

Finning Reports Q2 2015 Results

Vancouver, B.C. – Finning International Inc. (TSX: FTT) reported second quarter 2015 results today (all monetary amounts are in Canadian dollars unless otherwise stated).

Q2 2015 HIGHLIGHTS

- Basic EPS⁽¹⁾ was \$0.36. Severance costs were \$0.03 per share, and a one-time negative impact of an increase in the provincial tax rate in Alberta was \$0.01 per share.
- The Company generated \$69 million in free cash flow⁽²⁾ with significant contribution from Canada.
- The Company repurchased close to one million of its shares in Q2 at an average price of \$23.85 per share.
- EBIT⁽¹⁾⁽²⁾ margin in South America remained strong at 9.5% (10.1% excluding severance costs).
- Canada's EBIT margin was 6.2% (6.5% excluding severance costs). Canada's SG&A⁽¹⁾ was 13% lower than Q2 2014, driven by cost reductions and operational improvements.
- Effective July 1, 2015, the Company completed the previously announced acquisition of the operating assets of the Caterpillar dealership in Saskatchewan, and has successfully transitioned the business into Finning Canada operations.

"We remain focused on operating with discipline and managing through tough market conditions in Canada and South America. Company-wide cost reductions, including rationalization of our workforce and facilities network, enabled us to achieve sequential improvement in operating margins across all our regions. Going forward, we will continue to drive cost discipline and sustainable operating improvements to position Finning for long-term value creation when markets recover. For 2015, we continue to expect strong free cash flow driven by continued reductions in equipment inventory and tight controls over spending. Our healthy balance sheet and strong free cash flows have allowed us to fund the Saskatchewan acquisition and to begin repurchasing our shares. We consider share buybacks to be an effective use of excess cash when our shares are trading at a significant discount, and expect to continue repurchasing shares in step with free cash flow delivery," said Scott Thomson, president and chief executive officer of Finning International.

"I am pleased to welcome our new Saskatchewan employees to Finning. The transition of the Saskatchewan dealership to our Canadian operations has been successful due to a great team effort," concluded Mr. Thomson.

Q2 2015 FINANCIAL SUMMARY

\$ millions, except per share amounts	Three months ended Jun 30		
	2015	2014	% change
Revenue	1,656	1,768	(6)
EBIT	106	137	(23)
<i>EBIT margin</i>	6.4%	7.8%	
Net income	61	86	(29)
Basic EPS	0.36	0.50	(28)
EBITDA ⁽¹⁾⁽²⁾	157	190	(17)
Free cash flow	69	123	(44)

- Revenues of \$1.7 billion decreased by 6% from Q2 2014, driven by lower activity levels in Canada and South America. New equipment sales were down 18% reflecting lower demand from mining in South America and reduced

construction and mining activity in Canada. Consolidated product support revenue was up slightly from Q2 2014, but down modestly in functional currencies.

- Gross profit margin⁽²⁾ of 29.1% was slightly below 29.6% in Q2 2014 due to lower gross profit margins in most lines of business, reflecting customers' focus on reducing operating costs and increased competitive pressures, primarily in Canada. This decrease was partly offset by a favourable revenue mix shift to product support.
- SG&A was down 3% to \$377 million as the Company continued to drive cost discipline and operational improvements across the entire organization to achieve sustainable SG&A reductions. Global severance costs totaled approximately \$6 million in Q2 2015, consistent with severance costs incurred in Q2 2014.
- EBIT declined by 23% to \$106 million, and EBIT margin of 6.4% was below 7.8% in Q2 2014, driven mainly by lower gross profit margin in Canada. Excluding severance costs, Q2 2015 EBIT margin was 6.7%. Compared to Q1 2015, EBIT margin improved in all operations, most notably in Canada.
- Basic EPS of \$0.36 was below \$0.50 in Q2 2014. Severance costs reduced Q2 2015 EPS by approximately \$0.03 per share. The effective tax rate of 27.2% was above 24.1% in Q2 2014, mostly due to the one-time negative impact of an increase in the provincial tax rate in Alberta on the revaluation of deferred tax balances, which reduced Q2 2015 EPS by \$0.01 per share.
- Quarterly free cash flow was \$69 million compared to \$123 million in Q2 2014, reflecting lower operating results, primarily in Canada, and greater cash generation in South American in Q2 2014 driven by higher inventory reduction. Net debt to invested capital was 35.4% at the end of Q2 2015 compared to 40.9% at Q2 2014.
- The Company repurchased close to one million of its shares during Q2 at an average price of \$23.85 per share.

	Q2 2015	Q1 2015	Q2 2014
Invested capital (\$ millions)	3,536	3,541	3,334
Invested capital turnover ⁽²⁾ (times)	1.97	2.03	2.12
Return on invested capital⁽²⁾ (%)			
Consolidated	12.9	14.1	16.0
Canada	13.9	15.3	16.6
South America	13.6	14.4	17.4
UK & Ireland	13.2	14.7	15.9

- Consolidated invested capital was comparable to Q1 2015 as the reduction in accounts receivable and inventories was partly offset by lower accounts payable, mostly in Canada. Invested capital turnover declined to 1.97 times from 2.03 times in Q1 2015 on lower revenues and slightly higher average invested capital over the last four quarters. ROIC⁽¹⁾ decreased to 12.9% from 14.1% in Q1 2015, as a result of lower EBIT margin and invested capital turnover, driven mostly by the market downturn in Canada.
- Order backlog⁽²⁾ was \$0.7 billion at the end of Q2 2015, down from \$0.9 billion at the end of Q1 2015, primarily due to lower order backlog in Canada as deliveries outpaced order intake in Q2. In South America, order intake improved significantly from Q1 2015; however, the backlog remained low by historical standards.

Q2 2015 HIGHLIGHTS BY OPERATION

Canada

- Revenues declined by 9%, with lower revenues in most lines of business. New equipment sales were down 16%, driven by reduced construction and mining activity. Product support revenues decreased by 7% due to lower service revenues across all segments as customers continued to focus on reducing operating costs, as well as lower parts sales in construction. Used equipment sales were \$32 million higher than in Q2 2014, as the

Canadian operations focused on reducing inventory levels. Rental revenues were 32% below Q2 2014 due to increased competition and the slowdown in the short-term rental market.

- Gross profit margins declined in most lines of business as competitive pressures were intensified by softer market conditions, a weaker Canadian dollar, and customers' focus on reducing costs. In addition, gross profit margin was negatively impacted by lower used equipment margins due to competitive pressures on surplus used equipment inventories in the market.
- SG&A costs declined by 13%, reflecting the benefit from targeted cost reductions and continued progress on the operational excellence initiatives. Since Q2 2014, the Canadian operation has reduced its workforce by about 850 people or 14% and closed 16 facilities. Severance costs associated with the workforce reductions in Q2 2015 totaled approximately \$2 million, consistent with the severance in Q2 2014.
- EBIT decreased to \$53 million from \$77 million in Q2 2014 due to lower sales activity and margins, which was partly offset by SG&A reductions. EBIT margin of 6.2% was below 8.3% in Q2 2014. Excluding severance costs, EBIT margin was 6.5%. Compared to Q1 2015, improvement in Canada's EBIT performance was mostly driven by continued SG&A reductions, while weak demand and pricing pressures continued to challenge equipment markets.
- Invested capital decreased by about \$50 million from Q1 2015, driven mostly by the reduction in equipment and parts inventories. However, invested capital turnover of 2.05 was below 2.09 times in Q1 2015, as revenues declined faster than average invested capital levels. The Canadian operation continues to reduce inventory in line with lower market activity.

South America

- Revenues declined by 5% (down 16% in functional currency – U.S. dollars), driven by a 35% decrease in new equipment sales (down 42% in functional currency), mostly due to reduced demand from mining. Product support revenues were up 10%, but were 2% lower in functional currency, primarily due to mining customers continuing to focus on reducing operating costs while maintaining production. Compared to Q1 2015, product support revenues showed improvement from the seasonally slow first quarter.
- EBIT of \$51 million was down 10% from Q2 2014 (down 20% in functional currency). Severance costs associated with workforce reductions in Q2 2015 were approximately \$3 million, consistent with severance costs in Q2 2014. EBIT margin was 9.5% vs. 10.0% in Q2 2014. Excluding severance costs, Q2 2015 EBIT was strong at 10.1%, benefitting from the shift in revenue mix to higher margin product support and cost discipline. Compared to Q1 2015, EBIT margin was up from 9.3%.
- Invested capital was down by about \$15 million compared to Q1 2015, but up \$7 million in functional currency, driven by higher receivables in line with increased sales, and higher parts inventory due to customers' deferral of maintenance work.

United Kingdom & Ireland

- Revenues were relatively unchanged from Q2 2014. In functional currency (U.K. Pound Sterling), revenues were down 3%, mostly due to lower new equipment revenue in power systems, while product support revenues were similar to last year.
- EBIT of \$11 million was \$3 million below Q2 2014, driven by higher SG&A due to inflationary salary increases and foreign exchange losses on the translation of Euro receivables. EBIT margin declined to 4.2% from 5.1% in Q2 2014. EBIT performance improved from Q1 2015, reflecting higher sales activity and cost savings from on-going workforce optimization. Since the beginning of 2015 to date, the UK & Ireland operations have reduced its workforce by approximately 30 people and closed two branches.
- Invested capital rose by about \$50 million from Q1 2015 (up roughly £20 million in functional currency), driven by higher new equipment inventory to support strong order intake in the first half of 2015.

CORPORATE AND BUSINESS DEVELOPMENTS

Finning Completes Acquisition of Caterpillar Dealership in Saskatchewan

Effective July 1, 2015, Finning acquired the operating assets of the Caterpillar dealership of Kramer Ltd. for \$240 million, subject to customary post-closing working capital adjustments, and became the approved Cat dealer in Saskatchewan. The acquired dealership business in Saskatchewan diversifies the Company's Canadian revenue base into sectors such as potash and uranium.

Dividend

The Board of Directors has approved a quarterly dividend of \$0.1825 per share, payable on September 3, 2015 to shareholders of record on August 20, 2015. This dividend will be considered an eligible dividend for Canadian income tax purposes.

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(C\$ millions, except per share amounts)

	Three months ended Jun 30			Six months ended Jun 30		
	2015	2014	% change	2015	2014	% change
Revenue						
New equipment	639	781	(18)	1,190	1,473	(19)
Used equipment	106	64	66	173	123	41
Equipment rental	68	86	(21)	139	174	(20)
Product support	839	831	1	1,665	1,661	0
Other	4	6		8	13	
Total revenue	1,656	1,768	(6)	3,175	3,444	(8)
Gross profit	481	523	(8)	941	1,022	(8)
<i>Gross profit margin</i>	29.1%	29.6%		29.6%	29.7%	
SG&A	(377)	(388)	3	(763)	(777)	2
<i>SG&A as a percentage of revenue</i>	(22.8)%	(22.0)%		(24.0)%	(22.5)%	
Equity earnings of joint venture and associate	2	3		3	4	
Other income (expenses)	0	(1)		0	(1)	
EBIT	106	137	(23)	181	248	(27)
<i>EBIT margin</i>	6.4%	7.8%		5.7%	7.2%	
Net income	61	86	(29)	115	154	(26)
Basic EPS	0.36	0.50	(28)	0.66	0.90	(26)
EBITDA	157	190	(17)	283	356	(20)
Free cash flow	69	123	(44)	(162)	(11)	
				Jun 30, 15	Dec 31, 14	
Invested capital				3,536	3,106	
Invested capital turnover (times)				1.97	2.10	
Net debt to invested capital				35.4%	31.4%	
Return on invested capital				12.9%	15.3%	

To download Finning's complete Q2 2015 results in PDF, please open the following link:
<http://media3.marketwire.com/docs/FinningQ215results.pdf>

Q2 2015 RESULTS INVESTOR CALL

The Company will hold an investor call on August 6 at 11:00 am Eastern Time. Dial-in numbers: 1-800-766-6630 (within Canada and the US) or 416-340-8527 (Toronto area and overseas). The call will be webcast live and subsequently archived at www.finning.com. Playback recording will be available at 1-800-408-3053 until August 13, 2015. The pass code to access the playback recording is 8549315 followed by the number sign.

ABOUT FINNING

Finning International Inc. (TSX: FTT) is the world's largest Caterpillar equipment dealer delivering unrivalled service to customers for over 80 years. Finning sells, rents, and provides parts and services for equipment and engines to help customers maximize productivity. Headquartered in Vancouver, B.C., the Company operates in Western Canada, Chile, Argentina, Bolivia, Uruguay, as well as in the United Kingdom and Ireland.

CONTACT INFORMATION

Mauk Breukels

Vice President, Investor Relations and Corporate Affairs

Phone: (604) 331-4934

Email: mauk.breukels@finning.com

www.finning.com

FOOTNOTES

- (1) Earnings Before Finance Costs and Income Taxes (EBIT); Earnings per Share (EPS); Earnings Before Finance Costs, Income Taxes, Depreciation and Amortization (EBITDA); Selling, General & Administrative Expenses (SG&A); Return on Invested Capital (ROIC).
- (2) These financial metrics do not have a standardized meaning under International Financial Reporting Standards, which are also referred to herein as generally accepted accounting principles (GAAP), and may not be comparable to similar measures used by other issuers. The Company's Management's Discussion and Analysis (MD&A) includes additional information regarding these financial metrics, including definitions, under the heading "Description of Non-GAAP and Additional GAAP Measures".

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 words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; expected revenue; expected free cash flow; EBIT margin; ROIC; market share growth; expected results from service excellence action plans; anticipated asset utilization; inventory turns and parts service levels; the expected target range of the Company's net debt to invested capital ratio; and the expected financial impact from the acquisition of the operating assets of the Caterpillar dealer in Saskatchewan. 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 August 6, 2015. 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 level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; Finning's dependence on the continued market acceptance of Caterpillar's products and Caterpillar's 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 reduce costs in response to slowing activity levels; Finning's ability to attract sufficient skilled labour resources to meet growing product support demand; 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 integrity, reliability, availability and benefits from information technology and the data processed by that technology. 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. Refer in particular to the Outlook section of this MD&A. 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.

Finning cautions readers that the risks described in 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 operations.

Except as otherwise indicated, forward-looking statements do not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date hereof. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. Finning therefore cannot describe the expected impact in a meaningful way or in the same way Finning presents known risks affecting its business.