



*First Quarter 2009 Results*

*May 14, 2009*

## Finning Announces First Quarter Results

### Highlights

- Free cash flow improved significantly compared to the first quarter of 2008 from lower working capital and net rental spend
- First quarter revenues were down 5% overall from first quarter of 2008 on expected lower new equipment and rental revenues
- Higher customer support services revenues at all operations, up 16%
- Strong quarter from South American operations – higher revenues and record EBIT contribution
- Diluted earnings per share of \$0.26 per share were down 35% from the first three months of 2008 due to lower revenues and costs associated with restructuring activities, as well as significant gains on sale of properties in the first quarter of 2008

	Three months ended March 31		
	2009	2008	Change
\$ millions, except per share data			
<b>Revenue</b>	<b>1,364.3</b>	1,430.2	(4.6)%
<b>Earnings before interest and income taxes <sup>(1)</sup></b>	<b>75.6</b>	109.8	(31.1)%
<b>Net income</b>	<b>45.0</b>	70.8	(36.4)%
<b>Diluted Earnings Per Share</b>	<b>\$ 0.26</b>	\$ 0.40	(35.0)%
<b>Free cash flow <sup>(1)(2)</sup></b>	<b>(1.8)</b>	(83.4)	97.8%

(1) These amounts do not have a standardized meaning under generally accepted accounting principles. For a reconciliation of these amounts to net income and cash flow from operating activities, see the heading “Description of Non-GAAP Measure” in the Company’s management discussion and analysis that accompanies the first quarter interim consolidated financial statements.

(2) Free cash flow is defined as cash flow provided by (used in) operating activities less net capital expenditures

**Vancouver, Canada** - Finning International Inc. (Finning or the Company) today reported first quarter revenue of almost \$1.4 billion for 2009, a decrease of 4.6% from the first quarter of 2008. Earnings before interest and income taxes (EBIT) were \$75.6 million in the first quarter of 2009, down 31.1% compared with the same period last year. First quarter net income was \$45.0 million or \$0.26 diluted earnings per share, a decrease of 35.0% compared with the first quarter of 2008. Lower revenues from new mobile equipment and rental contributed to the decline, partially offset by higher customer support services revenues. In response to the current economic downturn, the Company reduced its cost structure and as a result, incurred higher restructuring costs in the first quarter of 2009 compared with the same period in 2008. In addition, the results for the first quarter of 2008 included gains on the sale of certain properties.

“Clearly business conditions were dramatically different this quarter versus last year,” said Mike Waites, Finning's President and CEO. "Equipment sales were down, as expected, however, customer support services revenue increased by 16% due to a growing installed base of machines from previous sales and as existing machines work longer. In addition our cost reduction initiatives began to take hold, which are expected to result in annualized cost savings of approximately \$150 million."

"Our focus is to generate a significant amount of free cash flow this year," said Dave Smith, Executive VP and CFO. "We are pushing hard on working capital, reducing net rental additions, and controlling capital expenditures very carefully. The whole organization has this focus very clearly now as is evidenced by our improved first quarter free cash flow results. With this focus on cash generation, we intend to maintain our dividend levels and reduce our Debt Ratio by year end to the low end of our target range of 40-50%."

## **First Quarter Results**

Finning's revenues in the first quarter of 2009 were almost \$1.4 billion, down 4.6% from the first quarter of 2008, with lower revenues from both the Canadian and UK operations of the Company, partially offset by strong revenues from the Company's South American operations, which established record first quarter revenues. Revenue growth in South America was driven primarily by strong demand from mining customers in both new equipment and customer support services revenues. In Canada, revenues were down 10.1% from the first quarter of 2008 with lower new equipment revenues as a result of the current challenging economic conditions, offset by an increase in revenues from customer support services. In the U.K., revenues were down 19.6%, in local currency, in the first quarter of 2009 compared with the same period last year, with reduced new equipment sales and lower rental activity, partially offset by higher customer support services revenues.

Finning's global order book or backlog (the retail value of new equipment units ordered by customers for future deliveries) was \$0.9 billion at the end of the first quarter of 2009, lower than the December 2008 level of \$1.5 billion and the March 2008 level of \$1.7 billion. Backlog was down in all operations, reflecting deliveries to customers and some cancellations. As expected, new order intake was lower than the first quarter of 2008 by approximately 55%.

Gross profit decreased 3.8% to \$393.9 million in the first quarter of 2009 compared with the first quarter of 2008, reflecting lower revenues as noted above. However, quarterly gross profit margin (gross profit as a percentage of revenue) was slightly up from the prior year primarily due to the shift in revenues to higher margined customer support services revenues. Selling, general, and administrative (SG&A) costs decreased by 1.5% reflecting efficiencies and actions taken by the Company in the past 2 quarters to reduce its cost structure, responding to the global economic downturn.

Results from the first quarter of 2009 included restructuring costs of \$5.8 million related to the depot and business support restructurings in the U.K. and other restructuring costs in response to the current economic downturn. In addition, costs related to the implementation of a new information technology system for the Company's global operations were \$4.7 million in the quarter. In comparison, the results for the first quarter of 2008 included gains of \$14.7 million on the sale of certain properties, partially offset by non-recurring costs of \$5.3 million related to the integration of Collicutt.

EBIT for the quarter was \$75.6 million, down 31.1% compared with EBIT of \$109.8 million achieved in the first quarter of 2008.

- EBIT from Finning's Canadian reporting segment of \$45.9 million in the first quarter of 2009 was 10.0% lower than the same period last year. The decrease in 2009 was primarily due to lower new equipment sales as a result of the economic downturn, primarily in the construction and conventional oil and gas sectors, and to a lesser extent the contractors who service the oil sands.
- EBIT for Finning's South American operations in the first quarter of 2009 of \$46.8 million was 28.2% higher than the 2008 first quarter and was the highest quarterly EBIT ever recorded by Finning South America. The first quarter of 2009 includes the positive impact of translating U.S. dollar results with a weaker Canadian dollar, and in functional currency (the U.S. dollar), EBIT was 3.3% higher than the same period in 2008, reflecting strong volumes in new equipment sales and customer support services.

- For the UK Group, EBIT in the first quarter of 2009 decreased to a loss of \$5.4 million compared to EBIT of \$29.1 million in the first quarter of 2008, reflecting lower new equipment and rental revenues. The loss contributed by the rental services business was only partially offset by positive EBIT earned by the dealership. In addition, restructuring costs were incurred in the first quarter of 2009 related to the depot and business support restructurings in the U.K. The results for the first quarter of 2008 included significant gains on the sale of certain properties.

The Company's free cash flow (before dividends) for the first three months of 2009 was a use of cash of \$1.8 million compared to a use of cash of \$83.4 million in the prior year quarter. Management anticipates generating positive free cash flow in 2009 from disciplined working capital management and reduced net rental expenditures. This free cash flow is expected to be used for dividend payments and to reduce the Company's Debt Ratio to the lower end of management's target range.

Finning's net income for the quarter was \$45.0 million compared with \$70.8 million in the first quarter of 2008. Diluted Earnings Per Share (EPS) for the quarter was \$0.26, down 35% compared to the 2008 diluted EPS of \$0.40. Diluted EPS was positively impacted by approximately \$0.12 per share from the impact of the weaker Canadian dollar compared to the prior quarter. As commodity prices (and typically the Canadian dollar) weaken, Finning's business in the mining and oil sands sectors slows. However, this is directionally offset by U.S. dollar based earnings translating into more Canadian dollars.

### **Important Events**

- In April 2009, Finning achieved a significant milestone with the delivery of the 200th Caterpillar 797 off-highway truck in Canada. The Caterpillar 797, one of the world's largest mining trucks, was first introduced in 1999. While it took Finning (Canada) eight years of steady growth to reach the 100th truck delivery mark, it has taken only an additional two years to double the 797 fleet. The resulting large fleet of machines represents the foundation for Finning to grow its parts and service business while maximizing productivity and operating efficiency for its customers.
- In April 2009, Finning announced that it has realigned its Canadian operations and reduced its workforce by 170 positions to improve profitability and advance strategic priorities. These job cuts impact staff at locations across B.C. and Alberta. The Company expects to take a restructuring charge of approximately \$4.5 million in the second quarter. Since the fourth quarter of 2008, Finning has acted quickly to respond to the current economic environment. Globally, the Company has had to take difficult but necessary steps to reduce its overall workforce by approximately 8% while reallocating resources to growing areas of the business. To further improve operating efficiencies, the Company has also implemented a number of additional cost savings initiatives. These cost reduction measures are expected to result in annual savings of approximately \$150 million.

The Company also announced the realignment of executive positions to support continued good demand in the Canadian oil sands and growth in the customer support services areas of the business. Joining the Finning (Canada) operations is David Primrose as executive vice president of mining. Mr. Primrose has 20 years of experience gained across Finning's Canadian and U.K. operations, including in the oil sands and power systems, and was most recently senior vice president of corporate human resources. The Company also announced the appointment of Andy Bone as executive vice president of product support and operations for Finning (Canada). Mr. Bone who was most recently president of power systems has held several progressively senior management positions in his 29-year career with Finning. These appointments align executives with extensive operations experience to areas of continued strong demand and will support the company's successful execution of long-term strategic objectives.

Power Systems continues to be a key strategic growth area for the Company's business. Power Systems continues to be managed by in-country specialists with strategic global leadership from Mike Waites, President and CEO.

### **Common Share Dividend**

The Board of Directors approved the Company's quarterly dividend at \$0.11 per common share, payable on June 11, 2009, to shareholders of record on May 28, 2009. This dividend will be considered an eligible dividend for Canadian income tax purposes.

#### For more information

Please call Mauk Breukels, Director, Investor Relations & Corporate Affairs

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Email: [investor\\_relations@finning.ca](mailto:investor_relations@finning.ca)

### **First Quarter Conference Call**

Management will hold an investor conference call on Thursday, May 14, 2009 at 4:00 pm Eastern Time. Dial-in numbers:

**1-866-898-9626** (anywhere within Canada and the U.S.)

**(416) 340-2216** (for participants dialing from Toronto and overseas)

The call will be webcast live at <http://www.finning.com/investors/investors.aspx> and subsequently archived on the Finning website. Playback recording will be available at **1-800-408-3053** from 7:00 pm Eastern Time on May 14, 2009 until the end of business day on May 21, 2009. The passcode to access the playback recording is 7383887 followed by the number sign.

### **About Finning International Inc.**

Finning International Inc. sells, rents, and provides customer support services for Caterpillar equipment and engines, and complementary equipment, in Western Canada (Alberta, British Columbia, the Northwest Territories and the Yukon Territory and a portion of Nunavut), the U.K. and South America (Argentina, Bolivia, Chile and Uruguay). Headquartered in Vancouver, B.C., Canada, Finning International Inc. ([www.finning.com](http://www.finning.com)) is a widely held, publicly traded corporation, listed on the Toronto Stock Exchange (symbol FTT). Complete financial statements and Management's Discussion and Analysis can be accessed at [www.finning.com](http://www.finning.com).

## Forward-Looking Disclaimer

This report and the Company's Management's Discussion & Analysis (MD&A), consolidated financial statements, and notes to consolidated financial statements filed separately contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; the estimated annualized cost savings and anticipated restructuring charges related to actions taken by the Company in response to the economic downturn; anticipated generation of free cash flow, and its expected use; and expected target range of Debt Ratio. 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 describe our expectations at May 14, 2009. Except as may be required by Canadian securities laws, we do 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 our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, we 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 our forward-looking statements include: general economic and credit market conditions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our dependence on the continued market acceptance of Caterpillar's products and Caterpillar's timely supply of parts and equipment; our ability to continue to implement our cost reduction initiatives while continuing to maintain customer service; the intensity of competitive activity; our ability to raise the capital we need to implement our business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations outside Canada. 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 our 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 and the Company's MD&A, consolidated financial statements, and notes to consolidated financial statements filed separately are based on a number of assumptions that we believed were reasonable on the day we made the forward-looking statements. Refer in particular to the Market Outlook section of the MD&A. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in the Company's 2008 Annual Information Form (AIF) on pages 31-44.

We caution readers that the risks described in the AIF are not the only ones that could impact us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition, or results of operations.

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

Additional information relating to the Company, including the Company's AIF, annual report, management information circular, and other filings with Canadian securities regulators, can be found on the SEDAR (System for Electronic Disclosure and Retrieval) website at [www.sedar.com](http://www.sedar.com).

To download Finning's complete First Quarter 2009 Results in PDF, please visit the investor relations section of [www.finning.com](http://www.finning.com)

## Next Quarterly Results August 11, 2009

Finning International's second quarter results for 2009 will be released and an investor conference call will be held on August 11, 2009.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the financial results of Finning International Inc. (Finning or the Company) should be read in conjunction with the interim consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars unless otherwise stated. Additional information relating to the Company, including the Annual Information Form, can be found on the SEDAR (System for Electronic Disclosure and Retrieval) website at [www.sedar.com](http://www.sedar.com).

### Results of Operations

#### First Quarter Overview

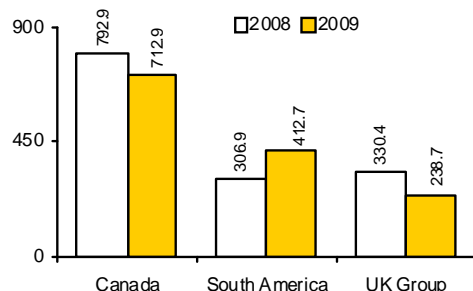
(\$ millions)	Q1 2009	Q1 2008	Q1 2009	Q1 2008
			(% of revenue)	
Revenue	\$ 1,364.3	\$ 1,430.2		
Gross profit	393.9	409.6	28.8%	28.6%
Selling, general & administrative expenses	(309.9)	(314.7)	(22.7)%	(22.0)%
Other income (expenses)	(8.4)	14.9	(0.6)%	1.1%
Earnings before interest and income taxes (EBIT) <sup>(1)</sup>	75.6	109.8	5.5%	7.7%
Finance costs	(17.9)	(19.8)	(1.3)%	(1.4)%
Provision for income taxes	(12.7)	(19.2)	(0.9)%	(1.3)%
Net income	\$ 45.0	\$ 70.8	3.3%	5.0%

<sup>(1)</sup> EBIT as defined above and referred to throughout this Management's Discussion and Analysis (MD&A) does not have a standardized meaning under generally accepted accounting principles. For a reconciliation of this amount to net income, see the heading "Description of Non-GAAP Measure" in this MD&A.

#### Revenue by Operation

(\$ millions)

Three months ended March 31



First quarter consolidated revenues of just under \$1.4 billion decreased 4.6% over the comparable quarter in 2008, with lower revenues contributed by both the Canadian and UK operations. This was partially offset by strong revenues from the Company's South American operations, which achieved record first quarter revenues.

Revenues from the Company's Canadian operations decreased 10.1% in the first quarter of 2009 compared with the same period last year, primarily due to lower new equipment sales. Revenues from the Company's Canadian operations were lower as a result of decreased market demand for most products primarily as a result of weaker economic conditions. Customer support services revenues continue to increase in the Company's Canadian operations, up almost 10% from the first quarter of the prior year. Revenues from the Company's operations in South America increased 34.5% compared to the first quarter of 2008 driven primarily by higher new equipment sales and customer support services revenues in the mining sector. Revenues for the first quarter of 2009 were the highest ever recorded in a first quarter by the Company's South American operations in both functional currency (the U.S. dollar) and in Canadian dollars. Excluding the positive impact of foreign exchange when translating results with a weaker Canadian dollar, revenues for the first quarter of 2009 in functional currency increased by 8.2% in the

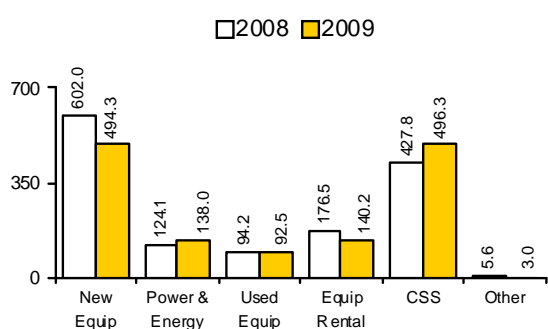
Company's South American operations over the first quarter of 2008. In the U.K., revenues were down 27.8% over the first quarter of 2008 as a result of weaker economic conditions which is reflected in lower new equipment sales and rental activity, partially offset by higher customer support services revenues. In local currency, revenues were 19.6% lower when compared to last year's first quarter.

Changes in the Canadian / U.S. dollar and Canadian / U.K. pound sterling relationship affect reported results on the translation of the financial statements of the Company's South American and UK Group operations as well as U.S. dollar based earnings of the Company's Canadian operations. The Canadian dollar was 24.0% weaker relative to the U.S. dollar and 10.1% stronger relative to the U.K. pound sterling in the first quarter of 2009 compared to the same period last year. The impact in 2009 was to increase revenues approximately \$123 million or 9%.

### Revenue by Line of Business

(\$ millions)

Three months ended March 31



From a line of business perspective, lower new mobile equipment and rental revenues contributed to the decline in consolidated revenues compared with the first quarter of 2008, partially offset by solid customer support services revenues. Strong demand over the past several years for equipment in the mining and infrastructure sectors has resulted in demand for customer support services in order to service the larger population of equipment. Used equipment revenues were slightly lower and typically vary depending on product availability, customer buying preferences, and exchange rate considerations.

Finning's global order book or backlog (the retail value of new equipment units ordered by customers for future deliveries) was \$0.9 billion at the end of the first quarter of 2009, lower than the December 2008 level of \$1.5 billion and the March 2008 level of \$1.7 billion. The reduction in backlog in the quarter reflects deliveries to customers. As expected, new order intake was lower than the first quarter of 2008 by approximately 55%, reflecting the economic downturn as well as lower delivery lead times required for equipment. Cancellations in the first quarter of 2009 have decreased considerably compared to the fourth quarter of 2008. The Company has proactively reconfirmed orders with customers to support the balances in the backlog. Finning has reduced and cancelled certain equipment orders with Caterpillar in order to align its inventory orders with slower market demand.

The Company is dependent on Caterpillar Inc. (Caterpillar) for the timely supply of parts and equipment to fulfill its deliveries and meet the requirements of the Company's service maintenance contracts.

Availability of equipment has improved overall, and Finning continues to work closely with Caterpillar and customers to ensure that demand for parts and equipment can be met. Although Caterpillar has announced significant layoffs, this is not expected to impact the timely delivery of equipment.

Revenues in the first quarter of 2009 were weighted more towards customer support services as the Company services the large population of equipment in its territories. Customer support services revenues made up 36.4% of total revenues in the first quarter of 2009, compared with 29.9% of total revenues in the same period last year. The Company earns higher gross profit margins from customer support services compared to other lines of business and with a higher mix of customer support services revenues in the first quarter of 2009, gross profit as a percentage of revenue was up over the same period in 2008.

## Earnings Before Interest and Taxes (EBIT)

On a consolidated basis, EBIT in the first three months of 2009 of \$75.6 million decreased by 31.1% or \$34.2 million compared with the same period of 2008 due to lower revenues and gross profit, as well as \$5.8 million of restructuring and severance costs incurred in the first quarter of 2009 and \$14.7 million of gains earned in the prior year's quarter on the sale of certain properties.

Gross profit decreased 3.8% to \$393.9 million in the first quarter of 2009 compared with the first quarter of 2008, a result of economic weakness reflecting lower revenues from new mobile equipment and rental, partially offset by higher customer support services revenues. However, quarterly gross profit margin (gross profit as a percentage of revenue) of 28.8% was slightly up from the prior year (28.6%) primarily due to the shift in revenues to higher margined customer support services revenues. The Canadian operations earned a higher gross profit margin primarily due to the shift in revenue mix towards customer support services. The South American operations experienced a lower gross profit margin primarily due to a higher percentage of new mining equipment sales, which carry lower margins, and lower margins in all other lines of business, with the exception of customer support services. Gross profit margin for the UK Group was lower when compared to the prior year's quarter due primarily to lower margins earned by the rental services business in the U.K. This was partially offset by a higher gross profit margin achieved by the UK dealership, due to a higher proportion of revenues from customer support services.

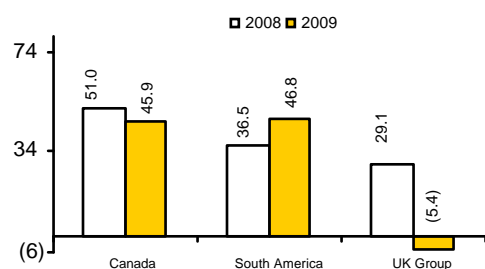
Selling, general, and administrative (SG&A) costs were 1.5% lower in the first quarter of 2009 reflecting efficiencies and actions taken by the Company in the past 2 quarters to reduce its cost structure in response to the economic downturn. These actions are expected to result in annualized cost savings of approximately \$150 million, which will start to be realized during the second quarter of 2009.

The Company's EBIT margin (EBIT divided by revenues) was 5.5% in the first quarter of 2009, down from 7.7% earned in the first quarter of 2008 due to the factors noted above.

### EBIT by operation

(\$ millions)

Three months ended March 31



Major components of the EBIT variance were:

	(\$ millions)
<b>2008 Q1 EBIT</b>	109.8
Net change in operations	(38.9)
Foreign exchange impact	28.1
Gain on sale of certain properties in Hewden in 2008	(14.7)
Restructuring costs	(5.3)
Other net expenses	(3.4)
<b>2009 Q1 EBIT</b>	<u>75.6</u>

Excluding other operations – corporate head office



## **Finance Costs**

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Finance costs for the three months ended March 31, 2009 of \$17.9 million were 9.6% lower than the comparable period last year primarily due to lower interest rates on both short-term and long-term debt.

## **Provision for Income Taxes**

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The effective income tax rate for the first quarter of 2009 was 22.0% compared to 21.3% in the comparable period of the prior year. The lower effective rate in 2008 reflects lower taxes resulting from the sale of properties in the U.K.

## **Net Income**

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Finning's net income in the first quarter of 2009 was \$45.0 million compared with \$70.8 million in the same period last year. Lower revenues from new mobile equipment and rental contributed to the decline, partially offset by higher customer support services revenues. Results for the first quarter of 2009 also included restructuring and severance costs as the Company resets its cost base in light of the current economic downturn. In comparison, the results for the first quarter of 2008 included gains on the sale of certain properties.

Basic EPS decreased 36.6% to \$0.26 in the first quarter of 2009 compared with \$0.41 in the comparative period last year. Basic EPS was positively impacted by approximately \$0.12 per share from the impact of the weaker Canadian dollar compared to the prior quarter. It is worth noting that as commodity prices (and typically the Canadian dollar) weaken, Finning's business in the mining and oil sands sectors slows. However, this is directionally offset by U.S. dollar based earnings translating into more Canadian dollars.

## Foreign Exchange

The Company's reporting currency is the Canadian dollar. However, due to the geographical diversity of the Company's operations, a significant portion of revenue and operating expenses are in a different currency. The most significant currencies the Company transacts business in are the U.S. dollar, the Canadian dollar, and the U.K. pound sterling. The most significant foreign exchange impact on the Company's net income is the translation of foreign currency based earnings into Canadian dollars.

Compared to the first quarter of 2008, foreign exchange had a positive impact of approximately \$123 million on consolidated revenues earned by the Company in the first quarter of 2009 due to the 24.0% weaker Canadian dollar relative to the U.S. dollar, partially offset by a 10.1% stronger Canadian dollar relative to the U.K. pound sterling. As a result, earnings were positively impacted by approximately \$0.12 per share in the first quarter of 2009 compared to the first three months of 2008.

The impact of foreign exchange due to the movement of the Canadian dollar relative to the U.S. dollar and U.K. pound sterling is expected to continue to affect Finning's results throughout 2009. The sensitivity of the Company's net earnings to fluctuations in the average annual foreign exchange rates is summarized in the Risk Management Section of the MD&A.

The following tables provide details of revenue and EBIT contribution by operation and the foreign exchange impact for the three months ended March 31, 2009.

For three months ended March 31 (\$ millions)	Canada	South America	UK Group	Consolidated
Revenues – Q1 2008	\$ 792.9	\$ 306.9	\$ 330.4	\$ 1,430.2
Foreign exchange impact	82.6	67.5	(26.9)	123.2
Operating revenue increase (decrease)	(162.6)	38.3	(64.8)	(189.1)
Revenues – Q1 2009	\$ 712.9	\$ 412.7	\$ 238.7	\$ 1,364.3
Total revenue increase (decrease)	\$ (80.0)	\$ 105.8	\$ (91.7)	\$ (65.9)
- percentage increase (decrease)	(10.1)%	34.5%	(27.8)%	(4.6)%
- percentage increase (decrease), excluding foreign exchange	(20.5)%	12.5%	(19.6)%	(13.2)%

For three months ended March 31 (\$ millions)	Canada	South America	UK Group	Other	Consolidated
EBIT – Q1 2008	\$ 51.0	\$ 36.5	\$ 29.1	\$ (6.8)	\$ 109.8
Foreign exchange impact	11.6	16.2	0.3	—	28.1
Operating EBIT increase (decrease)	(16.7)	(5.9)	(34.8)	(4.9)	(62.3)
EBIT – Q1 2009	\$ 45.9	\$ 46.8	\$ (5.4)	\$ (11.7)	\$ 75.6
Total EBIT increase (decrease)	\$ (5.1)	\$ 10.3	\$ (34.5)	\$ (4.9)	\$ (34.2)
- percentage increase (decrease)	(10.0)%	28.2%	(118.6)%	—	(31.1)%
- percentage increase (decrease), excluding foreign exchange	(32.7)%	(16.2)%	(119.6)%	—	(56.7)%

## Results by Business Segment

The Company and its subsidiaries operate primarily in one principal business, that being the selling, servicing, and renting of heavy equipment and related products in various markets worldwide as noted below. Finning's operating units are as follows:

- *Canadian operations*: British Columbia, Alberta, the Yukon Territory, the Northwest Territories, and a portion of Nunavut.
- *South American operations*: Chile, Argentina, Uruguay, and Bolivia.
- *UK Group operations*: England, Scotland, Wales, Falkland Islands, and the Channel Islands.
- *Other*: corporate head office.

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

<b>For three months ended</b>						
<b>March 31, 2009</b>						
(\$ millions)	Canada	South America	UK Group	Consolidated	Revenue percentage	
New mobile equipment	\$ 285.5	\$ 160.5	\$ 48.3	\$ 494.3	36.2%	
New power & energy systems	55.4	39.4	43.2	138.0	10.1%	
Used equipment	53.8	9.5	29.2	92.5	6.8%	
Equipment rental	66.7	13.5	60.0	140.2	10.3%	
Customer support services	249.3	189.0	58.0	496.3	36.4%	
Other	2.2	0.8	—	3.0	0.2%	
<b>Total</b>	<b>\$ 712.9</b>	<b>\$ 412.7</b>	<b>\$ 238.7</b>	<b>\$ 1,364.3</b>	<b>100.0%</b>	
Revenue percentage by operations	52.3%	30.2%	17.5%	100.0%		

<b>For three months ended</b>						
<b>March 31, 2008</b>						
(\$ millions)	Canada	South America	UK Group	Consolidated	Revenue percentage	
New mobile equipment	\$ 413.6	\$ 109.2	\$ 79.2	\$ 602.0	42.1%	
New power & energy systems	34.7	31.8	57.6	124.1	8.7%	
Used equipment	43.9	10.3	40.0	94.2	6.6%	
Equipment rental	68.7	14.1	93.7	176.5	12.4%	
Customer support services	227.5	140.4	59.9	427.8	29.9%	
Other	4.5	1.1	—	5.6	0.3%	
<b>Total</b>	<b>\$ 792.9</b>	<b>\$ 306.9</b>	<b>\$ 330.4</b>	<b>\$ 1,430.2</b>	<b>100.0%</b>	
Revenue percentage by operations	55.4%	21.5%	23.1%	100.0%		

The table below provides selected income statement information by business segment:

<b>For three months ended</b>						
<b>March 31, 2009</b>						
(\$ millions)	Canada	South America	UK Group	Other	Consolidated	
Revenue from external sources	\$ 712.9	\$ 412.7	\$ 238.7	\$ —	\$ 1,364.3	
Operating costs	(627.3)	(355.0)	(215.7)	(8.7)	(1,206.7)	
Depreciation and amortization	(37.7)	(10.4)	(25.5)	—	(73.6)	
Other expenses	(2.0)	(0.5)	(2.9)	(3.0)	(8.4)	
<b>Earnings before interest and tax</b>	<b>\$ 45.9</b>	<b>\$ 46.8</b>	<b>\$ (5.4)</b>	<b>\$ (11.7)</b>	<b>\$ 75.6</b>	
Earnings before interest and tax						
- percentage of revenue	6.4%	11.3%	(2.3)%	—	5.5%	
- percentage by operations	60.7%	61.9%	(7.1)%	(15.5)%	100.0%	

<b>For three months ended</b>						
<b>March 31, 2008</b>						
(\$ millions)	Canada	South America	UK Group	Other	Consolidated	
Revenue from external sources	\$ 792.9	\$ 306.9	\$ 330.4	\$ —	\$ 1,430.2	
Operating costs	(705.5)	(262.7)	(284.6)	(6.7)	(1,259.5)	
Depreciation and amortization	(36.4)	(7.6)	(31.8)	—	(75.8)	
Other income (expenses)	—	(0.1)	15.1	(0.1)	14.9	
<b>Earnings before interest and tax</b>	<b>\$ 51.0</b>	<b>\$ 36.5</b>	<b>\$ 29.1</b>	<b>\$ (6.8)</b>	<b>\$ 109.8</b>	
Earnings before interest and tax						
- percentage of revenue	6.4%	11.9%	8.8%	—	7.7%	
- percentage by operations	46.5%	33.2%	26.5%	(6.2)%	100.0%	

## Canadian Operations

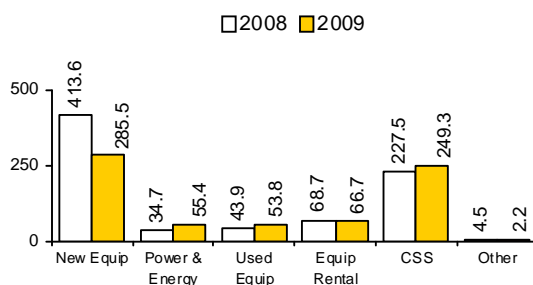
The Canadian operating segment primarily reflects the results of the Company's operating division, Finning (Canada). This reporting segment also includes the Company's interest in OEM Remanufacturing Company Inc. (OEM), which is separately managed from Finning (Canada), and a 25% interest in PipeLine Machinery International (PLM). On January 15, 2008, Finning (Canada) acquired the issued and outstanding common shares of Collicutt Energy Services Ltd. (Collicutt), a leading Canadian oilfield service company. The results of Collicutt's operations have been included in the consolidated financial statements since the acquisition date.

The table below provides details of the results from the Canadian operating segment:

Three months ended March 31 (\$ millions)	2009	2008
Revenue from external sources	\$ 712.9	\$ 792.9
Operating costs	(627.3)	(705.5)
Depreciation and amortization	(37.7)	(36.4)
Other expenses	(2.0)	—
<b>Earnings before interest and taxes</b>	<b>\$ 45.9</b>	<b>\$ 51.0</b>
Earnings before interest and taxes (EBIT)		
- as a percentage of revenue	<b>6.4%</b>	6.4%
- as a percentage of consolidated EBIT	<b>60.7%</b>	46.5%

### Canada – Revenue by Line of Business (\$ millions)

Three months ended March 31



First quarter revenues decreased 10.1% over the 2008 levels to \$712.9 million, primarily due to lower new equipment sales. Lower commodity prices and the economic downturn in general have reduced new equipment sales, primarily in the construction, oil and gas, and mining sectors, by approximately 30% over 2008. New equipment orders from customers declined during the first quarter of 2009, and management believes that new equipment sales in 2009 will be significantly lower than in 2008. As a result, Finning (Canada)'s backlog is lower than the December 2008 level and continues to reflect future deliveries largely to the mining and power systems sectors, which are both key to Finning's Canadian operations. Where possible, Finning (Canada) has reduced and cancelled certain orders with Caterpillar to reduce its uncommitted inventory exposure.

Over recent years, the Company has sold record numbers of large machines which provide significant product support opportunities for the future. In addition, in this economic environment, customers who ordinarily would have purchased a new machine may repair an existing piece of equipment instead. As management expected, higher revenues from customer support services reflected the steadiness of the parts business. Customer support services revenues in Canada benefited from higher parts pricing due to a weaker Canadian dollar. Customer support services revenues in the first quarter of 2009 were 9.6% higher in comparison with the same period in 2008. First quarter revenues from the other lines of business in Canada were comparable to the first quarter of 2008 levels.

Foreign exchange had an approximately \$83 million positive impact on revenues in the first quarter of 2009 due to a 24.0% weaker Canadian dollar relative to the U.S. dollar compared to the same period last year.

In Canada, gross profit as a percentage of revenue was slightly higher than the first quarter of 2008 due to the shift in revenue mix towards customer support services which typically return higher margins than new equipment sales. Other lines of business realized slightly lower margins due to the economic environment.

SG&A costs in the first quarter of 2009 were lower in absolute dollar terms, but higher as a percentage of revenue compared to the same period in 2008 due to the higher mix of customer support services revenue in the current quarter. SG&A costs in the first quarter of 2009 reflect lower salary and wage costs as a result of reduced headcount. Finning (Canada) also benefited from lower discretionary costs in the first quarter of 2009 as compared to the first quarter of 2008. These reductions are a direct result of increased efforts to align SG&A costs to the current business volume. This will remain a key initiative for Finning (Canada) in 2009.

In the fourth quarter of 2008, the Canadian operations reacted to the downturn in the economy by downsizing its salaried workforce by approximately 225 people. Subsequent to the first quarter of 2009, in early April, the Canadian operations reduced its workforce by a further 170 positions. These actions are expected to improve profitability and advance strategic priorities, and reflect the Company's efforts to align costs with anticipated revenues. Included in other expenses are restructuring costs of \$0.6 million which were incurred in the first quarter of 2009, with a further approximately \$4.5 million anticipated to be spent during the second quarter of 2009.

Other expenses also included \$1.4 million of costs representing Finning (Canada)'s share of the costs related to the implementation of a new information technology system for the Company's global dealership operations.

EBIT totalled \$45.9 million in the first quarter of 2009 compared with \$51.0 million in the same period in 2008. EBIT margin (EBIT divided by revenues) of 6.4% was comparable to the first quarter of 2008. The reduction in EBIT was primarily due to lower new equipment sales and higher costs associated with the implementation of the new information technology system noted above.

The Company continues to be involved in Alberta Labour Relations Board proceedings with the International Association of Machinists and Aerospace Workers – Local Lodge 99 relating to Finning (Canada)'s outsourcing of component repair and rebuilding services to OEM in 2005. Decisions from the Alberta Labour Relations Board are not expected until later this year.

## South America

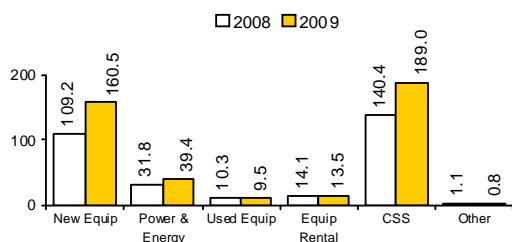
The Company's South American operations include the results of its Caterpillar dealerships in Chile, Argentina, Uruguay, and Bolivia.

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

Three months ended March 31 (\$ millions)	2009	2008
Revenue from external sources	\$ 412.7	\$ 306.9
Operating costs	(355.0)	(262.7)
Depreciation and amortization	(10.4)	(7.6)
Other expenses	(0.5)	(0.1)
<b>Earnings before interest and taxes</b>	<b>\$ 46.8</b>	<b>\$ 36.5</b>
Earnings before interest and taxes (EBIT)		
- as a percentage of revenue	<b>11.3%</b>	11.9%
- as a percentage of consolidated EBIT	<b>61.9%</b>	33.2%

**South America – Revenue by Line of Business** (\$ millions)

Three months ended March 31



Revenues of \$412.7 million were at record levels for a first quarter for Finning’s South American operations in both Canadian dollars and functional currency (U.S. dollars). Finning South America’s revenues increased 34.5% over the first quarter of 2008 (8.2% in functional currency), reflecting strong new equipment sales and customer support services revenues to mining customers. Foreign exchange had an approximately \$67 million positive impact on the translation of revenues, due to the 24.0% weakening of the Canadian dollar relative to the U.S. dollar. New equipment backlog is slightly lower compared to the December 2008 level.

The continued strong new equipment and customer support services revenues in the first quarter of 2009 were attributable to the demand in the mining sector and delivering orders that were in the year end backlog. Customer support services revenues continued to grow at an attractive rate, and were 34.6% higher in the first quarter of 2009 (8.5% in functional currency) compared with the first three months of 2008.

In functional currency, gross profit decreased slightly in the first quarter of 2009 in absolute terms as well as a percentage of revenue. This occurred primarily due to a higher mix of mining equipment sales (which typically have lower margins). The decrease in new equipment gross margins was partially offset by stronger margins achieved by customer support services, reflecting price realization to offset inflationary costs and foreign exchange pressures.

SG&A costs, in functional currency, have decreased both in absolute dollars and as a percentage of revenue. In light of the current economic downturn, Finning South America carried out a modest restructuring of its operations in the fourth quarter of 2008. As a result of the decreased headcount, SG&A expenses included lower salaries and benefit costs in the first quarter of 2009 compared with the same period in 2008. The South American operations also benefited from cost savings programs previously initiated, with lower variable operating costs such as warranty, freight, and supplies. In addition, where possible, price increases have been implemented to offset rising costs, and cost controls have been put in place to mitigate the effects of declining market conditions.

Included in other expenses was \$0.3 million of costs representing the South American operations’ share of the costs related to the implementation of a new information technology system for the Company’s global dealership operations.

In both Canadian dollars and functional currency, EBIT contributed by the Company’s South American operations was at a record level. EBIT of \$46.8 million for the first three months of 2009 was 28.2% higher than the first quarter of 2008, reflecting strong revenue growth. In functional currency, EBIT increased 3.3% over the first quarter of the prior year primarily driven by the higher new equipment and customer support services volumes and lower SG&A costs. EBIT as a percentage of revenue for Finning South America was 11.3%, compared with 11.9% achieved in the first quarter of 2008.

## United Kingdom (“UK”) Group

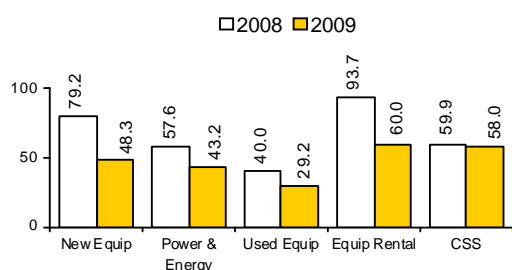
The Company’s UK Group includes the following three market units: Construction, Power Systems, and Rental Services (Hewden). In the fourth quarter of 2008, the UK Group combined Heavy Construction and General Construction into one market unit called Construction.

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

Three months ended March 31 (\$ millions)	2009	2008
Revenue from external sources	\$ 238.7	\$ 330.4
Operating costs	(215.7)	(284.6)
Depreciation and amortization	(25.5)	(31.8)
Other income (expenses)	(2.9)	15.1
<b>Earnings before interest and taxes</b>	<b>\$ (5.4)</b>	<b>\$ 29.1</b>
Earnings before interest and taxes (EBIT)		
- as a percentage of revenue	(2.3)%	8.8%
- as a percentage of consolidated EBIT	(7.1)%	26.5%

### UK Group – Revenue by Line of Business (\$ millions)

Three months ended March 31



The UK Group’s revenues for the first three months of 2009 of \$238.7 million were down 27.8% from the same period last year. This was partially due to translating the UK Group’s pound sterling results into Canadian dollars with a 10.1% stronger Canadian dollar in the first quarter of 2009. In local currency, revenues were down 19.6% compared with the first quarter of 2008.

Revenues, in local currency, from most lines of business were lower compared with the first quarter of 2008, with the exception of customer support services which was up 7.6%. In local currency, revenues from new equipment and power and energy systems were 25.6% lower in the first quarter of 2009 compared with the first quarter of 2008, reflecting the continued softening of the market for new equipment sales.

Rental revenues were down 28.9% in local currency compared with the first quarter of 2008, and continued to be impacted by lower utilization rates in the rental services business and declining market conditions. A reorganization of this business unit is at an advanced stage and is expected to be completed during the second quarter of 2009. This reorganization is expected to reduce this unit’s overall cost structure, improve the utilization performance of its assets, and improve performance on delivering on its commitments to customers.

Gross profit, in local currency, for the first three months of 2009 was lower compared with the same period last year in absolute terms and as a percentage of revenue. The rental services business experienced lower margins in the first quarter of 2009 compared to the same period last year due to the slowdown in market activities. Margins in all other lines of business except for customer support services were also down due to the weaker market conditions.

SG&A costs were lower in the first quarter of 2009 compared with the first quarter of 2008 in absolute terms, but higher as a percentage of revenue. Management have implemented a number of initiatives to reduce cost levels, dispose of surplus rental fleet in line with current market conditions, and improve the performance of its assets. Additional benefits of these actions are expected to be realized during the remainder of 2009.

As part of the reorganization of the UK Group business units, results from the first quarter of 2009 included restructuring costs of \$3.2 million related to the integration of support services and depot restructuring. The organizational structure of the UK Group was streamlined to provide a more consistent and effective service offering to customers at a reduced cost. The total cumulative restructuring charge incurred to date related to these restructurings was \$13.7 million, with a further approximately \$4.5 million anticipated to be spent during the rest of 2009 in connection with these activities. In addition, in response to declining market conditions, the UK Group incurred further restructuring and severance costs of \$1.7 million. The total staff reductions from these initiatives totalled approximately 450 people or approximately 13%.

Other income in the first quarter of 2008 included a \$14.7 million pre-tax gain on the sale of certain properties at Hewden.

In the first quarter of 2009, the UK Group incurred a loss before interest and taxes of \$5.4 million, compared with EBIT of \$29.1 million in the first quarter of 2008. The lower results in the first quarter of 2009 compared with the same period last year were primarily due to Hewden's EBIT loss (partially offset by positive EBIT at the dealership), lower sales volumes, as well as the significant gain on sale of certain properties in 2008.

### Corporate and Other Operations

Three months ended March 31 (\$ millions)	2009	2008
Operating costs – corporate	\$ (5.7)	\$ (6.3)
Loss from equity investment	(0.5)	(0.4)
LTIP mark-to-market	(2.5)	—
Other expenses	(3.0)	(0.1)
Earnings before interest and taxes	\$ (11.7)	\$ (6.8)

For the three months ended March 31, 2009, operating costs at Corporate of \$5.7 million were \$0.6 million lower than the same period last year reflecting management focus on cost efficiencies.

Loss from equity investment is from the Company's investment in Energyst B.V. for the three months ended March 31, 2009 which was comparable with the same period in 2008. The Company entered into a compensation hedge at the end of 2007 in order to offset the mark-to-market impact relating to certain stock-based compensation plans. The long-term incentive plan (LTIP) mark-to-market expense or income recorded at the corporate level primarily reflects the mark-to-market impact of the compensation hedge in total that primarily offsets the LTIP mark-to-market gains or losses recorded by the operating companies.

Costs included in other expenses in the first quarter of 2009 relate to the implementation of a new information technology system for the Company's global operations.



## **Liquidity and Capital Resources**

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### **Cash Flow from Operating Activities**

For the three months ended March 31, 2009, cash flow generated after working capital changes was \$14.7 million, compared with a use of cash of \$12.3 million during the same period in 2008. Throughout all operations, management has been focusing on improving cash cycle times and operating efficiencies while ensuring appropriate levels of working capital exist to support current activity levels. As a result, the Company's working capital investment in 2009 is \$42.9 million lower than the first three months of the prior year.

The Company generated proceeds on the disposal of rental assets in excess of additions in the amount of \$5.1 million in the first quarter of 2009, compared with a net investment in rental assets of \$87.8 million in the same period in 2008. As a result of lower demand and close monitoring of expenditures, rental investment has moderated compared to the first three months of 2008, particularly at the Company's Canadian and Hewden operations. In addition, underutilized rental assets were sold.

As a result of these items, cash flow provided by operating activities was \$20.5 million in the first quarter of 2009, a significant improvement when compared to cash flow used by operating activities of \$99.4 million in the comparative period in 2008.

Free cash flow is defined as cash flow provided by (used in) operating activities less net capital expenditures. The Company's free cash flow for the first three months of 2009 was a use of cash of \$1.8 million compared to a use of cash of \$83.4 million in the prior year quarter. Management anticipates generating positive free cash flow in 2009 from disciplined working capital management and reduced net rental expenditures. This free cash flow is expected to be used for dividend payments and to reduce the Company's Debt Ratio to the lower end of management's target range (40-50%).

### **Cash Used For Investing Activities**

Net cash used in investing activities in the three months ended March 31, 2009 totalled \$38.9 million compared with \$120.4 million in the first quarter of 2008. The primary use of cash in the first quarter of 2008 was the acquisition of Collicut for \$131.8 million, net of cash received. The Company also increased its investment in Energyst B.V. by \$4.6 million in the first quarter of 2008.

Gross capital additions for the three months ended March 31, 2009 were \$28.1 million which is slightly higher compared with the \$22.4 million invested in the three months ended March 31, 2008. Capital additions in 2009 and 2008 reflect general capital spending to support operations and all capital spend is being closely monitored. Capital additions in the first quarter of 2009 included capitalized costs related to the Company's new global information system.

In the first quarter of 2009, the Company paid approximately \$16.6 million on the settlement of foreign currency swaps that were part of a hedge against foreign subsidiary investments.

### **Financing Activities**

As at March 31, 2009, the Company's short and long-term borrowings totalled \$1.6 billion, a slight increase of 2.6% since December 31, 2008.

Finning has committed bank facilities totalling approximately \$870 million with various Canadian and U.S. financial institutions. The largest of these facilities (\$800 million) is in place until December 2011. As at March 31, 2009 over \$250 million was available under these committed facilities and no term debt matures until December 2011. Based upon the availability of these facilities, our business operating plans, and the discretionary nature of some of the outflows like rental and capital expenditures and share buybacks, the Company believes it has sufficient liquidity to meet operational needs in the foreseeable future.

The Company's Debt Ratio, defined as net debt to total capitalization, is calculated as short-term debt and long-term debt, net of cash and cash equivalents (net debt) divided by total capitalization. Total capitalization is defined as the sum of net debt and all components of equity (share capital, contributed surplus, accumulated other comprehensive loss, and retained earnings). The Debt Ratio at March 31, 2009 was 49.0%, comparable to 48.9% at December 31, 2008.

The Company's long-term and short-term debt ratings were reconfirmed at A (low) and R-1 (low), respectively, by Dominion Bond Rating Service in the quarter. The Company's long-term debt rating was also reconfirmed at BBB+ by Standard & Poor's in May.

Dividends paid to shareholders were \$18.8 million, \$1.5 million higher than the first quarter of 2008 due to the increase in the quarterly dividend rate from \$0.10 to \$0.11 per share.

The Company has a share repurchase program in effect until July 8, 2009. During the first quarter of 2008, the Company repurchased and cancelled 3,581,500 common shares at an average price of \$27.21 for an aggregate amount of \$97.5 million. The Company did not repurchase any common shares during the first quarter of 2009.

## Description of Non-GAAP Measures

EBIT is defined herein as earnings before interest expense, interest income, and income taxes. Free cash flow is defined as cash flow provided by (used in) operating activities less net capital expenditures. EBIT and free cash flow are measures of performance utilized by management to measure and evaluate the financial performance of its operating segments. They are also measures that are commonly reported and widely used in the industry to assist in understanding and comparing operating results. EBIT and free cash flow do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with GAAP.

A reconciliation between EBIT and net income is as follows:

For three months ended March 31		
(\$ millions)	2009	2008
Earnings before interest and income taxes (EBIT)	\$ 75.6	\$ 109.8
Finance costs	(17.9)	(19.8)
Provision for income taxes	(12.7)	(19.2)
Net income	\$ 45.0	\$ 70.8

A reconciliation of free cash flow is as follows:

For three months ended March 31		
(\$ millions)	2009	2008
Cash flow provided by (used in) operating activities	\$ 20.5	\$ (99.4)
Additions to capital assets	(28.1)	(22.4)
Proceeds on disposal of capital assets	5.8	38.4
Free cash flow	\$ (1.8)	\$ (83.4)

## Risk Management

Finning and its subsidiaries are exposed to market, financial, and other risks in the normal course of their business activities. The Company has adopted an Enterprise Risk Management (ERM) approach in identifying, prioritizing, and evaluating risks. 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. The processes within Finning's risk management function are designed to ensure that risks are properly identified, managed, and reported. The Company discloses all of its key risks in its most recent Annual Information Form (AIF) with key financial risks also included in the Company's Annual Management's Discussion and Analysis (MD&A). On a quarterly basis, the Company assesses all of its key risks and any changes to key financial or business risks are disclosed in the Company's quarterly MD&A. 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 also reviewed by the Audit Committee. For further details on the management of liquidity and capital resources, financial derivatives, and financial risks and uncertainties, please refer to the Company's AIF and MD&A for the year ended December 31, 2008.

There have been no significant changes to existing risk factors or new key risks identified from the key risks as disclosed in the Company's AIF for the year ended December 31, 2008, which can be found at [www.sedar.com](http://www.sedar.com) and [www.finning.com](http://www.finning.com).

### Sensitivity to variances in foreign exchange rates

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 U.S. dollar (USD), the Canadian dollar (CAD), the U.K. pound sterling (GBP), and the Chilean peso (CLP). As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies. The three main types of foreign exchange risk of the Company are investment in foreign operations, transaction exposure, and translation exposure. These are explained further in the 2008 annual MD&A.

The sensitivity of the Company's net earnings to fluctuations in average annual foreign exchange rates is summarized in the table below. A 5% strengthening of the Canadian dollar against the following currencies for a full year relative to the March 31, 2009 month end rates would increase / (decrease) annual net income by the amounts shown below. This analysis assumes that all other variables, in particular volumes, relative pricing, interest rates, and hedging activities are unchanged.

Currency	March 31, 2009 month end rates	Increase (decrease) in annual net income
		\$ millions
USD	1.2602	(20)
GBP	1.8022	— (1)
CLP	0.0022	— (1)

(1) The impact of a 5% strengthening of the Canadian dollar against these currencies is not expected to be significant.

The sensitivities noted above ignore the impact of exchange rate movements on other macroeconomic variables, including overall levels of demand and relative competitive advantages. If it were possible to quantify these impacts, the results would likely be different from the sensitivities shown above. The sensitivity to variances in foreign exchange rates as noted above is an annual view which factors in annual forecast volumes and average hedging activities which, in management's opinion, may not be representative of the inherent foreign exchange risk exposure for a quarter.

## **Controls and Procedures Certification**

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### **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 Chief Executive Officer (CEO) and Chief Financial Officer (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 would have been known to them, and by others, within those entities.

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.
- A Disclosure Committee, consisting of senior management and external legal counsel, review all financial information prepared for communication to the public to ensure it meets all regulatory requirements and is responsible for raising all outstanding issues it believes require the attention of the Audit Committee prior to recommending disclosure for that Committee's approval.

### **Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management have 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 Canadian GAAP. There has been no change in the design of the Company's internal control over financial reporting during the quarter ended March 31, 2009, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Regular involvement of Internal Audit and quarterly reporting to the Audit Committee and the Company's external auditors assists 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, 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.

## Selected Quarterly Information

\$ millions, except for share and option data	2009					2008				2007			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue <sup>(1)</sup>													
Canada	\$ 712.9	\$ 826.0	\$ 748.9	\$ 849.1	\$ 792.9	\$ 750.3	\$ 639.9	\$ 846.4	\$ 699.6				
South America	412.7	464.3	389.7	340.7	306.9	348.0	317.4	321.6	338.6				
UK Group	238.7	276.4	324.6	341.5	330.4	361.2	371.8	329.6	337.8				
<b>Total revenue</b>	<b>\$1,364.3</b>	<b>\$1,566.7</b>	<b>\$1,463.2</b>	<b>\$1,531.3</b>	<b>\$1,430.2</b>	<b>\$1,459.5</b>	<b>\$1,329.1</b>	<b>\$1,497.6</b>	<b>\$1,376.0</b>				
Net income (loss) <sup>(1) (2)</sup>													
from continuing operations	\$ 45.0	\$(106.8)	\$ 64.8	\$ 67.2	\$ 70.8	\$ 70.5	\$ 63.6	\$ 75.3	\$ 70.7				
from discontinued operations	—	—	—	—	—	—	—	(1.2)	(0.8)				
<b>Total net income</b>	<b>\$ 45.0</b>	<b>\$(106.8)</b>	<b>\$ 64.8</b>	<b>\$ 67.2</b>	<b>\$ 70.8</b>	<b>\$ 70.5</b>	<b>\$ 63.6</b>	<b>\$ 74.1</b>	<b>\$ 69.9</b>				
Basic Earnings (Loss) Per Share <sup>(1) (2) (3)</sup>													
from continuing operations	\$ 0.26	\$ (0.63)	\$ 0.38	\$ 0.39	\$ 0.41	\$ 0.40	\$ 0.35	\$ 0.42	\$ 0.39				
from discontinued operations	—	—	—	—	—	—	—	(0.01)	—				
<b>Total basic EPS</b>	<b>\$ 0.26</b>	<b>\$ (0.63)</b>	<b>\$ 0.38</b>	<b>\$ 0.39</b>	<b>\$ 0.41</b>	<b>\$ 0.40</b>	<b>\$ 0.35</b>	<b>\$ 0.41</b>	<b>\$ 0.39</b>				
Diluted Earnings (Loss) Per Share <sup>(1) (2) (3)</sup>													
from continuing operations	\$ 0.26	\$ (0.62)	\$ 0.37	\$ 0.39	\$ 0.40	\$ 0.39	\$ 0.35	\$ 0.42	\$ 0.39				
from discontinued operations	—	—	—	—	—	—	—	(0.01)	—				
<b>Total diluted EPS</b>	<b>\$ 0.26</b>	<b>\$ (0.62)</b>	<b>\$ 0.37</b>	<b>\$ 0.39</b>	<b>\$ 0.40</b>	<b>\$ 0.39</b>	<b>\$ 0.35</b>	<b>\$ 0.41</b>	<b>\$ 0.39</b>				
Total assets <sup>(1)</sup>	\$4,639.6	\$4,720.4	\$4,604.4	\$4,603.8	\$4,527.8	\$4,134.2	\$4,079.7	\$4,434.4	\$4,386.2				
Long-term debt													
Current	\$ 2.6	\$ 2.6	\$ 2.5	\$ 100.5	\$ 215.9	\$ 215.7	\$ 204.2	\$ 204.1	\$ 2.2				
Non-current	1,437.3	1,410.7	1,313.1	1,121.8	605.7	590.4	554.5	600.6	753.8				
<b>Total long-term debt <sup>(4)</sup></b>	<b>\$1,439.9</b>	<b>\$1,413.3</b>	<b>\$1,315.6</b>	<b>\$1,222.3</b>	<b>\$ 821.6</b>	<b>\$ 806.1</b>	<b>\$ 758.7</b>	<b>\$ 804.7</b>	<b>\$ 756.0</b>				
Cash dividends paid per common share <sup>(3)</sup>	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.10	\$ 0.10	\$ 0.09	\$ 0.09	\$ 0.08				
Common shares outstanding (000's) <sup>(3)</sup>	170,545	170,445	171,356	172,692	172,623	176,132	178,521	179,601	179,272				
Options outstanding (000's) <sup>(3)</sup>	5,807	6,037	6,200	6,343	4,576	4,656	4,737	4,934	3,606				

(1) On January 15, 2008 the Company's Canadian operations purchased Collicutt Energy Services Ltd. The results of operations and financial position of Collicutt have been included in the figures above since the date of acquisition.

On July 31, 2007, the Company's U.K. subsidiary, Hewden Stuart Plc, sold its Tool Hire Division. Results from the Tool Hire Division qualify as discontinued operations and have been reclassified to that category for all periods presented. Included in the loss from discontinued operations in the third quarter of 2007 is the after-tax gain on the sale of the Tool Hire Division of \$0.1 million. Restructuring and other costs associated with the disposition of \$2.0 million after tax were recorded in the second and third quarters of 2007. Revenues from the UK Tool Hire Division have been excluded from the revenue figures above. Assets from the Tool Hire Division have been included in the total assets figures for periods prior to their sale.

(2) The Company performed its annual goodwill impairment review in the fourth quarter of 2008 and determined that the fair value of Hewden was less than its book value, which included goodwill on acquisition. As a result, the Company recorded a full goodwill impairment of \$151.4 million for Hewden in the fourth quarter of 2008. The goodwill impairment charge is non-cash in nature and does not affect the Company's liquidity, cash flows from operating activities, or debt covenants and is not expected to have any adverse impact on future operations. The Company expects no income tax deduction from this charge.

(3) On May 9, 2007, the Company's shareholders approved a split of the Company's outstanding common shares on a two-for-one basis. Each shareholder of record at the close of business on May 30, 2007, received one additional share for every outstanding share held on the record date. All share and per-share data have been adjusted to reflect the stock split. During 2008, the Company repurchased 5,901,842 common shares at an average price of \$24.99 as part of a normal course issuer bid. During 2007, 3,691,400 common shares were repurchased at an average price of \$27.82.

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

(4) In the second quarter of 2008, the Company issued two unsecured Medium Term Notes (MTN); a five year \$250 million MTN and a 10 year \$350 million MTN. Proceeds from these issuances were used for debt repayment, including the repayment of a \$200 million MTN which expired in June 2008 as well as outstanding commercial paper borrowings.

## **New Accounting Pronouncements**

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### **Change in Accounting Policy in 2009**

#### **(i) Goodwill and Intangible Assets**

Effective January 1, 2009, the Company adopted Section 3064, *Goodwill and Intangible Assets*, issued by the Canadian Institute of Chartered Accountants (CICA). The new standard replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new standard does not have a material impact on the Company's consolidated financial statements.

### **Future Accounting Pronouncements**

#### **(i) Business Combinations**

In January 2009, the CICA issued Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-controlling Interests*. These new standards are harmonized with International Financial Reporting Standards (IFRS). Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective in 2011. Early adoption is permitted. This new Section will only have an impact on the Company's consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

#### **(ii) Convergence with International Financial Reporting Standards**

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by public companies, will be converged with International Financial Reporting Standards (IFRS) effective January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement, and disclosures. The Company commenced its IFRS conversion project in late 2007. The project consists of four phases: raise awareness; assessment; design; and implementation. With the assistance of an external expert advisor, the Company has completed a high level review of the major differences between Canadian GAAP and IFRS as applicable to the Company. While a number of differences have been identified, the areas of highest potential impact include property, plant and equipment, certain aspects of revenue recognition, income taxes, foreign currency, employee future benefits, stock-based compensation, presentation, and disclosure, as well as the initial adoption of IFRS under the provisions of IFRS 1 *First Time Adoption*. The Company expects the transition to IFRS to impact financial reporting, business processes, internal controls, and information systems.

The Company has initiated the design phase in 2009 which involves establishing issue-specific work teams to focus on generating options and making recommendations in the identified risk areas. The Company will also establish a communications plan, further develop staff training programs, and evaluate the impact of the IFRS transition on other business activities.

## Earnings Coverage Ratio

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The following earnings coverage ratio is calculated for the twelve months ended March 31, 2009 and constitutes an update to the earnings coverage ratio described in the Company's short form base shelf prospectus dated May 5, 2008.

### Twelve months ended March 31, 2009

Earnings coverage ratio	2.5
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(1) The earnings coverage ratio is calculated by dividing: (a) the Company's earnings from continuing operations before interest and taxes for the period stated; by (b) finance costs incurred over the period stated.

The earnings coverage ratio was negatively impacted by the non-cash goodwill impairment charge incurred in the fourth quarter of 2008. Excluding the impact of this charge, the earnings coverage ratio would have been 4.3.

## Outstanding Share Data

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### As at May 8, 2009

Common shares outstanding	170,569,067
Options outstanding	5,698,670

## Market Outlook

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The impact of the global economic slowdown continued through the first quarter of 2009 and the Company expects that challenging economic conditions will continue to impact business levels. Due to the current economic uncertainty, management's confidence in predicting future business levels is lower than in the past, particularly for the second half of 2009.

Demand for parts and service is expected to continue at good levels as a result of the large population of Caterpillar equipment operating in our territories. However, new equipment sales are anticipated to be at lower levels than in 2008. Rental revenues are also lower and the timing for a recovery in this line of business is difficult to predict.

In western Canada, the mining industry, which includes the oil sands, and the heavy construction sector remains active, although at lower levels than in 2008. Heavy construction customers are expected to benefit from significant infrastructure spending once the large government-sponsored projects commence. Equipment demand for the general construction, forestry, and conventional oil and gas industries has weakened and this situation is expected to continue at least through 2009.

In South America, demand for the Company's products and services remains good, although revenues are expected to moderate from the high levels achieved during the first quarter of 2009. In mining, demand for new equipment has softened somewhat, but product support revenues are expected to remain solid. At current copper prices, the Chilean mining industry is expected to remain healthy. Construction and power markets in Argentina and Chile are showing signs of weakening somewhat from the record levels of recent quarters.

Business conditions in the UK remain challenging. Demand for equipment and product support for power systems and coal mining continues at reasonable levels and several government supported large infrastructure projects have commenced improving activity levels in the heavy construction sector. Activity in certain specific market sectors such as waste and recycling also remains good. General construction continues to be weak and is not expected to recover soon. For Hewden, the UK equipment rental market continues to be very soft and the industry remains oversupplied and very price competitive.

In response to the slower business conditions, the Company has reacted quickly and taken measures to reduce operating costs. Finning's financial condition remains strong and the outlook for cash generation in 2009 is positive.

May 14, 2009



## 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 we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; the estimated annualized cost savings and anticipated restructuring charges related to actions taken by the Company in response to the economic downturn; anticipated generation of free cash flow, and its expected use; and expected target range of Debt Ratio. 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 describe our expectations at May 14, 2009. Except as may be required by Canadian securities laws, we do 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 our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, we 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 our forward-looking statements include: general economic and credit market conditions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our dependence on the continued market acceptance of Caterpillar's products and Caterpillar's timely supply of parts and equipment; our ability to continue to implement our cost reduction initiatives while continuing to maintain customer service; the intensity of competitive activity; our ability to raise the capital we need to implement our business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations outside Canada. 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 our 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 we believed were reasonable on the day we made the forward-looking statements. Refer in particular to the Market Outlook section of the MD&A. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in the Company's 2008 Annual Information Form (AIF) on pages 31-44.

We caution readers that the risks described in the AIF are not the only ones that could impact us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition, or results of operations.

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

## INTERIM CONSOLIDATED STATEMENTS OF INCOME

<b>For three months ended March 31</b>	<b>2009</b>	<b>2008</b>
<b>(\$ thousands, except share and per share amounts)</b>	<b>unaudited</b>	<b>unaudited</b>
Revenue		
New mobile equipment	\$ 494,285	\$ 601,940
New power and energy systems	137,959	124,100
Used equipment	92,492	94,196
Equipment rental	140,185	176,502
Customer support services	496,313	427,836
Other	3,032	5,617
Total revenue	<b>1,364,266</b>	1,430,191
Cost of sales	<b>970,375</b>	1,020,576
Gross profit	<b>393,891</b>	409,615
Selling, general, and administrative expenses	<b>309,902</b>	314,784
Other expenses (income) (Note 2)	<b>8,435</b>	(14,943)
Earnings before interest and income taxes	<b>75,554</b>	109,774
Finance costs (Note 3)	<b>17,892</b>	19,791
Income before provision for income taxes	<b>57,662</b>	89,983
Provision for income taxes	<b>12,636</b>	19,189
Net income	<b>\$ 45,026</b>	\$ 70,794
Earnings per share (Note 5)		
Basic	\$ 0.26	\$ 0.41
Diluted	\$ 0.26	\$ 0.40
Weighted average number of shares outstanding		
Basic	<b>170,516,267</b>	173,762,827
Diluted	<b>170,860,908</b>	175,085,850

The accompanying Notes to the Interim Consolidated Financial Statements are an integral part of these statements.

## INTERIM CONSOLIDATED BALANCE SHEETS

(\$ thousands)	March 31, 2009 unaudited	December 31, 2008 audited
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 104,750	\$ 109,772
Accounts receivable	763,288	840,810
Service work in progress	113,366	102,607
Inventories (Note 6)	1,563,559	1,473,504
Other assets	241,065	288,102
Total current assets	2,786,028	2,814,795
Finance assets	11,179	11,671
Rental equipment	930,739	987,835
Land, buildings, and equipment	491,992	470,859
Intangible assets	38,078	38,344
Goodwill	100,448	99,278
Other assets	281,086	297,593
Total assets	\$ 4,639,550	\$ 4,720,375
<b>LIABILITIES</b>		
Current liabilities		
Short-term debt	\$ 208,417	\$ 193,635
Accounts payable and accruals	1,160,729	1,316,818
Income tax payable	3,769	3,187
Current portion of long-term debt	2,629	2,643
Total current liabilities	1,375,544	1,516,283
Long-term debt	1,437,332	1,410,727
Long-term obligations	97,477	96,296
Future income taxes	125,620	129,965
Total liabilities	3,035,973	3,153,271
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	555,418	554,966
Contributed surplus	28,002	25,441
Accumulated other comprehensive loss	(169,250)	(176,444)
Retained earnings	1,189,407	1,163,141
Total shareholders' equity	1,603,577	1,567,104
Total equity	\$ 4,639,550	\$ 4,720,375

The accompanying Notes to the Interim Consolidated Financial Statements are an integral part of these statements.

## INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<b>For three months ended March 31</b>		
<b>(\$ thousands)</b>	<b>2009</b>	<b>2008</b>
Net income	\$ 45,026	\$ 70,794
Other comprehensive income (loss), net of income tax		
Currency translation adjustments	26,976	61,132
Unrealized losses on net investment hedges, net of tax of \$6.9 million (2008: net of tax of \$2.3 million)	(25,433)	(9,695)
Unrealized gains (losses) on cash flow hedges, net of tax of \$0.7 million (2008: net of tax of \$2.5 million)	3,414	(5,274)
Realized losses on cash flow hedges, reclassified to earnings, net of tax of \$0.5 million (2008: net of tax of \$nil)	2,237	31
<b>Comprehensive income</b>	<b>\$ 52,220</b>	<b>\$ 116,988</b>

## INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(\$ thousands, except share amounts)	Share Capital		Contributed Surplus	Accumulated Other Comprehensive Income (Loss)		Retained Earnings	Total
	Shares	Amount		Foreign Currency Translation and Gains / (Losses) on Net Investment Hedges	Gains / (Losses) on Cash Flow Hedges		
Balance, January 1, 2008	176,131,879	\$ 571,402	\$ 15,356	\$ (223,661)	\$ (8,562)	\$ 1,269,544	\$ 1,624,079
Comprehensive income (loss)	—	—	—	51,437	(5,243)	70,794	116,988
Issued on exercise of stock options	57,603	442	(22)	—	—	—	420
Issued for acquisition	15,403	462	—	—	—	—	462
Repurchase of common shares (Note 4)	(3,581,500)	(11,580)	—	—	—	(85,870)	(97,450)
Stock option expense	—	—	1,988	—	—	—	1,988
Dividends on common shares	—	—	—	—	—	(17,263)	(17,263)
<b>Balance, March 31, 2008</b>	<b>172,623,385</b>	<b>\$ 560,726</b>	<b>\$ 17,322</b>	<b>\$ (172,224)</b>	<b>\$ (13,805)</b>	<b>\$ 1,237,205</b>	<b>\$ 1,629,224</b>
Balance, January 1, 2009	170,445,067	\$ 554,966	\$ 25,441	\$ (160,971)	\$ (15,473)	\$ 1,163,141	\$ 1,567,104
Comprehensive income (loss)	—	—	—	1,543	5,651	45,026	52,220
Issued on exercise of stock options	100,000	452	—	—	—	—	452
Stock option expense	—	—	2,561	—	—	—	2,561
Dividends on common shares	—	—	—	—	—	(18,760)	(18,760)
<b>Balance, March 31, 2009</b>	<b>170,545,067</b>	<b>\$ 555,418</b>	<b>\$ 28,002</b>	<b>\$ (159,428)</b>	<b>\$ (9,822)</b>	<b>\$ 1,189,407</b>	<b>\$ 1,603,577</b>

The accompanying Notes to the Interim Consolidated Financial Statements are an integral part of these statements.

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

For three months ended March 31 (\$ thousands)	2009 unaudited	2008 unaudited
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 45,026	\$ 70,794
Add items not affecting cash		
Depreciation and amortization	74,361	75,784
Future income taxes	(2,058)	1,896
Stock-based compensation	4,155	2,903
Gain on disposal of capital assets	(2,083)	(15,677)
Other	757	374
	<b>120,158</b>	136,074
Changes in working capital items (Note 8)	<b>(105,464)</b>	(148,362)
Cash provided after changes in working capital items	<b>14,694</b>	(12,288)
Rental equipment, net of disposals	5,123	(87,840)
Equipment leased to customers, net of disposals	722	757
Cash flow provided by (used in) operating activities	<b>20,539</b>	(99,371)
<b>INVESTING ACTIVITIES</b>		
Additions to capital assets	<b>(28,089)</b>	(22,446)
Proceeds on disposal of capital assets	5,783	38,371
Payments on settlement of derivatives	<b>(16,634)</b>	—
Acquisition of businesses	—	(136,369)
Cash used in investing activities	<b>(38,940)</b>	(120,444)
<b>FINANCING ACTIVITIES</b>		
Increase in short-term debt	<b>11,885</b>	300,031
Increase (repayment) of long-term debt	<b>16,418</b>	(2,404)
Issue of common shares on exercise of stock options	452	420
Repurchase of common shares (Note 4)	—	(97,450)
Dividends paid	<b>(18,760)</b>	(17,263)
Cash provided by financing activities	<b>9,995</b>	183,334
Effect of currency translation on cash balances	<b>3,384</b>	1,819
Decrease in cash and cash equivalents	<b>(5,022)</b>	(34,662)
Cash and cash equivalents, beginning of period	<b>109,772</b>	61,860
Cash and cash equivalents, end of period	<b>\$ 104,750</b>	\$ 27,198

See supplemental cash flow information, Note 8

The accompanying Notes to the Interim Consolidated Financial Statements are an integral part of these statements.

## **1. SIGNIFICANT ACCOUNTING POLICIES**

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The accompanying unaudited Interim Consolidated Financial Statements (Interim Statements) have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) on a basis consistent with those disclosed in the most recent audited annual financial statements. These Interim Statements do not include all the information and note disclosures required by GAAP for annual financial statements and therefore should be read in conjunction with the December 31, 2008 audited annual consolidated financial statements and the notes below.

The Interim Statements follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the change in accounting policy disclosed below:

### **(a) Change in Accounting Policy**

#### **(i) Goodwill and Intangible Assets**

Effective January 1, 2009, the Company adopted Section 3064, *Goodwill and Intangible Assets*, issued by the Canadian Institute of Chartered Accountants (CICA). The new standard replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new standard does not have a material impact on the Company's consolidated financial statements.

### **(b) Future Accounting Pronouncements**

#### **(i) Business Combinations**

In January 2009, the CICA issued Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-controlling Interests*. These new standards are harmonized with International Financial Reporting Standards (IFRS). Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective in 2011. Early adoption is permitted. This new Section will only have an impact on the Company's consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

#### **(ii) Convergence with International Financial Reporting Standards**

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by public companies, will be converged with IFRS effective January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS.

### **(c) Comparative Figures**

Certain comparative figures have been reclassified to conform to the 2009 presentation.

## 2. OTHER EXPENSES (INCOME)

Other expenses (income) include the following items:

For three months ended March 31 (\$ thousands)	2009	2008
Gain on sale of properties in Hewden (a)	\$ (2,056)	\$ (14,737)
Restructuring (b)	5,829	536
Project costs (c)	4,689	198
Gain on sale of other surplus properties	(27)	(940)
	\$ 8,435	\$ (14,943)

The tax recovery on other expenses for the three months ended March 31, 2009 was \$2.6 million (2008: tax expense of \$2.0 million on other income).

(a) In the first quarter of 2009, the Company's UK subsidiary, Hewden, sold certain properties for cash proceeds of approximately \$3 million (2008: \$28 million), resulting in a pre-tax gain of \$2.1 million (2008: \$14.7 million).

(b) During the three months ended March 31, 2009, the Company's UK operations incurred restructuring costs of approximately \$0.7 million in connection with the integration of business support services (2008: \$0.5 million). The UK operations also incurred costs of approximately \$2.5 million related to the restructuring of Hewden's nationwide depot network. In addition, Finning incurred other restructuring costs of \$2.6 million globally in 2009 in response to the current market conditions.

(c) Project costs incurred during the three months ended March 31, 2009 and 2008 relate to the implementation of a new information technology system for the Company's global operations.

## 3. FINANCE COSTS

Finance costs as shown on the interim consolidated statements of income comprise the following elements:

For three months ended March 31 (\$ thousands)	2009	2008
Interest on debt securities:		
Short-term debt	\$ 1,433	\$ 5,864
Long-term debt	14,517	11,588
	15,950	17,452
Loss on interest rate derivatives	479	529
Other finance related expenses, net of sundry interest earned	1,463	1,810
Finance costs	\$ 17,892	\$ 19,791

## 4. SHARE CAPITAL

The Company repurchased and cancelled 3,581,500 common shares during the first quarter of 2008 as part of a normal course issuer bid. These shares were repurchased at an average price of \$27.21, which was allocated to reduce share capital by \$11.6 million and retained earnings by \$85.9 million.

The Company did not repurchase any common shares during the first quarter of 2009.

## 5. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated to reflect the dilutive effect of exercising outstanding stock options by applying the treasury stock method.

<b>For three months ended March 31</b>			
<b>(\$ thousands, except share and per share amounts)</b>			
<b>2009</b>	<b>Income</b>	<b>Shares</b>	<b>Per Share</b>
Basic earnings per share: net income	\$ 45,026	170,516,267	\$ 0.26
Effect of dilutive securities: stock options	—	344,641	—
Diluted earnings per share: net income and assumed conversions	\$ 45,026	170,860,908	\$ 0.26
<b>2008</b>			
Basic earnings per share: net income	\$ 70,794	173,762,827	\$ 0.41
Effect of dilutive securities: stock options	—	1,323,023	—
Diluted earnings per share: net income and assumed conversions	\$ 70,794	175,085,850	\$ 0.40

## 6. INVENTORIES

<b>(\$ thousands)</b>	<b>March 31, 2009</b>	<b>December 31, 2008</b>
On-hand equipment	\$ 1,092,526	\$ 1,013,204
Parts and supplies	378,330	384,112
Internal service work in progress	92,703	76,188
Inventories	\$ 1,563,559	\$ 1,473,504

For the three months ended March 31, 2009, on-hand equipment, parts, supplies, and internal service work in progress recognized as an expense amounted to \$871.7 million (2008: \$900.4 million). For the three months ended March 31, 2009, the write-down of inventories to net realizable value, included in cost of sales, amounted to \$14.4 million (2008: \$4.8 million).

## 7. CURRENCY RATES

The Company's subsidiaries operate in three functional currencies: Canadian dollars, U.S. dollars, and the U.K. pound sterling. The exchange rates of the Canadian dollar against the following foreign currencies were as follows:

<b>Exchange rate</b>	<b>March 31, 2009</b>	<b>December 31, 2008</b>	<b>March 31, 2008</b>
U.S. dollar	1.2602	1.2246	1.0279
U.K. pound sterling	1.8022	1.7896	2.0407
<b>For three months ended March 31</b>			
<b>Average exchange rates</b>	<b>2009</b>		<b>2008</b>
U.S. dollar	1.2456		1.0042
U.K. pound sterling	1.7860		1.9861



## 8. SUPPLEMENTAL CASH FLOW INFORMATION

### Non cash working capital changes

For three months ended March 31		
(\$ thousands)	2009	2008
Accounts receivable and other	\$ 117,406	\$ (90,761)
Inventories – on-hand equipment	(65,545)	(25,179)
Inventories – parts and supplies	(14,963)	(25,384)
Accounts payable and accruals	(166,436)	11,183
Income taxes	24,074	(18,221)
Changes in working capital items	\$ (105,464)	\$ (148,362)

### Components of cash and cash equivalents

March 31		
(\$ thousands)	2009	2008
Cash	\$ 101,818	\$ 25,858
Short-term investments	2,932	1,340
Cash and cash equivalents	\$ 104,750	\$ 27,198

### Interest and tax payments

For three months ended March 31		
(\$ thousands)	2009	2008
Interest paid	\$ (8,493)	\$ (9,576)
Income taxes received (paid)	\$ 13,190	\$ (28,919)

## 9. EMPLOYEE FUTURE BENEFITS

The expense for the Company's benefit plans, primarily for pension benefits, is as follows:

For three months ended March 31 (\$ thousands)	2009				2008			
	Canada	UK	Hewden	Total	Canada	UK	Hewden	Total
Defined contribution plans	\$ 5,239	\$ 300	\$ 27	\$ 5,566	\$ 4,865	\$ 240	\$ 44	\$ 5,149
Defined benefit plans	2,894	582	997	4,473	1,836	(153)	447	2,130
Total benefit plan expense	\$ 8,133	\$ 882	\$ 1,024	\$ 10,039	\$ 6,701	\$ 87	\$ 491	\$ 7,279

## 10. SEGMENTED INFORMATION

The Company and its subsidiaries have operated primarily in one industry during the year, that being the selling, servicing, and renting of heavy equipment and related products.

The reportable operating segments are:

<b>For three months ended March 31, 2009</b>					
<b>(\$ thousands)</b>	<b>Canada</b>	<b>South America</b>	<b>UK Group</b>	<b>Other</b>	<b>Consolidated</b>
Revenue from external sources	\$ 712,870	\$ 412,734	\$ 238,662	\$ —	\$ 1,364,266
Operating costs	(627,333)	(354,984)	(215,687)	(8,661)	(1,206,665)
Depreciation and amortization	(37,728)	(10,392)	(25,446)	(46)	(73,612)
Other income (expenses)	(1,956)	(531)	(2,953)	(2,995)	(8,435)
Earnings before interest and taxes	\$ 45,853	\$ 46,827	\$ (5,424)	\$ (11,702)	\$ 75,554
Finance costs					(17,892)
Provision for income taxes					(12,636)
Net income					\$ 45,026
Identifiable assets	\$ 2,103,765	\$ 1,359,413	\$ 1,068,796	\$ 107,576	\$ 4,639,550
Capital assets	\$ 286,771	\$ 127,321	\$ 113,146	\$ 2,832	\$ 530,070
Gross capital expenditures <sup>(1)</sup>	\$ 11,781	\$ 12,197	\$ 4,111	\$ —	\$ 28,089
Gross rental asset expenditures	\$ 68,808	\$ 10,073	\$ 7,039	\$ —	\$ 85,920

<b>For three months ended March 31, 2008</b>					
<b>(\$ thousands)</b>	<b>Canada</b>	<b>South America</b>	<b>UK Group</b>	<b>Other</b>	<b>Consolidated</b>
Revenue from external sources	\$ 792,861	\$ 306,870	\$ 330,458	\$ 2	\$ 1,430,191
Operating costs	(705,524)	(262,704)	(284,611)	(6,722)	(1,259,561)
Depreciation and amortization	(36,354)	(7,628)	(31,817)	—	(75,799)
Other income (expenses)	32	(66)	15,054	(77)	14,943
Earnings before interest and taxes	\$ 51,015	\$ 36,472	\$ 29,084	\$ (6,797)	\$ 109,774
Finance costs					(19,791)
Provision for income taxes					(19,189)
Net income					\$ 70,794
Identifiable assets	\$ 2,132,401	\$ 826,699	\$ 1,489,709	\$ 78,968	\$ 4,527,777
Capital assets	\$ 265,374	\$ 66,061	\$ 144,419	\$ 765	\$ 476,619
Gross capital expenditures <sup>(1)</sup>	\$ 107,735	\$ 7,214	\$ 2,520	\$ —	\$ 117,469
Gross rental asset expenditures	\$ 87,607	\$ 7,014	\$ 66,263	\$ —	\$ 160,884

(1) includes capital leases