MANAGEMENT'S DISCUSSION AND ANALYSIS

February 20, 2019

This ***MD&A*** of ***Finning*** should be read in conjunction with the ***Annual Financial Statements*** for the year ended December 31, 2018 and the accompanying notes thereto, which have been prepared in accordance with ***IFRS***. 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.

Finning (***TSX***:FTT) is the world's largest ***Caterpillar*** equipment dealer delivering service to customers for 85 years. The Company sells, rents, and provides parts and service for equipment and engines to customers in various industries, including mining, construction, petroleum, forestry, and a wide range of power systems applications. Finning aims to consistently deliver solutions that enable customers to achieve the lowest equipment owning and operating costs while maximizing uptime.

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. Details of the impact of IFRS 15 and IFRS 9 for the date of initial application and the 2017 comparative period can be found in note 2 of the Company's Annual Financial Statements.

A glossary of defined terms is included on page 55. The first time a defined term is used, it is shown in bold italics.

2018 Annual Highlights

- Basic ***EPS*** in 2018 was $1.38 and in 2017 was $1.28. Results in both years include items which management does not consider indicative of operational and financial trends. In 2018, these items include the write-off of the Company's investment in ***Energyst***, tax impact of the significant devaluation of the ***ARS***, and insurance proceeds related to the 2016 Alberta wildfires. In 2017, these items include insurance proceeds, severance costs, and the payment of a premium on the early redemption of long-term debt. These items are described on pages 7 and 8.
- Excluding the items noted above, Adjusted EPS [(1)(2)] of $1.65 in 2018 was 24% higher than Adjusted EPS of $1.33 earned in 2017 due to strong results from the Company's Canadian and UK & Ireland operations reflecting improved market conditions.
- Revenue of $7.0 billion was up 12% from 2017, including 26% growth in new equipment sales. All operations reported higher revenue compared to 2017, particularly in the Company's Canadian operations, which recorded a record $1 billion of revenue in Q4 2018. Revenue in the Company's South American operations was negatively impacted by a slowdown in the processing and delivery of parts and components to mining customers following the new ***ERP*** system launch in Chile in mid-November. This resulted in an estimated $50 million shortfall in mining product support revenues in Q4 2018. The Company is actively working to resolve the business process delays and expects to return to normal parts revenue run rates in Q2 2019.
- ***SG&A*** relative to revenue was lower than 2017, down 140 basis points, due to leverage of incremental revenues on fixed costs in the Company's Canadian and UK & Ireland operations.
- ***EBIT*** of $423 million and EBIT margin of 6.0% were reported for 2018 compared to $392 million and 6.3% in 2017, respectively. Adjusted EBIT [(1)] was $446 million and Adjusted EBIT margin [(1)] was 6.4% compared to $393 million and 6.3% in 2017, respectively. The 13% improvement in Adjusted EBIT reflected higher sales in the Company's Canadian and UK & Ireland operations partially offset by a reduction in product support revenue in the Company's South American operations.
- Adjusted ***EBITDA*** [(1)(2)] of $633 million was 9% higher than 2017 Adjusted EBITDA of $577 million. Adjusted EBITDA margin [(1)(2)] of 9.0% was slightly lower than the 2017 Adjusted EBITDA margin of 9.2%.
- 2018 free cash flow [(2)] was $78 million representing the sixth consecutive year of positive free cash flow generation.
- Invested capital turnover [(2)] of 2.12 times was the highest level since 2012.
- 2018 Adjusted ***ROIC*** [(1)(2)] improved over 2017 due to improved profitability and capital efficiencies in the Company's Canadian and UK & Ireland operations.

(1) Certain 2018 and 2017 financial metrics were 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 7 and 8 of this MD&A and the financial metrics which have been adjusted to take into account these items are referred to as "Adjusted" metrics.

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

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Strategic Framework

The Company'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 and are summarized below:

- 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 generation of 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.

All regions are committed to delivering our strategy by focusing on these Global Strategic Priorities.

PURPOSE

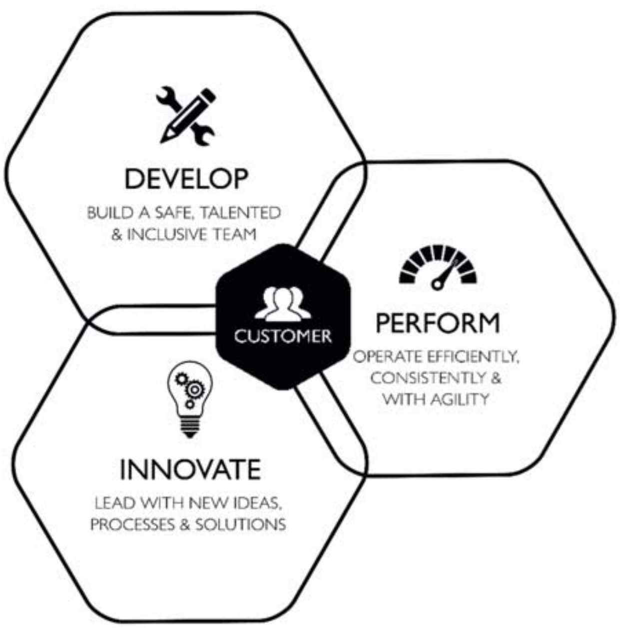
We believe in partnering and innovating to build and power a better world.

VISION

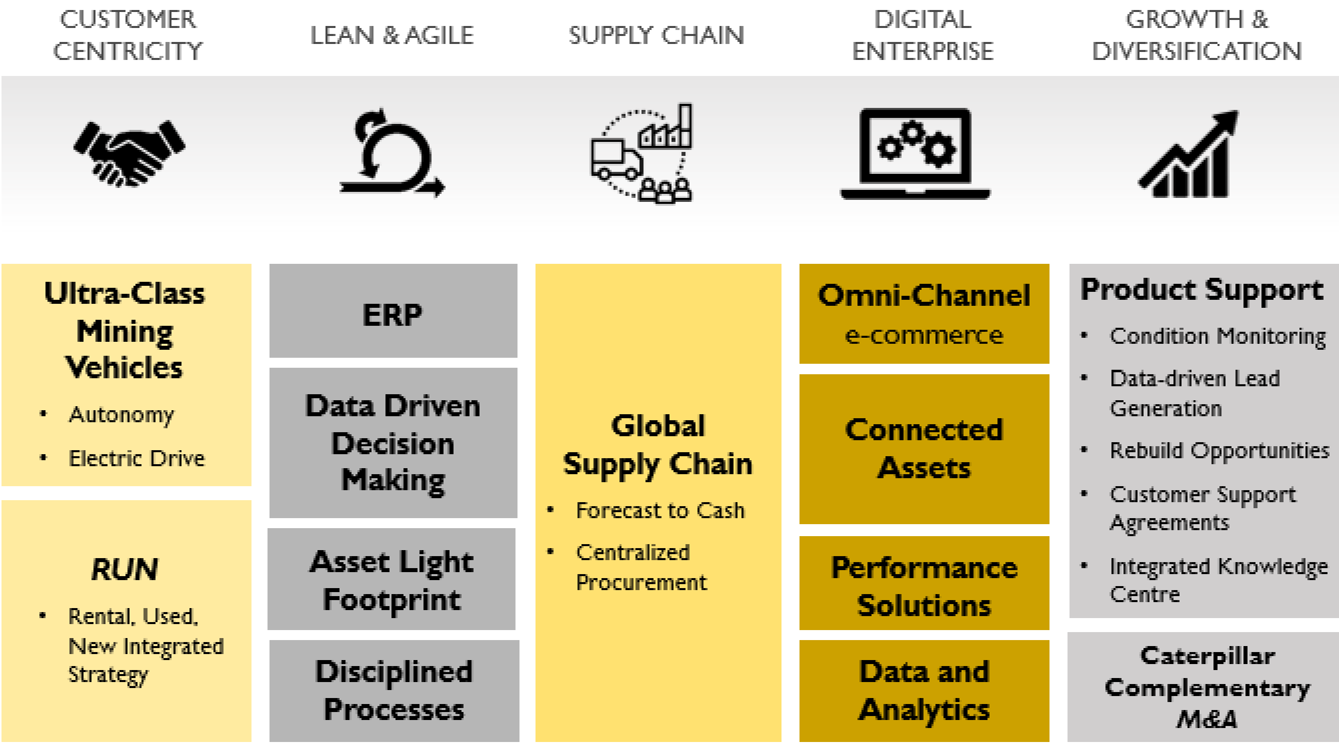
Leveraging our global expertise and insight, we are a trusted partner in transforming our customers' performance.

VALUES

We are trusted
We are collaborative
We are innovative
We are passionate



The Company's capital investments and allocation of resources are directly linked to the five Global Strategic Priorities and the key investments planned for 2018-2020 are summarized below. A large portion of the investment in strategic initiatives is success-based.



A reduced cost structure and sustainable operating improvements are expected to generate earnings torque, while global supply chain initiatives are expected to continue to increase capital efficiencies and support positive annual free cash flow.

Sustainability

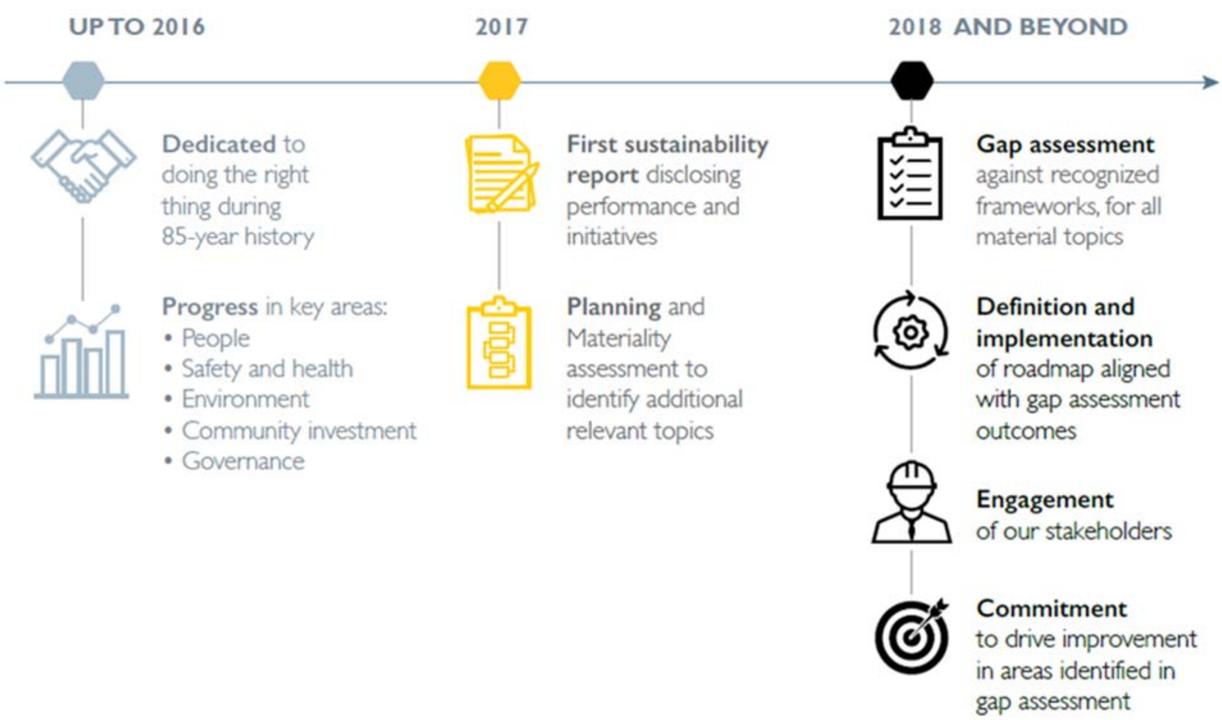
Sustainability is an integral part of Finning's purpose, vision and values, and is embedded in the Company's strategy and operations.

During its 85-year history, Finning has worked hard to strengthen its governance, improve safety, reduce environmental impact, engage employees, and create a positive impact in communities.

In 2017, the Company formalized its sustainability focus, and in May 2018, Finning published its first Sustainability Report, reporting on the Company's sustainability performance in 2017. The Sustainability Report covers the sustainability topics that are most important to Finning and its stakeholders: governance, safety & health, environment (including ***GHG*** emissions), people & workplace (including employee engagement, talent development, inclusion and diversity), and community. The Company's performance in key sustainability metrics is calculated using standard industry and regulatory methodologies. Those key metrics are highlighted below and in summary, the Company:

- Reduced total recordable injury frequency from 0.99 in 2013 to 0.49 in 2018. Despite it being a challenging year for the Company with two fatalities in 2018, total recordable incident frequency remains low.
- Had only one reportable spill occur in the Company's operations in 2018.
- Established a GHG measurement protocol to enable consistent tracking and reporting of GHG emissions in each of its regions.
- Developed a five-year plan with a goal of increasing inclusion and diversity in the Company's business:
  - Aim to attract, retain, and advance women at all levels of the organization, with a spotlight on women in leadership and operational roles; and,
  - Aim to have at least 30 percent female representation on the ***Board***.
- Has focused community investment efforts on promoting ***STEM*** education by collaborating with non-profit partners.

Finning is defining and implementing a five-year sustainability roadmap that prioritizes actions to address gaps with best standards and recognized practices and strengthens engagement with stakeholders. The Company expects the content of future reports to evolve as it implements the sustainability roadmap.



Finning is committed to creating value for all its stakeholders by operating and growing in a sustainable manner. For more information on the Company's sustainability journey and to access the Sustainability Report, please visit www.finning.com.

2018 Annual Overview

($ millions, except per share amounts)	2018	2017 (Restated) [1]	% change fav (unfav)
Revenue	**$ 6,996**	$ 6,256	12%
Gross profit	**1,768**	1,654	7%
SG&A	**(1,327)**	(1,271)	(4)%
Equity earnings of joint ventures and associate	**12**	7	***n/m***
Other income	**—**	2	n/m
Other expenses	**(30)**	—	n/m
EBIT	**$ 423**	$ 392	8%
Net income	**$ 232**	$ 216	8%
Basic EPS	**$ 1.38**	$ 1.28	8%
EBITDA [2]	**$ 610**	$ 576	6%
Free cash flow	**$ 78**	$ 165	(53)%
Adjusted EBIT	**$ 446**	$ 393	13%
Adjusted net income [3]	**$ 277**	$ 224	24%
Adjusted EPS	**$ 1.65**	$ 1.33	24%
Adjusted EBITDA	**$ 633**	$ 577	9%
Gross profit margin	***25.3%***	*26.4%*	
SG&A as a percentage of revenue	***19.0%***	*20.3%*	
EBIT margin	***6.0%***	*6.3%*	
EBITDA margin [2]	***8.7%***	*9.2%*	
ROIC [2]	***12.8%***	*13.1%*	
Adjusted EBIT margin	***6.4%***	*6.3%*	
Adjusted EBITDA margin	***9.0%***	*9.2%*	
Adjusted ROIC	***13.5%***	*13.1%*	

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's Annual Financial Statements.

(2) These financial metrics, referred to as "non-GAAP financial measures" do not have a standardized meaning under IFRS, which are also referred to herein as GAAP, 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) Certain 2018 and 2017 financial metrics were 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 7 and 8 of this MD&A and the financial metrics which have been adjusted to take into account these items are referred to as "Adjusted" metrics.

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 the 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 to take into account these significant items 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 identified in prior periods, described on pages 42 - 45 of this MD&A, impact certain reported metrics included in the Annual Key Performance Measures section for the years ended December 31, 2018 and 2017.

Significant items that affected reported annual 2018 and 2017 results, which are not considered by management to be indicative of operational and financial trends, either by nature or amount, included:

<u>2018 significant items:</u>

- Insurance proceeds received in 2018 related to the final settlement of the Company's business interruption insurance claim resulting from the Alberta wildfires in 2016.
- Following the Company's review of its investment in Energyst, it was determined that Energyst was no longer a strategic fit and that it was held-for-sale at September 30, 2018. As a result, the Company wrote off its investment and released cumulative foreign translation losses to the income statement upon Energyst's sale of its wholly-owned subsidiary in Argentina in 2018.
- The ARS experienced a rapid devaluation in 2018, losing approximately 45% of its value in the third quarter of 2018 (annual devaluation of approximately 100%) and reaching a new historic low of $1 USD to 41.25 ARS in September 2018. This devaluation resulted in higher tax expense in 2018 than the same prior year period, primarily relating to the revaluation of deferred tax balances.

<u>2017 significant items:</u>

- Severance costs incurred in the Company's Canadian and South American operations related to facility and cost optimization.
- Insurance proceeds received related to the Company's business interruption insurance claim resulting from the 2016 Alberta wildfires.
- Redemption costs on the early repayment of long-term debt.

The magnitude of these items, and reconciliation of the non-GAAP financial measures to their most directly comparable GAAP measures, is shown in the following table:

For year ended December 31, 2018 **($ millions, except per share amounts)**	**EBIT** **Canada**	**EBIT** **South America**	**EBIT** **UK & Ireland**	**EBIT** ***Consol***	**Net Income** **Consol**	**EPS** **Consol**
EBIT, net income, and EPS	**$ 297**	**$ 142**	**$ 51**	**$ 423**	**$ 232**	**$ 1.38**
Significant items:						
Write-off and loss related to Energyst	**—**	**—**	**—**	**30**	**30**	**0.18**
Tax impact of devaluation of ARS	**—**	**—**	**—**	**—**	**20**	**0.12**
Insurance proceeds from Alberta wildfires	**(7)**	**—**	**—**	**(7)**	**(5)**	**(0.03)**
Adjusted EBIT, Adjusted net income, and Adjusted EPS	**$ 290**	**$ 142**	**$ 51**	**$ 446**	**$ 277**	**$ 1.65**

For year ended December 31, 2017 ($ millions, except per share amounts)	EBIT Canada	EBIT South America	EBIT UK & Ireland	EBIT Consol	Net Income Consol	EPS Consol
EBIT, net income, and EPS (Restated) [(1)]	$ 225	$ 184	$ 37	$ 392	$ 216	$ 1.28
Significant items:						
Severance costs	3	2	—	5	4	0.03
Redemption cost on the early payment of long-term debt	—	—	—	—	7	0.04
Insurance proceeds from Alberta wildfires	(4)	—	—	(4)	(3)	(0.02)
Adjusted EBIT, Adjusted net income, and Adjusted EPS (Restated) [(1)]	$ 224	$ 186	$ 37	$ 393	$ 224	$ 1.33

[(1)] 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. More information on the impact of this adoption can be found in note 2 of the Company's Annual Financial Statements.

Annual Key Performance Measures

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

For years ended December 31	**2018**	2017 (Restated) [1]	2016	2015	2014
ROIC (%)					
Consolidated	**12.8%**	13.1%	5.6%	(3.0)%	15.3%
Canada	**16.6%**	13.3%	5.3%	5.5%	17.1%
South America	**12.2%**	17.8%	13.3%	(12.8)%	14.6%
UK & Ireland	**14.2%**	12.8%	(4.5)%	(1.4)%	16.3%
EBIT [2] ($ millions)					
Consolidated	**423**	392	165	(105)	504
Canada	**297**	225	87	98	284
South America	**142**	184	137	(174)	196
UK & Ireland	**51**	37	(12)	(5)	50
EBIT Margin (%) [2]					
Consolidated	**6.0%**	6.3%	2.9%	(1.7)%	7.3%
Canada	**8.1%**	7.3%	3.1%	3.1%	7.8%
South America	**6.6%**	8.5%	7.4%	(8.4)%	8.8%
UK & Ireland	**4.4%**	3.6%	(1.1)%	(0.5)%	4.8%
Invested Capital [3] ($ millions)					
Consolidated	**3,163**	2,830	2,797	3,240	3,106
Canada	**1,675**	1,621	1,595	1,760	1,475
South America	**1,190**	983	996	1,122	1,348
UK & Ireland	**336**	250	216	321	284
Invested Capital Turnover [3] (times)					
Consolidated	**2.12x**	2.09x	1.90x	1.78x	2.10x
Canada	**2.05x**	1.82x	1.70x	1.74x	2.19x
South America	**1.86x**	2.09x	1.80x	1.52x	1.66x
UK & Ireland	**3.22x**	3.56x	3.54x	2.93x	3.43x
Inventory ($ millions)	**2,061**	1,708	1,601	1,800	1,661
Inventory Turns [3] (times)	**2.68x**	2.82x	2.49x	2.38x	2.81x
Working Capital to Sales Ratio [3]	**26.6%**	27.4%	30.4%	32.2%	26.1%
Free Cash Flow ($ millions)	**78**	165	370	325	483
EBITDA [2] ($ millions)					
Consolidated	**610**	576	357	126	720
Canada	**393**	324	187	219	396
South America	**204**	242	199	(92)	268
UK & Ireland	**79**	63	18	23	82
EBITDA Margin (%) [2]					
Consolidated	**8.7%**	9.2%	6.3%	2.0%	10.4%
Canada	**10.7%**	10.6%	6.6%	7.0%	10.9%
South America	**9.4%**	11.2%	10.7%	(3.3)%	12.0%
UK & Ireland	**6.9%**	6.1%	2.0%	2.3%	7.8%
Net Debt to EBITDA Ratio [2][3]	**1.7**	1.5	2.5	9.5	1.4

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

(2) 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 10 of this MD&A.

(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.

Annual 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 7 and 8 and 42 - 45 of this MD&A, and the financial metrics which have been adjusted to take these items into account are referred to as "Adjusted" metrics. The impact of these items on certain KPIs is shown below:

For years ended December 31	**2018**	2017 (Restated) [1]	2016	2015	2014
Adjusted ROIC (%)					
Consolidated	**13.5 %**	13.1 %	9.3 %	10.9 %	16.2 %
Canada	**16.2 %**	13.2 %	9.3 %	10.6 %	17.5 %
South America	**12.2 %**	18.1 %	15.0 %	14.0 %	16.2 %
UK & Ireland	**14.2 %**	12.8 %	5.9 %	9.0 %	16.7 %
Adjusted EBIT ($ millions)					
Consolidated	**446**	393	273	383	533
Canada	**290**	224	154	189	290
South America	**142**	186	155	190	218
UK & Ireland	**51**	37	16	33	51
Adjusted EBIT Margin (%)					
Consolidated	**6.4 %**	6.3 %	4.9 %	6.1 %	7.6 %
Canada	**7.9 %**	7.3 %	5.5 %	6.1 %	7.8 %
South America	**6.6 %**	8.7 %	8.4 %	9.2 %	9.7 %
UK & Ireland	**4.4 %**	3.6 %	1.8 %	3.1 %	4.8 %
Adjusted EBITDA [2] ($ millions)					
Consolidated	**633**	577	465	604	749
Canada	**386**	323	254	305	402
South America	**204**	244	217	267	290
UK & Ireland	**79**	63	46	61	83
Adjusted EBITDA Margin (%)					
Consolidated	**9.0 %**	9.2 %	8.3 %	9.6 %	10.8 %
Canada	**10.5 %**	10.5 %	9.0 %	9.8 %	11.1 %
South America	**9.4 %**	11.3 %	11.7 %	12.9 %	13.0 %
UK & Ireland	**6.9 %**	6.1 %	4.8 %	5.7 %	7.8 %
Net Debt to Adjusted EBITDA Ratio [3]	**1.7**	1.5	1.9	2.0	1.3

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

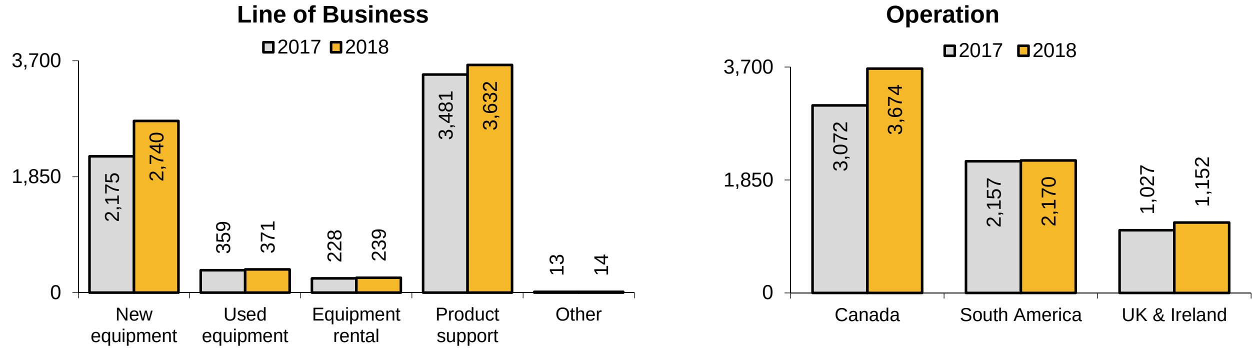
(2) Of the significant items described on pages 42 - 45 of this MD&A, $10 million was recorded in depreciation and amortization expense in 2015.

(3) These financial metrics, referred to as "non-GAAP financial measures" do not have a standardized meaning under IFRS, which are also referred to herein as GAAP, 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.

Annual Results

Revenue

Revenue by Line of Business and by Operation
For years ended December 31
($ millions) (2017 Restated)



The Company generated revenue of just under $7.0 billion during 2018, an increase of 12% from 2017. Revenue was up in all operations, with the Canadian operations contributing over 80% of the overall revenue growth. In addition, revenue was up in all lines of business, particularly new equipment.

New equipment revenue increased 26% compared to 2017, up in all operations, but primarily in the Company's Canadian operations, reflecting improved demand, increased volumes in the mining sector, and higher industry activity in the construction sector. In the Company's UK & Ireland operations, higher revenues were driven by increased demand in the power systems sector, specifically for power and industrial business units. The Company's South American operations also reported higher new equipment revenue, higher in all markets in Chile, partially offset by reduced activity in the construction sector in both Argentina and Bolivia.

Equipment backlog [(1)] was $1.3 billion at December 31, 2018, comparable to December 31, 2017 but down slightly from $1.5 billion at September 30, 2018 and June 30, 2018, reflecting strong equipment deliveries.

Product support revenue was 4% higher compared to 2017 driven primarily by the Company's Canadian operations, with strong parts activity in all sectors in 2018. Product support revenue in 2018 was also up from 2017 in the Company's UK & Ireland operations partially offset by lower product support revenue in the Company's South American operations, particularly in Argentina.

Foreign currency translation of the results of the Company's South American and UK & Ireland operations had a positive impact on revenue of approximately $35 million, primarily due to the weaker CAD relative to the ***GBP*** on average in 2018 compared to last year and was not significant at the EBITDA level.

EBITDA and EBIT

2018 gross profit of $1.8 billion was up 7% compared to 2017, primarily due to higher volumes from improved market activity. Gross profit margin of 25.3% was lower than the 26.4% earned in 2017, with a revenue mix shift to higher new equipment revenue. On a consolidated basis, new equipment revenue as a proportion of the overall sales mix was 39%, compared to 35% in 2017.

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SG&A of $1.3 billion in 2018 included a $30 million write-off of the Company's investment in Energyst and $7 million of insurance proceeds received by the Company's Canadian operations in relation to the business interruption insurance claim resulting from the Alberta wildfires. 2017 SG&A of $1.3 billion included $5 million of severance costs in the Company's South American and Canadian operations and $4 million of insurance proceeds received relating to the Alberta wildfires. Excluding the investment write-down, severance costs, and the insurance proceeds, 2018 SG&A was up 5% compared to 2017 on 12% higher revenues primarily due to volume related variable costs.

EBITDA for 2018 was $610 million and EBITDA margin was 8.7% (2017: EBITDA was $576 million and EBITDA margin was 9.2%). Excluding significant items noted above and on pages 7 and 8 of this MD&A, 2018 Adjusted EBITDA was $633 million and Adjusted EBITDA margin was 9.0%, compared with Adjusted EBITDA of $577 million and Adjusted EBITDA margin of 9.2% for the prior year. Adjusted EBITDA was up from the prior year due to higher earnings in the Company's Canadian and UK & Ireland operations, partially offset by lower earnings in the Company's South American operations.

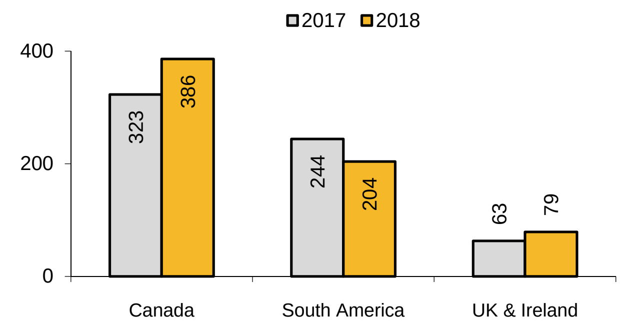
The net debt to EBITDA ratio at December 31, 2018 was 1.7x and slightly higher compared to December 31, 2017.

The Company reported EBIT of $423 million in 2018 compared to the $392 million earned in 2017. EBIT margin was 6.0% in 2018 compared to 6.3% in 2017. As noted earlier, the Company was impacted by significant items management does not consider indicative of operational and financial trends. Excluding these significant items, 2018 Adjusted EBIT was $446 million with an Adjusted EBIT margin of 6.4%, higher than an Adjusted EBIT of $393 million and an Adjusted EBIT margin of 6.3% in the prior year. The Company's Canadian and UK & Ireland operations experienced operating leverage in 2018 resulting from improved demand and operating efficiencies. The Company's South American operations had a lower EBIT margin in 2018 due to a revenue mix shift to higher new equipment revenue as well as higher SG&A relative to total revenue. The annual results in South America were primarily affected by weak economic conditions in Argentina.

Adjusted EBITDA by Operation (1)

For years ended December 31

($ millions) (2017 Restated)

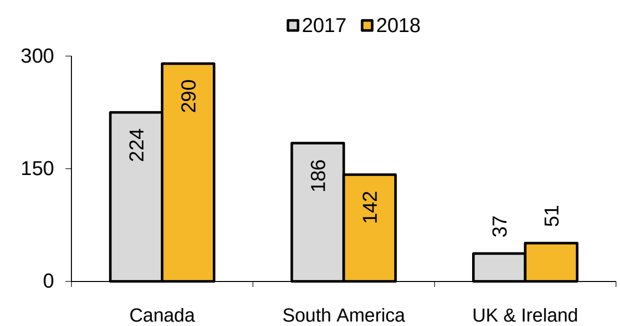


(1) Excluding Other Operations

Adjusted EBIT by Operation (1)

For years ended December 31

($ millions) (2017 Restated)



(1) Excluding Other Operations

Finance Costs

Finance costs in 2018 were $76 million, lower than the $100 million reported in 2017 due to lower long-term debt and interest rates in 2018 as well as $9 million of redemption costs paid in 2017 on the early repayment of the $350 million 6.02% ***MTNs*** due June 1, 2018.

Provision for Income Taxes

Income tax expense for the year ended December 31, 2018 was $115 million, compared to $76 million in 2017.

The effective income tax rate for 2018 was 33.1%, compared to 26.1% in the prior year. The effective tax rate in 2018 was higher due to the non-deductibility, for tax purposes, of the write-off of the Company's investment in Energyst as well as the impact of the significant devaluation of the ARS relative to the USD, primarily relating to the revaluation of deferred tax balances. Excluding these items, the effective tax rate in 2018 would have been 25.0%.

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

Net Income

Net income was $232 million in 2018 compared to $216 million earned in 2017, and basic EPS was $1.38 in 2018 compared with $1.28 in 2017. Excluding significant items noted on pages 7 and 8, Adjusted EPS in 2018 of $1.65 was 24% higher than 2017 Adjusted EPS of $1.33. The increase in Adjusted EPS was primarily due to higher sales volumes and improved profitability due to savings from cost reduction measures and leverage of incremental revenues on fixed costs, particularly in the Company's Canadian operations partially offset by lower earnings in the Company's operations in Argentina.

Invested Capital

($ millions, unless otherwise stated)		**December 31, 2018**		September 30, 2018		(Decrease) increase from September 30, 2018		December 31, 2017 (Restated) [1]		Increase from December 31, 2017
Consolidated	**$**	**3,163**	$	3,431	$	(268)	$	2,830	**$**	333
Canada	**$**	**1,675**	$	1,889	$	(214)	$	1,621	**$**	54
South America	**$**	**1,190**	$	1,173	$	17	$	983	**$**	207
UK & Ireland	**$**	**336**	$	404	$	(68)	$	250	**$**	86
South America (USD)	***$***	***872***	*$*	*906*	$	*(34)*	$	*784*	***$***	*88*
UK & Ireland (GBP)	***£***	***193***	*£*	*239*	*£*	*(46)*	*£*	*147*	***£***	*46*

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

Compared to September 30, 2018:

Consolidated invested capital decreased $268 million from September 30, 2018 to December 31, 2018. Offsetting this decrease is approximately $70 million of foreign exchange from translating the invested capital balances of the Company's South American operations, primarily as a result of the 4% weaker CAD relative to the USD.

Excluding the impact of foreign exchange, consolidated invested capital decreased by $340 million from September 30, 2018 to December 31, 2018 reflecting:

- an increase in deferred revenue in all operations, largely due to higher customer deposits received in the Company's Canadian operations;
- higher accounts payable balances in all operations, primarily in the Company's South American operations; largely matched to customer delivery commitments;
- lower rental equipment in the Company's Canadian and UK & Ireland operations; and,
- strong collections in all operations offset by higher deliveries in the Company's Canadian and UK & Ireland operations.

Compared to December 31, 2017:

Consolidated invested capital increased $333 million from December 31, 2017 to December 31, 2018. This increase includes the impact of approximately $105 million of foreign exchange from translating the invested capital balances of the Company's South American operations, primarily as a result of the 9% weaker CAD relative to the USD.

Excluding the impact of foreign exchange, consolidated invested capital increased by $228 million from December 31, 2017 to December 31, 2018 reflecting:

- an increase in equipment inventory in all operations, as well as an increase in parts inventory primarily in the Company's South American operations;
- higher spend on rental equipment supporting the RUN Strategy, largely in the Company's Canadian operations; and,
- higher spend on intangible assets, largely due to additional costs for the ERP system implemented in the Company's South American operations,
- partially offset by higher deferred revenue in all operations, driven by the Company's Canadian operations.

ROIC and Invested Capital Turnover

	December 31, 2018	September 30, 2018	December 31, 2017 (Restated) [1]
ROIC			
Consolidated	**12.8 %**	13.7 %	13.1 %
Canada	**16.6 %**	16.4 %	13.3 %
South America	**12.2 %**	16.2 %	17.8 %
UK & Ireland	**14.2 %**	14.0 %	12.8 %
Adjusted ROIC			
Consolidated	**13.5 %**	14.5 %	13.1 %
Canada	**16.2 %**	16.0 %	13.2 %
South America	**12.2 %**	16.4 %	18.1 %
UK & Ireland	**14.2 %**	14.0 %	12.8 %
Invested Capital Turnover (times)			
Consolidated	**2.12x**	2.14x	2.09x
Canada	**2.05x**	1.98x	1.82x
South America	**1.86x**	2.01x	2.09x
UK & Ireland	**3.22x**	3.30x	3.56x

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

ROIC

On a consolidated basis, ROIC was 12.8% at December 31, 2018, compared to 13.1% at December 31, 2017 and 13.7% at September 30, 2018. Adjusting for significant items that management does not consider indicative of operational and financial trends, as noted on pages 7 - 8 of this MD&A, Adjusted ROIC at December 31, 2018 was 13.5%, an increase from Adjusted ROIC at December 31, 2017 of 13.1%. The increase in Adjusted ROIC compared to the prior year end reflects the Company's focus on capital efficiency.

Adjusted ROIC at December 31, 2018 in the Company's Canadian and UK & Ireland operations improved compared to Adjusted ROIC at December 31, 2017 due to EBIT margin improvement year over year. Adjusted ROIC in the Company's South American operations decreased due to lower EBIT in 2018 than 2017 in Argentina as well as higher average invested capital levels.

Canadian Operations

- Higher Adjusted ROIC at December 31, 2018 reflects growth in Adjusted EBIT outpacing the increase in average invested capital levels in the twelve-month period demonstrating improved capital efficiency.

South American Operations

- Lower Adjusted ROIC at December 31, 2018 reflects lower Adjusted EBIT in 2018, largely due to lower EBIT in Argentina combined with higher average invested capital.

UK & Ireland Operations

- Higher ROIC at December 31, 2018 reflects higher EBIT in 2018, outpacing the growth in average invested capital levels in the twelve-month period, demonstrating improved capital efficiency.

Invested capital turnover

Consolidated invested capital turnover at December 31, 2018 was 2.12 times, up from 2.09 times at December 31, 2017, driven by significant improvement in the Company's Canadian operations, partially offset by the Company's South American and UK & Ireland operations. The consolidated invested capital turnover rate in each quarterly period in 2018 improved over its comparable quarter in 2017 with higher revenues in the last twelve month period outpacing the growth in average invested capital levels.

Annual 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:

- *Canadian Operations:* British Columbia, Alberta, Saskatchewan, Yukon, the Northwest Territories, and a portion of Nunavut
- *South American 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 revenue by lines of business and operation.

For year ended December 31, 2018 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consol**	**Revenue percentage**
New equipment	**$ 1,288**	**$ 714**	**$ 738**	**$ 2,740**	**39%**
Used equipment	**233**	**54**	**84**	**371**	**5%**
Equipment rental	**154**	**50**	**35**	**239**	**4%**
Product support	**1,997**	**1,348**	**287**	**3,632**	**52%**
Other	**2**	**4**	**8**	**14**	**—**
Total	**$ 3,674**	**$ 2,170**	**$ 1,152**	**$ 6,996**	**100%**
Revenue percentage by operation	**53%**	**31%**	**16%**	**100%**	

For year ended December 31, 2017 ($ millions) (Restated) (1)	Canada	South America	UK & Ireland	Consol	Revenue percentage
New equipment	$ 873	$ 645	$ 657	$ 2,175	35%
Used equipment	236	53	70	359	6%
Equipment rental	147	50	31	228	4%
Product support	1,814	1,405	262	3,481	55%
Other	2	4	7	13	—
Total	$ 3,072	$ 2,157	$ 1,027	$ 6,256	100%
Revenue percentage by operation	49%	35%	16%	100%	

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

Canadian Operations

The Canadian reporting segment includes Finning (Canada), ***OEM***, and a 25% interest in ***PLM***. 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. The Canadian operations' markets include mining (including the oil sands), construction, conventional oil and gas, forestry, and power systems.

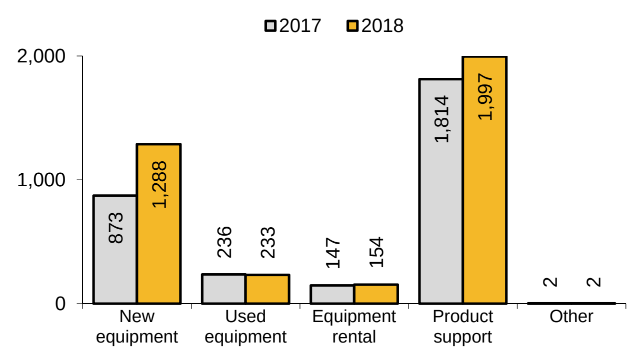
The table below provides details of the results from the Canadian Operations:

For years ended December 31 ($ millions)		**2018**		2017 (Restated) [1]
Revenue	**$**	**3,674**	$	3,072
Operating costs		**(3,297)**		(2,760)
Equity earnings of joint ventures		**16**		12
EBITDA	**$**	**393**	$	324
Depreciation and amortization		**(96)**		(99)
EBIT	**$**	**297**	$	225
EBITDA margin		**10.7%**		10.6%
EBIT margin		**8.1%**		7.3%
Adjusted EBITDA	**$**	**386**	$	323
Adjusted EBITDA margin		**10.5%**		10.5%
Adjusted EBIT	**$**	**290**	$	224
Adjusted EBIT margin		**7.9%**		7.3%

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

Revenue for 2018 increased 20% to $3.7 billion compared to last year, primarily driven by higher new equipment and product support revenues. The revenue increase was driven by higher activity levels across all industry segments. In the oil sands, significant production activity has increased machine utilization and demand for associated product support, particularly component exchange and equipment rebuilds. New and reactivated coal and precious metal mines have generated higher demand for equipment and product support. In addition, strong infrastructure project activity continues to drive new equipment and product support demand.

Canada – Revenue by Line of Business
For years ended December 31
($ millions) (2017 Restated)



New equipment revenue in 2018 was up 48% from 2017, due to increased demand from mining and construction customers. Equipment backlog at December 31, 2018 was up slightly from December 31, 2017, reflecting higher order intake in the construction sector due to strong infrastructure activity in both British Columbia and Alberta offset by strong deliveries in the mining sector.

Product support revenue was 10% higher than last year, up in all industries, but particularly driven by continued strong demand for parts in the construction and oil & gas sectors and increased activity in the mining sector.

Gross profit in 2018 was higher than the prior year, reflecting higher sales volumes in most lines of business. Overall gross profit margin decreased in 2018 compared to 2017 primarily due to a revenue mix shift to new equipment, particularly in mining which typically generates a lower gross profit margin. In 2018, new equipment revenue comprised 35% of total revenue compared to 28% in the prior year.

SG&A for 2018 included the favourable impact of $7 million of insurance proceeds received in relation to the Company's business interruption insurance claim resulting from the Alberta wildfires in 2016. SG&A for 2017 included $4 million of business interruption insurance proceeds, partially offset by severance costs of $3 million. Excluding these significant items, SG&A was 5% higher compared to the same period in 2017, on 20% higher revenue. This increase was primarily due to higher variable costs associated with strong revenue growth. SG&A relative to revenue was down 270 basis points from the prior year period, reflecting leverage of incremental revenues on fixed costs and disciplined spending.

The Canadian operations contributed EBITDA of $393 million in 2018 compared to $324 million earned in the prior year. EBITDA margin was 10.7% compared to the 10.6% earned in 2017. Excluding significant items noted above, Adjusted EBITDA margin was 10.5% in 2018, comparable to 2017 with lower gross profit margin due to a revenue mix shift offset by lower SG&A relative to revenue.

South American Operations

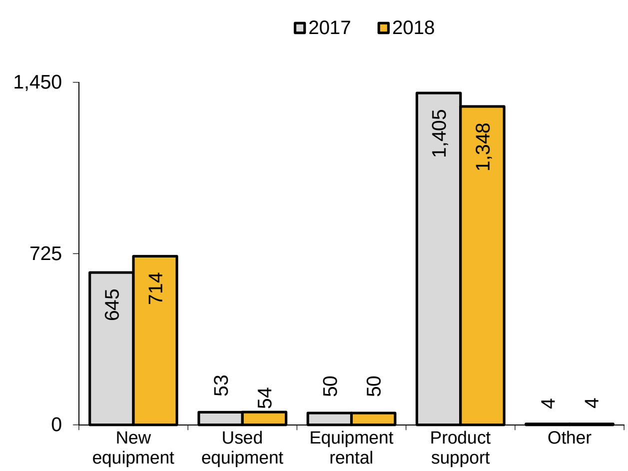
Finning's South American operations sell, service, and rent mainly Caterpillar equipment and engines in Chile, Argentina, and Bolivia. The South American operations' markets include mining, construction, forestry, and power systems.

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

For years ended December 31 ($ millions)		**2018**		2017 (Restated) [1]
Revenue	**$**	**2,170**	$	2,157
Operating costs		**(1,966)**		(1,915)
EBITDA	**$**	**204**	$	242
Depreciation and amortization		**(62)**		(58)
EBIT	**$**	**142**	$	184
EBITDA margin		**9.4%**		11.2%
EBIT margin		**6.6%**		8.5%
Adjusted EBITDA	**$**	**204**	$	244
Adjusted EBITDA margin		**9.4%**		11.3%
Adjusted EBIT	**$**	**142**	$	186
Adjusted EBIT margin		**6.6%**		8.7%

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

South America – Revenue by Line of Business
For years ended December 31
($ millions) (2017 Restated)



Revenue of $2.2 billion for the year ended December 31, 2018 was relatively consistent with the prior year (also consistent in functional currency). Higher new equipment sales in Chile were offset by lower revenues in Argentina.

2018 new equipment revenue was 11% higher than 2017, primarily driven by the mining and power systems sectors in Chile, partially offset by lower activity in Argentina, particularly in the construction sector.

Equipment backlog was down from the prior year, reflecting strong deliveries in the current year outpacing order intake.

Product support revenue was down 4% compared to last year primarily due to lower revenue reported in Argentina and the impact of business process velocity issues on product support revenues in the mining sector in Chile related to the ERP implementation.

Gross profit and gross profit margin were lower than 2017, largely driven by a revenue mix shift to new equipment sales. New equipment revenue comprised 33% of total revenue in 2018 compared to 30% in 2017.

SG&A for 2018 was 6% higher compared to 2017. The increase in SG&A was due in large part to additional costs related to the ERP implementation this year and severance and restructuring costs in Argentina partially offset by the benefit of the significant devaluation of the ARS when translating local currency costs. These higher fixed costs resulted in SG&A relative to revenue increasing 110 basis points compared to the same period in 2017.

For 2018, the Company's South American operations contributed EBITDA of $204 million and an EBITDA margin of 9.4% compared to $242 million and 11.2% respectively in 2017. Excluding severance costs in the prior year, Adjusted EBITDA for 2018 was 17% lower than the same period in 2017. Lower EBITDA margin was largely due to the lower gross profit margin achieved in the current year from a higher mix of new equipment sales and higher percentage of SG&A relative to revenue.

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:

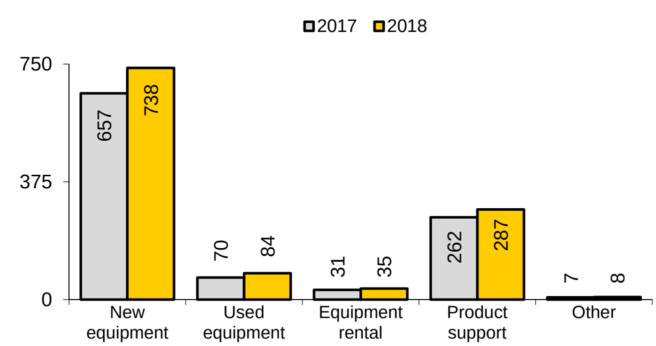
For years ended December 31 ($ millions)		**2018**		2017 (Restated) (1)
Revenue	**$**	**1,152**	$	1,027
Operating costs		**(1,073)**		(964)
EBITDA	**$**	**79**	$	63
Depreciation and amortization		**(28)**		(26)
EBIT	**$**	**51**	$	37
EBITDA margin		**6.9%**		6.1%
EBIT margin		**4.4%**		3.6%

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

Revenue in 2018 of $1.2 billion was 12% higher than 2017 (up 9% in functional currency), driven primarily by higher new and used equipment and product support revenue, up in all industries, particularly in the power systems sector.

2018 new equipment revenue increased 12% (9% in functional currency) from 2017 in all sectors but primarily from higher power and energy systems sales. Power and energy systems revenue was driven primarily by continued strong activity in the electric power generation business, increased industrial power sales, partially offset by lower activity in the marine industry. Equipment backlog was strong at December 31, 2018, higher by 41% than the prior year period, reflecting strong order intake in all segments, particularly in the construction sector.

UK & Ireland – Revenue by Line of Business
For years ended December 31
($ millions) (2017 Restated)



Product support revenue was 10% higher than last year (6% in functional currency), driven by higher parts sales in both the power systems and construction sectors.

Used equipment revenue increased 20% compared to 2017 (17% in functional currency) reflecting the increased demand for used equipment in the current year.

The weaker CAD relative to the GBP on average in 2018 compared to last year when translating results to CAD had a positive foreign currency translation impact on revenue of approximately $35 million and was not significant at the EBITDA level.

Higher gross profit in 2018 compared with 2017 was due to increased sales volumes, as well as better overall gross profit margin from most lines of business.

SG&A for 2018 was up 8% in functional currency, primarily due to higher variable costs driven by increased sales volumes and a benefit recorded in 2017 due to actions taken to manage the Company's pension plan liabilities. In 2018, SG&A includes a one-time expense in Q4 2018 related to the Company's defined benefit plan, offset by a gain on the sale of a property.

The UK & Ireland operations contributed EBITDA of $79 million, 25% higher than EBITDA of $63 million in 2017. EBITDA margin was 6.9% compared to 6.1% in 2017 due to improved profitability.

Other Operations

The Other operations segment includes corporate operating costs, as well as equity earnings or losses from the Company's 28.8% investment in Energyst up to September 30, 2018. EBITDA of this segment was a loss of $66 million in 2018 compared to $54 million in 2017.

During 2018, the Company conducted a review of its investment in Energyst and determined that it was no longer a strategic fit. As a result, the Company decided that Energyst was held-for-sale at September 30, 2018 and recorded a write-down of its investment to its estimated fair value ($nil). The Company recorded a $30 million loss, comprising the investment write-off of $19 million and a reclassification of cumulative foreign translation losses of $11 million from accumulated other comprehensive income to the statement of income upon Energyst's sale of its wholly-owned subsidiary in Argentina.

Excluding the write-off and loss related to Energyst, EBITDA loss of $36 million in 2018 was 30% lower than the prior year primarily due to lower long-term incentive plan costs resulting from a decrease in the Company's share price in 2018 compared with an increase in the prior year period.

2018 Fourth Quarter Highlights

- Free cash flow of $418 million was higher than Q4 2017 free cash flow of $350 million, reflecting strong cash generation from the Company's Canadian operations, largely due to improved invested capital turnover and positively impacted by higher volumes of new equipment sales. The Company's UK & Ireland operations also generated higher free cash flow compared with Q4 2017, while lower revenues drove lower cash generation in the Company's South American operations.
- Revenue of $1.8 billion was up 6% from Q4 2017 reflecting a 24% increase in new equipment sales partially offset by a 7% decrease in product support revenue. The Company's Canadian operations accounted for much of the revenue growth, recording its highest total quarterly revenue of $1 billion. The Company's UK & Ireland operations also reported higher revenue compared with the same prior year period. Higher revenues were partially offset by the Company's South American operations, where revenues were lower in Argentina due to weak economic conditions and lower in Chile due to the negative impact of the new ERP system launched in mid-November. Since go-live, the speed at which the Company has been processing and delivering parts and components to mining customers has been significantly reduced resulting in an estimated $50 million shortfall in mining product support revenues in Q4 2018. The Company is actively working to resolve the velocity issues with the new ERP system and expects to return to normal parts revenue run rates in Q2 2019.
- EBIT of $91 million and EBIT margin of 4.9% reported in Q4 2018 were lower than the $109 million and 6.3% earned in Q4 2017, mainly due to lower gross profit margin from a revenue mix shift to new equipment revenue partially offset by lower SG&A relative to total revenue.
- EBITDA of $140 million and EBITDA margin of 7.6% in Q4 2018 were lower than the $154 million and 8.9% earned in Q4 2017 for the same reasons noted above.
- Basic EPS earned in the fourth quarter of 2018 was $0.33, lower than Adjusted EPS of $0.39 earned in the prior period (adjusting for the impact of the significant items described on page 21), primarily due to lower profitability in the Company's South American operations.

2018 Fourth Quarter Overview

($ millions, except per share amounts)	**Q4 2018**	Q4 2017 (Restated) [1]	% change fav (unfav)
Revenue	**$ 1,842**	$ 1,733	6%
Gross profit	**413**	434	(5)%
SG&A	**(324)**	(326)	1%
Equity earnings of joint ventures and associate	**2**	1	n/m
EBIT	**$ 91**	$ 109	(17)%
Net income	**$ 55**	$ 64	(13)%
EPS	**$ 0.33**	$ 0.38	(13)%
EBITDA	**$ 140**	$ 154	(9)%
Free cash flow	**$ 418**	$ 350	19%
Adjusted EBIT	**$ 91**	$ 110	(18)%
Adjusted net income	**$ 55**	$ 65	(14)%
Adjusted EPS	**$ 0.33**	$ 0.39	(14)%
Adjusted EBITDA	**$ 140**	$ 155	(10)%
Gross profit margin	***22.4%***	*25.1%*	
SG&A as a percentage of revenue	***17.6%***	*18.8%*	
EBIT margin	***4.9%***	*6.3%*	
EBITDA margin	***7.6%***	*8.9%*	
ROIC	***12.8%***	*13.1%*	
Adjusted EBIT margin	***4.9%***	*6.4%*	
Adjusted EBITDA margin	***7.6%***	*9.0%*	
Adjusted ROIC	***13.5%***	*13.1%*	

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

There were no significant items identified by management that affected the results of the Company for the three months ended December 31, 2018.

Significant items that affected the results of the Company for the three months ended December 31, 2017, which were not considered by management to be indicative of operational and financial trends are detailed below.

Q4 2017 significant items

- Severance costs incurred in the Company's Canadian and South American operations related to facility and cost structure optimization.
- Insurance proceeds received related to the business interruption impact of the 2016 Alberta wildfires.

The magnitude of each of these items, and reconciliation of the non-GAAP financial measures to the closest equivalent GAAP metrics, is shown in the following table:

3 months ended December 31, 2017 ($ millions except per share amounts)	EBIT Canada	 South America	 UK & Ireland	 Consol	Net Income Consol	EPS Consol
EBIT, net income, and EPS (Restated) (1)	$ 67	$ 50	$ 8	$ 109	$ 64	$ 0.38
Significant items:						
Severance costs	3	2	—	5	4	0.03
Insurance proceeds from Alberta wildfires	(4)	—	—	(4)	(3)	(0.02)
Adjusted EBIT, Adjusted net income, and Adjusted EPS (Restated) (1)	$ 66	$ 52	$ 8	$ 110	$ 65	$ 0.39

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's Annual Financial Statements.

Quarterly Key Performance Measures

Reported KPIs

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

	2018				2017 (Restated) [(1)]				2016
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
ROIC									
Consolidated	**12.8 %**	13.7 %	14.3 %	13.7 %	13.1 %	10.1 %	9.3 %	7.1 %	5.6 %
Canada	**16.6 %**	16.4 %	15.5 %	14.5 %	13.3 %	9.2 %	8.1 %	6.6 %	5.3 %
South America	**12.2 %**	16.2 %	17.5 %	17.6 %	17.8 %	15.5 %	14.9 %	14.5 %	13.3 %
UK & Ireland	**14.2 %**	14.0 %	13.2 %	13.4 %	12.8 %	12.9 %	13.9 %	(0.5)%	(4.5)%
EBIT ($ millions)									
Consolidated	**91**	93	126	113	109	100	97	86	18
Canada	**71**	78	77	71	67	57	55	46	(3)
South America	**12**	37	47	46	50	48	42	44	27
UK & Ireland	**12**	15	14	10	8	9	13	7	8
EBIT Margin									
Consolidated	**4.9 %**	5.3 %	7.3 %	6.8 %	6.3 %	6.5 %	6.1 %	6.1 %	1.3 %
Canada	**7.1 %**	8.6 %	8.5 %	8.4 %	7.8 %	7.7 %	7.0 %	6.7 %	(0.3)%
South America	**2.5 %**	6.7 %	8.5 %	8.4 %	8.6 %	8.6 %	8.1 %	8.8 %	5.0 %
UK & Ireland	**3.7 %**	5.1 %	5.3 %	3.7 %	3.0 %	3.5 %	4.6 %	3.3 %	3.3 %
Invested Capital ($ millions)									
Consolidated	**3,163**	3,431	3,362	3,226	2,830	3,095	3,108	2,940	2,797
Canada	**1,675**	1,889	1,840	1,778	1,621	1,746	1,764	1,630	1,595
South America	**1,190**	1,173	1,172	1,140	983	1,069	1,047	1,029	996
UK & Ireland	**336**	404	372	322	250	311	307	286	216
Invested Capital Turnover									
Consolidated	**2.12x**	2.14x	2.13x	2.13x	2.09x	2.01x	1.97x	1.89x	1.90x
Canada	**2.05x**	1.98x	1.92x	1.87x	1.82x	1.74x	1.70x	1.62x	1.70x
South America	**1.86x**	2.01x	2.05x	2.08x	2.09x	2.03x	1.97x	1.87x	1.80x
UK & Ireland	**3.22x**	3.30x	3.44x	3.65x	3.56x	3.47x	3.66x	3.69x	3.54x
Inventory ($ millions)	**2,061**	2,017	1,968	1,906	1,708	1,744	1,789	1,650	1,601
Inventory Turns (times)	**2.68x**	2.58x	2.57x	2.80x	2.82x	2.60x	2.52x	2.61x	2.49x
Working Capital to Sales Ratio	**26.6 %**	26.7 %	26.9 %	27.1 %	27.4 %	28.6 %	29.1 %	30.5 %	30.4 %
Free Cash Flow ($ millions)	**418**	(49)	(28)	(263)	350	22	(131)	(76)	113
EBITDA ($ millions)									
Consolidated	**140**	142	171	157	154	146	145	131	65
Canada	**97**	104	99	93	91	82	81	70	21
South America	**29**	52	62	61	65	61	57	59	43
UK & Ireland	**18**	23	21	17	14	16	20	13	15
EBITDA Margin									
Consolidated	**7.6 %**	8.1 %	9.9 %	9.4 %	8.9 %	9.5 %	9.1 %	9.3 %	4.3 %
Canada	**9.7 %**	11.4 %	11.0 %	10.9 %	10.6 %	11.2 %	10.3 %	10.1 %	3.0 %
South America	**5.8 %**	9.3 %	11.2 %	11.1 %	11.0 %	11.2 %	11.0 %	11.8 %	7.9 %
UK & Ireland	**5.7 %**	7.7 %	7.9 %	6.3 %	5.2 %	6.0 %	7.0 %	6.5 %	6.1 %
Net Debt to EBITDA Ratio	**1.7**	2.1	2.0	1.9	1.5	2.4	2.5	2.6	2.5

[(1)] 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

Quarterly 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 42 to 45 of this MD&A and the financial metrics which have been adjusted to take these items into account are referred to as "Adjusted" metrics. The impact of these items on certain KPIs is shown below:

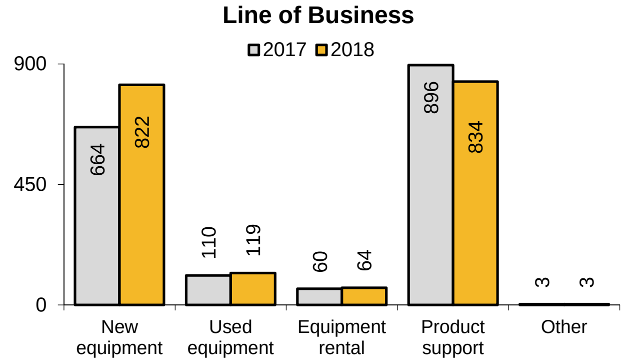
	2018				2017 (Restated) [1]				2016
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Adjusted ROIC									
Consolidated	**13.5 %**	14.5 %	14.2 %	13.5 %	13.1 %	11.8 %	11.1 %	10.0 %	9.3 %
Canada	**16.2 %**	16.0 %	15.1 %	14.0 %	13.2 %	12.0 %	11.0 %	10.2 %	9.3 %
South America	**12.2 %**	16.4 %	17.7 %	17.8 %	18.1 %	16.5 %	16.0 %	15.6 %	15.0 %
UK & Ireland	**14.2 %**	14.0 %	13.2 %	13.4 %	12.8 %	12.9 %	13.9 %	7.7 %	5.9 %
Adjusted EBIT ($ millions)									
Consolidated	**91**	123	126	106	110	100	97	86	70
Canada	**71**	78	77	64	66	57	55	46	44
South America	**12**	37	47	46	52	48	42	44	37
UK & Ireland	**12**	15	14	10	8	9	13	7	8
Adjusted EBIT Margin									
Consolidated	**4.9 %**	7.0 %	7.3 %	6.4 %	6.4 %	6.5 %	6.1 %	6.1 %	4.8 %
Canada	**7.1 %**	8.6 %	8.5 %	7.5 %	7.6 %	7.7 %	7.0 %	6.7 %	6.2 %
South America	**2.5 %**	6.7 %	8.5 %	8.4 %	9.1 %	8.6 %	8.1 %	8.8 %	7.0 %
UK & Ireland	**3.7 %**	5.1 %	5.3 %	3.7 %	3.0 %	3.5 %	4.6 %	3.3 %	3.3 %
Adjusted EBITDA ($ millions)									
Consolidated	**140**	172	171	150	155	146	145	131	117
Canada	**97**	104	99	86	90	82	81	70	68
South America	**29**	52	62	61	67	61	57	59	53
UK & Ireland	**18**	23	21	17	14	16	20	13	15
Adjusted EBITDA Margin									
Consolidated	**7.6 %**	9.7 %	9.9 %	9.0 %	9.0 %	9.5 %	9.1 %	9.3 %	7.9 %
Canada	**9.7 %**	11.4 %	11.0 %	10.1 %	10.5 %	11.2 %	10.3 %	10.1 %	9.5 %
South America	**5.8 %**	9.3 %	11.2 %	11.1 %	11.4 %	11.2 %	11.0 %	11.8 %	9.9 %
UK & Ireland	**5.7 %**	7.7 %	7.9 %	6.3 %	5.2 %	6.0 %	7.0 %	6.5 %	6.1 %
Net Debt to Adjusted EBITDA Ratio	**1.7**	2.0	2.0	2.0	1.5	2.1	2.3	2.1	1.9

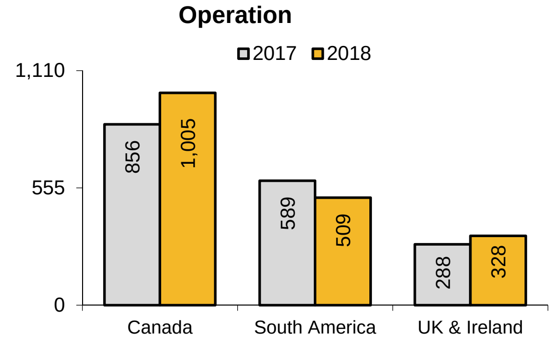
[1] The 2017 comparative results have been restated to reflect the Company's adoption of IFRS 15, *Revenue from Contracts with Customers* and IFRS 9, *Financial Instruments* effective for the financial year beginning January 1, 2018. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

2018 Fourth Quarter Results

Revenue

Revenue by Line of Business and by Operation
3 months ended December 31
($ millions) (2017 Restated)





The Company generated revenue of over $1.8 billion during the three months ended December 31, 2018, an increase of 6% over the same period last year. Revenue was up in the Company's Canadian and UK & Ireland operations, particularly in new equipment revenue, partially offset by lower product support revenue in the Company's South American operations.

New equipment sales increased 24% compared to the same period in 2017, largely driven by 44% growth year over year in the Company's Canadian operations. On a consolidated basis in the fourth quarter of 2018, new equipment revenue as a percentage of overall revenue was 45%, compared to 38% in the prior year period.

Product support revenue decreased by 7% as higher revenues in the Company's Canadian and UK & Ireland operations were offset by lower product support revenues in the Company's South American operations due to business process velocity issues with the new ERP system, which went live in Chile in mid-November 2018.

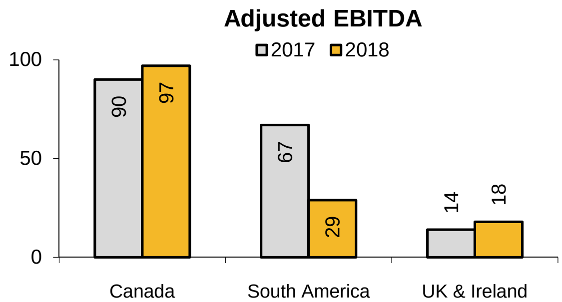
Foreign currency translation of the results of the Company's South American and UK & Ireland operations had a positive impact on revenue of approximately $20 million, primarily due to the 4% weaker CAD relative to the USD in the fourth quarter of 2018, compared to last year and was not significant at the EBITDA level.

EBITDA and EBIT

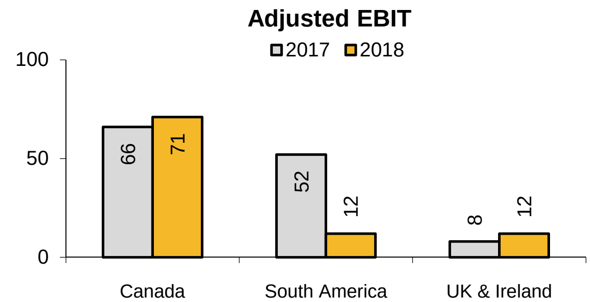
Gross profit in the last three months of 2018 of $413 million was down 5% compared to the comparative prior year period largely due to a shift in the revenue mix to new equipment sales. Gross profit margin declined by 270 basis points from the fourth quarter of 2017. On a consolidated basis, new equipment revenue as a proportion of the overall sales mix was 45%, compared to 38% in the prior year period.

SG&A in the fourth quarter of 2018 was slightly lower than the prior year comparative period. Excluding insurance proceeds and severance costs in Q4 2017, Q4 2018 SG&A was consistent with the prior year period on higher revenues. As a percentage of revenue, SG&A was down by 120 basis points over the same period of the prior year. SG&A relative to revenue was down in the Company's Canadian and UK & Ireland operations reflecting the leverage of incremental revenues on fixed costs. This was partially offset by higher SG&A relative to revenue in the Company's South American operations due to lower mining product support revenues in Chile.

Adjusted EBITDA and EBIT by Operation (1)
3 months ended December 31
($ millions) (2017 Restated)



(1) Excluding Other Operations



(1) Excluding Other Operations

EBITDA for the fourth quarter of 2018 was $140 million and EBITDA margin was 7.6%. Q4 2017 EBITDA was $154 million and EBITDA margin was 8.9%. Excluding the significant items noted on page 21, Q4 2017 Adjusted EBITDA was $155 million and Adjusted EBITDA margin was 9.0%. There were no significant items in Q4 2018. The decrease in Q4 2018 was mainly due to a shift in revenue mix to higher new equipment sales in the Company's Canadian and South American operations, partially offset by an improvement in SG&A relative to revenue in Q4 2018 from Q4 2017 in the Company's Canadian and UK & Ireland operations.

The Company reported EBIT of $91 million in the fourth quarter of 2018 compared to the $109 million in the fourth quarter of 2017. Excluding significant items detailed in the table on page 21, Q4 2017 Adjusted EBIT was $110 million. Q4 2018 EBIT was lower than Adjusted EBIT in the same prior year period, primarily due to lower product support revenue and EBIT in the Company's South American operations. This was partially offset by higher EBIT. The Company's EBIT margin was 4.9% in the fourth quarter of 2018, compared to 6.3% in the same period of 2017.

Finance Costs

Finance costs in the three months ended December 31, 2018 were $20 million and slightly below the $22 million reported in the same period in 2017.

Provision for Income Taxes

Income tax expense for Q4 2018 totaled $16 million (Q4 2017: $23 million) and the effective income tax rate of 22.2% was lower than the 27.1% in the comparable period of 2017, primarily as a result of a higher proportion of earnings in lower tax jurisdictions.

Net Income

Net income was $55 million and basic EPS was $0.33 in the fourth quarter of 2018 compared to $64 million net income and $0.38 basic EPS earned in the same period last year. Excluding significant items noted on page 21, Adjusted EPS earned in the fourth quarter of 2017 was $0.39. The decrease in basic EPS compared to Adjusted EPS in the prior year period was primarily due to lower gross profit, lower gross profit margins due to a higher mix of new equipment revenue, as well as challenges in the Company's South American operations noted above.

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

For 3 months ended December 31, 2018 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consol**	**Revenue %**
New equipment	**$ 390**	**$ 218**	**$ 214**	**$ —**	**$ 822**	**45%**
Used equipment	**73**	**11**	**35**	**—**	**119**	**7%**
Equipment rental	**45**	**11**	**8**	**—**	**64**	**3%**
Product support	**496**	**269**	**69**	**—**	**834**	**45%**
Other	**1**	**—**	**2**	**—**	**3**	**—**
Total revenue	**$ 1,005**	**$ 509**	**$ 328**	**$ —**	**$ 1,842**	**100%**
Operating costs	**(910)**	**(480)**	**(310)**	**(4)**	**(1,704)**	
Equity earnings	**2**	**—**	**—**	**—**	**2**	
EBITDA	**$ 97**	**$ 29**	**$ 18**	**$ (4)**	**$ 140**	
Depreciation and amortization	**(26)**	**(17)**	**(6)**	**—**	**(49)**	
EBIT	**$ 71**	**$ 12**	**$ 12**	**$ (4)**	**$ 91**	
Revenue percentage by Operation	**54%**	**28%**	**18%**	**—**	**100%**	
EBITDA margin	**9.7%**	**5.8%**	**5.7%**		**7.6%**	
EBIT margin	**7.1%**	**2.5%**	**3.7%**		**4.9%**	

For 3 months ended December 31, 2017 ($ millions) (Restated) [1]	Canada	South America	UK & Ireland	Other	Consol	Revenue %
New equipment	$ 271	$ 194	$ 199	$ —	$ 664	38%
Used equipment	77	13	20	—	110	6%
Equipment rental	40	12	8	—	60	4%
Product support	467	369	60	—	896	52%
Other	1	1	1	—	3	—
Total revenue	$ 856	$ 589	$ 288	$ —	$ 1,733	100%
Operating costs	(767)	(524)	(274)	(15)	(1,580)	
Equity earnings (loss)	2	—	—	(1)	1	
EBITDA	$ 91	$ 65	$ 14	$ (16)	$ 154	
Depreciation and amortization	(24)	(15)	(6)	—	(45)	
EBIT	$ 67	$ 50	$ 8	$ (16)	$ 109	
Revenue percentage by Operation	49%	34%	17%	—	100%	
EBITDA margin	10.6%	11.0%	5.2%		8.9%	
EBIT margin	7.8%	8.6%	3.0%		6.3%	
Adjusted EBITDA	$ 90	$ 67	$ 14	$ (16)	$ 155	
Adjusted EBITDA margin	10.5%	11.4%	5.2%		9.0%	
Adjusted EBIT	$ 66	$ 52	$ 8	$ (16)	$ 110	
Adjusted EBIT margin	7.6%	9.1%	3.0%		6.4%	

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

Canada

Q4 2018 revenue of over $1 billion was 17% higher than Q4 2017 and was the highest revenue recorded in a quarter, reflecting strong mining deliveries and higher market activity in the construction sector, particularly in British Columbia.

New equipment revenue was up 44% in Q4 2018 compared to the same period last year, driven by significant equipment deliveries in the quarter, particularly in the mining and construction sectors. Product support revenue was 6% higher than Q4 2017, with continued strong demand for equipment overhauls in the mining and construction industries. Rental revenues also increased by 11% over Q4 2017.

Gross profit in Q4 2018 was higher than the prior year, reflecting higher sales volumes. Gross profit margin decreased in Q4 2018 from the comparable period in 2017, primarily due to a revenue mix shift to a higher proportion of new equipment revenue. New equipment revenue comprised 39% of total revenue in Q4 2018, compared to 32% in Q4 2017.

SG&A was 5% higher in Q4 2018 compared to the same period in the prior year, due in large part to higher variable costs from increased sales volumes. SG&A relative to revenue was down 210 basis points in Q4 2018 compared to the prior year period, reflecting leverage of incremental revenues on fixed costs and disciplined spending.

Q4 2018 EBITDA was $97 million, compared to $91 million in Q4 2017. EBITDA margin was 9.7%, down from 10.6% earned in the same period in 2017. Excluding the significant items noted above and as summarized on page 21, Q4 2018 EBITDA margin of 9.7% was lower than the Adjusted EBITDA margin of 10.5% earned in Q4 2017, primarily due to a revenue mix shift to higher new equipment sales which typically generate lower margins, partially offset by lower SG&A.

South America

Q4 2018 revenue of $509 million was 14% lower than Q4 2017 (down 17% in functional currency), reflecting lower revenues in Argentina and a shortfall in mining product support revenues in Chile due to business process velocity issues following the new ERP system launch in mid-November. New equipment sales in the Company's South American operations were up 12% (up 8% in functional currency), driven by higher new equipment revenue in all market segments in Chile, partially offset by lower sales in Argentina compared with the same prior year period.

The weaker Canadian dollar relative to the U.S. dollar on average in the quarter compared to Q4 2017 had a favourable foreign currency translation impact on revenue in Q4 2018 of approximately $20 million and was not significant at the EBITDA level.

Gross profit decreased 25% (28% in functional currency) compared to Q4 2017, in large part due to lower volumes across most lines of business, particularly in product support. Gross profit margin also decreased in Q4 2018 compared to Q4 2017, reflecting a revenue mix shift to a higher proportion of new equipment. New equipment revenue comprised 43% of total revenue in Q4 2018, compared to 33% in Q4 2017.

SG&A (in functional currency) in Q4 2018 decreased by 5% compared to the same period in the prior year. Lower SG&A in Q4 2018 was primarily driven by the favourable impact of foreign exchange and lower people-related costs, partially offset by additional costs related to the ERP implementation. SG&A relative to revenue was higher than the prior year comparable period due to lower revenues on fixed costs.

Q4 2018 EBITDA was $29 million, compared to $65 million in Q4 2017. EBITDA margin was 5.8%, down from 11.0% earned in the same period of 2017 due to lower gross profit margins achieved in the current year combined with higher SG&A relative to revenue. Results from Argentina in Q4 2018 showed an improvement compared to Q3 2018. As a result of weak economic conditions, the Company right-sized its costs in Argentina to align with reduced activity levels.

UK & Ireland

Fourth quarter 2018 revenue of $328 million was up 14% compared to the fourth quarter of 2017 (up 13% in functional currency), driven primarily by higher new and used equipment sales in the construction sector, as well as higher new equipment sales in the power systems sector.

Product support revenue was up 15% (14% in functional currency) compared to last year's fourth quarter, up in the construction and power systems sector.

Q4 2018 gross profit was higher than the prior year period, in line with higher sales volumes and gross profit margin was consistent with the same period in the prior year.

SG&A (in functional currency) in Q4 2018 increased by 6% compared to the same period in the prior year, on revenue growth of 13%, reflecting improved leverage on fixed SG&A. In addition, Q4 2017 included a benefit related to actions taken to manage the Company's pension plan liabilities.

Q4 2018 EBITDA was $18 million and higher than EBITDA of $14 million in Q4 2017. EBITDA margin was 5.7% in Q4 2018, up from the 5.2% earned in Q4 2017, primarily due to leverage of incremental revenue on fixed costs.

Outlook

Canadian Operations

In the oil sands, demand for equipment and product support, including component rebuilds, remains stable, despite a shortage of pipeline capacity and production restrictions implemented by the Alberta government in December 2018.

Demand for power systems products, parts and service has increased, mainly as a result of ongoing midstream infrastructure expansion and maintenance, particularly in the gas compression sector.

Construction activity is expected to remain steady, with large infrastructure projects, notably LNG Canada, creating incremental demand for construction and power systems equipment and product support in the future.

South American Operations

In the near term, international trade tensions continue to pose a risk to the price of copper. However, the Company remains constructive on the long-term outlook for this commodity 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 benefit the construction sector and generate improved demand for construction equipment and product support in the medium term.

In Argentina, the economy appears to have stabilized but remains weak. The Argentine government has curtailed infrastructure spend, resulting in a significantly reduced demand for construction equipment. Despite the current economic downturn in Argentina, the Company expects oil and gas development at Vaca Muerta to proceed and provide meaningful upside potential for future equipment and product support demand.

UK & Ireland Operations

In the UK, uncertainty remains around the impact of a possible change in the trade relationship with the European Union (Brexit). The Company has worked with Caterpillar to develop a risk mitigation strategy to minimize the impact of any scenario that occurs, and continues to monitor all activities related to Brexit. The impact on customer confidence and future investment decisions continues to be mitigated by the UK government's investments in large-scale rail, power, road, and airport infrastructure projects.

In the UK & Ireland, order intake levels remain robust. 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 expected to continue to generate solid demand for construction equipment and product support.

Improving ROIC

The Company continues to closely monitor global market conditions and inventory levels.

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

Sustainable operating improvements and cost discipline are expected to generate earnings torque. Global supply chain initiatives are expected to continue to increase capital efficiencies and support positive annual free cash flow.

The Company's capital investments and resource allocation are directly linked to the Global Strategic Priorities described on pages 3 to 4, and are mostly success-based.

Foreign Exchange Exposure

The Company expects on-going volatility in foreign exchange markets to continue impacting 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 December 31			Years ended December 31		
($ millions)	**2018**	2017	Increase (Decrease) in cash	**2018**	2017	(Decrease) Increase in cash
Cash provided by operating activities	**$ 490**	$ 398	$ 92	**$ 260**	$ 283	$ (23)
Cash used in investing activities	**$ (73)**	$ (48)	$ (25)	**$ (184)**	$ (116)	$ (68)
Cash used in financing activities	**$ (199)**	$ (407)	$ 208	**$ (107)**	$ (276)	$ 169
Free Cash Flow	**$ 418**	$ 350	$ 68	**$ 78**	$ 165	$ (87)

The most significant contributors to the changes in cash flows for 2018 over 2017 were as follows:

	Quarter over Quarter	Year over Year
Cash provided by operating activities	• higher customer deposits received for future deliveries of new equipment, primarily in the Company's Canadian operations	• higher supplier payments in the Company's South American and Canadian operations, reflecting higher inventory purchases supporting increased demand • partially offset by higher cash collections on receivable balances from the Company's South American and Canadian operations and higher customer deposits received for future deliveries of new equipment, primarily in the Company's Canadian operations
Cash used in investing activities	• higher capital expenditures in Q4 2018 resulting from investments in a new ERP system and large mining vehicles in the Company's South American operations	• higher capital expenditures in 2018 resulting from investments in a new ERP system and large mining vehicles in the Company's South American operations
Cash used in financing activities	• $350 million repayment of long-term debt in Q4 2017 • partially offset by the repurchase of $94 million of common shares in Q4 2018 (Q4 2017: $nil); and, • $69 million repayment of short-term debt in Q4 2018 ($14 million repaid in the comparable prior year period).	• $150 million net repayment of long-term debt in the prior year period • $136 million of cash provided by short-term debt in 2018, higher than the $17 million provided in 2017 • partially offset by a higher use of cash in 2018 to repurchase common shares
Free cash flow generation	• higher cash generation primarily from higher customer deposits received in Q4 2018 partially offset by higher capital expenditures.	• lower cash provided by operating activities for the reasons outlined above • higher capital expenditures

Capital resources and management

The Company's cash and cash equivalents balance at December 31, 2018 was $454 million (December 31, 2017: $458 million). To complement the internally generated funds from operating and investing activities, the Company has $2.2 billion in unsecured credit facilities. Included in this amount is a syndicated committed credit facility totaling $1.3 billion with various Canadian and other global financial institutions, of which $1.2 billion was available at December 31, 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. The facility is available in multiple borrowing jurisdictions and may be drawn by a number of the Company's principal operating subsidiaries. Borrowings under this facility are available in multiple currencies and at various floating rates of interest.

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 within its syndicated committed credit facility. As at December 31, 2018 and 2017, the Company was in compliance with these covenants.

In September 2017, the Company issued $200 million of 2.84% senior unsecured notes due September 29, 2021. On October 16, 2017, proceeds from the issuance of the Notes were used to redeem, prior to maturity, all of the outstanding $350 million 6.02% MTN, due June 1, 2018. The total redemption price included an early redemption premium of approximately $9 million, which was recorded in finance costs in the year ended December 31, 2017.

The Company is rated [1] by both ***DBRS*** and ***S&P***:

	Long-term debt		Short-term debt	
December 31	**2018**	2017	**2018**	2017
DBRS	BBB (high)	BBB (high)	R-2 (high)	R-2 (high)
S&P	BBB+	BBB+	***n/a***	n/a

In September 2018, DBRS reconfirmed the Company's BBB (high) long-term rating as well as its commercial paper rating at R-2 (high), reflecting the Company's improved performance, supported by strong market fundamentals and diversified operations.

In November 2018, S&P reconfirmed the Company's BBB+ rating, noting the Company's strong market position as the largest Caterpillar equipment dealer, its diversification by geography and its earnings stability driven by the after-sales parts and services business.

In May 2018, the Company renewed its ***NCIB*** [2] which enables the Company to purchase its common shares for cancellation. In November 2018, the Company amended the NCIB to increase the number of shares available for purchase for cancellation from 3 million to 5.3 million. In December 2018, the Company further amended the NCIB to put in place an automatic share repurchase plan with a designated broker, to enable continued share purchases for cancellation during the Company's regular blackout period. In February 2019, the Company further amended the NCIB to increase the number of shares available for purchase for cancellation from 5.3 million to 7.6 million. During 2018, the Company repurchased 4,128,053 common shares for cancellation at an average cost of $26.41 per share (totalling $109 million). During 2017, the Company repurchased 89,900 common shares for cancellation at an average cost of $25.45 per share.

The NCIB is in place to take advantage of Finning's strong balance sheet and cash balances in periods of broader market volatility and the resulting negative impact on the Company's share price. Execution of the NCIB is governed by rules established by the Toronto Stock Exchange.

(1) 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.

(2) 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.

Net Debt to EBITDA

The Company monitors net debt to 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 EBITDA held constant. Previously, the Company managed its capital structure by monitoring net debt to invested capital, but in line with management's focus on EBITDA as a key financial measure, management believes reporting net debt to EBITDA provides a better measurement of the Company's management of capital resources.

December 31	Company long-term target	2018	2017 (Restated) [1]
Net debt to EBITDA Ratio	**< 3.0**	**1.7**	1.5

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

Contractual Obligations

Payments on contractual obligations in each of the next five years and thereafter are as follows:

($ millions)	2019	2020	2021	2022	2023	Thereafter	Total
Short-term debt							
- principal repayment	$ 154	$ —	$ —	$ —	$ —	$ —	$ 154
Long-term debt							
- principal repayment	—	200	201	205	123	628	1,357
- interest	54	53	47	37	30	188	409
Operating leases [1]	74	65	58	41	20	34	292
Finance leases	7	8	7	6	3	10	41
Total contractual obligations	$ 289	$ 326	$ 313	$ 289	$ 176	$ 860	$ 2,253

(1) Included in accrued liabilities is $2 million and in non-current other liabilities is $8 million related to facility closure costs and future minimum lease payments due under certain operating leases that were considered to be onerous at December 31, 2018 (2017: $17 million).

The above table does not include obligations to fund pension benefits. The Company is making regular contributions to its registered defined benefit pension plans in Canada and the UK in order to fund the pension plans as required. Funding levels are monitored regularly and reset with new actuarial funding valuations performed by the Company's (or plan Trustees') actuaries that occur at least every three years. In 2018, approximately $25 million was contributed by the Company towards the defined benefit pension plans. Based on the most recent valuations completed, the Company expects to contribute approximately $20 million to the defined benefit pension plans during the year ended December 31, 2019.

Capital and Rental Expenditures

The Company's net spend on capital expenditures and rental fleet additions during the year ended December 31, 2019 is expected to be in the range of $250 million to $300 million depending on strength of market conditions. These are planned, but not legally committed, expenditures and include investments in a long-term network strategy, branch improvement initiatives, Digital initiatives, and electric drive mining vehicles.

Employee Share Purchase Plans

The Company has employee share purchase plans for its Canadian and South American employees. Under the terms of these plans, eligible employees may purchase common shares of the Company in the open market at the then current market price. The Company pays a portion of the purchase price to a maximum of 2% of employee earnings. At December 31, 2018, approximately 71%, 74% and 3% of eligible employees in the Company's Corporate, Canadian and South American operations, respectively, were contributing to these plans.

The Company also has an All Employee Share Purchase Ownership Plan for its employees in Finning UK & Ireland. Under the terms of this plan, the Company will provide one common share, purchased in the open market, for every three shares purchased by Finning (UK) employees and for every one share purchased by Finning (Ireland) employees. Finning (UK) employees may contribute from £10 to £150 of their salary per month. At December 31, 2018, approximately 31% of eligible employees in Finning (UK) were contributing to this plan. Finning (Ireland) employees may contribute from €10 to €70 of their salary per month. At December 31, 2018, approximately 24% of eligible employees in Finning (Ireland) were contributing to this plan.

These plans may be cancelled by the Company at any time.

Subsequent event

On February 1, 2019, the Company completed the acquisition, announced in December 2018, of ***4Refuel***, through the acquisition of all of the outstanding shares of 4Refuel's ultimate parent, Owl Holdco RF Limited. 4Refuel is a mobile on-site refueling service provider with operations in most of the provinces in Canada and in Texas. This acquisition is a complementary bolt-on acquisition that provides the Company with the opportunity to sell equipment, product support, rental and more value-added services to a customer base not currently taking advantage of Finning's full suite of services. Furthermore, 4Refuel will have the opportunity to sell more fuel services to the Company's customers and improve customer service. The Company funded the transaction, valued at approximately $260 million, with cash on hand and from existing credit facilities. 4Refuel is expected to generate approximately $100 million net revenue and approximately $30 million EBITDA in the year ended December 31, 2018. Net revenue, a non-GAAP financial measure, is defined as revenue attributed to service fees for the delivery of fuel and is calculated as total revenue charged to customers less the cost of fuel which is paid in full by the customer.

Accounting and Estimates

The Company employs professionally qualified accountants throughout its finance group and all of the operating unit financial officers report directly to the Company's ***CFO***. Senior financial representatives are assigned to all significant projects that impact financial accounting and reporting. Policies are in place to ensure completeness and accuracy of reported transactions. Key transaction controls are in place, and there is a segregation of duties between transaction initiation, processing, and cash receipt or disbursement. Accounting, measurement, valuation, and reporting of accounts, which involve estimates and / or valuations, are reviewed quarterly by the CFO and ***SVP***, Corporate Controller, as well as the audit committee of the Board of Directors (Audit Committee). Significant accounting and financial topics and issues are presented to and discussed with the Audit Committee.

Management's discussion and analysis of the Company's financial condition and results of operations is based on the Company's Annual Financial Statements, which have been prepared in accordance with IFRS. The Company's significant accounting policies are contained in the notes to the Annual Financial Statements for the year ended December 31, 2018. Certain policies require management to make judgments, estimates, and assumptions in respect of the application of accounting policies and the reported amounts of assets, liabilities, revenues, expenses, and disclosure of contingent assets and liabilities. These policies may require particularly subjective and complex judgments to be made as they relate to matters that are inherently uncertain and because there is a likelihood that materially different amounts could be reported under different conditions or using different assumptions. The Company has discussed the development, selection, and application of its key accounting policies, and the critical accounting estimates and assumptions they involve, with the Audit Committee.

The more significant estimates and judgments include:

- recoverable values for goodwill and other indefinite-lived intangible assets;
- identifying the ***CGU*** to which assets should be allocated for impairment testing;
- allowance for doubtful accounts;
- provisions for standard warranty;
- provisions for income tax;
- the determination of post-employment benefits;
- provisions for slow-moving and obsolete inventory;
- the useful lives and residual values of property, plant, and equipment, rental equipment, and intangible assets;
- revenues and costs associated with long term contracts (primarily long-term product support contracts and power and energy systems);
- revenues and costs associated with the sale of assets with either repurchase commitments or rental purchase options;
- determination of the functional currency of each entity of the Company; and,
- inputs to the models to determine the fair value of certain share-based payments.

For additional information on the above judgments, estimates, and assumptions made, please refer to the Annual Financial Statements for the year ended December 31, 2018.

Goodwill and intangible assets with indefinite lives

The Company performs impairment tests on its goodwill and intangible assets with indefinite lives at the appropriate level (CGU or group of CGUs) at least annually and when events or changes in circumstances indicate that their value may not be fully recoverable. Any potential goodwill or intangible asset impairment is identified by comparing the recoverable amount of the CGU to its carrying value. If the recoverable amount of the CGU exceeds its carrying value, goodwill and/or the intangible asset are considered not to be impaired. If the recoverable amount of the CGU is less than the carrying amount, then the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. Any impairment loss is recognized immediately in the consolidated statement of income. Impairment losses recognized for goodwill are never reversed but impairment losses on indefinite-lived intangible assets may be reversed. If any indication that the circumstances leading to the impairment loss of an indefinite-lived intangible asset no longer exists or may have decreased, management estimates the recoverable value of the CGU. Indicators of a recovery include sustainable improvement of the economic performance of the CGU and positive trend in the forecast or budgeted results of the CGU. If the recoverable amount exceeds the carrying amount, then a previously recognized impairment loss is considered to have been reversed (either fully or in part). Any reversal of impairment loss is recognized immediately in the consolidated statement of net income.

The Company determines the recoverable amount of a CGU using a discounted cash flow model. The process of determining these recoverable amounts requires management to make estimates and assumptions including, but not limited to, future cash flows, growth projections, associated economic risk assumptions and estimates of key operating metrics and drivers, and the weighted average cost of capital rates. Cash flow projections are based on financial budgets presented to the Company's Board of Directors. Projected cash flows are discounted using a weighted average cost of capital. These estimates are subject to change due to uncertain competitive and economic market conditions or changes in business strategies.

The Company performed its assessment of goodwill and intangible assets with indefinite lives and determined that there was no impairment at December 31, 2018 and 2017. Also, the Company reviewed if there was any indication that the circumstances leading to the previously recognized impairment loss on its indefinite-lived intangible asset no longer existed or may have decreased. No reversal of impairment losses was considered appropriate at December 31, 2018 and 2017. Refer to note 20 in the Annual Financial Statements for further details.

Income tax asset or liability

Estimations of tax assets or liabilities require assessments to be made based on the potential tax treatment of certain items that will only be resolved once finally agreed with the relevant tax authorities.

Assumptions underlying the composition of deferred tax assets and liabilities include estimates of future results of operations and the timing of reversal of temporary differences as well as the substantively enacted tax rates and laws in each jurisdiction at the time of the expected reversal. The composition of deferred tax assets and liabilities change from period to period due to the uncertainties surrounding these assumptions and changes in tax rates or regimes could have a material adverse effect on expected results.

Judgment is required as income tax laws and regulations can be complex and are potentially subject to different interpretation between the Company and the respective tax authority. Due to the number of variables associated with the differing tax laws and regulations across the multiple jurisdictions in which the Company operates, the precision and reliability of the resulting estimates are subject to uncertainties and may change as additional information becomes known. Net income in subsequent periods may be impacted by the amount that estimates differ from the final tax return.

Financial Instruments

Cash and cash equivalents, accounts receivable, unbilled work in progress, supplier claims receivable, and instalment and other notes receivable are classified and measured at amortized cost using the effective interest method.

Derivative financial instruments and short-term investments are classified and measured at fair value through profit or loss and are recorded on the consolidated statement of financial position at fair value. Changes in fair value are recognized in the consolidated statement of net income except for changes in fair value related to derivative financial instruments which are effectively designated as hedging instruments, which are recognized in other comprehensive income.

Short-term and long-term debt and accounts payable are classified and measured at amortized cost using the effective interest method.

Related Party Transactions

Related party transactions and balances incurred in the normal course of business between the Company and its subsidiaries have been eliminated on consolidation and are not considered material for disclosure. Information on the Company's wholly owned subsidiaries and the main countries in which they operate is contained in note 2 of the annual consolidated financial statements. Compensation of key management personnel is disclosed in note 26 of the annual consolidated financial statements.

New Accounting Pronouncements

Changes in the rules or standards governing accounting can impact Finning's financial reporting. The impact of adopting new accounting standards is described in note 2 of the Company's Annual Financial Statements. The effect of future accounting pronouncements and effective dates are also discussed in note 2 of the Annual Financial Statements.

The Company has adopted the following new accounting standards and interpretation:

- IFRS 15, *Revenue from Contracts with Customers* (effective date January 1, 2018) requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company applied this standard retrospectively. IFRS 15 supersedes existing standards and interpretations, including IAS 18, *Revenue* and IAS 11, *Construction Contracts.*
- IFRS 9, *Financial Instruments* (effective January 1, 2018) introduced new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting. The Company applied this standard retrospectively. Under the new standard, management utilizes a provision matrix, permitted under the simplified approach, to estimate expected credit losses for trade and other receivables and unbilled work in progress. There is no adjustment on transition for this change in methodology from incurred credit losses under the previous standard IAS 39, *Financial Instruments: Recognition and Measurement*.
- ***IFRIC*** 22, *Foreign Currency Transactions and Advance Consideration* (effective January 1, 2018) clarifies the appropriate exchange rate to use on initial recognition of an asset, expense or income when advance consideration is paid or received in a foreign currency. IFRIC 22 clarifies the exchange rate used to translate deposits made on inventory purchases or advances received for equipment sales denominated in a foreign currency. Management elected to apply this interpretation prospectively to all in-scope assets, expenses, and income recognized on or after January 1, 2018.

The Company has not applied the following new standard and interpretation that have been issued but are not yet effective:

- IFRS 16, *Leases* (effective January 1, 2019) introduces new requirements for the classification and measurement of leases. Management is currently assessing the impact of the new standard but expects IFRS 16 will result in higher non-current assets and current and non-current liabilities in the range of $250 million to $300 million in the consolidated statement of financial position across all reporting segments, primarily in the Canadian segment. The categories of assets expected to be most impacted are properties and vehicles. Also, management expects lower selling, general, and administrative expense and higher finance costs under this new standard due to lower operating lease expense partially offset by higher depreciation expense and higher interest expense. Although total cash movement will be unchanged, the presentation in the statement of cash flows will look different under the new standard. There will be an increase in cash flows provided by operating activities offset by an increase in cash flows used within financing activities, as the principal component of lease payments currently accounted for as an operating activity will be presented as a financing activity.

  The Company will apply IFRS 16 retrospectively and recognize the cumulative effect of initial application on January 1, 2019, on the statement of financial position, subject to permitted and elected practical expedients. This method of application will not result in a restatement of amounts reported in periods prior to January 1, 2019. The Company will measure the right-of-use asset at an amount equal to the lease liability on January 1, 2019 and apply a single discount rate to leases with a similar remaining lease term for similar classes of underlying assets. The Company will not apply this standard to short-term leases and leases for which the underlying asset is of low value.
- IFRIC 23, *Uncertainty over Income Tax Treatments* (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. Management has assessed the interpretation and expects there to be no impact.

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 such 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. Changes to the key risks are reviewed by the Audit Committee. The Audit Committee also reviews the adequacy of disclosures of key risks in the Company's AIF, MD&A, and Annual Financial Statements. All key financial risks are disclosed in the MD&A and other key business risks are disclosed in the Company's AIF. For more information on the Company's financial instruments, including accounting policies, description of risks, and relevant risk sensitivities, please refer to note 8 of the Company's Annual Financial Statements.

Market Risk and Hedging

Market risk is the risk that changes in the market, such as foreign exchange rates, interest rates and commodity prices, will affect the Company's income or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company utilizes derivative financial instruments and foreign currency debt in order to manage its foreign currency and interest rate exposures. The Company uses derivative financial instruments only in connection with managing related risk positions and does not use them for trading or speculative purposes. All such transactions are carried out within the guidelines set by the Company and approved by the Company's Audit Committee.

<u>Foreign Exchange Risk</u>

The Company is geographically diversified, with significant investments in several different countries. The Company transacts business in multiple currencies, the most significant of which are the CAD, USD, GBP, ***CLP***, and ARS. The functional currency of the Company's South American operations is USD and of the Company's UK & Ireland operations is primarily GBP (Finning Ireland's functional currency is the Euro). As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies. The main types of foreign exchange risk of the Company can be categorized as follows:

Translation Exposure

The most significant foreign exchange impact on the Company's net income and other comprehensive income is the translation of foreign currency based earnings and net assets or liabilities into CAD, which is the Company's presentation currency. The Company's South American and UK & Ireland operations have functional currencies other than the CAD and, as a result, exchange rate movements between the USD/CAD and GBP/CAD will impact the consolidated results of the South American and UK & Ireland operations in CAD terms. The Company does not hedge its exposure to foreign exchange risk with regard to foreign currency earnings.

Assets and liabilities of the Company's South American and UK & Ireland operations are translated into CAD using the exchange rates in effect at the statement of financial position dates. Any translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income. To the extent practical, it is the Company's objective to manage this exposure. The Company has hedged a portion of its foreign investments with foreign currency denominated loans. The currency translation gain of $133 million recorded in 2018 resulted primarily from the 9% weaker CAD relative to the USD as well as the 3% weaker CAD relative to the GBP at December 31, 2018, compared to December 31, 2017. This was partially offset by $58 million of unrealized foreign exchange loss on net investment hedges.

Transaction Exposure

Many of the Company's operations purchase, sell, rent, and lease products as well as incur costs in currencies other than their functional currency. This mismatch of currencies creates transactional exposure, which may affect the Company's profitability as exchange rates fluctuate. For example, the Company's Canadian operating results are exposed to volatility in USD/CAD rates between the timing of equipment and parts purchases and the ultimate sale to customers. A portion of this exposure is hedged through the use of forward exchange contracts as well as managed through pricing practices. The Company applies hedge accounting to hedges of certain inventory purchases in its Canadian and UK operations.

The results of the Company's operations are impacted by the translation of its foreign-denominated transactions; the results of the Canadian operations are impacted by USD based revenue and costs and the results of the South American operations are impacted by CLP and ARS based revenues and costs.

The Company is also exposed to foreign currency risks related to the future cash flows on its foreign-denominated financial assets and financial liabilities and foreign-denominated net asset or net liability positions on its statement of financial position. The Company enters into forward exchange contracts to manage some mismatches in foreign currency cash flows but does not fully hedge balance sheet exposure so this may result in unrealized foreign exchange gains or losses until the financial assets and financial liabilities are settled.

The CAD has historically been positively correlated to commodity prices. In a scenario of declining commodity prices, the Company's resource industry customers may curtail capital expenditures and decrease production which can result in reduced demand for equipment, parts, and services. At the same time, the weaker CAD to USD positively impacts the Company's financial results when USD based revenues and earnings are translated into CAD reported revenues and earnings, although lags may occur.

The results of the Company's South American operations are affected by changes in the USD/CLP and USD/ARS relationships. Historically, the CLP has been positively correlated to the price of copper. As the price of copper declines, the value of the CLP versus the USD declines as well. In such an environment, the Company's revenue may be impacted as mining customers curtail their equipment and product support spend. The Company's SG&A in South America, which is largely denominated in local currency, is reduced when translated into USD, partly offsetting the impact on revenue. The reverse holds in an environment where the copper price strengthens, although generally there is a lag between the increase in SG&A and the improvement in revenue.

The Company's competitive position may also be impacted as relative currency movements affect the business practices and/or pricing strategies of the Company's competitors.

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

Exchange rate	December 31			3 months ended December 31 – average			12 months ended December 31 – average		
	2018	2017	Change	**2018**	2017	Change	**2018**	2017	Change
USD/CAD	**1.3642**	1.2545	(9)%	**1.3204**	1.2713	(4)%	**1.2957**	1.2986	0 %
GBP/CAD	**1.7439**	1.6961	(3)%	**1.6989**	1.6875	(1)%	**1.7299**	1.6721	(3)%
USD/CLP	**695.69**	615.22	(13)%	**679.28**	633.80	(7)%	**639.90**	649.31	1 %
USD/ARS	**37.70**	18.65	(102)%	**37.07**	17.53	(111)%	**26.23**	16.47	(59)%

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

Interest Rate Risk

Changes in market interest rates can cause fluctuations in the fair value or future cash flows of financial instruments.

The Company is exposed to changes in interest rates on its interest bearing financial assets including cash and cash equivalents and instalment and other notes receivable. The short-term nature of investments included in cash and cash equivalents limits the impact to fluctuations in fair value, but interest income earned can be impacted. Instalment and other notes receivable bear interest at a fixed rate thus their fair value will fluctuate prior to maturity but, absent monetization, future cash flows do not change.

The Company is exposed to changes in interest rates on its interest bearing financial liabilities, primarily from short-term and long-term debt. The Company's debt portfolio comprises both fixed and floating rate debt instruments, with terms to maturity ranging up to June 2042. The Company's floating rate debt is short term in nature and as a result, the Company is exposed to limited fluctuations in changes to fair value, but finance expense and cash flows will increase or decrease as interest rates change.

The fair value of the Company's fixed rate debt obligations fluctuate with changes in interest rates, but absent early settlement, related cash flows do not change. The Company is exposed to changes in future interest rates upon refinancing of any debt prior to or at maturity.

The Company manages its interest rate risk by balancing its portfolio of fixed and floating rate debt, as well as managing the term to maturity of its debt portfolio.

Commodity Prices

The Company provides equipment and parts and service to customers in resource and construction industries. In the resource sector, fluctuations in commodity prices and changes in long-term outlook for commodities impact customer decisions regarding capital expenditures and production levels, which determine demand for equipment, parts and service. In the construction sector, publicly funded infrastructure spending is indirectly impacted by fluctuations in commodity prices, particularly in regions with resource-based economies (such as the prices of copper, gold, and other metals; thermal and metallurgical coal; natural gas, oil, and lumber). In Canada, the Company's customers are exposed to the price of oil, mostly in the oil sands in Northern Alberta. In South America, the Company's customers are primarily exposed to the price of copper and, to a much lesser extent, the prices of gold, other metals, and natural gas. In the UK & Ireland, the Company's resource sector customers operate in thermal coal and off-shore oil & gas. Significant fluctuations in these commodity prices could have a material impact on the Company's financial results.

In periods of significantly lower commodity prices, demand is reduced as development of new projects is slowed or stopped and production from existing projects can be curtailed, leading to less demand for equipment. However, product support growth has been, and is expected to continue to be, important in mitigating the effects of downturns in the business cycle. Alternatively, if commodity prices rapidly increase, customer demand for Finning's products and services could increase and apply pressure on the Company's ability to supply the products or skilled technicians on a timely and cost efficient basis. To assist in mitigating the impacts of fluctuations in demand for its products, Finning management works closely with Caterpillar to endeavor to achieve an adequate and timely supply of product or offers customers alternative solutions and has implemented human resources recruiting strategies to achieve adequate staffing levels.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally in respect of the Company's cash and cash equivalents, short-term investments, receivables from customers and suppliers, instalment and other notes receivable, and derivative assets.

Credit risk associated with cash and cash equivalents is managed by ensuring that these financial assets are held with major financial institutions with strong investment grade ratings and by monitoring the exposures with any single institution. An ongoing review is performed to evaluate the changes in the credit rating of counterparties.

The Company has credit exposure arising from its derivative instruments relating to counterparties defaulting on their obligations. However, the Company minimizes this risk by ensuring there is no excessive concentration of credit risk with any single counterparty, by active credit monitoring, and by dealing primarily with major financial institutions that have a credit rating of at least A from S&P and/or A2 by Moody's and/or A by Fitch.

The Company has a large diversified customer base and is not dependent on any single customer or group of customers. Credit risk associated with receivables from customers and suppliers is minimized because of the diversification of the Company's operations as well as its large customer base and its geographical dispersion.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquid financial resources to fund its operations and meet its commitments and obligations. The Company maintains uncommitted bilateral and committed syndicated bank credit facilities, continuously monitors actual and forecast cash flows, and manages maturity profiles of financial liabilities. Based on the availability of credit facilities, the Company's business operating plans, and the discretionary nature of some of its cash outflows, such as rental and capital expenditures, the Company believes it continues to have sufficient liquidity to meet operational needs.

Financing Arrangements

The Company will require capital to finance its future growth and to refinance its outstanding debt obligations as they come due for repayment. If the cash generated from the Company's operations is not sufficient to fund future capital and debt repayment requirements, the Company will require additional debt or equity financing in the capital markets. The Company's ability to access capital markets on terms that are acceptable will be dependent upon prevailing market conditions, as well as the Company's future financial condition. Further, the Company's ability to increase the level of debt financing may be limited by its financial covenants or its credit rating objectives. Although the Company does not anticipate any difficulties in raising necessary funds in the future, there can be no assurance that capital will be available on suitable terms and conditions, or that borrowing costs and credit ratings will not be adversely affected. In addition, the Company's current financing arrangements contain certain restrictive covenants that may impact the Company's future operating and financial flexibility.

Share-Based Payment Risk

Share-based payment plans are an integral part of the Company's employee compensation program and can be in the form of the Company's common shares or cash payments that reflect the value of the shares and the extent the Company is able to achieve or exceed specified performance levels. Share-based payment plans are accounted for at fair value, and the expense associated with these plans can therefore vary as the Company's share price, share price volatility, performance of the Company, and employee exercise behaviour change. For further details on the Company's share-based payment plans, please refer to note 11 of the Company's Annual Financial Statements.

Contingencies and Guarantees

Due to the size, complexity, and nature of the Company's operations, various legal, customs, and tax matters are pending. It is not currently possible for management to predict the outcome of such matters due to various factors, including: the preliminary nature of some claims, an incomplete factual record, uncertainty concerning procedures and their resolution by the courts, customs, or tax authorities. However, subject to these limitations, management is of the opinion, based on legal assessments and information presently available, that, except as stated below, it is not likely that any liability would have a material effect on the Company's financial position or results of operations.

Finning's South American operations began to export an agricultural animal feed product from Argentina in the third quarter of 2012 in response to the Argentine government's efforts to balance imports and exports and to manage access to foreign currency. These exports enabled Finning to import goods into Argentina to satisfy customer demand, while meeting the government's requirements. Finning's South American operations have not exported agricultural animal feed product since the third quarter of 2013.The Company has received a number of claims from the Argentina Customs Authority associated with export of agricultural product. The Company is appealing these claims, believes they are without merit, and is confident in its position. These pending matters may take a number of years to resolve. Should the ultimate resolution of these matters differ from management's assessment, a material adjustment could arise and negatively impact the Company's financial position.

The Company enters into contracts with rights of return (at the customer's discretion), in certain circumstances, for the repurchase of equipment sold to customers for an amount which is generally based on a discount from the estimated future fair value of that equipment. As at December 31, 2018, the total estimated value of these contracts outstanding is $130 million (2017: $119 million) coming due at periods ranging from 2019 to 2025. The Company's experience to date has been that the equipment fair value at the exercise date of the contract is generally worth more than the repurchase amount, however, there can be no assurance that this experience will continue in the future. The total amount recognized as a provision against these contracts at December 31, 2018 and December 31, 2017 is $1 million.

For further information on the Company's contingencies, commitments, guarantees, and indemnifications, refer to notes 28 and 29 of the notes to the Annual Financial Statements.

Outstanding Share Data

As at February 18, 2019	
Common shares outstanding	164,038,067
Options outstanding	3,157,883

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

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 year ended December 31, 2018, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting. In the second half of 2018, management did employ additional procedures to ensure key financial internal controls remained in place during and after the conversion to a new ERP system in the Company's South American operations. Management also performed additional account reconciliations and other analytical and substantive procedures to mitigate any financial risks from the introduction of the new system.

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 system 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.

Evaluation of Effectiveness

As required by National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* issued by the Canadian securities regulatory authorities, an evaluation of the design and testing of the effectiveness of the operation of the Company's disclosure controls and procedures and internal control over financial reporting was conducted as of December 31, 2018, by and under the supervision of management. In making the assessment of the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting, management used the criteria set forth by the ***COSO*** in *Internal Control – Integrated Framework (2013 edition)*. The evaluation included documentation review, enquiries, testing, and other procedures considered by management to be appropriate in the circumstances.

Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures and internal control over financial reporting were effective as of December 31, 2018.

Description of Non-GAAP Financial Measures and Reconciliations

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 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.

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.

Set out below is a description of the non-GAAP financial measures used by the Company in this MD&A and a quantitative reconciliation from each non-GAAP financial measure to the most directly comparable measure, where available, specified, defined, or determined under GAAP and used in the Company's consolidated financial statements (GAAP measures).

KPIs

Management uses KPIs to consistently measure performance against the Company's priorities across the organization. The Company's KPIs include, among others, ROIC, inventory turns, invested capital turnover, working capital to sales ratio, equipment backlog, and net debt to EBITDA ratio. These KPIs, including those that are expressed as ratios, are non-GAAP financial measures that do not have a standardized meaning under IFRS and may not be comparable to similar measures used by other issuers.

Adjusted net income and Adjusted EPS

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

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

A reconciliation between net income and EPS (the most directly comparable GAAP measures) and Adjusted net income and Adjusted EPS can be found on pages 8 and 21 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 operating 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 comparable GAAP financial 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 and years ended December 31, 2016, 2015, and 2014 is as follows:

3 months ended	**2018**				2017 (Restated) [1]				2016	Years ended Dec 31		
($ millions)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	2016	2015	2014
EBIT	**$ 91**	$ 93	$ 126	$ 113	$ 109	$ 100	$ 97	$ 86	$ 18	$ 165	$ (105)	$ 504
Depreciation and amortization	**49**	49	45	44	45	46	48	45	47	192	231	216
EBITDA	**$ 140**	$ 142	$ 171	$ 157	$ 154	$ 146	$ 145	$ 131	$ 65	$ 357	$ 126	$ 720
EBITDA – last 12 months	**$ 610**	624	$ 628	$ 602	$ 576	$ 487	$ 460	$ 392	357	$ 357	$ 126	$ 720
EBIT	**$ 91**	$ 93	$ 126	$ 113	$ 109	$ 100	$ 97	$ 86	$ 18	$ 165	$ (105)	$ 504
Significant items:												
Write-off and loss related to Energyst	**—**	30	—	—	—	—	—	—	—	—	—	—
Impact from Alberta wildfires												
– insurance proceeds	**—**	—	—	(7)	(4)	—	—	—	—	—	—	—
– unavoidable costs	**—**	—	—	—	—	—	—	—	—	11	—	—
Severance costs and labour disruption costs [2]	**—**	—	—	—	5	—	—	—	15	41	48	17
Facility closures and restructuring costs	**—**	—	—	—	—	—	—	—	32	36	53	—
Power systems project provisions, estimated loss on disputes and alleged fraudulent activity by a customer	**—**	—	—	—	—	—	—	—	10	20	—	—
Gain on investment	**—**	—	—	—	—	—	—	—	(5)	(5)	—	—
Loss on sale of non-core business	**—**	—	—	—	—	—	—	—	—	5	—	—
Impairment loss on distribution network and goodwill	**—**	—	—	—	—	—	—	—	—	—	338	—
Inventory and other asset impairments	**—**	—	—	—	—	—	—	—	—	—	42	—
Acquisition and disposal of business, net	**—**	—	—	—	—	—	—	—	—	—	(5)	—
ERP costs derecognized [3]	**—**	—	—	—	—	—	—	—	—	—	—	12
Foreign exchange impact on ARS devaluation	**—**	—	—	—	—	—	—	—	—	—	12	—
Adjusted EBIT	**$ 91**	$ 123	$ 126	$ 106	$ 110	$ 100	$ 97	$ 86	$ 70	$ 273	$ 383	$ 533
Depreciation and amortization [4]	**49**	49	45	44	45	46	48	45	47	192	221	216
Adjusted EBITDA	**$ 140**	$ 172	$ 171	$ 150	$ 155	$ 146	$ 145	$ 131	$ 117	$ 465	$ 604	$ 749
Adjusted EBIT – last 12 months	**$ 446**	$ 465	$ 442	$ 413	$ 393	$ 353	$ 326	$ 292	$ 273	$ 273	$ 383	$ 533
Adjusted EBITDA – last 12 months	**$ 633**	$ 648	$ 622	$ 596	$ 577	$ 539	$ 512	$ 478	$ 465	$ 465	$ 604	$ 749

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

(2) Labour disruption costs of $2 million incurred in the Company's South American operations in Q3 2014.

(3) Following an evaluation of the business needs of the Company's South American operations and a capability analysis, management determined that the implementation of a full ERP system in its South American operations would not occur in the near future, leading to an accounting review and a decision to derecognize the previously capitalized costs of $12 million in 2014.

(4) Of the significant items described above, $10 million was recorded in depreciation and amortization expense in Q4 2015.

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the Canadian operations for the last nine quarters and years ended December 31, 2016, 2015, and 2014 is as follows:

3 months ended	**2018**				2017 (Restated) [1]				2016	Years ended Dec 31		
($ millions)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	2016	2015	2014
EBIT	**$ 71**	$ 78	$ 77	$ 71	$ 67	$ 57	$ 55	$ 46	$ (3)	$ 87	$ 98	$ 284
Significant items:												
Impact from Alberta wildfires												
– insurance proceeds	**—**	—	—	(7)	(4)	—	—	—	—	—	—	—
– unavoidable costs	**—**	—	—	—	—	—	—	—	—	11	—	—
Severance costs	**—**	—	—	—	3	—	—	—	15	24	27	6
Facility closures and restructuring costs	**—**	—	—	—	—	—	—	—	32	32	48	—
Inventory and other asset impairments	**—**	—	—	—	—	—	—	—	—	—	16	—
Adjusted EBIT	**$ 71**	$ 78	$ 77	$ 64	$ 66	$ 57	$ 55	$ 46	$ 44	$ 154	$ 189	$ 290
Depreciation and amortization [2]	**26**	26	22	22	24	25	26	24	24	100	116	112
Adjusted EBITDA	**$ 97**	$ 104	$ 99	$ 86	$ 90	$ 82	$ 81	$ 70	$ 68	$ 254	$ 305	$ 402
Adjusted EBIT – last 12 months	**$ 290**	$ 285	$ 264	$ 242	$ 224	$ 202	$ 182	$ 167	$ 154	$ 154	$ 189	$ 290

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

(2) Of the significant items described above, $5 million was recorded in depreciation and amortization expense in Q4 2015.

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the South American operations for the last nine quarters and years ended December 31, 2016, 2015, and 2014 is as follows:

3 months ended	**2018**				2017 (Restated) [1]				2016	Years ended Dec 31		
($ millions)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	2016	2015	2014
EBIT	**$ 12**	$ 37	$ 47	$ 46	$ 50	$ 48	$ 42	$ 44	$ 27	$ 137	$ (174)	$ 196
Significant items:												
Severance costs and labour disruption costs [2]	**—**	—	—	—	2	—	—	—	—	8	15	10
Facility closures and restructuring costs	**—**	—	—	—	—	—	—	—	—	—	3	—
Impairment loss on distribution network and goodwill	**—**	—	—	—	—	—	—	—	—	—	324	—
Inventory and other asset impairments	**—**	—	—	—	—	—	—	—	—	—	10	—
Estimated loss on alleged fraudulent activity by a customer	**—**	—	—	—	—	—	—	—	10	10	—	—
ERP write-off [3]	**—**	—	—	—	—	—	—	—	—	—	—	12
Foreign exchange impact on ARS devaluation	**—**	—	—	—	—	—	—	—	—	—	12	—
Adjusted EBIT	**$ 12**	$ 37	$ 47	$ 46	$ 52	$ 48	$ 42	$ 44	$ 37	$ 155	$ 190	$ 218
Depreciation and amortization [4]	**17**	15	15	15	15	13	15	15	16	62	77	72
Adjusted EBITDA	**$ 29**	$ 52	$ 62	$ 61	$ 67	$ 61	$ 57	$ 59	$ 53	$ 217	$ 267	$ 290
Adjusted EBIT – last 12 months	**$ 142**	$ 182	$ 193	$ 188	$ 186	$ 171	$ 163	$ 160	$ 155	$ 155	$ 190	$ 218

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

(2) Labour disruption costs of $2 million incurred in the Company's South American operations in Q3 2014.

(3) Following an evaluation of the business needs of the Company's South American operations and a capability analysis, management determined that the implementation of a full ERP system in its South American operations would not occur in the near future, leading to an accounting review and a decision to derecognize the previously capitalized costs of $12 million in 2014.

(4) Of the significant items described above, $5 million was recorded in depreciation and amortization expense in Q4 2015.

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the UK & Ireland operations for the last nine quarters and years ended December 31, 2016, 2015, and 2014 is as follows:

3 months ended	**2018**				2017 (Restated) [(1)]				2016	Year ended Dec 31		
($ millions)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	2016	2015	2014
EBIT	**$ 12**	$ 15	$ 14	$ 10	$ 8	$ 9	$ 13	$ 7	$ 8	$ (12)	$ (5)	$ 50
Significant items:												
Severance costs	**—**	—	—	—	—	—	—	—	—	9	6	1
Facility closures and restructuring costs	**—**	—	—	—	—	—	—	—	—	4	2	—
Impairment loss on distribution network and goodwill	**—**	—	—	—	—	—	—	—	—	—	14	—
Inventory and other asset impairments	**—**	—	—	—	—	—	—	—	—	—	16	—
Power systems project provisions and estimated loss on disputes	**—**	—	—	—	—	—	—	—	—	10	—	—
Disposal of business	**—**	—	—	—	—	—	—	—	—	5	—	—
Adjusted EBIT	**$ 12**	$ 15	$ 14	$ 10	$ 8	$ 9	$ 13	$ 7	$ 8	$ 16	$ 33	$ 51
Depreciation and amortization	**6**	8	7	7	6	7	7	6	7	30	28	32
Adjusted EBITDA	**$ 18**	$ 23	$ 21	$ 17	$ 14	$ 16	$ 20	$ 13	$ 15	$ 46	$ 61	$ 83
Adjusted EBIT – last 12 months	**$ 51**	$ 47	$ 41	$ 40	$ 37	$ 37	$ 38	$ 20	$ 16	$ 16	$ 33	$ 51

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

Adjusted EBIT Margin, EBITDA Margin, and Adjusted EBITDA Margin

These measures are defined, respectively, as Adjusted EBIT divided by total revenue, EBITDA divided by total revenue, and Adjusted EBITDA divided by total revenue, using total revenue as disclosed in the Company's consolidated statement of income. These measures are utilized by management to assess and evaluate the financial performance or profitability of its operating segments.

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 consolidated statement of cash flow. 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	**2018**				**2017**				2016	For year ended Dec 31		
($ millions)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	2016	2015	2014
Cash flow provided by (used in) operating activities	**$ 490**	$ (6)	$ 18	$ (242)	$ 398	$ 55	$ (112)	$ (58)	$ 131	$ 440	$ 379	$ 546
Additions to property, plant, and equipment and intangible assets	**(77)**	(46)	(46)	(32)	(49)	(33)	(20)	(19)	(20)	(92)	(76)	(81)
Proceeds on disposal of property, plant, and equipment	**5**	3	—	11	1	—	1	1	2	22	22	18
Free cash flow	**$ 418**	$ (49)	$ (28)	$ (263)	$ 350	$ 22	$ (131)	$ (76)	$ 113	$ 370	$ 325	$ 483
Free cash flow – last 12 months	**$ 78**				$ 165				$ 370	$ 370	$ 325	$ 483

Inventory Turns

Inventory turns is the number of times the Company's inventory is sold and replaced over a period and is used by management as a measure of asset utilization. Inventory turns is calculated as annualized cost of sales for the last six months divided by average inventory, based on an average of the last two quarters, as follows:

	2018				2017 (Restated) (1)				2016	2015	2014
($ millions, except as noted)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31	Dec 31
Cost of sales – annualized	**$ 5,470**	$ 5,139	$ 4,987	$ 5,056	$ 4,862	$ 4,590	$ 4,342	$ 4,240	$ 4,150	$ 4,524	$ 4,868
Inventory – 2 quarter average	**$ 2,039**	$ 1,992	$ 1,937	$ 1,807	$ 1,726	$ 1,767	$ 1,720	$ 1,624	$ 1,663	$ 1,897	$ 1,734
Inventory turns (number of times)	**2.68**	2.58	2.57	2.80	2.82	2.60	2.52	2.61	2.49	2.38	2.81

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

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. Invested capital is used by management as a measure of the total cash investment made in the Company and each operating 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:

	2018				2017 (Restated) [1]				2016	2015	2014
($ millions, except as noted)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31	Dec 31
Cash and cash equivalents	**$ (454)**	$ (221)	$ (300)	$ (325)	$ (458)	$ (516)	$ (411)	$ (489)	$ (593)	$ (475)	$ (450)
Short-term debt	**154**	223	213	169	18	32	102	16	2	117	7
Current portion of long-term debt	**—**	—	—	—	—	350	350	—	—	—	—
Long-term debt	**1,354**	1,315	1,330	1,322	1,296	1,291	1,116	1,481	1,487	1,548	1,418
Net debt	**$ 1,054**	$ 1,317	$ 1,243	$ 1,166	$ 856	$ 1,157	$ 1,157	$ 1,008	$ 896	$ 1,190	$ 975
Shareholders' equity	**2,109**	2,114	2,119	2,060	1,974	1,938	1,951	1,932	1,901	2,050	2,131
Invested capital	**$ 3,163**	$ 3,431	$ 3,362	$ 3,226	$ 2,830	$ 3,095	$ 3,108	$ 2,940	$ 2,797	$ 3,240	$ 3,106

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

Invested Capital Turnover

Invested capital turnover is used by management as a measure of efficiency in the use of the Company's invested capital, defined on page 47 and is calculated as total revenue for the last twelve months divided by invested capital based on an average of the last four quarters. The calculation of invested capital turnover is as follows:

	2018				2017 (Restated) [1]				2016	2015	2014
($ millions, except as noted)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31	Dec 31
Consol											
Revenue – last 12 months	**$ 6,996**	$ 6,887	$ 6,670	$ 6,525	$ 6,256	$ 6,014	$ 5,809	$ 5,535	$ 5,628	$ 6,275	$ 6,918
Invested capital – 4 quarter average	**$ 3,295**	$ 3,212	$ 3,128	$ 3,065	$ 2,993	$ 2,989	$ 2,944	$ 2,927	$ 2,960	$ 3,530	$ 3,298
Invested capital turnover (number of times)	**2.12**	2.14	2.13	2.13	2.09	2.01	1.97	1.89	1.90	1.78	2.10
Canada											
Revenue – last 12 months	**$ 3,674**	$ 3,525	$ 3,351	$ 3,234	$ 3,072	$ 2,932	$ 2,815	$ 2,659	$ 2,821	$ 3,126	$ 3,634
Invested capital – 4 quarter average	**$ 1,795**	$ 1,782	$ 1,746	$ 1,727	$ 1,690	$ 1,684	$ 1,660	$ 1,643	$ 1,656	$ 1,792	$ 1,657
Invested capital turnover (number of times)	**2.05**	1.98	1.92	1.87	1.82	1.74	1.70	1.62	1.70	1.74	2.19
South America											
Revenue – last 12 months	**$ 2,170**	$ 2,250	$ 2,241	$ 2,206	$ 2,157	$ 2,103	$ 2,015	$ 1,930	$ 1,857	$ 2,067	$ 2,227
Invested capital – 4 quarter average	**$ 1,169**	$ 1,117	$ 1,091	$ 1,060	$ 1,032	$ 1,036	$ 1,024	$ 1,031	$ 1,030	$ 1,357	$ 1,341
Invested capital turnover (number of times)	**1.86**	2.01	2.05	2.08	2.09	2.03	1.97	1.87	1.80	1.52	1.66
UK & Ireland											
Revenue – last 12 months	**$ 1,152**	$ 1,112	$ 1,078	$ 1,085	$ 1,027	$ 979	$ 979	$ 946	$ 950	$ 1,082	$ 1,057
Invested capital – 4 quarter average	**$ 358**	$ 337	$ 314	$ 298	$ 288	$ 282	$ 267	$ 256	$ 268	$ 369	$ 308
Invested capital turnover (number of times)	**3.22**	3.30	3.44	3.65	3.56	3.47	3.66	3.69	3.54	2.93	3.43

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

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. These ratios are used by management in assessing 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:

December 31	**2018**				2017 (Restated) [1]				2016	2015	2014
($ millions, except as noted)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31	Dec 31
Net debt	**$ 1,054**	$ 1,317	$ 1,243	$ 1,166	$ 856	$ 1,157	$ 1,157	$ 1,008	$ 896	$ 1,190	$ 975
EBITDA – last 12 months	**$ 610**	$ 624	$ 628	$ 602	$ 576	$ 487	$ 460	$ 392	$ 357	$ 126	$ 720
Net Debt to EBITDA Ratio	**1.7**	2.1	2.0	1.9	1.5	2.4	2.5	2.6	2.5	9.5	1.4
Net debt	**$ 1,054**	$ 1,317	$ 1,243	$ 1,166	$ 856	$ 1,157	$ 1,157	$ 1,008	$ 896	$ 1,190	$ 975
Adjusted EBITDA – last 12 months	**$ 633**	$ 648	$ 622	$ 596	$ 577	$ 539	$ 512	$ 478	$ 465	$ 604	$ 749
Net Debt to Adjusted EBITDA Ratio	**1.7**	2.0	2.0	2.0	1.5	2.1	2.3	2.1	1.9	2.0	1.3

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

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 is calculated as follows:

	2018				2017 (Restated) [(1)]				2016	2015	2014
($ millions, except as noted)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31	Dec 31
Consol											
EBIT – last 12 months	**$ 423**	$ 441	$ 448	$ 419	$ 392	$ 301	$ 274	$ 206	$ 165	$ (105)	$ 504
Adjusted EBIT – last 12 months	**$ 446**	$ 465	$ 442	$ 413	$ 393	$ 353	$ 326	$ 292	$ 273	$ 383	$ 533
Invested capital – 4 quarter average	**$ 3,295**	$ 3,212	$ 3,128	$ 3,065	$ 2,993	$ 2,989	$ 2,944	$ 2,927	$ 2,960	$ 3,530	$ 3,298
ROIC	**12.8%**	13.7%	14.3%	13.7%	13.1%	10.1%	9.3%	7.1%	5.6%	(3.0)%	15.3%
Adjusted ROIC	**13.5%**	14.5%	14.2%	13.5%	13.1%	11.8%	11.1%	10.0%	9.3%	10.9%	16.2%
Canada											
EBIT – last 12 months	**$ 297**	$ 293	$ 272	$ 250	$ 225	$ 155	$ 135	$ 108	$ 87	$ 98	$ 284
Adjusted EBIT – last 12 months	**$ 290**	$ 285	$ 264	$ 242	$ 224	$ 202	$ 182	$ 167	$ 154	$ 189	$ 290
Invested capital – 4 quarter average	**$ 1,795**	$ 1,782	$ 1,746	$ 1,727	$ 1,690	$ 1,684	$ 1,660	$ 1,643	$ 1,656	$ 1,792	$ 1,657
ROIC	**16.6%**	16.4%	15.5%	14.5%	13.3%	9.2%	8.1%	6.6%	5.3%	5.5%	17.1%
Adjusted ROIC	**16.2%**	16.0%	15.1%	14.0%	13.2%	12.0%	11.0%	10.2%	9.3%	10.6%	17.5%
South America											
EBIT – last 12 months	**$ 142**	$ 180	$ 191	$ 186	$ 184	$ 161	$ 153	$ 149	$ 137	$ (174)	$ 196
Adjusted EBIT – last 12 months	**$ 142**	$ 182	$ 193	$ 188	$ 186	$ 171	$ 163	$ 160	$ 155	$ 190	$ 218
Invested capital – 4 quarter average	**$ 1,169**	$ 1,117	$ 1,091	$ 1,060	$ 1,032	$ 1,036	$ 1,024	$ 1,031	$ 1,030	$ 1,357	$ 1,341
ROIC	**12.2%**	16.2%	17.5%	17.6%	17.8%	15.5%	14.9%	14.5%	13.3%	(12.8)%	14.6%
Adjusted ROIC	**12.2%**	16.4%	17.7%	17.8%	18.1%	16.5%	16.0%	15.6%	15.0%	14.0%	16.2%
UK & Ireland											
EBIT – last 12 months	**$ 51**	$ 47	$ 41	$ 40	$ 37	$ 37	$ 38	$ (1)	$ (12)	$ (5)	$ 50
Adjusted EBIT – last 12 months	**$ 51**	$ 47	$ 41	$ 40	$ 37	$ 37	$ 38	$ 20	$ 16	$ 33	$ 51
Invested capital – 4 quarter average	**$ 358**	$ 337	$ 314	$ 298	$ 288	$ 282	$ 267	$ 256	$ 268	$ 369	$ 308
ROIC	**14.2%**	14.0%	13.2%	13.4%	12.8%	12.9%	13.9%	(0.5)%	(4.5)%	(1.4)%	16.3%
Adjusted ROIC	**14.2%**	14.0%	13.2%	13.4%	12.8%	12.9%	13.9%	7.7%	5.9%	9.0%	16.7%

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

Working Capital & Working Capital to Sales 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 sales ratio is calculated as working capital, based on an average of the last four quarters, divided by total 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 sales.

The working capital to sales ratio is calculated as follows:

	2018				2017 (Restated) [1]				2016	2015	2014
($ millions, except as noted)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31	Dec 31
Total current assets	**$ 3,924**	$ 3,696	$ 3,763	$ 3,687	$ 3,531	$ 3,566	$ 3,493	$ 3,389	$ 3,378	$ 3,460	$ 3,477
Cash and cash equivalents	**(454)**	(221)	(300)	(325)	(458)	(516)	(411)	(489)	(593)	(475)	(450)
Total current assets [2]	**$ 3,470**	$ 3,475	$ 3,463	$ 3,362	$ 3,073	$ 3,050	$ 3,082	$ 2,900	$ 2,785	$ 2,985	$ 3,027
Total current liabilities	**$ 1,992**	$ 1,734	$ 1,742	$ 1,626	$ 1,545	$ 1,648	$ 1,703	$ 1,232	$ 1,233	$ 1,243	$ 1,372
Short-term debt	**(154)**	(223)	(213)	(169)	(18)	(32)	(102)	(16)	(2)	(117)	(7)
Current portion of long-term debt	—	—	—	—	—	(350)	(350)	—	—	—	—
Total current liabilities [3]	**$ 1,838**	$ 1,511	$ 1,529	$ 1,457	$ 1,527	$ 1,266	$ 1,251	$ 1,216	$ 1,231	$ 1,126	$ 1,365
Working capital	**$ 1,632**	$ 1,964	$ 1,934	$ 1,905	$ 1,546	$ 1,784	$ 1,831	$ 1,684	$ 1,554	$ 1,859	$ 1,662
Working capital – 4 quarter average	**$ 1,859**	$ 1,837	$ 1,793	$ 1,767	$ 1,712	$ 1,717	$ 1,690	$ 1,687	$ 1,709	$ 2,023	$ 1,807
Revenue – last 12 months	**$ 6,996**	$ 6,887	$ 6,670	$ 6,525	$ 6,256	$ 6,014	$ 5,809	$ 5,535	$ 5,628	$ 6,275	$ 6,918
Working capital to sales	**26.6%**	26.7%	26.9%	27.1%	27.4%	28.6%	29.1%	30.5%	30.4%	32.2%	26.1%

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

(2) Excluding cash and cash equivalents.

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

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.

Selected Annual Information

($ millions, except for share and option data)		2018		2017 (Restated) [1]		2016
Total revenue from external sources	**$**	**6,996**	$	6,256	$	5,628
Net income [2]	**$**	**232**	$	216	$	65
Earnings Per Share [2]						
Basic EPS	**$**	**1.38**	$	1.28	$	0.38
Diluted EPS	**$**	**1.38**	$	1.28	$	0.38
Total assets	**$**	**5,696**	$	5,069	$	4,910
Long-term debt						
Non-current		**1,354**		1,296		1,487
Total long-term debt [3]	**$**	**1,354**	$	1,296	$	1,487
Cash dividends declared per common share	**$**	**0.79**	$	0.745	$	0.73

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

(2) Results in 2018, 2017, and 2016 were impacted by the following items:

($ millions except per share amounts)		2018		2017		2016
Write-off and loss related to Energyst	**$**	**30**	$	—	$	—
Impact from Alberta wildfires						
- insurance proceeds		**(7)**		(4)		—
- unavoidable costs		**—**		—		11
Severance costs		**—**		5		41
Facility closures and restructuring costs		**—**		—		36
Power system project provisions, estimated loss on disputes and alleged fraudulent activity by a customer		**—**		—		20
Gain on investment		**—**		—		(5)
Loss on disposal of business		**—**		—		5
Impact of significant items on EBIT:	**$**	**23**	$	1	$	108
Impact of above significant items on EPS:	**$**	**0.15**	$	0.01	$	0.50
Items impacting net income only (below EBIT) - impact on EPS:						
Tax impact of devaluation of ARS ($20 million)	**$**	**0.12**	$	—	$	—
Redemption costs on early repayment of long-term debt ($7 million after tax)[3]		**—**		0.04		—
Impact of significant items on EPS:	**$**	**0.27**	$	0.05	$	0.50

(3) In 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.

Selected Quarterly Information

($ millions, except for share, per share, and option amounts)	2018				2017 (Restated) [1]			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue from operations								
Canada	**$ 1,005**	$ 910	$ 907	$ 852	$ 856	$ 736	$ 790	$ 690
South America	**509**	558	551	552	589	549	516	503
UK & Ireland	**328**	287	271	266	288	253	278	208
Total revenue	**$ 1,842**	$ 1,755	$ 1,729	$ 1,670	$ 1,733	$ 1,538	$ 1,584	$ 1,401
Net income [2]	**$ 55**	$ 25	$ 81	$ 71	$ 64	$ 50	$ 55	$ 47
Earnings Per Share [2]								
Basic EPS	**$ 0.33**	$ 0.15	$ 0.48	$ 0.42	$ 0.38	$ 0.29	$ 0.33	$ 0.28
Diluted EPS	**$ 0.33**	$ 0.15	$ 0.48	$ 0.42	$ 0.38	$ 0.29	$ 0.33	$ 0.28
Total assets	**$ 5,696**	$ 5,413	$ 5,457	$ 5,254	$ 5,069	$ 5,111	$ 5,002	$ 4,882
Long-term debt								
Current	**$ —**	$ —	$ —	$ —	$ —	$ 350	$ 350	$ —
Non-current	**1,354**	1,315	1,330	1,322	1,296	1,291	1,116	1,481
Total long-term debt [3]	**$ 1,354**	$ 1,315	$ 1,330	$ 1,322	$ 1,296	$ 1,641	$ 1,466	$ 1,481
Cash dividends paid per common share	**20.00¢**	20.00¢	20.00¢	19.00¢	19.00¢	19.00¢	18.25¢	18.25¢
Common shares outstanding (000's)	**164,382**	168,191	168,184	168,401	168,267	168,118	168,097	168,083
Options outstanding (000's)	**3,164**	3,226	3,241	3,301	3,864	4,574	4,755	4,501

(1) 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. More information on the impact of this adoption can be found in note 2 of the Company's 2018 Annual Financial Statements.

(2) 2018 and 2017 quarterly results were impacted by the following significant items:

($ millions except per share amounts)	**2018** [a]		2017 [a]	
	Q3	Q1	Q4	Q3
Write-off and loss related to Energyst	$ 30	$ —	$ —	$ —
Insurance proceeds from Alberta wildfires	—	(7)	(4)	—
Severance costs	—	—	5	—
Impact of significant items on EBIT:	$ 30	$ (7)	$ 1	$ —
Impact of above significant items on EPS:	$ 0.18	$ (0.03)	$ 0.01	$ —
Items impacting net income only (below EBIT) - impact on 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 EPS:	$ 0.30	$ (0.03)	$ 0.01	$ 0.04

(a) There were no adjustments in Q2 2018, Q4 2018, Q1 2017, and Q2 2017.

(3) 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; in Canada, demand for equipment and product support, including component rebuilds, along with demand for power systems products, parts and service, anticipated construction activity, including large infrastructure projects such as LNG Canada; in South America, international trade tensions posing a risk to the price of copper, the Company's long-term outlook for the price of copper, demand for mining equipment and product support, public investment by the Chilean government and anticipated benefits to the construction sector and increased demand for construction equipment and product support in the medium term, reduction on infrastructure spending in Argentina and reduced demand for construction equipment, expected oil and gas development at Vaca Muerta and anticipated upside for future equipment and support demand in Argentina; in the UK & Ireland, uncertainty surrounding Brexit, the impact of Brexit on customer confidence and future investment decisions being mitigated by the UK government's investments in large-scale rail, power, road and airport infrastructure projects, demand for power systems products in the industrial and electric power sectors and the activity levels in the quarry, general construction and plant hire sectors generating solid demand for construction equipment and product support; expected impact of and volatility in foreign exchange markets; expected revenue and free cash flow; expected earnings torque from sustainable operating improvements and cost discipline, expected increased capital efficiencies and positive annual free cash flow from global supply chain initiatives; expected profitability levels; expected range of the Company's effective tax rate; expected results from cost reductions; sustainability improvements and the Company's commitment to grow ROIC; expectations regarding future liquidity needs; expected net rental additions; expected contributions to the defined benefit pension plan; expected results from execution of the Company's strategy; the Company's priorities; inventory turns; timing and delivery of innovative customer solutions; expected capital expenditures, including investments in a long-term network strategy, branch improvement initiatives, Digital initiatives, and electric mining vehicles; the Company's response to business process velocity challenges experienced in connection with the new ERP system in Chile and the expected return to normal parts revenue run rates in Q2 2019; expected sources of funding for the acquisition of 4Refuel; and the financial performance of its rental business. 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 level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; activities of foreign governments; 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 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 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. 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 operations.

Glossary of Defined Terms

4Refuel	4Refuel Canada and 4Refuel US
AIF	Annual Information Form
Annual Financial Statements	Audited annual consolidated financial statements
ARS	Argentine Peso
Audit Committee	Audit Committee of the Board of Directors of Finning
Board	Board of Directors of Finning
CAD	Canadian dollar
Caterpillar	Caterpillar Inc.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating unit
CLP	Chilean Peso
Company	Finning International Inc.
Consol	Consolidated
COSO	Committee of Sponsoring Organizations of the Treadway Commission
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
GHG	Greenhouse gas
GBP	U.K. pound sterling
IFRIC	International financial reporting standards interpretations committee
IFRS	International Financial Reporting Standards
KPI	Key performance indicator
M&A	Mergers and acquisitions
MD&A	Management 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
RUN	Rental, used, and new equipment
S&P	Standard and Poor's
SEDAR	System for Electronic Document Analysis
SG&A	Selling, general, and administrative costs
STEM	Science, technology, engineering, and mathematics
SVP	Senior Vice President
TSX	Toronto Stock Exchange
unfav	Unfavourable
USD	U.S. dollar