Q1 2013 EARNINGS RELEASE **May 8, 2013**

Finning Reports Q1 2013 Results and Increases Dividend

Q1 2013 HIGHLIGHTS

- Revenue rose by 8% to $1.6 billion, driven by significantly higher revenue from South America, which more than offset modest revenue reduction in Canada and the UK & Ireland.
- Product support revenue increased by 13% to record levels reflecting incremental revenue from the expanded mining product line (the former Bucyrus International Inc. business) and solid machine utilization in mining and construction.
- EBIT grew by 21% to $117 million and consolidated EBIT margin was 7.4% compared to 6.6% in Q1 2012, reflecting higher EBIT margin in Canada.
- Basic EPS was $0.43; up by 16% from Q1 2012, marking the best first quarter EPS on record.
- Free cash flow was $93 million use of cash, a significant improvement from $223 million cash usage in the first quarter of 2012.
- The Company raised its quarterly dividend by 9% to $0.1525 per share, reflecting the expectation for earnings growth and strong free cash flow potential.

Vancouver, B.C. – Finning International Inc. (TSX: FTT) reported quarterly revenues of $1.6 billion, an 8% increase over Q1 2012. Strong revenue growth in South America more than offset lower revenues from Canada and the UK and Ireland. Product support revenues grew by 13% over Q1 2012, reaching a new record. Quarterly earnings before finance costs and income taxes (EBIT) rose by 21% to $117 million. Quarterly EBIT margin was 7.4% compared to 6.6% in Q1 2012, resulting from improved EBIT margin in Canada. Basic earnings per share (EPS) increased by 16% from Q1 of last year to $0.43. First quarter results included severance costs of approximately $4 million or $0.02 per share, and reflected the adoption of the amendments to International Accounting Standard (IAS) 19, which reduced results by approximately $0.02 per share in both 2013 and 2012.

"Our ability to grow revenues during heightened economic uncertainty clearly demonstrates the benefit of our broad end-market and geographic diversification, as well as our product support capabilities. As expected, slower activity in mining translated into lower order intake. However, our backlog remains solid, and high machine utilization levels are expected to continue driving strong product support revenues in 2013," said Mike Waites, president and CEO of Finning International Inc. "Our priorities for the year ahead remain unchanged. We are executing on operational excellence initiatives with rigour and discipline to achieve sustainable improvements in our operating profitability. Based on our capabilities to generate strong free cash flow and our expectation for earnings growth, we are pleased to increase our quarterly dividend by 9% to 15.25 cents per share."

Consolidated 2013 revenues are expected to be flat to up 10% over 2012, driven by product support revenues which benefit from a full year's contribution from the expanded mining product line. For 2013, earnings are expected to grow at a higher rate than revenue. The Company's net debt to total capital ratio is projected to decline to the 35-45% target range by the end 2013.

The Company aims to improve operating profitability through advancing operational excellence. The Company targets to achieve EBIT margin of 9-10% and ROE exceeding 18%, on a consistent basis. The timing of the achievement of the EBIT margin target will depend on the Company's ability to successfully execute its operational excellence strategy and may also be influenced by market conditions.

Q1 2013 FINANCIAL SUMMARY

C$ millions, except per share amounts (unaudited)	Three months ended Mar 31		
	2013	2012[6]	% change
Revenue	**1,584**	1,472	8
Earnings before finance costs and income taxes (EBIT)	**117**	97	21
Net income	**73**	64	14
Basic EPS	**0.43**	0.37	16
Earnings before finance costs, income taxes, depreciation and amortization (EBITDA)[1]	**169**	145	17
Free cash flow[1][2]	**(93)**	(223)	58

- Revenues increased by 8% from Q1 2012 to $1.6 billion, driven by strong revenue growth in South America, which more than offset lower revenues in Canada and the UK & Ireland. New equipment sales were up by 2% as significantly higher new equipment sales in South America outweighed the reduction in sales in Canada and the UK & Ireland compared to Q1 2012. Product support revenues rose by 13% to record levels, with the highest ever revenues in Canada and strong growth in South America. Used equipment sales declined in all operations and were down by 18% compared to Q1 2012, while rental revenues increased by 2%.

- Gross profit was 12% higher compared to Q1 2012, reflecting a favourable shift in revenue mix to higher margin product support, as well as higher gross profit margins in most lines of business. Consolidated gross profit margin increased to 31.4% from 30.2% in Q1 2012.

- Selling, general and administrative (SG&A) expenses were higher compared to Q1 of last year as significantly reduced Enterprise Resource Planning (ERP) system related costs in Canada were offset by increased costs related to the expanded mining product line and the new Fort McKay service facility. In addition, the Company incurred approximately $4 million of severance costs associated with the operational excellence initiatives to improve efficiencies and adjust the cost structure to activity levels. SG&A expenses as a percentage of revenue were 24.1% compared to 23.6% in Q1 2012.

- EBIT increased by 21% to $117 with higher EBIT reported in Canada and South America. Consolidated EBIT margin rose to 7.4% from 6.6% in Q1 2012, reflecting improved EBIT margin in Canada due to a reduction in ERP system related costs, as well as a higher proportion of product support in revenue mix compared to Q1 of last year.

- Net income rose by 14% to $73 million. Basic EPS of $0.43 was up by 16% from Q1 2012 and was the highest first quarter EPS on record. Q1 2013 results included severance costs of approximately $0.02 per share. In addition, the adoption of the amendments to IAS 19 negatively impacted first quarter results by approximately $0.02 per share in both 2013 and 2012.

- EBITDA climbed 17% from Q1 2012 to $169 million. Quarterly free cash flow was $93 million use of cash, a significant improvement compared to $223 million cash usage in Q1 2012, primarily due to improvements in working capital, particularly inventory.

- The Company's net debt to total capital ratio[5] was 51.1% at the end of March compared to 50.0% at the end of December, mostly due to negative free cash flow in the first quarter. The ratio is expected to return to the 35-45% target range by the end of 2013 as a result of expected strong free cash flow in the year, driven primarily by working capital improvements.

- Order backlog was $1.1 billion at the end of March compared to $1.2 billion at the end of December due to lower order intake during Q1. Customers continued to be cautious and postponed purchasing decisions in light of uncertain economic conditions and improved equipment availability. There were no unusual order cancellations in any of the Company's operations in the first quarter.

Q1 2013 HIGHLIGHTS BY OPERATION

Canada

- Revenues declined by 3% compared to Q1 2012 impacted most notably by 20% lower new equipment sales, primarily to mining customers. While resource sector customers reduced spending on new equipment in the first quarter, demand for parts and service remained healthy. Product support revenues grew by 12% to record levels, primarily due to our expanded mining product line.

- Canada's EBIT rose by 46% to $57 million and EBIT margin was 7.5% compared to 5.0% in Q1 2012. The year over year improvement is largely driven by the reduction in ERP system related costs as well as a favourable shift in revenue mix to higher margin product support. Reduced ERP costs were offset by additional expenses related to the expanded mining product line and the new Fort McKay service facility, as well as severance costs associated with the reduction of approximately 280 positions.

- The Canadian operations remain focused on selling equipment and providing product support to a broad range of industries. In addition, the business is advancing operational excellence initiatives to increase service efficiency, improve working capital performance and reduce costs. In 2013, Finning Canada is expected to deliver improved EBIT margin performance over 2012.

South America

- Revenues rose by 33% from Q1 2012 (31% in functional currency - USD) driven by strong new equipment sales and product support. In functional currency, new equipment sales were up 45% from Q1 2012, reflecting increased deliveries to mining and construction sectors in Chile. Product support revenues benefitted from our expanded mining product line and were 19% higher compared to Q1 2012.

- EBIT increased by 19% to $57 million. EBIT margin was 9.0% compared to 10.0% in Q1 2012, primarily reflecting a shift in revenue mix from product support to new equipment sales which resulted in a lower gross profit margin compared to Q1 2012. High machine utilization levels are expected to drive strong product support revenue in South America in 2013.

- South American operations are focused on capturing equipment opportunities in mining, construction and power systems as well as growing product support with the benefit of the large installed machine population. The business is also driving operational excellence initiatives related to supply chain and cost management.

United Kingdom and Ireland

- Revenues declined by 10% from Q1 2012 reflecting reduced market activity in most sectors compared to last year. New equipment sales decreased by 11% due to lower volumes in Equipment Solutions. Product support revenues were 10% lower as a result of softer demand across most industries.

- EBIT of $10 million was 17% below Q1 2012, and EBIT margin was 5.4% compared to 5.8% a year ago reflecting lower revenue levels.

- The UK and Ireland operations are focused on sustaining solid financial performance through a period of weak demand by capitalizing on value-added opportunities in Equipment Solutions and Power Systems, capturing product support opportunities, and executing on operational excellence initiatives.

CORPORATE AND BUSINESS DEVELOPMENTS

Dividend

The Board of Directors has approved a 9% increase in the quarterly dividend to $0.1525 per share from $0.14 per share, payable on June 6, 2013 to shareholders of record on May 23, 2013. This dividend will be considered an eligible dividend for Canadian income tax purposes. In addition, the Company has increased its target dividend payout ratio to 25-35% from 25-30%.

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

	Three months ended March 31		
Revenue	**2013**	2012[6]	% change
New equipment	**643.9**	631.4	2
Used equipment	**60.1**	73.4	(18)
Equipment rental	**93.0**	91.2	2
Product support	**761.3**	675.0	13
Other	**26.2**	0.8	n/m
Total revenue	**1,584.5**	1,471.8	8
Gross profit	**497.9**	444.5	12
Gross profit margin[3]	***31.4%***	*30.2%*	
SG&A	**(382.3)**	(347.2)	(10)
SG&A as a percentage of revenue	***(24.1)%***	*(23.6)%*	
Equity earnings	**2.8**	1.9	
Other income (expenses)	**(1.3)**	(2.4)	
EBIT	**117.1**	96.8	21
EBIT margin[4]	***7.4%***	*6.6%*	
Net income	**73.4**	64.3	14
Basic earnings per share (EPS)	**0.43**	0.37	16
EBITDA[1]	**169.3**	144.8	17
Free Cash Flow[1][2]	**(93.4)**	(222.7)	58

	Mar 31, 13	Dec 31, 12
Total assets	**5,194.4**	5,118.0
Total shareholders' equity	**1,623.2**	1,566.6
Net debt to total capital ratio[5]	**51.1%**	50.0%

n/m = not meaningful as percentage change is significantly larger or not applicable

To download Finning's complete Q1 2013 results in PDF, please open the following link:
http://media3.marketwire.com/docs/FinningQ113results.pdf

To download the CEO and CFO certification letters once they have been filed on SEDAR, please open the following link: http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00001068

Q1 2013 RESULTS INVESTOR CALL
Management will hold an investor conference call on Thursday, May 9 at 11:00 am Eastern Time. Dial-in numbers: 1-866-226-1793 (anywhere within Canada and the U.S.) or (416) 340-2218 (for participants dialing from Toronto and overseas).

The call will be webcast live and subsequently archived at www.finning.com. Playback recording will be available at 1-800-408-3053 from 1:00 pm Eastern Time on May 9 until May 15. The pass code to access the playback recording is 4463383 followed by the number sign.

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

CONTACT INFORMATION

Mauk Breukels
Vice President, Investor Relations and Corporate Affairs
Phone: (604) 331-4934
Email: mauk.breukels@finning.com
www.finning.com

Footnotes

(1) 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 and Additional GAAP Measures" in the Company's management discussion and analysis that accompanies the first quarter consolidated financial statements.

(2) Free cash flow is defined as cash flow provided by (used in) operating activities less net additions to property, plant and equipment and intangible assets as disclosed in the Company's Consolidated Statements of Cash Flow.

(3) Gross profit margin is defined as gross profit as a percentage of total revenue.

(4) EBIT margin is defined as earnings before finance costs and income taxes as a percentage of total revenue.

(5) Net debt to total capital ratio 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).

(6) Prior year comparative figures have been restated to reflect the Company's adoption of the amendments to International Accounting Standard (IAS) 19, *Employee Benefits*, which became effective on January 1, 2013.

Forward-Looking Disclaimer

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement Finning makes is forward-looking when it uses what the Company knows and expects today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; expected revenue and SG&A levels and EBIT growth; anticipated generation of free cash flow (including projected net capital and rental expenditures), and its expected use; anticipated defined benefit plan contributions; the expected target range of the Company's Debt Ratio; the impact of new and revised IFRS that have been issued but are not yet effective. 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 Finning's expectations at May 8, 2013. Except as may be required by Canadian securities laws, Finning does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking statements and that Finning's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, Finning cannot guarantee that any forward-looking statement will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by these forward-looking statements include: general economic and market conditions; risks associated with the conduct of business in foreign jurisdictions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; Finning's dependence on the continued market acceptance of Caterpillar's products and Caterpillar's timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenues occur; Finning's ability to reduce costs in response to slowing activity levels; Finning's ability to attract sufficient skilled labour resources to meet growing product support demand; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to realize expected benefits of acquisitions; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the integrity, reliability, and availability of information technology and the data processed by that technology; expected operational benefits from the new ERP system. Forward-looking statements are provided in this report for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of Finning's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this report are based on a number of assumptions that Finning believed were reasonable on the day the Company made the forward-looking statements. Refer in particular to the Outlook section of 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 current Annual Information Form (AIF) in Section 4.

Finning cautions readers that the risks described in the AIF are not the only ones that could impact the Company. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may also have a material adverse effect on Finning's business, financial condition, or results of operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 8, 2013

This discussion and analysis of the financial results of Finning International Inc. (Finning or the Company) should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* and are presented in Canadian dollars unless otherwise stated. Additional information relating to the Company, including its current Annual Information Form (AIF), can be found on the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com.

Results of Operations and Significant Developments

The results described in this Management's Discussion and Analysis (MD&A) include those of acquired businesses from the acquisition dates.

The comparative results described in this MD&A have been restated to reflect the Company's adoption of the amendments to IAS 19, *Employee Benefits*, which became effective on January 1, 2013. The impact of these amendments on the first quarter of 2012 results was a reduction to net income of $2.7 million with a corresponding increase in other comprehensive income. Additional information relating to these amendments and their impact on the Company's comparative results can be found in the New Accounting Pronouncements section of this MD&A.

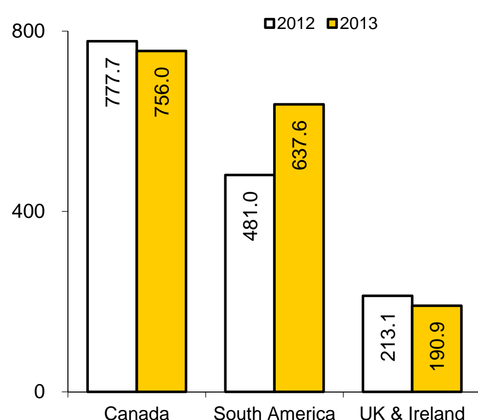
First Quarter Overview

	Q1 2013	Q1 2012 (Restated)	**Q1 2013**	Q1 2012 (Restated)
	($ millions)		(% of revenue)	
Revenue	**$ 1,584.5**	$ 1,471.8		
Gross profit	**497.9**	444.5	**31.4%**	30.2%
Selling, general & administrative expenses (SG&A)	**(382.3)**	(347.2)	**(24.1)%**	(23.6)%
Equity earnings of joint venture and associate	**2.8**	1.9	**0.2%**	0.1%
Other income/(expenses)	**(1.3)**	(2.4)	**(0.1)%**	(0.1)%
Earnings before finance costs and income taxes (EBIT)	**117.1**	96.8	**7.4%**	6.6%
Finance costs	**(21.5)**	(16.0)	**(1.4)%**	(1.1)%
Provision for income taxes	**(22.2)**	(16.5)	**(1.4)%**	(1.1)%
Net income	**$ 73.4**	$ 64.3	**4.6%**	4.4%
Basic earnings per share (EPS)	**$ 0.43**	$ 0.37		
Earnings before finance costs, income taxes, depreciation, and amortization (EBITDA) [1]	**$ 169.3**	$ 144.8	**10.7%**	9.8%
Free Cash Flow [1] [2]	**$ (93.4)**	$ (222.7)		

(1) These amounts do not have a standardized meaning under IFRS, which are also referred to herein as generally accepted accounting principles (GAAP). For a reconciliation of these amounts to net income and cash flow from operating activities, see the heading "Description of Non-GAAP and Additional GAAP Measures" below.

(2) Free Cash Flow is defined as cash provided by (used in) operating activities less net additions to property, plant, and equipment and intangible assets, as disclosed in the Company's consolidated statements of cash flow.

Revenue by Operation
($ millions)
Three months ended March 31



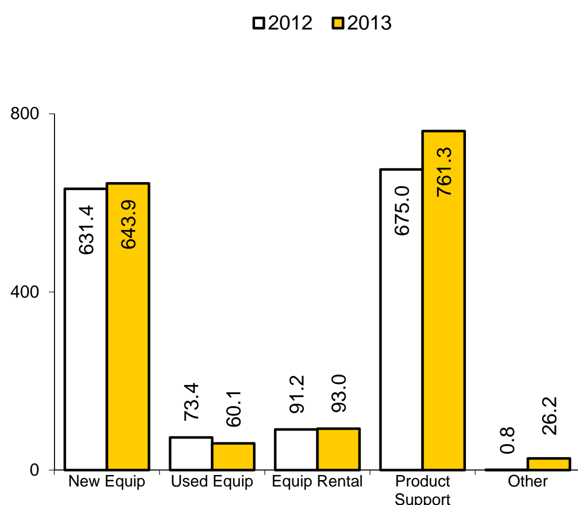
First quarter 2013 consolidated revenues of $1.6 billion were up 7.7% from the comparable quarter in 2012, driven predominantly by a significant increase in revenues contributed by the Company's South American operations, partially offset by a reduction in the Canadian and UK and Ireland operations. Record product support revenues were up 12.8% over the same period in 2012, primarily due to sales from the expanded mining product line (the former Bucyrus International Inc. business), and new equipment revenues were up 2.0%.

Revenues from the Company's Canadian operations decreased 2.8% in the first quarter of 2013 compared with the same period last year. This was primarily due to lower new equipment revenues, which were 19.9% lower than the comparative quarter in 2012. Finning (Canada) saw a slowing demand for new equipment in the mining sector as customers are closely monitoring their capital budgets. Partially offsetting the reduction in new equipment sales was an 11.9% increase in product support revenues over the comparative quarter in 2012, reaching a new record level, primarily due to the contribution from the expanded mining product line.

Revenues from the Company's operations in South America increased 32.6% over the first quarter of 2012 and increased 31.4% in functional currency (the U.S. dollar). Higher new equipment sales and product support revenues drove the increase, up 44.5% and 19.3% respectively, in functional currency. Increased new equipment revenues were primarily driven by higher sales in the mining sector in Chile, while the increase in product support was largely due to the contribution from the expanded mining product line, which became operational in the second quarter of 2012.

Revenues from the UK and Ireland operations were down 10.4% compared to the first quarter of 2012 and were down 9.8% in functional currency (the U.K. pound sterling). The decrease was primarily due to lower new equipment sales (10.7% lower in functional currency) where the comparative quarter in 2012 saw particularly strong sales in the mining industry, and lower product support revenues (9.2% lower in functional currency), which were driven primarily by lower parts sales.

Revenue by Line of Business
($ millions)
Three months ended March 31



On a consolidated basis, record product support revenues, which typically return higher margins than new equipment sales, were up 12.8% compared with the same quarter last year, driven by increases in both South America and Canada. Growth in product support revenues reflected the introduction of the expanded mining product line, as well as the large installed base of mining and construction equipment across the Company's regions, which remains well utilized.

New equipment sales were up 2.0% compared with the first quarter of 2012, driven by significantly increased revenues in South America, partially offset by decreased sales in Canada and the UK and Ireland operations.

Used equipment revenues were 18.2% lower compared to the prior year's first quarter, reflecting a decrease in sales across all operations.

Overall, rental revenues were 2.0% higher than the first quarter of 2012, up in the Company's Canadian and UK and Ireland operations.

Other revenues in the first quarter of 2013 were mostly comprised of export sales from Argentina.

Finning's global order book or backlog (the retail value of new equipment units ordered by customers for future deliveries) was $1.1 billion at the end of the first quarter of 2013, down slightly from $1.2 billion in December 2012, as uncertain economic conditions translated to lower order intake in the first quarter.

Earnings Before Finance Costs and Income Taxes (EBIT)

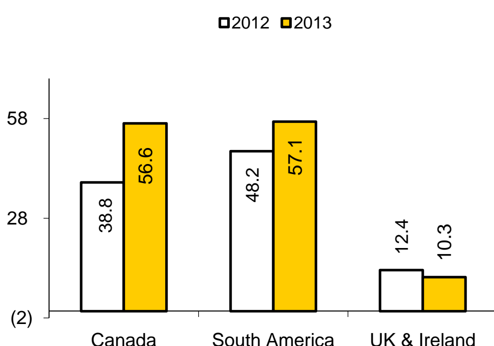
On a consolidated basis, EBIT was $117.1 million in the first quarter of 2013, 20.9% higher than the EBIT of $96.8 million in the first quarter of 2012. The increase was driven by higher revenues in the Company's South American operations and improved productivity in Finning (Canada).

Gross profit of $497.9 million in the first quarter of 2013 was up 12.0% compared to the first quarter of 2012. Quarterly gross profit margin (gross profit as a percentage of revenue) of 31.4% was up from the prior year's first quarter margin of 30.2% reflecting a shift in revenue mix toward more product support, coupled with slightly higher margins in major lines of business. Product support revenues typically earn a higher margin relative to new equipment sales and in the first quarter of 2013 made up 48.0% of total revenues, up from 45.9% in the comparative period, while new equipment revenues represented 40.6% of total revenues, down from 42.9% in the first three months of 2012.

SG&A costs were $382.3 million or 10.1% higher than the first quarter of 2012. SG&A as a percentage of revenue was 24.1%, compared to 23.6% in the first quarter of 2012. The Company's Canadian operations incurred significantly lower costs related to the Enterprise Resource Planning (ERP) system than in the comparative period, but those cost reductions were offset by higher labour costs, including additional employees in the expanded mining product line, higher costs from the newly constructed service facility in Fort McKay which was operational in the quarter, as well as higher variable costs related to the higher revenues. Additionally, as a result of our operational excellence initiatives to improve efficiencies and adjust our cost structure to activity levels, the Company incurred approximately $4 million in costs in the first quarter of 2013 related to the reduction of approximately 400 positions across the Company's operations.

The Company's EBIT margin (EBIT divided by revenues) of 7.4% in the first quarter of 2013 was up from 6.6% in the first quarter of 2012. The increase in EBIT margin was primarily driven by the Company's Canadian operations, partially offset by a decrease in the South American and UK and Ireland operations.

EBIT by Operations [(1)]
($ millions)
Three months ended March 31



(1) Excluding other operations – corporate head office

Major components of the EBIT variance were:

	($ millions)
2012 Q1 EBIT (Restated)	96.8
Net change in operations	2.3
Costs related to reduced positions in 2013	(4.0)
ERP costs in Finning (Canada) in 2012	22.0
2013 Q1 EBIT	117.1

Earnings Before Finance Costs, Income Taxes, Depreciation, and Amortization (EBITDA) and Free Cash Flow

EBITDA, which management views as an indicator of the Company's cash operating performance, was $169.3 million in the first quarter of 2013 compared to $144.8 million in the first quarter of 2012.

The Company's Free Cash Flow was a use of cash of $93.4 million compared to a $222.7 million use of cash in the comparative quarter of the prior year. A strong emphasis on inventory management was the main contributor to the reduced level of cash usage in the first three months of 2013 compared to the same period in 2012. The Company remains focused on reducing working capital levels and expects to generate a positive Free Cash Flow in 2013.

Finance Costs

Finance costs for the three months ended March 31, 2013 were $21.5 million, $5.5 million higher than the first quarter of 2012, primarily due to the Company's issuance of debt in 2012 to fund the acquisition of the expanded mining product line in all the Company's territories.

Provision for Income Taxes

The effective income tax rate for the first quarter of 2013 was 23.2% compared to 20.4% in the comparable period of the prior year. The increase is primarily a result of a higher effective tax rate in the Company's South American operations.

Net Income

Finning's net income was $73.4 million in the first quarter of 2013 compared with $64.3 million in the same period last year.

Basic EPS was $0.43 per share compared with $0.37 per share in the comparative period last year, reflecting increased overall revenues and significantly higher earnings in the Company's Canadian operations due to efficiency improvements. Included in the first quarter results of 2013 was approximately $0.02 per share from severance costs. In addition, the Company's adoption of the amendments to IAS 19 reduced results in the first quarters of both 2013 and 2012 by approximately $0.02 per share.

Foreign Exchange

Translation

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 different currencies. The most significant currencies in which the Company transacts business are the U.S. dollar, the Canadian dollar, the U.K. pound sterling, and the Chilean peso. Changes in the Canadian dollar / U.S. dollar and Canadian dollar / U.K. pound sterling relationship affects reported results on the translation of the financial statements of the Company's South American and UK and Ireland operations as well as U.S. dollar based earnings of the Company's Canadian operations. In addition, the results of the Company's South American operations, whose functional currency is the U.S. dollar, are affected by changes in the U.S. dollar / Chilean peso and U.S. dollar / Argentinean peso relationship.

Foreign denominated net asset or liability positions may exist on an operation's statement of financial position. The Company does not fully hedge balance sheet exposure so this may result in unrealized foreign exchange gains or losses until the net position is settled.

The exchange rates of the Canadian dollar against the following foreign currencies were as follows:

Exchange rate	**March 31, 2013**	December 31, 2012	March 31, 2012
U.S. dollar	**1.0156**	0.9949	0.9991
U.K. pound sterling	**1.5417**	1.6178	1.5970

Three months ended March 31 **Average exchange rates**	**2013**	2012
U.S. dollar	**1.0083**	1.0011
U.K. pound sterling	**1.5641**	1.5732

Foreign exchange translation had minimal impact in the first quarter of 2013.

The Canadian dollar has historically correlated fairly well to commodity prices. If commodity prices strengthen, the Canadian dollar is likely to strengthen. In this scenario, the Company's resource industry customers may be able to increase production which can result in increased demand for equipment and services. However, the Company is negatively impacted when U.S. dollar based revenues and earnings are translated into lower Canadian dollar reported revenues and earnings due to the stronger Canadian dollar, although lags may occur.

The impact of foreign exchange due to the value of the Canadian dollar relative to the U.S. dollar, U.K. pound sterling, and Chilean peso is expected to continue to affect Finning's results. 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 this MD&A.

Investment in Foreign Operations

Assets and liabilities of the Company's foreign operations, which have functional currencies other than the Canadian dollar, are translated into Canadian dollars using the exchange rates in effect at the statement of financial position dates. Any unrealized translation gains and losses are recorded as an item of other comprehensive income and accumulated other comprehensive income.

Currency translation adjustments arise as a result of fluctuations in foreign currency exchange rates at the period reporting date compared to the previous period reporting date. The unrealized currency translation gain of $17.1 million recorded in the first quarter of 2013 resulted primarily from the movement in the Canadian dollar against the U.S. dollar at March 31, 2013 compared to December 31, 2012. This was partially offset by $8.0 million (after-tax) of unrealized foreign exchange losses on net investment hedges. For more details, refer to the Interim Condensed Consolidated Statements of Comprehensive Income.

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, engines, and related products in various markets worldwide as noted below. Finning's reporting segments are as follows:

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

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

Three months ended March 31, 2013 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consolidated**	**Revenue percentage**
New equipment	**$ 252.4**	**$ 283.1**	**$ 108.4**	**$ 643.9**	**40.6%**
Used equipment	**42.1**	**6.8**	**11.2**	**60.1**	**3.8%**
Equipment rental	**67.1**	**18.3**	**7.6**	**93.0**	**5.9%**
Product support	**393.4**	**304.2**	**63.7**	**761.3**	**48.0%**
Other	**1.0**	**25.2**	**—**	**26.2**	**1.7%**
Total	**$ 756.0**	**$ 637.6**	**$ 190.9**	**$ 1,584.5**	**100.0%**
Revenue percentage by operations	**47.7%**	**40.2%**	**12.1%**	**100.0%**	

Three months ended March 31, 2012 ($ millions)	Canada	South America	UK & Ireland	Consolidated	Revenue percentage
New equipment	$ 315.1	$ 194.0	$ 122.3	$ 631.4	42.9%
Used equipment	45.2	14.9	13.3	73.4	5.0%
Equipment rental	65.8	18.5	6.9	91.2	6.2%
Product support	351.6	252.8	70.6	675.0	45.9%
Other	—	0.8	—	0.8	0.0%
Total	$ 777.7	$ 481.0	$ 213.1	$ 1,471.8	100.0%
Revenue percentage by operations	52.8%	32.7%	14.5%	100.0%	

Canadian Operations

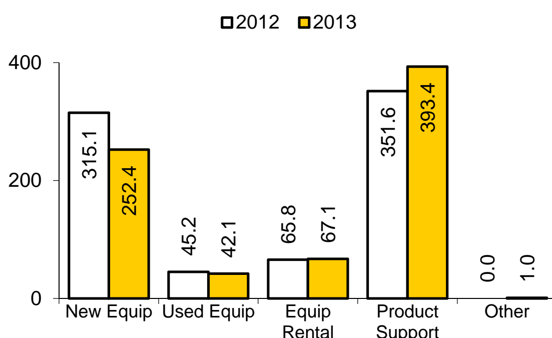
The Canadian operating segment includes Finning (Canada), the Company's interest in OEM Remanufacturing Company Inc. (OEM), and a 25% interest in PipeLine Machinery International (PLM). Finning (Canada) sells, services, and rents mainly Caterpillar equipment and engines in British Columbia, Alberta, Yukon, Northwest Territories, and a portion of Nunavut. The Company's markets include mining (including the oil sands), construction, conventional oil and gas, forestry, and power systems.

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

Three months ended March 31 ($ millions)	2013	2012 (Restated)
Revenue from external sources	**$ 756.0**	$ 777.7
Operating costs	**(675.7)**	(712.1)
Depreciation and amortization	**(26.3)**	(29.0)
	54.0	36.6
Equity earnings of joint venture	**2.6**	2.2
Earnings before finance costs and income taxes (EBIT)	**$ 56.6**	$ 38.8
EBIT		
- as a percentage of revenue	**7.5%**	5.0%
- as a percentage of consolidated EBIT	**48.4%**	40.1%

Canada – Revenue by Line of Business

($ millions)



First quarter 2013 revenues of $756.0 million decreased 2.8% compared to the first quarter of 2012, largely due to lower new equipment sales.

New equipment revenues in the first quarter of 2013 were 19.9% lower than the comparative quarter, largely due to reduced capital spending by mining customers and some power systems customers in the oil and gas sector. Product support revenues were up 11.9%, reaching a new quarterly record. The parts and service revenues from the recently acquired expanded mining product line drove the increase.

Gross profit in absolute dollars from the Canadian operations increased on improved operating efficiencies compared to the first quarter of 2012. Gross profit as a percentage of revenue was also higher than the first quarter of 2012 primarily due to a higher mix of product support revenues, which typically return higher margins than new equipment sales, and the productivity improvements noted above. Product support revenues made up 52.0% of total revenues in the first quarter of 2013, compared to 45.2% in the prior year quarter, while new equipment revenues comprised only 33.4% of first quarter 2013 total revenues relative to 40.5% in the first quarter of 2012.

SG&A costs in the first quarter of 2013 increased over the comparative period. Significant cost reductions related to the ERP system were offset by increased labour costs related to the expanded mining product line, as well as the new Fort McKay service facility. Additionally, in response to the reduced capital spending by mining customers and the Company's focus on improving efficiencies, the Canadian operations reduced approximately 280 positions, resulting in additional costs of approximately $2.5 million in the first three months of 2013. The overall increase in the Canadian operation's SG&A costs, combined with slightly lower total revenues, also resulted in an increase in the reported SG&A costs as a percentage of revenues.

EBIT totalled $56.6 million in the first quarter of 2013 compared with $38.8 million in the same period of 2012 and EBIT margin was 7.5%, compared to 5.0% in the first quarter of 2012.

Other Developments

On March 6, 2013, Finning (Canada) celebrated the grand opening of its newly constructed $110 million Fort McKay, Alberta service facility. Located on 21-acres of land in the Caribou Industrial Park, the 160,000 ft^2 facility is Finning's largest mining service facility in Canada.

The collective agreement between the Company and the International Association of Machinists and Aerospace Workers (IAM) – Local Lodge 99 expired on April 30, 2013. Negotiations are currently underway with the union. The Company is committed to the collective bargaining process and concluding a fair contract for its employees and Finning.

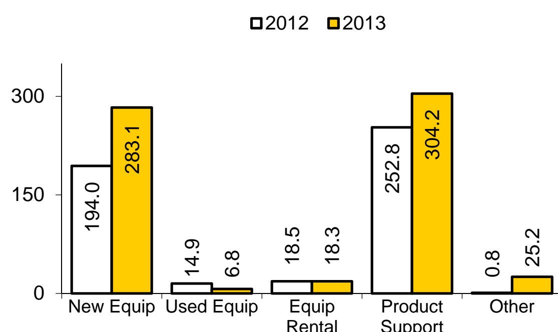
South American Operations

Finning's South American operation sells, services, and rents mainly Caterpillar equipment and engines in Chile, Argentina, Uruguay and Bolivia. The Company's markets include mining, construction, and power systems.

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

Three months ended March 31 **($ millions)**	**2013**	2012 (Restated)
Revenue from external sources	**$ 637.6**	$ 481.0
Operating costs	**(562.3)**	(420.1)
Depreciation and amortization	**(17.2)**	(11.7)
	58.1	49.2
Other expenses		
ERP system implementation costs	**(1.0)**	(1.0)
Earnings before finance costs and income taxes (EBIT)	**$ 57.1**	$ 48.2
EBIT		
- as a percentage of revenue	**9.0%**	10.0%
- as a percentage of consolidated EBIT	**48.8%**	49.8%

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



Finning South America reported revenues of $637.6 million in the first quarter of 2013, up 32.6% over the first quarter of 2012 (up 31.4% in functional currency, the U.S. dollar) on increased new equipment sales and higher product support revenues.

First quarter 2013 revenues, in functional currency, reflected significantly higher new equipment sales and product support revenues, up 44.5% and 19.3% respectively from the comparative period. New equipment revenues rose primarily due to higher sales in Chile's mining sector, while increased product support revenues were driven by sales from the expanded mining product line. Other revenues in the first three months of 2013 were comprised mostly of export sales from Argentina.

In functional currency, gross profit in the first quarter of 2013 was higher in absolute dollars compared to the first quarter of 2012. However, a shift in revenue mix to a higher proportion of new equipment sales drove a slightly lower gross profit margin compared to the prior year. New equipment revenues represented 44.4% of total revenues in the first quarter of 2013 versus 40.3% in the prior year comparative period, while product support accounted for 47.8% of total revenues in 2013 year-to-date compared to 52.6% in the first three months of 2012.

SG&A costs, in functional currency, increased in absolute dollars but were lower as a percentage of revenues compared to the same period last year. The increased costs were driven primarily by the increased number of employees related to the introduction of the expanded mining product line. First quarter 2013 results also included approximately $1.0 million in restructuring costs related to a reduction in the number of positions.

EBIT from Finning South America totalled $57.1 million in the first quarter of 2013 and was 18.7% higher than the first quarter of 2012. In functional currency, EBIT increased 17.4% over the same period of the prior year. EBIT as a percentage of revenue was 9.0%, lower than the 10.0% reported in the first three months of the prior year, driven mostly by the shift in sales mix noted above.

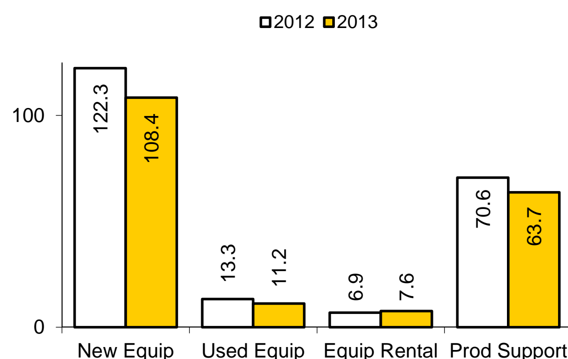
United Kingdom (UK) and Ireland Operations

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

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

Three months ended March 31 ($ millions)	**2013**	2012 (Restated)
Revenue from external sources	**$ 190.9**	$ 213.1
Operating costs	**(171.7)**	(192.3)
Depreciation and amortization	**(8.6)**	(7.3)
	10.6	13.5
Other expenses		
ERP system implementation costs	**(0.3)**	(0.6)
Acquisition costs	**—**	(0.5)
Earnings before finance costs and income taxes (EBIT)	**$ 10.3**	$ 12.4
EBIT		
- as a percentage of revenue	**5.4%**	5.8%
- as a percentage of consolidated EBIT	**8.8%**	12.8%

UK and Ireland – Revenue by Line of Business
Three months ended March 31 ($ millions)



Revenues from the UK and Ireland for the first quarter of 2013 were $190.9 million, down 10.4% from the same period last year (down 9.8% in functional currency, the U.K. pound sterling). The decrease was primarily due to a reduction in new equipment sales and product support revenues, down 11.4% and 9.8% respectively (down 10.7% and 9.2% respectively, in functional currency), reflecting a challenging economic environment and competitive market in that region. The decrease in new equipment sales was seen largely in the coal mining industry, where sales were particularly strong in the first quarter of last year, partially offset by higher new equipment sales in the power systems sector. The decrease in product support revenues was driven primarily by lower parts sales across multiple sectors.

In functional currency, gross profit in the first quarter of 2013 was lower in absolute terms than the comparative period due to lower sales. However, gross margin as a percentage of revenues was higher than the first three months of 2012, with higher margins in most lines of business. SG&A costs in the first quarter of 2013 were comparable to the same period in the prior year, but did include approximately $0.6 million in restructuring costs related to a reduction in the number of positions. Due to the lower revenue base, SG&A as a percentage of revenues was higher in the first quarter of 2013 compared to the first quarter of 2012.

The UK and Ireland operations reported EBIT of $10.3 million in the first three months of 2013, down from $12.4 million in the first quarter of 2012, primarily due to lower revenues noted above. UK and Ireland's EBIT margin (EBIT as a percentage of revenue) of 5.4% was lower than the 5.8% reported in the same period last year.

Corporate and Other Operations

Three months ended March 31, 2013 ($ millions)		2013		2012 (Restated)
Operating costs - corporate	**$**	**(6.0)**	$	(5.8)
Long-term incentive plan (LTIP)		**(1.0)**		3.8
Depreciation and amortization		**(0.1)**		—
		(7.1)		(2.0)
Equity gain/(loss) of associate		**0.2**		(0.3)
Other income/(expenses)				
Acquisition costs		—		(0.3)
Loss before finance costs and income taxes	**$**	**(6.9)**	$	(2.6)

For the three months ended March 31, 2013, corporate operating costs of $6.0 million were comparable to the same period last year.

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. In the first quarter of 2013, the Company's share price was relatively unchanged, resulting in a minimal change of either the long-term incentive plan (LTIP) units outstanding or the stock-based compensation hedge. The LTIP expense recorded in the first quarter of 2013 at the Corporate level primarily reflects the costs related to the vesting of units in the stock-based compensation plans. In the first quarter of 2012, the Company's share price increased 24% and the LTIP expense was more than offset by the positive change in fair value of the LTIP hedge.

The equity gain/(loss) of associate for the three months ended March 31, 2013 and 2012 relates to the Company's investment in Energyst B.V. The Company's equity investment in Energyst increased to 27.6% from 27.3% in February 2013.

Liquidity and Capital Resources

Operating Activities

For the three months ended March 31, 2013, cash flow used in operations after changes in operating assets and liabilities was $56.5 million, compared with cash outflows of $171.8 million during the same period in 2012. The lower use of cash in the first quarter of 2013 reflected management's continued focus on cash and inventory management and operating efficiencies.

In the first quarter of 2013, the Company invested $9.8 million in rental assets, net of disposals, which was comparable to an investment of $13.9 million in rental assets, net of disposals in the same quarter of 2012.

As a result of these items, cash flow used in operating activities was $66.2 million in the first quarter of 2013, lower than the $185.6 million use of cash in the comparative period of 2012.

EBITDA was $169.3 million in the first quarter of 2013 compared to $144.8 million in the first quarter of 2012.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2013 totalled $31.8 million compared with $45.6 million in the first quarter of 2012. The primary use of cash in the first quarters of 2013 and 2012 related to additions to property, plant and equipment and intangible assets, which generally reflected capital spending related to growing product support demand, primarily infrastructure spending in the Company's Canadian and South American operations.

Additions to property, plant and equipment and intangible assets for the three months ended March 31, 2013 were $27.4 million, lower than the $39.1 million invested in the comparable period in 2012.

In the first quarter of 2013, the Company invested $4.5 million to increase its investment in Energyst B.V. from 27.3% to 27.6%.

In the first three months of 2012, the Company invested a total of $8.4 million related to the acquisition of Damar Group Ltd in the U.K. and acquisition costs associated with the purchase of Bucyrus International Inc. from Caterpillar.

Financing Activities

To complement the internally generated funds from operating and investing activities, as at March 31, 2013, the Company has approximately $1.8 billion in unsecured credit facilities. Included in this amount, Finning has committed bank facilities totalling approximately $1.3 billion with various Canadian, U.S., and South American financial institutions. The largest of these, the $1.0 billion global operating credit facility, matures in September 2015. At March 31, 2013, approximately $631 million was available under these committed facilities. Based on the availability of these facilities, the Company's business operating plans, and the discretionary nature of some of the cash outflows such as rental and capital expenditures, the Company believes it continues to have sufficient liquidity to meet operational needs.

Longer term capital resources are provided by direct access to capital markets and in April 2013, the Company's long-term debt rating was confirmed at BBB+ by Standard & Poor's (S&P).

The Company's £70 million Eurobond matures on May 30, 2013 and work to refinance this obligation is underway. The Company does not anticipate any difficulties in raising these funds and has sufficient availability on its operating line if needed.

Dividends paid to shareholders in the first quarter of 2013 were $24.1 million, up 7.8% compared to the first quarter of 2012. In May 2013, the Board of Directors increased the Company's quarterly dividend by 9% to $0.1525 per common share, reflecting the Company's confidence in the business outlook and expectation for positive cash generation. The Company has increased its target dividend payout ratio to 25-35% from 25-30%.

The Company's Debt Ratio (net debt to total capitalization ratio) at March 31, 2013 was 51.1%, compared with 50.0% at December 31, 2012. The Debt Ratio is temporarily above the Company's target range of 35-45%, and reflects higher debt levels required to fund the purchase of the expanded mining product line in 2012. Net debt to total capitalization is calculated as short-term 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 shareholders' equity (share capital, contributed surplus, accumulated other comprehensive loss, and retained earnings).

Outlook

The Company continues to operate with caution and monitor market activity closely. New equipment order intake in the first quarter was lower than in the preceding quarter and similar to equipment delivery levels. Initiatives to reduce uncommitted inventories are being executed successfully. On a consolidated basis, the Company expects lower new equipment sales in 2013 to be more than offset by growth in product support revenues. The installed equipment population has increased and aged significantly over the past several years, and machine utilization levels have remained strong. The Company's investment in product support capacity and capability has positioned it well to capture the parts and service business in all its operations.

In Western Canada, the heavy construction and forestry sectors remain active. Market conditions in the conventional oil & gas segments continue to be soft. In mining, including the oil sands, customers are under pressure to reduce costs. While demand for new and rebuild mining equipment is expected to be weaker in 2013, solid equipment utilization rates are expected to drive demand for product support.

In South America, the demand for the Company's products and services remains healthy. Activity in the construction and power systems markets continues to be stable, although the anticipated increase in infrastructure spending in Chile and Argentina associated with the 2013 elections is yet to materialize. In Chile, concerns regarding commodity prices and higher operating costs for mining operations has slowed new equipment order intake. At the same time, mining customers continue to increase production and drive high machine utilization as they strive to improve productivity.

In Argentina, the government continues to control imports and manage access to foreign exchange. As a result, the amount of equipment and parts the Company can buy from Caterpillar to sell to customers in Argentina is limited. The Company has taken a number of measures to manage import and foreign currency restrictions which meet government expectations and customer demand for equipment and parts to the greatest extent possible.

In the U.K. and Ireland, the economy remains soft. In Equipment Solutions, the heavy construction sector is slow due to low infrastructure activity levels, and the coal mining sector is weak, while quarrying is showing signs of improvement. Product support activity has softened as well. In Power Systems, the Company is seeing good order intake in the industrial and marine segments, but weakness in the petroleum and gas sectors. Product support activity is relatively stable.

The Company aims to improve operating profitability through advancing operational excellence. Initiatives are underway to drive earnings growth by streamlining the supply chain and increasing service efficiency throughout the operations. The Company targets to consistently achieve EBIT margin of 9-10% and ROE exceeding 18%, a significant increase over historical levels. The timing of the achievement of the EBIT target will depend on the Company's ability to successfully execute its operational excellence strategy, and may also be influenced by market conditions.

Consolidated 2013 revenues are expected to be flat to up 10% over 2012 driven by product support revenues which benefit from a full year's contribution from the expanded mining product line. For 2013, the Company expects earnings to grow at a higher rate than revenue. The Company projects its net debt to capital ratio to decline to the 35-45% target range by the end of 2013.

Description of Non-GAAP and Additional GAAP Measures

EBIT is defined herein as earnings before finance costs and income taxes. EBITDA is defined as earnings before finance costs, income taxes, depreciation, and amortization. Free Cash Flow is defined as cash flow provided by (used in) operating activities less net additions to property, plant, and equipment and intangible assets, as disclosed in the Company's consolidated statement of cash flow. ROE is defined as net income divided by the weighted average of shareholders' equity. Net income adjusted for items not affecting cash is defined as net income adjusted for the effects of transactions of a non-cash nature and items of income or expense associated with investing or financing cash flows. EBIT, EBITDA, Free Cash Flow, ROE and net income adjusted for items not affecting cash are measures of performance utilized by management to measure and evaluate the financial performance of its operating segments. EBITDA and Free Cash Flow are measures commonly reported and widely used by investors as an indicator of a company's cash operating performance and ability to raise and service debt. EBITDA is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses and is a common valuation metric.

Management believes that these measures provide important information regarding the operational performance of the Company's business. By considering these measures in combination with the comparable IFRS (also referred to as generally accepted accounting principles, or GAAP) measures set out below, management believes that shareholders are provided a better overall understanding of the Company's business and its financial performance

during the relevant period than if they simply considered the GAAP measures alone. EBITDA, Free Cash Flow, and ROE 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 EBITDA and net income is as follows:

Three months ended March 31 **($ millions)**	**2013**	2012 (Restated)
Earnings before finance costs, income taxes, depreciation, and amortization (EBITDA)	**$ 169.3**	$ 144.8
Depreciation and amortization	**(52.2)**	(48.0)
Earnings before finance costs and income taxes (EBIT)	**117.1**	96.8
Finance costs	**(21.5)**	(16.0)
Provision for income taxes	**(22.2)**	(16.5)
Net income	**$ 73.4**	$ 64.3

A reconciliation of Free Cash Flow is as follows:

Three months ended March 31 **($ millions)**	**2013**	2012 (Restated)
Cash flow used in operating activities	**$ (66.2)**	$ (185.6)
Additions to property, plant, and equipment and intangible assets	**(27.4)**	(39.1)
Proceeds on disposal of property, plant, and equipment	**0.2**	2.0
Free Cash Flow	**$ (93.4)**	$ (222.7)

Risk Management

Finning and its subsidiaries are exposed to market, financial, operating and other risks in the normal course of their business activities. The Company's Enterprise Risk Management (ERM) process is designed to ensure that such risks are identified, managed, and reported. This ERM framework assists the Company in managing business activities and risks across the organization in order to achieve the Company's strategic objectives.

The Company is dedicated to a strong risk management culture to protect and enhance shareholder value. The Company discloses all of its key risks in its most recent AIF with key financial risks also included in the Company's Annual 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. Also 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, 2012.

There have been no significant changes to existing risk factors and no new key risks identified from the key risks disclosed in the Company's current AIF for the year ended December 31, 2012, which can be found at www.sedar.com and 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 main types of foreign exchange risk of the Company are translation exposure and transaction exposure. These are explained further in the Foreign Exchange Risk section in the 2012 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, 2013 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, 2013 month end rates	Net income $ millions
CAD/USD	**1.0156**	**$ (38)**
CAD/GBP	**1.5417**	**$ (1)**
CAD/CLP	**0.0021**	**$ 2**
CAD/ARS	**0.1983**	**$ 5**

A 5% weakening of the Canadian dollar against the above currencies relative to the March 31, 2013 month end rates would have an equivalent but opposite effect on the above accounts in the amounts shown on the basis that all other variables are unchanged.

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 takes into account annual forecasted 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

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 to prevent insider trading and the handling of confidential information.
- A Disclosure Committee, consisting of senior management and external legal counsel, reviews 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 has designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of the Company's internal control over financial reporting during the quarter ended March 31, 2013, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Since the implementation of a new ERP system in the third quarter of 2011 in the Company's Canadian operations, management has employed additional procedures to ensure key financial internal controls remained in place. Management also performed additional account reconciliations and other analytical and substantive procedures to mitigate any financial risks from the introduction of the new system.

Regular involvement of the Company's internal audit function and quarterly reporting to the Audit Committee assist in providing reasonable assurance that the objectives of the control system are met. While the officers of the Company have designed the Company's disclosure controls and procedures and internal control over financial reporting, they are aware that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Selected Quarterly Information

$ millions	2013	2012 (Restated)				2011 (Restated)		
(except for share and option data)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue from operations [1]								
Canada	**$ 756.0**	$ 788.2	$ 768.9	$ 942.8	$ 777.7	$ 990.9	$ 607.7	$ 733.0
South America	**637.6**	774.0	614.6	574.0	481.0	592.7	528.1	532.7
UK & Ireland	**190.9**	217.2	222.9	247.7	213.1	227.0	193.3	214.9
Total revenue	**$1,584.5**	$1,779.4	$1,606.4	$1,764.5	$1,471.8	$1,810.6	$1,329.1	$1,480.6
Net income [1] [2]	**$ 73.4**	$ 102.6	$ 81.3	$ 78.6	$ 64.3	$ 68.6	$ 33.3	$ 79.8
Earnings Per Share [1] [2]								
Basic EPS	**$ 0.43**	$ 0.60	$ 0.47	$ 0.46	$ 0.37	$ 0.40	$ 0.20	$ 0.47
Diluted EPS	**$ 0.43**	$ 0.60	$ 0.47	$ 0.46	$ 0.37	$ 0.40	$ 0.20	$ 0.46
Total assets [1]	**$5,194.4**	$5,118.0	$4,994.0	$5,110.5	$4,530.0	$4,085.4	$4,086.8	$3,645.0
Long-term debt								
Current	**$ 358.3**	$ 363.6	$ 361.3	$ 112.3	$ 0.5	$ 0.5	$ 262.3	$ 263.2
Non-current	**1,022.5**	1,012.2	1,076.1	1,344.7	952.4	762.6	778.5	710.9
Total long-term debt [3]	**$1,380.8**	$1,375.8	$1,437.4	$1,457.0	$ 952.9	$ 763.1	$1,040.8	$ 974.1
Cash dividends paid per common share	**$ 0.14**	$ 0.14	$ 0.14	$ 0.14	$ 0.13	$ 0.13	$ 0.13	$ 0.13
Common shares outstanding (000's)	**171,971**	171,910	171,905	171,880	171,849	171,574	171,571	171,570
Options outstanding (000's)	**4,708**	5,060	5,118	5,235	4,595	5,411	5,411	5,462

1) In February 2012, the Company acquired Damar, an engineering company specializing in the water utility sector in the U.K.

   In May 2012, the Company acquired the former Bucyrus distribution and support business in its dealership territories of South America and in the U.K. In October 2012, the Company acquired the former Bucyrus distribution and support business in its Canadian dealership territory.

   The results of operations and financial position of these acquired businesses have been included in the figures above since the date of acquisition.

2) The results for the second half of 2011 and all of 2012 were negatively impacted by the ERP system implementation issues experienced in the Company's Canadian operations. The ERP system implementation and the five-week B.C. union strike in the third quarter of 2011 reduced earnings by approximately $0.25 per share; the fourth quarter of 2011 and the first, second, third and fourth quarters of 2012 included costs associated with the ERP system issues of $0.12, $0.09, $0.07, $0.05 and $0.04 respectively.

3) In September 2011, the Company entered into a $1.0 billion committed unsecured syndicated operating credit facility. This facility replaced the previous $800 million global credit facility, which was set to expire in December 2011. The new committed facility matures in September 2015.

   In December 2011, the Company repaid its 4.64% $150 million Medium Term Notes (MTN) on maturity. Repayment of the notes was funded by the issuance of commercial paper under the Company's commercial paper program.

   In January 2012, the Company issued unsecured senior notes in the U.S. private placement market of U.S. $200 million. The Company issued the notes in two series of U.S. $100 million each: the 3.98% Senior Notes, Series A, due January 19, 2022 and the 4.08% Senior Notes, Series B, due January 19, 2024. Proceeds from the notes were used to repay commercial paper borrowings and for general corporate purposes.

   In April 2012, the Company issued unsecured senior notes in the U.S. private placement market of U.S. $300 million. The Company issued the notes in three series: the U.S. $50 million 4.18% Senior Notes, Series C, due April 3, 2022, the U.S. $50 million 4.28% Senior Notes, Series D, due April 3, 2024 and the U.S. $200 million 4.53% Senior Notes, Series E, due April 3, 2027. Proceeds from the notes were used to fund the acquisition of Bucyrus in the Company's South American operations.

   In June 2012, the Company issued 5.077% $150 million MTN, due June 13, 2042. Proceeds from the MTN were used to fund the purchase of Bucyrus in the Company's Canadian operations on October 1, 2012.

New Accounting Pronouncements

Amended Standards Adopted by the Company for the financial year beginning January 1, 2013

- The Company has applied the amendments to IAS 19, *Employee Benefits* in the current year. The amendments provide new requirements for the accounting for defined benefit pension plans. Most notably, the amendments mandate the immediate recognition of actuarial gains and losses in other comprehensive income, and require companies to use the same rate for both the discount rate applied to determine the defined benefit obligation and the expected rate of return on assets when calculating the interest component of pension expense. The Company previously recognized all actuarial gains and losses immediately through other comprehensive income; consequently this element of the amendments does not impact the Company. With respect to the second change, in determination of net income, the effect is that the defined benefit plan expense concepts of "interest cost" and "expected return on plan assets" is replaced with the concept of "net interest". The amendments do not prescribe where in the results of operations the net interest amount is to be presented, but the Company elected to present the net interest amount as a component of finance costs upon the application of the amended standard.

  As the discount rate is lower than an expected long-term rate of return on plan assets the effect of the amended standard is a decrease in net income and associated per share amounts. The variance, if any, between the actual return on the defined benefit plan assets and the amount determined using the discount rate is included in other comprehensive income as a remeasurement.

  With the adoption of the amendments to IAS 19 on January 1, 2013, the Company has restated the prior year comparative period consolidated statement of income, consolidated statement of cash flows, consolidated statement of comprehensive income, and consolidated statement of shareholders' equity. The impact of the amendments to IAS 19 is as follows:

($ thousands)	Three months ended March 31, 2012	Year ended December 31, 2012
Increase in selling, general, and administrative expense	$ (1,955)	$ (7,902)
Increase in finance costs	(1,575)	(6,383)
Decrease in provision for income taxes	867	3,440
Decrease in net income	$ (2,663)	$ (10,845)
Increase in other comprehensive income	$ 2,663	$ 10,845
Decrease in basic and diluted earnings per share	$ (0.02)	$ (0.06)

  The amendments do not affect the Company's consolidated statement of financial position. The Company will provide additional disclosures in the notes to the annual consolidated financial statements with the adoption of the amendments to IAS 19.

- The Company has applied the amendments to IAS 1, *Presentation of Financial Statements*. The amendments require that elements of other comprehensive income that may subsequently be reclassified through profit and loss be differentiated from those items that will not be reclassified.
- The Company has applied IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27, *Separate Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*. The new standards provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated. The adoption of this new standard had no impact on the Company's financial position but disclosures will be enhanced for the annual consolidated financial statements.
- The Company has applied IFRS 13, *Fair Value Measurement*. The new standard provides guidance on fair value measurement and disclosure requirements. The adoption of this new standard had no impact on the Company's financial position but disclosures are enhanced for the interim consolidated financial statements and will be further enhanced for the annual consolidated financial statements.

Future Accounting Pronouncements

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective at May 8, 2013:

- IFRS 9, *Financial Instruments* (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets and financial liabilities. Management is currently assessing the impact of the issued and proposed changes to IFRS 9.
- Amendments to IAS 32, *Financial Instruments: Presentation* (effective January 1, 2014) clarifies existing application issues relating to offsetting requirements. These amendments are not expected to have a significant effect on the Company's accounting policies or financial statements.

Outstanding Share Data

As at May 3, 2013	
Common shares outstanding	171,970,778
Options outstanding	4,706,236

Forward-Looking Disclaimer

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement Finning makes is forward-looking when it uses what the Company knows and expects today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; expected revenue and SG&A levels and EBIT growth; anticipated generation of free cash flow (including projected net capital and rental expenditures), and its expected use; anticipated defined benefit plan contributions; the expected target range of the Company's Debt Ratio; the impact of new and revised IFRS that have been issued but are not yet effective. 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 Finning's expectations at May 8, 2013. Except as may be required by Canadian securities laws, Finning does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking statements and that Finning's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, Finning cannot guarantee that any forward-looking statement will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by these forward-looking statements include: general economic and market conditions; risks associated with the conduct of business in foreign jurisdictions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; Finning's dependence on the continued market acceptance of Caterpillar's products and Caterpillar's timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenues occur; Finning's ability to reduce costs in response to slowing activity levels; Finning's ability to attract sufficient skilled labour resources to meet growing product support demand; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to realize expected benefits of acquisitions; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the integrity, reliability, and availability of information technology and the data processed by that technology; expected operational benefits from the new ERP system. Forward-looking statements are provided in this report for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of Finning's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this report are based on a number of assumptions that Finning believed were reasonable on the day the Company made the forward-looking statements. Refer in particular to the Outlook section of 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 current Annual Information Form (AIF) in Section 4.

Finning cautions readers that the risks described in the AIF are not the only ones that could impact the Company. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may also have a material adverse effect on Finning's business, financial condition, or results of operations.

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian $ thousands)	March 31, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents (Note 6)	**$ 116,200**	$ 114,924
Accounts receivable	**1,000,261**	876,908
Service work in progress	**130,874**	119,824
Inventories	**1,910,913**	1,930,114
Income tax recoverable	**27,707**	22,014
Derivative assets (Note 4)	**7,072**	7,390
Other assets	**214,974**	246,058
Total current assets	**3,408,001**	3,317,232
Property, plant, and equipment	**663,978**	658,072
Rental equipment	**395,364**	408,995
Intangible assets	**89,795**	94,795
Distribution network	**309,878**	305,602
Goodwill	**108,746**	109,481
Investment in and advances to joint venture and associate	**71,792**	66,633
Finance assets	**38,701**	42,033
Deferred tax assets	**54,807**	59,713
Other assets	**53,363**	55,467
	$ 5,194,425	$ 5,118,023
LIABILITIES		
Current liabilities		
Short-term debt	**$ 429,197**	$ 303,346
Accounts payable and accruals	**911,190**	996,260
Income tax payable	**7,284**	16,855
Provisions	**104,139**	101,171
Deferred revenue	**432,602**	454,778
Derivative liabilities (Note 4)	**13,601**	14,230
Current portion of long-term debt	**358,341**	363,590
Total current liabilities	**2,256,354**	2,250,230
Long-term debt	**1,022,522**	1,012,214
Long-term obligations	**238,845**	236,581
Provisions	**4,272**	4,164
Deferred revenue	**25,209**	26,957
Deferred tax liabilities	**24,041**	21,323
Total liabilities	**3,571,243**	3,551,469
SHAREHOLDERS' EQUITY		
Share capital	**572,167**	571,100
Contributed surplus	**36,173**	36,046
Accumulated other comprehensive loss	**(41,426)**	(50,474)
Retained earnings	**1,056,268**	1,009,882
Total shareholders' equity	**1,623,182**	1,566,554
	$ 5,194,425	$ 5,118,023

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Three months ended March 31 **(Canadian $ thousands, except share and per share amounts)**	**2013**	2012 (Restated Note 1a)
Revenue		
New equipment	**$ 643,891**	$ 631,497
Used equipment	**60,077**	73,409
Equipment rental	**93,041**	91,172
Product support	**761,320**	674,988
Other	**26,146**	766
Total revenue	**1,584,475**	1,471,832
Cost of sales	**(1,086,567)**	(1,027,376)
Gross profit	**497,908**	444,456
Selling, general, and administrative expenses	**(382,294)**	(347,136)
Equity earnings of joint venture and associate	**2,744**	1,910
Other expenses (Note 2)	**(1,284)**	(2,390)
Earnings before finance costs and income taxes	**117,074**	96,840
Finance costs (Note 3)	**(21,539)**	(16,019)
Income before provision for income taxes	**95,535**	80,821
Provision for income taxes	**(22,147)**	(16,510)
Net income	**$ 73,388**	$ 64,311
Earnings per share (Note 5)		
Basic	**$ 0.43**	$ 0.37
Diluted	**$ 0.43**	$ 0.37
Weighted average number of shares outstanding		
Basic	**171,935,771**	171,681,976
Diluted	**172,444,253**	172,472,662

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three months ended March 31 (Canadian $ thousands)	2013	2012 (Restated Note 1a)
Net income	**$ 73,388**	$ 64,311
Other comprehensive income (loss), net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Currency translation adjustments	**17,077**	(14,405)
Unrealized gain (loss) on net investment hedges	**(8,574)**	4,600
Income tax recovery (expense) on net investment hedges	**583**	(1,043)
Foreign currency translation and gain (loss) on net investment hedges, net of income tax	**9,086**	(10,848)
Unrealized gain on cash flow hedges	**1,554**	7,315
Realized gain on cash flow hedges, reclassified to earnings	**(1,568)**	(375)
Income tax expense on cash flow hedges	**(24)**	(1,827)
Gain (loss) on cash flow hedges, net of income tax	**(38)**	5,113
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss (Note 7)	**(4,353)**	(12,387)
Income tax recovery on actuarial loss	**1,423**	2,677
Actuarial loss, net of income tax	**(2,930)**	(9,710)
Comprehensive income	**$ 79,506**	$ 48,866

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Canadian $ thousands, except share amounts)	Share Capital: Shares	Share Capital: Amount	Contributed Surplus	Accumulated Other Comprehensive Income (Loss): Foreign Currency Translation and Gain / (Loss) on Net Investment Hedges	Accumulated Other Comprehensive Income (Loss): Gain / (Loss) on Cash Flow Hedges	Retained Earnings	Total
Balance, January 1, 2012	171,573,752	$ 566,452	$ 35,812	$ (28,758)	$ (9,435)	$ 780,883	$ 1,344,954
Net income (restated – Note 1a)	—	—	—	—	—	64,311	64,311
Other comprehensive income (loss) (restated – Note 1a)	—	—	—	(10,848)	5,113	(9,710)	(15,445)
Total comprehensive income (loss)	—	—	—	(10,848)	5,113	54,601	48,866
Issued on exercise of share options	275,054	3,784	(3,574)	—	—	—	210
Stock option expense	—	—	868	—	—	—	868
Dividends on common shares	—	—	—	—	—	(22,335)	(22,335)
Balance, March 31, 2012	171,848,806	$ 570,236	$ 33,106	$ (39,606)	$ (4,322)	$ 813,149	$ 1,372,563
Balance, January 1, 2013	**171,909,758**	**$ 571,100**	**$ 36,046**	**$ (43,868)**	**$ (6,606)**	**$ 1,009,882**	**$ 1,566,554**
Net income	**—**	**—**	**—**	**—**	**—**	**73,388**	**73,388**
Other comprehensive income (loss)	**—**	**—**	**—**	**9,086**	**(38)**	**(2,930)**	**6,118**
Total comprehensive income (loss)	**—**	**—**	**—**	**9,086**	**(38)**	**70,458**	**79,506**
Issued on exercise of share options	**61,020**	**1,067**	**(1,004)**	**—**	**—**	**—**	**63**
Stock option expense	**—**	**—**	**1,131**	**—**	**—**	**—**	**1,131**
Dividends on common shares	**—**	**—**	**—**	**—**	**—**	**(24,072)**	**(24,072)**
Balance, March 31, 2013	**171,970,778**	**$ 572,167**	**$ 36,173**	**$ (34,782)**	**$ (6,644)**	**$ 1,056,268**	**$ 1,623,182**

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

Three months ended March 31 (Canadian $ thousands)	2013	2012 (Restated Note 1a)
OPERATING ACTIVITIES		
Net income	**$ 73,388**	$ 64,311
Add items not affecting cash:		
Depreciation and amortization	**52,916**	48,666
Gain on sale of property, plant, and equipment and rental equipment	**(2,597)**	(11,926)
Deferred taxes	**7,526**	(561)
Share-based payments	**3,135**	(259)
Other	**(2,744)**	(801)
Net income adjusted for items not affecting cash	**131,624**	99,430
Changes in operating assets and liabilities (Note 6)	**(153,574)**	(242,199)
Interest paid	**(11,829)**	(8,140)
Income tax paid	**(22,697)**	(20,868)
Cash used by operations after changes in operating assets and liabilities and interest and income tax paid	**(56,476)**	(171,777)
Additions to rental equipment	**(46,293)**	(68,084)
Proceeds on disposal of rental equipment	**36,454**	54,232
Equipment leased to customers, net of disposals	**140**	10
Cash flow used in operating activities	**(66,175)**	(185,619)
INVESTING ACTIVITIES		
Additions to property, plant and equipment and intangible assets	**(27,409)**	(39,139)
Proceeds on disposal of property, plant and equipment	**156**	2,008
Investment in equity investment	**(4,542)**	—
Net payments for acquisitions	**—**	(8,428)
Cash used in investing activities	**(31,795)**	(45,559)
FINANCING ACTIVITIES		
Increase in short-term debt	**121,687**	64,028
U.S. senior notes issue	**—**	201,900
Decrease in long-term debt	**(133)**	(11,585)
Issue of common shares on exercise of stock options	**63**	210
Dividends paid	**(24,072)**	(22,335)
Cash provided by financing activities	**97,545**	232,218
Effect of currency translation on cash balances	**1,701**	(971)
Increase in cash and cash equivalents	**1,276**	69
Cash and cash equivalents, beginning of period	**114,924**	122,745
Cash and cash equivalents, end of period (Note 6)	**$ 116,200**	$ 122,814

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

1. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements (Interim Statements) of the Company and its subsidiaries were prepared in accordance with IAS 34, *Interim Financial Reporting,* as issued by the International Accounting Standard Board (IASB). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed, and therefore should be read in conjunction with the December 31, 2012 audited annual consolidated financial statements and the notes below.

These Interim Statements are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective as of May 8, 2013, the date these financial statements are authorized by the Board, and follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policy disclosed below:

(a) Change in Accounting Policy

The Company has adopted the following new and revised IFRS for the financial year beginning January 1, 2013:

- The Company has applied the amendments to IAS 19, *Employee Benefits* in the current year. The amendments provide new requirements for the accounting for defined benefit pension plans. Most notably, the amendments mandate the immediate recognition of actuarial gains and losses in other comprehensive income, and require companies to use the same rate for both the discount rate applied to determine the defined benefit obligation and the expected rate of return on assets when calculating the interest component of pension expense. The Company previously recognized all actuarial gains and losses immediately through other comprehensive income; consequently this element of the amendments does not impact the Company. With respect to the second change, in determination of net income, the effect is that the defined benefit plan expense concepts of "interest cost" and "expected return on plan assets" is replaced with the concept of "net interest". The amendments do not prescribe where in the results of operations the net interest amount is to be presented, but the Company elected to present the net interest amount as a component of finance costs upon the application of the amended standard.

  As the discount rate is lower than an expected long-term rate of return on plan assets the effect of the amended standard is a decrease in net income and associated per share amounts. The variance, if any, between the actual return on the defined benefit plan assets and the amount determined using the discount rate is included in other comprehensive income as a remeasurement.

  With the adoption of the amendments to IAS 19 on January 1, 2013, the Company has restated the prior year comparative period consolidated statement of income, consolidated statement of cash flows, consolidated statement of comprehensive income, and consolidated statement of shareholders' equity. The impact of the amendments to IAS 19 is as follows:

($ thousands)	Three months ended March 31, 2012	Year ended December 31, 2012
Increase in selling, general, and administrative expense	$ (1,955)	$ (7,902)
Increase in finance costs	(1,575)	(6,383)
Decrease in provision for income taxes	867	3,440
Decrease in net income	$ (2,663)	$ (10,845)
Increase in other comprehensive income, net of tax	$ 2,663	$ 10,845
Decrease in basic and diluted earnings per share	$ (0.02)	$ (0.06)

  The amendments do not affect the Company's consolidated statement of financial position. The Company will provide additional disclosures in the notes to the annual consolidated financial statements with the adoption of the amendments to IAS 19.

- The Company has applied the amendments to IAS 1, *Presentation of Financial Statements*. The amendments require that elements of other comprehensive income that may subsequently be reclassified through profit and loss be differentiated from those items that will not be reclassified.
- The Company has applied IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements*, IFRS 12, *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27, *Separate Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*. The new standards provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated. The adoption of this new standard had no impact on the Company's financial position but disclosures will be enhanced for the annual consolidated financial statements.
- The Company has applied IFRS 13, *Fair Value Measurement*. The new standard provides guidance on fair value measurement and disclosure requirements. The adoption of this new standard had no impact on the Company's financial position but disclosures are enhanced for the interim consolidated financial statements and will be further enhanced for the annual consolidated financial statements.

(b) Future Accounting Pronouncements

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective at May 8, 2013:

- IFRS 9, *Financial Instruments* (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets and financial liabilities. Management is currently assessing the impact of the issued and proposed changes to IFRS 9.
- Amendments to IAS 32, *Financial Instruments: Presentation* (effective January 1, 2014) clarifies existing application issues relating to offsetting requirements. These amendments are not expected to have a significant effect on the Company's accounting policies or financial statements.

2. OTHER EXPENSES

Other expenses include the following items:

Three months ended March 31 ($ thousands)	**2013**	2012
Project costs (a)	**$ 1,284**	$ 1,563
Acquisition costs (b)	**—**	827
	$ 1,284	$ 2,390

(a) Project costs incurred in the three months ended March 31, 2013 and 2012 relate to the implementation of a new Enterprise Resource Planning (ERP) system for the Company's global operations. The new ERP system was implemented in the Company's Canadian operations on July 4, 2011 and consequently, all expenses related to the system in 2013 and 2012 are captured in the Canadian operation's selling, general, and administrative expenses. Subsequent implementations are planned for the U.K. and South American operations so costs related to their implementation are classified as other expenses.

(b) Acquisition costs incurred in 2012 relate to the acquisition from Caterpillar of the distribution and support business formerly operated by Bucyrus International Inc (Bucyrus) in the Company's dealership territories in South America, Canada, and the U.K. In addition, acquisition costs incurred during 2012 include costs relating to the acquisition of the Damar Group Ltd in the Company's dealership territory in the UK and Ireland.

3. Finance Costs

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

Three months ended March 31 ($ thousands)	**2013**	2012 (Restated Note 1a)
Interest on debt securities:		
Short-term debt	**$ 1,624**	$ 988
Long-term debt	**17,209**	11,719
	18,833	12,707
Loss on interest rate derivatives	**367**	371
Net interest on pension and other post-employment benefit obligations (Note 7)	**1,230**	1,575
Other finance related expenses	**1,214**	2,088
	21,644	16,741
Less:		
Borrowing costs capitalized to property, plant, and equipment	**(105)**	(722)
Finance costs	**$ 21,539**	$ 16,019

4. Financial Instruments

Fair Values

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 – quoted prices in active markets for identical securities
Level 2 – significant observable inputs other than quoted prices included in Level 1
Level 3 – significant unobservable inputs

March 31, 2013 ($ thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Foreign currency forward contracts	**$ —**	**$ 7,072**	**$ —**	**$ 7,072**
Total	**$ —**	**$ 7,072**	**$ —**	**$ 7,072**
Financial liabilities at fair value through profit or loss				
Foreign currency forward contracts	**$ —**	**$ (334)**	**$ —**	**$ (334)**
Variable rate share forward	**—**	**(13,267)**	**—**	**(13,267)**
Total	**$ —**	**$ (13,601)**	**$ —**	**$ (13,601)**

December 31, 2012 ($ thousands)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Foreign currency forward contracts	$ —	$ 7,390	$ —	$ 7,390
Total	$ —	$ 7,390	$ —	$ 7,390
Financial liabilities at fair value through profit or loss				
Foreign currency forward contracts	$ —	$ (71)	$ —	$ (71)
Variable rate share forward	—	(14,159)	—	(14,159)
Total	$ —	$ (14,230)	$ —	$ (14,230)

The Company did not move any instruments between levels of the fair value hierarchy during the period ended March 31, 2013 and year ended December 31, 2012.

Variable rate share forward (Level 2)
The fair value of the variable rate share forward is determined based on the present value of future cash flows required to settle the share forward which are derived from the current share price, actual interest accrued to date and future estimated interest cost to termination of the share forward. Future interest cost is derived from market observable forward interest rates and contractual interest spreads.

Other derivative instruments (Level 2)

The fair value of foreign currency forward contracts and interest rate swaps is determined by discounting contracted future cash flows using a discount rate derived from swap curves for comparable assets and liabilities. Contractual cash flows are calculated using a forward price at maturity date derived from observed forward prices.

The fair value of accounts receivable, instalment notes receivable, short-term debt, and accounts payable approximates their recorded values due to the short-term maturities of these instruments.

Long-Term Debt

The fair value of the Company's long-term debt is estimated as follows:

	March 31, 2013		December 31, 2012	
($ thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	Fair Value
Long-term debt	**$ 1,380,863**	**$ 1,484,798**	$ 1,375,804	$ 1,479,889

The fair value of the Company's long-term debt is based on the present value of future cash flows required to settle the debt which is derived from the actual interest accrued to date and future estimated interest cost to the maturity of the long-term debt. Future interest cost is derived from market observable forward interest rates and contractual interest spreads.

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 EPS is determined by dividing net income available to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise share options granted to employees.

Three months ended March 31 ($ thousands, except share and per share amounts) 2013	**Income**	**Shares**	**Per Share**
Basic EPS:			
Net income	**$ 73,388**	**171,935,771**	**$ 0.43**
Effect of dilutive securities: stock options	**—**	**508,482**	**—**
Diluted EPS:			
Net income and assumed conversions	**$ 73,388**	**172,444,253**	**$ 0.43**
2012 (Restated – Note 1a)			
Basic EPS:			
Net income	$ 64,311	171,681,976	$ 0.37
Effect of dilutive securities: stock options	—	790,686	—
Diluted EPS:			
Net income and assumed conversions	$ 64,311	172,472,662	$ 0.37

6. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in operating assets and liabilities

Three months ended March 31 ($ thousands)	**2013**	2012 (Restated Note 1a)
Accounts receivable and other assets	**$ (83,373)**	$ (94,337)
Service work in progress	**(10,797)**	3,329
Inventories – on-hand equipment	**106,934**	(213,368)
Inventories – parts and supplies	**(78,406)**	(111,573)
Accounts payable and accruals and other liabilities	**(99,842)**	151,610
Income tax recoverable/payable	**9,979**	19,833
Other	**1,931**	2,307
Changes in operating assets and liabilities	**$ (153,574)**	$ (242,199)

Components of cash and cash equivalents

March 31 ($ thousands)	**2013**	2012
Cash	**$ 113,967**	$ 70,197
Short-term investments	**2,233**	52,617
Cash and cash equivalents	**$ 116,200**	$ 122,814

7. EMPLOYEE BENEFITS

The significant actuarial assumptions used in the valuations of the Company's defined benefit pension plans are as follows:

	March 31, 2013		December 31, 2012		March 31, 2012	
	Canada	**UK**	Canada	UK	Canada	UK
Discount rate – obligation	**4.10%**	**4.70%**	4.10%	4.60%	4.20%	4.80%
Discount rate – expense [(1)]	**4.10%**	**4.60%**	4.30%	4.80%	4.30%	4.80%
Retail price inflation – obligation	**n/a**	**3.40%**	n/a	3.00%	n/a	3.30%
Retail price inflation – expense [(1)]	**n/a**	**3.00%**	n/a	3.10%	n/a	3.10%

(1) Used to determine the net interest cost and expense for the three months ended March 31, 2013 and March 31, 2012, and the year ended December 31, 2012.

Additional detail regarding amounts recognized in the consolidated statement of financial position in respect of the Company's defined benefit plans, primarily for pension benefits, is as follows:

($ thousands)	**Three months ended March 31, 2013**	Year ended December 31, 2012
Included within the statement of financial position:		
Deficit at the start of the period	**$ (109,015)**	$ (125,311)
Deficit at the end of the period	**$ (106,609)**	$ (109,015)

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

For the three months ended	**March 31, 2013**			March 31, 2012 (Restated – Note 1a)		
($ thousands)	**Canada**	**UK & Ireland**	**Total**	Canada	UK & Ireland	Total
Defined contribution plans						
Net benefit cost	**$ 10,248**	**$ 1,666**	**$ 11,914**	$ 8,386	$ 650	$ 9,036
Defined benefit plans						
Current service cost and administration costs, net of employee contributions	**2,499**	**39**	**2,538**	2,163	1,210	3,373
Net interest cost	**510**	**426**	**936**	850	454	1,304
Net benefit cost	**3,009**	**465**	**3,474**	3,013	1,664	4,677
Net benefit cost recognized in net income	**$ 13,257**	**$ 2,131**	**$ 15,388**	$ 11,399	$ 2,314	$ 13,713
Actuarial gain on plan assets	**$ (7,475)**	**$ (26,100)**	**$ (33,575)**	$ (4,150)	$ (5,593)	$ (9,743)
Actuarial loss on plan liabilities	**27,674**	**10,254**	**37,928**	3,341	18,789	22,130
Total actuarial (gain) / loss recognized in other comprehensive income	**$ 20,199**	**$ (15,846)**	**$ 4,353**	$ (809)	$ 13,196	$ 12,387

8. Segmented Information

The Company and its subsidiaries have operated primarily in one principal business during the year, that being the selling, servicing, and renting of heavy equipment, engines, and related products. The reportable operating segments are:

Three months ended March 31, 2013 ($ thousands)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consolidated**
Revenue from external sources	**$ 755,968**	**$ 637,636**	**$ 190,871**	**$ —**	**$ 1,584,475**
Operating costs	**(675,571)**	**(562,333)**	**(171,642)**	**(7,140)**	**(1,416,686)**
Depreciation and amortization	**(26,306)**	**(17,236)**	**(8,614)**	**(19)**	**(52,175)**
	54,091	**58,067**	**10,615**	**(7,159)**	**115,614**
Equity earnings	**2,558**	**—**	**—**	**186**	**2,744**
Other expenses	**—**	**(935)**	**(349)**	**—**	**(1,284)**
Earnings (loss) before finance costs and taxes	**$ 56,649**	**$ 57,132**	**$ 10,266**	**$ (6,973)**	**$ 117,074**
Finance costs					**(21,539)**
Provision for income taxes					**(22,147)**
Net income					**$ 73,388**
Identifiable assets	**$ 2,464,442**	**$ 2,220,520**	**$ 493,287**	**$ 16,176**	**$ 5,194,425**
Capital, rental equipment, and goodwill [(1)]	**$ 809,530**	**$ 632,496**	**$ 125,484**	**$ 251**	**$ 1,567,761**
Gross capital expenditures [(2)]	**$ 12,039**	**$ 7,787**	**$ 599**	**$ 125**	**$ 20,550**
Gross rental asset expenditures	**$ 35,958**	**$ 9,289**	**$ 1,046**	**$ —**	**$ 46,293**

(1) Capital includes property, plant, and equipment, intangibles, and distribution network
(2) Includes finance leases and borrowing costs capitalized

Three months ended March 31, 2012 ($ thousands) (Restated – Note 1a)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	$ 777,709	$ 481,003	$ 213,120	$ —	$ 1,471,832
Operating costs	(712,102)	(420,135)	(192,381)	(1,893)	(1,326,511)
Depreciation and amortization	(28,991)	(11,734)	(7,257)	(19)	(48,001)
	36,616	49,134	13,482	(1,912)	97,320
Equity earnings (loss)	2,210	—	—	(300)	1,910
Other expenses	—	(982)	(1,071)	(337)	(2,390)
Earnings (loss) before finance costs and taxes	$ 38,826	$ 48,152	$ 12,411	$ (2,549)	$ 96,840
Finance costs					(16,019)
Provision for income taxes					(16,510)
Net income					$ 64,311
Identifiable assets	$ 2,386,152	$ 1,549,414	$ 556,167	$ 38,221	$ 4,529,954
Capital, rental equipment, and goodwill [1]	$ 636,944	$ 344,046	$ 144,410	$ 204	$ 1,125,604
Gross capital expenditures [2]	$ 25,532	$ 12,889	$ 2,519	$ 3	$ 40,943
Gross rental asset expenditures	$ 49,990	$ 13,789	$ 4,440	$ —	$ 68,219

[1] Capital includes property, plant, and equipment, intangibles, and distribution network
[2] Includes finance leases and borrowing costs capitalized