1,032 | \$ 1,036 | \$ 1,024 | \$ 1,031 |
| ROIC | 8.6% | 12.2% | 16.2% | 17.5% | 17.6% | 17.8% | 15.5% | 14.9% | 14.5% |
| Adjusted ROIC | 9.2% | 12.2% | 16.4% | 17.7% | 17.8% | 18.1% | 16.5% | 16.0% | 15.6% |
| UK & Ireland | | | | | | | | | |
| EBIT – last 12 months | \$ 54 | \$ 51 | \$ 47 | \$ 41 | \$ 40 | \$ 37 | \$ 37 | \$ 38 | \$ (1) |
| Adjusted EBIT – last 12 months | \$ 54 | \$ 51 | \$ 47 | \$ 41 | \$ 40 | \$ 37 | \$ 37 | \$ 38 | \$ 20 |
| Invested capital – 4 quarter average | \$ 368 | \$ 358 | \$ 337 | \$ 314 | \$ 298 | \$ 288 | \$ 282 | \$ 267 | \$ 256 |
| ROIC | 14.8% | 14.2% | 14.0% | 13.2% | 13.4% | 12.8% | 12.9% | 13.9% | (0.5)% |
| Adjusted ROIC | 14.8% | 14.2% | 14.0% | 13.2% | 13.4% | 12.8% | 12.9% | 13.9% | 7.7% |

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

⁽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. This is a useful KPI for management in assessing 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⁾ | | | |
|--|----------|---------------------|----------|----------|----------|-----------------------------------|----------|----------|----------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| Total current assets | \$ 4,187 | \$ 3,924 | \$ 3,696 | \$ 3,763 | \$ 3,687 | \$ 3,531 | \$ 3,566 | \$ 3,493 | \$ 3,389 |
| Cash and cash equivalents | (290) | (454) | (221) | (300) | (325) | (458) | (516) | (411) | (489) |
| Total current assets ⁽³⁾ | \$ 3,897 | \$ 3,470 | \$ 3,475 | \$ 3,463 | \$ 3,362 | \$ 3,073 | \$ 3,050 | \$ 3,082 | \$ 2,900 |
| Total current liabilities | \$ 2,574 | \$ 1,992 | \$ 1,734 | \$ 1,742 | \$ 1,626 | \$ 1,545 | \$ 1,648 | \$ 1,703 | \$ 1,232 |
| Short-term debt | (658) | (154) | (223) | (213) | (169) | (18) | (32) | (102) | (16) |
| Current portion of long-term debt | — | — | — | — | — | — | (350) | (350) | — |
| Total current liabilities ⁽⁴⁾ | \$ 1,916 | \$ 1,838 | \$ 1,511 | \$ 1,529 | \$ 1,457 | \$ 1,527 | \$ 1,266 | \$ 1,251 | \$ 1,216 |
| Working capital | \$ 1,981 | \$ 1,632 | \$ 1,964 | \$ 1,934 | \$ 1,905 | \$ 1,546 | \$ 1,784 | \$ 1,831 | \$ 1,684 |
| Working capital – 4 quarter average | \$ 1,878 | \$ 1,859 | \$ 1,837 | \$ 1,793 | \$ 1,767 | \$ 1,712 | \$ 1,717 | \$ 1,690 | \$ 1,687 |
| Net revenue – last 12 months | \$ 7,045 | \$ 6,996 | \$ 6,887 | \$ 6,670 | \$ 6,525 | \$ 6,256 | \$ 6,014 | \$ 5,809 | \$ 5,535 |
| Working capital to net revenue | 26.7% | 26.6% | 26.7% | 26.9% | 27.1% | 27.4% | 28.6% | 29.1% | 30.5% |

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

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

(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⁾ | | |
|--|----------|----------|---------------------|----------|----------|----------|-----------------------------------|----------|--|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | |
| Revenue from operations ⁽³⁾ | | | | | | | | | |
| Canada | \$ 998 | \$ 1,005 | \$ 910 | \$ 907 | \$ 852 | \$ 856 | \$ 736 | \$ 790 | |
| South America | 505 | 509 | 558 | 551 | 552 | 589 | 549 | 516 | |
| UK & Ireland | 307 | 328 | 287 | 271 | 266 | 288 | 253 | 278 | |
| Total revenue | \$ 1,810 | \$ 1,842 | \$ 1,755 | \$ 1,729 | \$ 1,670 | \$ 1,733 | \$ 1,538 | \$ 1,584 | |
| Net income ⁽³⁾⁽⁴⁾ | \$ 28 | \$ 55 | \$ 25 | \$ 81 | \$ 71 | \$ 64 | \$ 50 | \$ 55 | |
| Earnings Per Share ⁽³⁾⁽⁴⁾ | | | | | | | | | |
| Basic EPS | \$ 0.17 | \$ 0.33 | \$ 0.15 | \$ 0.48 | \$ 0.42 | \$ 0.38 | \$ 0.29 | \$ 0.33 | |
| Diluted EPS | \$ 0.17 | \$ 0.33 | \$ 0.15 | \$ 0.48 | \$ 0.42 | \$ 0.38 | \$ 0.29 | \$ 0.33 | |
| Total assets ⁽³⁾ | \$ 6,459 | \$ 5,696 | \$ 5,413 | \$ 5,457 | \$ 5,254 | \$ 5,069 | \$ 5,111 | \$ 5,002 | |
| Long-term debt | | | | | | | | | |
| Current | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 350 | \$ 350 | |
| Non-current | 1,341 | 1,354 | 1,315 | 1,330 | 1,322 | 1,296 | 1,291 | 1,116 | |
| Total long-term debt ⁽⁵⁾ | \$ 1,341 | \$ 1,354 | \$ 1,315 | \$ 1,330 | \$ 1,322 | \$ 1,296 | \$ 1,641 | \$ 1,466 | |
| Cash dividends paid per common share | 20.00¢ | 20.00¢ | 20.00¢ | 20.00¢ | 19.00¢ | 19.00¢ | 19.00¢ | 18.25¢ | |
| Common shares outstanding (000's) | 163,310 | 164,382 | 168,191 | 168,184 | 168,401 | 168,267 | 168,118 | 168,097 | |
| Options outstanding (000's) | 3,055 | 3,164 | 3,226 | 3,241 | 3,301 | 3,864 | 4,574 | 4,755 | |

- (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 | | 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 adjustments in Q4 2018, Q2 2018, and Q2 2017.

- (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; 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 collective agreement negotiations; in South America, the impact of trade tensions on the price of copper, the outlook for copper and copper production, expected return to a normal product support revenue run rate in Chile in Q2 2019 and reduction in inventory in the second half of the year, expected South America's EBIT as a percentage of net revenue to be in the 8.5% to 9.0% range in the second half 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 regarding the Argentina government's level of public investment in infrastructure 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 for power systems in the industrial and electric power segments, future opportunities for construction equipment sales and product support in the quarry, general construction, and plant hire sectors; the Company's risk mitigation strategy with respect to Brexit; expected impact of and volatility in foreign exchange markets; expected revenue and free cash flow; expected profitability levels; expected annual effective tax rate; expected 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, expectations that by the end of 2019 the global workforce will be 5% lower than at the end of 2018; 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 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 |
| 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 |
| unfav | Unfavourable |
| USD | US dollar |