FINNING

Q2 2014 EARNINGS RELEASE **August 7, 2014**

Finning Reports Q2 2014 Results

Vancouver, B.C. – Finning International Inc. (TSX: FTT) reported second quarter 2014 results today (all monetary amounts are in Canadian dollars unless otherwise stated).

Q2 2014 HIGHLIGHTS

- Revenues increased by 9% to $1.8 billion. Higher revenues in Canada and the UK & Ireland were driven by strong new equipment sales and more than offset the revenue decline in South America. Product support revenues grew by 4%, driven mostly by higher parts sales in Canada.
- EBIT(1)(2) increased by 12% to $137 million due to improved EBIT in Canada. EBIT margin(1) was 7.8%, up from 7.6% in Q2 2013, reflecting higher EBIT margin in Canada and South America.
- Basic EPS(2) increased by 4% to $0.50, as the increase in EBIT was partly offset by a higher provision for income taxes compared to Q2 2013.
- The Company generated $123 million in free cash flow(1) compared to $7 million in Q2 2013, reflecting strong working capital(1) management across the Company.
- Invested capital declined by $80 million from Q1 2014, despite the $92 million increase in revenues.

"I am pleased with our results for the quarter, particularly our profitability performance in Canada and the ability of our South American team to maintain margins under challenging market conditions. Our strong free cash flow demonstrates we are improving the capital efficiency of the business. While we recognize that sustainable improvements to our operating performance will take time, we are making good progress on the execution of our operational priorities and we are tracking well on our key financial and operating metrics," said Scott Thomson, president and CEO of Finning International. "For the balance of the year, we expect healthy activity levels in Canada and continued challenging market conditions in South America. Across the organization, we will remain focused on what we can control, namely managing costs and improving capital efficiency to increase our return on invested capital."

Q2 2014 FINANCIAL SUMMARY

$ millions, except per share amounts	Three months ended Jun 30		
	2014	2013	% change
Revenue	**1,768**	1,620	9
EBIT	**137**	123	12
EBIT margin	***7.8%***	*7.6%*	
Net income	**86**	83	4
Basic EPS	**0.50**	0.48	4
EBITDA[(1)(2)]	**190**	176	8
Free cash flow	**123**	7	

- Revenues rose by 9% from Q2 2013 to $1.8 billion, as higher revenues in Canada and the UK & Ireland more than offset the revenue decline in South America. New equipment sales increased by 20% driven by strong market activity in Canada and the UK & Ireland. Product support revenues grew by 4%, mostly due to higher parts sales in Canada. Rental revenues and used equipment sales declined by 7% and 9% respectively, and were lower in all operations compared to Q2 2013.

- Gross profit was 2% higher, while gross profit margin[(1)] declined to 29.6% from 31.7% in Q2 2013. The reduction in gross profit margin was primarily due to the shift in revenue mix to lower-margin new equipment sales, particularly in Canada. Consolidated new equipment sales comprised 44% of total revenue compared to 40% a year ago, while the proportion of product support to total revenue declined to 47% from 50% in Q2 2013. In addition, lower revenues and gross profit from rental negatively impacted gross profit in all operations.

- SG&A[(2)] was slightly below Q2 2013, reflecting lower SG&A costs in South America. In Canada, SG&A was only marginally higher despite volume-related increases and severance costs.

- EBIT increased by 12% to $137 million due to significantly higher EBIT in Canada, driven by strong revenues and operating efficiencies, as the Company continued to make progress on its supply chain and service excellence initiatives. EBIT margin improved to 7.8% from 7.6% in Q2 2013, with higher EBIT margin in Canada and South America.

- Net income and basic EPS rose by 4% to $86 million and $0.50 respectively, reflecting growth in EBIT, which was partly offset by a higher provision for income taxes. The effective tax rate was 24.1%, up from 15.8% in Q2 of last year, primarily due to the benefit from previously unrecognized tax losses in Q2 2013, which had a $0.03 positive impact on EPS. The current period effective tax rate continues to be impacted by the devaluation of Argentine peso.

- Free cash flow was $123 million compared to $7 million in Q2 2013, driven by higher EBITDA and lower working capital spend, primarily in South America compared to Q2 of last year.

- Net debt to invested capital[(1)] was 40.9% at the end of June 2014.

	Q2 2014	Q1 2014
Invested capital ($ millions)	**3,334**	3,414
Invested capital turnover[(1)(3)] (times)	**2.12**	2.06
Return on invested capital (%)	**16.0**	15.4

- Invested capital decreased by $80 million from Q1 2014, driven largely by reduced equipment and parts inventory levels in South America. Invested capital turnover of 2.12 times improved from 2.06 times in Q1 2014.

Backlog

- The order backlog was $1.1 billion at the end of June 2014, down from $1.3 billion at the end of March 2014, as strong deliveries outpaced order intake in the quarter, mostly in Canada. However, the current backlog is comparable to the levels of June 2013. Order intake in Canada and the UK & Ireland was solid by historical standards. In South America, order intake remained soft, reflecting slower mining activity in the region.

Q2 2014 HIGHLIGHTS BY OPERATION

Canada

- Revenues were up 21% as market activity was strong across most segments in Western Canada. New equipment sales rose by 55%, driven primarily by mining deliveries, and were also higher in construction and power systems. Product support revenues increased by 6%, reflecting higher parts sales in all sectors, most notably in mining.

- Gross profit margin declined compared to Q2 2013 due to a significant shift in revenue mix to new equipment sales (44% vs. 34% in Q2 2013) and a higher proportion of mining equipment and parts in the sales mix which typically return a lower margin. SG&A expenses increased modestly despite strong revenue growth. EBIT rose by 26% to $77 million and EBIT margin improved to 8.3% from 7.9% in Q2 2013, reflecting higher revenues and progress with the execution of operational improvement initiatives.

- Invested capital increased by about $75 million from the end of March primarily due to lower accounts payable and higher investment in rental equipment. Inventory levels remained comparable to Q1 2014 with higher revenues, reflecting progress on the implementation of supply chain initiatives and strong equipment deliveries in Q2. Invested capital turnover improved to 2.20 times from 2.11 times in Q1 2014 and 2.03 times in Q4 2013.

South America

- Revenues declined by 10% (down 15% in functional currency - USD), and were lower in all lines of business, impacted by softer market activity compared to Q2 2013. New equipment sales were down 27% in functional currency as a result of reduced demand for equipment, predominantly from mining, but also from the construction sector. Product support revenue was down by 6% in functional currency, impacted primarily by lower service revenues in mining as customers continued to focus on cost reductions.

- EBIT declined by $3 million to $57 million (down 11% in functional currency) reflecting lower revenues and gross profit. SG&A costs were down as a result of lower sales volumes and the actions taken to reduce operating costs. In response to slower activity levels, the South American operations made further reductions to its workforce in the second quarter. Compared to the end of 2013, the number of employees in South America is down by about 5% to under 7,000 people. The Company continues to monitor market conditions in South America closely to ensure that its cost structure and invested capital are aligned with expected activity levels to maintain profitability. Q2 EBIT margin was 10.0%, up from 9.5% a year ago due to lower SG&A costs.

- Invested capital was down by about US$110 million from Q1 2014, driven by reduced equipment and parts inventory in response to slower demand.

United Kingdom & Ireland

- Revenues rose by 21% (up 3% in functional currency - GBP) driven by new equipment sales, which were up 11% in functional currency reflecting improved demand from the construction and plant hire sectors. Product support revenues declined by 9% in functional currency, impacted primarily by softer demand from coal mining and power systems.

- EBIT was $14 million compared to $13 million in Q2 2013. In functional currency, EBIT was down by £0.6 million, reflecting a slight decline in gross profit due to a higher proportion of new equipment sales in the revenue mix (64% vs. 59% in Q2 2013). SG&A costs were similar to last year in functional currency despite modest increase in revenues. EBIT margin was 5.1% compared to 5.7% a year ago, primarily due to the lower contribution from product support to the total revenue.

- Invested capital increased by £8 million from Q1 2014, in line with higher equipment inventory to meet improved demand for new machines.

CORPORATE AND BUSINESS DEVELOPMENTS

Dividend

The Board of Directors has approved a quarterly dividend of $0.1775 per share, payable on September 4, 2014 to shareholders of record on August 21, 2014. This dividend will be considered an eligible dividend for Canadian income tax purposes.

Leadership Changes

- On June 13, 2014, Finning announced that Dave Smith, executive vice president and chief financial officer, was leaving the Company, effective June 30, 2014. Finning has retained an external search firm to identify a new CFO. In the interim, Anna Marks, senior vice president, corporate controller, has assumed responsibility for the company's tax and internal audit functions in addition to overseeing financial reporting. Greg Palaschuk, who recently joined Finning as vice president, treasurer, retains responsibility for treasury, investor relations and business performance, planning and analysis. Both Anna and Greg report directly to Scott Thomson, president and chief executive officer.
- To strengthen Finning's ability to attract, retain and develop talent, the Company made two key appointments to its human resources organization:
    - Gillian Platt joined Finning International as chief human resources officer on July 7, 2014. Gillian brings extensive senior leadership experience spanning a variety of industries, geographies and roles to this position. She has held a number of leadership positions in human resources, corporate affairs, strategy and corporate development, including executive vice president of human resources, North America at Aviva, a multinational insurance company. Gillian holds a Bachelor of Arts Degree and a Masters of Education from the University of Toronto.
    - Effective September 1, 2014, Chad Hiley will join Finning Canada as senior vice president, human resources. Most recently, Chad served as vice president, organizational effectiveness with Barrick Gold, and previously held the position of vice president, human resources at Barrick. His educational background includes a Master's Degree in accounting and Bachelor of Arts degree from the University of Waterloo. He also has earned his chartered accountancy designation.
- Effective October 1, 2014, David Primrose will move from his current position as executive vice president, mining to executive vice president, core industries operations for Finning Canada. David's appointment to this role will support the Company in capitalizing on opportunities in the construction and forestry sectors, heavy rental, used equipment and The Cat Rental Store. Since joining the company in 1988, David has held a variety of senior leadership roles in the Company's Canadian and UK operations as well as the corporate office.
- John Pollesel was named senior vice president, mining, Finning Canada. John will join Finning on October 1, 2014 and will be accountable for leading the Canadian operations' mining division. John is a proven senior leader with extensive executive experience in the mining industry, including vice president and chief financial officer for Compania Minera Antamina in Peru and chief operating officer for Vale Canada. John holds a Masters of Business Administration from Laurentian University and has achieved fellowship status with both the Society of Management Accountants and Chartered Professional Accountants of Ontario.

SITECH Acquisition in the UK and Ireland

On July 4, 2014, the Company's UK & Ireland operations acquired 100% of the shares of Reaction One Limited (UK) and Alveton Limited (Ireland). With this acquisition, the newly formed company, named SITECH, will sell and service Trimble's heavy and highway machine control and monitoring products in all of its dealership territories (rights in the Company's Canadian and South American dealership operations were acquired in 2011). Trimble is Caterpillar's global technologies joint venture partner in construction and other industries. Cash consideration of £7.6 million ($13.9 million) was paid at the time of acquisition, which may be subject to customary closing adjustments. Further contingent consideration with a possible range of £nil - £3.5 million may be paid after acquisition, contingent upon the profitability of the acquired business over the next three years.

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

	Three months ended Jun 30			Six months ended Jun 30		
Revenue	**2014**	2013	% change	**2014**	2013	% change
New equipment	**780.5**	652.9	20	**1,473.2**	1,296.9	14
Used equipment	**63.9**	69.9	(9)	**122.8**	129.9	(6)
Equipment rental	**86.3**	92.8	(7)	**173.9**	185.9	(6)
Product support	**831.0**	802.5	4	**1,661.2**	1,563.8	6
Other	**6.3**	2.0		**13.1**	3.6	
Total revenue	**1,768.0**	1,620.1	9	**3,444.2**	3,180.1	8
Gross profit	**523.0**	513.4	2	**1,022.0**	1,011.8	1
Gross profit margin	***29.6%***	*31.7%*		***29.7%***	*31.8%*	
SG&A	**(388.4)**	(391.9)	1	**(776.5)**	(773.8)	(0)
SG&A as a percentage of revenue	***(22.0)%***	*(24.2)%*		***(22.5)%***	*(24.3)%*	
Equity earnings of joint venture and associate	**3.1**	3.6		**3.8**	6.3	
Other income (expenses)	**(0.5)**	(2.6)		**(1.3)**	(4.7)	
EBIT	**137.2**	122.5	12	**248.0**	239.6	3
EBIT margin	***7.8%***	*7.6%*		***7.2%***	*7.5%*	
Net income	**86.4**	82.7	4	**154.3**	156.1	(1)
Basic EPS	**0.50**	0.48	4	**0.90**	0.91	(1)
EBITDA	**190.1**	176.2	8	**355.8**	345.5	3
Free cash flow	**122.7**	6.6		**(11.4)**	(86.9)	

	Jun 30, 14	Dec 31, 13
Invested capital	**3,333.6**	3,138.1
Invested capital turnover (times)	**2.12**	2.04
Net debt to invested capital	**40.9%**	40.8%
Return on invested capital	**16.0%**	15.7%

To download Finning's complete Q2 2014 results in PDF, please open the following link:
http://media3.marketwire.com/docs/FinningQ214results.pdf

Q2 2014 RESULTS INVESTOR CALL

The Company will hold an investor call on Thursday, Aug 7 at 11:00 am Eastern Time. Dial-in numbers: 1-800-766-6630 (anywhere within Canada and the U.S.) or 416-340-8527 (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 Aug 7 until Aug 14. The pass code to access the playback recording is 6933503 followed by the number sign.

ABOUT FINNING

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

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FOOTNOTES

(1) These financial metrics do not have a standardized meaning under IFRS, which are also referred to herein as generally accepted accounting principles (GAAP), and may not be comparable to similar measures used by other issuers. The Company's Management's Discussion and Analysis (MD&A) includes additional information regarding these financial metrics, including definitions, under the heading "Description of Non-GAAP and Additional GAAP Measures".

(2) Earnings Before Finance Costs and Income Taxes (EBIT); Earnings per Share (EPS); Earnings Before Finance Costs, Income Taxes, Depreciation and Amortization (EBITDA); Selling, General & Administrative Expenses (SG&A); Return on Invested Capital (ROIC).

(3) Invested capital turnover is calculated as total revenue for the last twelve months divided by invested capital, based on an average of the last four quarters.

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; EBIT margin; ROIC; market share growth; expected results from service excellence action plans; anticipated asset utilization, inventory turns and parts service levels; the expected target range of the Company's net debt to invested capital ratio; and the expected target range of the Company's dividend payout ratio. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this report reflect Finning's expectations at August 7, 2014. Except as may be required by Canadian securities laws, Finning does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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

Forward-looking statements made in this report are based on a number of assumptions that Finning believed were reasonable on the day the Company made the forward-looking statements. Refer in particular to the Outlook section of this MD&A. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in Section 4 of the Company's current AIF.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 6, 2014

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.

2014 Second Quarter Highlights

- Revenues grew by 9% to $1.8 billion, compared to the same period of 2013, primarily driven by higher new equipment revenues from the Company's Canadian and UK & Ireland operations, which more than offset the lower revenues from the Company's South American operations.
- Product support revenues increased by 4%, compared to the same period of 2013, driven primarily by improved demand for parts in the Company's Canadian operations.
- EBIT(1)(2) was up 12% from the same period last year, reflecting volume-related increases and service efficiencies in the Company's Canadian operations.
- Basic EPS(2) increased to $0.50 from $0.48 in the same period of 2013; with the increase in EBIT partly offset by a higher provision for income taxes compared to Q2 2013.
- Free cash flow(1) was $123 million, up significantly from the same period of last year reflecting strong working capital(1) management across the Company.
- Invested capital declined by $110 million, despite an increase in revenues compared to the same period of 2013, driving improved invested capital turnover results.

Results of Operations and Financial Performance

Second Quarter Overview

	Q2 2014	Q2 2013	**Q2 2014**	Q2 2013
	($ millions)		(% of revenue)	
Revenue	**$ 1,768.0**	$ 1,620.1		
Gross profit(1)	**523.0**	513.4	**29.6%**	31.7%
SG&A(2)	**(388.4)**	(391.9)	**(22.0)%**	(24.2)%
Equity earnings of joint venture and associate	**3.1**	3.6	**0.2%**	0.2%
Other income	—	52.7	**0.0%**	3.3%
Other expenses	**(0.5)**	(55.3)	**(0.0)%**	(3.4)%
EBIT	**137.2**	122.5	**7.8%**	7.6%
Finance costs	**(23.4)**	(24.3)	**(1.3)%**	(1.5)%
Provision for income taxes	**(27.4)**	(15.5)	**(1.6)%**	(1.0)%
Net income	**$ 86.4**	$ 82.7	**4.9%**	5.1%
Basic EPS	**$ 0.50**	$ 0.48		
EBITDA(1)(2)	**$ 190.1**	$ 176.2	**10.8%**	10.9%
Free Cash Flow	**$ 122.7**	$ 6.6		

(1) These financial metrics do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP), and may not be comparable to similar measures used by other issuers. For additional information regarding these financial metrics, see the heading "Description of Non-GAAP and Additional GAAP Measures" later in this MD&A.

(2) Earnings Before Finance Costs and Income Taxes (EBIT); Earnings Before Finance Costs, Income Taxes, Depreciation and Amortization (EBITDA); Selling, General & Administrative Expenses (SG&A); Earnings per Share (EPS); Return on Invested Capital (ROIC).

Key Performance Measures

The Company's operational priorities include: customer & market leadership; supply chain optimization; service excellence; and asset utilization. The Company's 2014 incentive plans are aligned with the following key performance indicators (KPIs) to consistently measure performance across the organization and track progress in improving Return on Invested Capital (ROIC).

	2014		2013				2012 (Restated)[2]		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Return on Invested Capital									
ROIC									
Consolidated	**16.0%**	15.4%	15.7%	15.8%	15.8%	16.2%	16.5%	16.2%	14.0%
Canada	**16.6%**	15.7%	15.9%	15.9%	15.5%	16.3%	15.7%	14.7%	10.5%
South America	**17.4%**	17.0%	17.6%	17.9%	18.1%	18.4%	19.7%	19.7%	20.6%
UK & Ireland	**15.9%**	16.3%	16.4%	16.8%	15.4%	15.3%	16.3%	18.3%	20.0%
Earnings Before Finance Costs and Taxes									
EBIT ($ millions)									
Consolidated	**137**	111	145	136	123	117	148	124	120
Canada	**77**	54	69	76	61	57	73	59	61
South America	**57**	50	76	56	59	57	76	58	56
UK & Ireland	**14**	12	8	12	13	10	9	10	14
EBIT Margin[1]									
Consolidated	**7.8%**	6.6%	8.1%	7.6%	7.6%	7.5%	8.5%	7.8%	6.8%
Canada	**8.3%**	6.0%	7.9%	7.9%	7.9%	7.5%	9.2%	7.7%	6.4%
South America	**10.0%**	9.0%	11.3%	9.4%	9.5%	9.3%	10.3%	9.6%	9.8%
UK & Ireland	**5.1%**	4.9%	3.3%	5.3%	5.7%	5.4%	4.2%	4.6%	5.5%
Invested Capital									
Invested Capital[3] ($ millions)									
Consolidated	**3,334**	3,414	3,138	3,342	3,443	3,317	3,131	3,070	3,031
Canada	**1,756**	1,682	1,488	1,716	1,740	1,663	1,589	1,424	1,445
South America	**1,274**	1,443	1,391	1,379	1,454	1,419	1,298	1,357	1,293
UK & Ireland	**309**	296	265	268	259	256	260	320	285
Invested Capital Turnover[1] (times)									
Consolidated	**2.12x**	2.06x	2.04x	2.03x	2.01x	2.12x	2.22x	2.41x	2.43x
Canada	**2.20x**	2.11x	2.03x	1.95x	1.92x	2.13x	2.22x	2.54x	2.49x
South America	**1.74x**	1.73x	1.78x	1.86x	1.87x	1. 88x	1.98x	2.02x	2.12x
UK & Ireland	**3.43x**	3.41x	3.37x	3.27x	3.12x	3.13x	3.25x	3.37x	3.44x
Inventory ($ millions)	**1,835**	1,945	1,756	1,904	1,978	1,911	1,930	1,903	1,891
Inventory Turns[1] (times)	**2.56x**	2.61x	2.74x	2.44x	2.23x	2.38x	2.43x	2.49x	2.50x
Working Capital to Sales Ratio[1]	**25.5%**	26.3%	26.5%	26.7%	27.0%	25.4%	24.5%	22.9%	23.3%
Free Cash Flow ($ millions)	**123**	(134)	365	163	6	(93)	245	(28)	(31)
Net Debt to Invested Capital Ratio[1]	**40.9%**	42.9%	40.8%	47.8%	50.6%	51.1%	50.0%	52.3%	52.7%
Net Debt to EBITDA Ratio[1]	**1.8**	2.0	1.7	2.2	2.4	2.3	2.2	2.5	2.8

(1) These financial metrics do not have a standardized meaning under IFRS, which are also referred to herein as GAAP, and may not be comparable to similar measures used by other issuers. For additional information regarding these financial metrics, including definitions, see the heading "Description of Non-GAAP and Additional GAAP Measures" later in this MD&A.

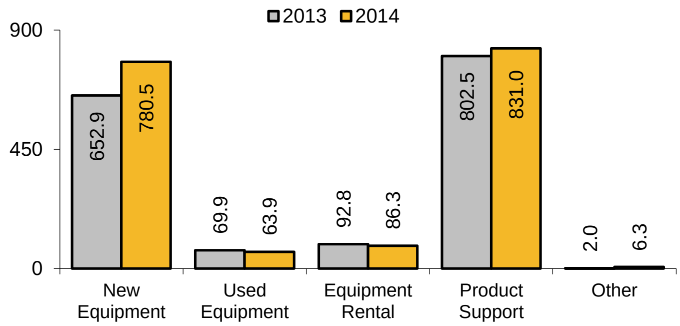
(2) The comparative results described in this MD&A have been restated to reflect the Company's adoption of the amendments to IAS 19, Employee Benefits, for the financial year beginning January 1, 2013.

(3) Calculated at end of period. Refer to the heading "Description of Non-GAAP and Additional GAAP Measures" later in this MD&A for the calculation of this metric using an average of the last four quarters.

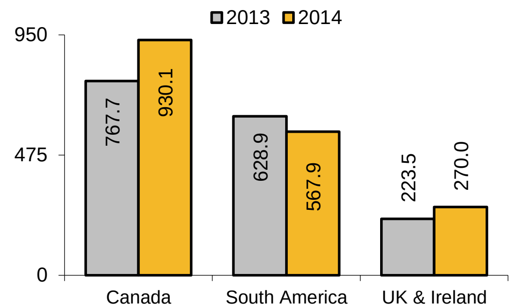
Revenue

Three months ended June 30
($ millions)

Line of Business



Operating Regions



For the three months ended June 30, 2014, the Company achieved revenue of $1.8 billion, an increase of 9% over the same period in 2013, driven primarily by a significant increase in new equipment revenue in the Company's Canadian and UK & Ireland operations. This increase more than offset the decrease in revenues from the Company's South American operations.

New equipment sales were up 20% compared to the prior year. The significant increase in new equipment revenue in the Company's Canadian operations was primarily due to improved demand from mining, including oilsands customers, and power systems compared to the same period of 2013. The increase in the UK & Ireland operations was driven primarily by the construction and plant hire sectors, whereas lower activity in the mining and construction sectors led to the decrease in South America.

Product support revenue was up 4% over the same period in 2013, driven by the Company's Canadian operations, with parts revenues up in all markets, particularly mining. Although product support revenues in the Company's UK & Ireland and South American operations were up in Canadian dollars, they were down in functional currency. In functional currency, the UK & Ireland operations were down 9% compared to the same period of 2013, reflecting lower activity in the coal mining and power systems sectors. The South American operations were down 6% in functional currency, primarily a reflection of reduced activity in the mining and the construction sectors.

Rental revenues were lower by 7% compared to the second quarter of 2013, as a result of the softer rental market in all operations. Used equipment sales were down 9% from the second quarter of 2013.

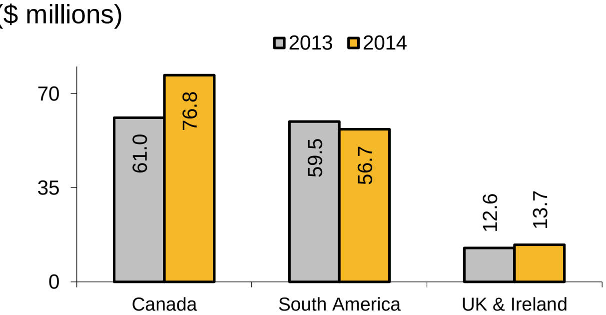
Foreign exchange had a positive impact on revenue, mainly due to the 7% weaker Canadian dollar relative to the U.S. dollar and the 17% weaker Canadian dollar relative to the U.K. pound sterling, for the second quarter of 2014 compared to the same period last year.

The order backlog was $1.1 billion at the end of June 2014, down from $1.3 billion at the end of March, as strong deliveries outpaced order intake in the quarter, mostly in Canada. However, the current backlog is comparable to the levels of June 2013. The order intake in Canada and the UK & Ireland was solid by historical standards. In South America, the order intake remained soft, reflecting slower mining activity in the region.

Earnings Before Finance Costs and Income Taxes

On a consolidated basis, EBIT was $137.2 million in the second quarter of 2014, 12% higher than the $122.5 million earned in the same period of 2013. The increase was driven primarily by higher sales volumes and improved results due to service excellence in the Company's Canadian operations. The increase in EBIT was also partially due to the positive impact of foreign exchange on revenues and costs, driven primarily by the strengthening U.S. dollar against the Argentinean peso, Canadian dollar and Chilean peso as well as the strengthening U.K. pound sterling against the Canadian dollar.

EBIT by Operation(1)
Three months ended June 30
($ millions)



(1) Excluding other operations – corporate head office

Gross profit of $523.0 million in the second quarter of 2014 was up 2% compared to the $513.4 million earned in the same period in 2013. Gross profit margin was 29.6%, down from 31.7% in 2013.

The increase in sales volume in the Company's Canadian operations included a higher proportion of new equipment sales in the revenue mix and a greater proportion of lower-margin mining equipment sales, which were the main contributors to an overall lower gross profit margin as compared to the same period in 2013. This was partially offset by higher service margins reflecting service efficiencies. In the Company's South American operations, the decrease in gross profit from lower sales volumes was partially offset by a shift in revenue mix to a higher proportion of product support revenues. Gross profit was negatively impacted by lower rental gross profit in all operations due to softening in the rental market compared to the second quarter of 2013.

SG&A costs were $388.4 million for the second quarter of 2014, a slight decrease over the same period last year. Lower SG&A costs in the Company's South American operations were partially offset by higher SG&A costs in the Company's Canadian operations. The increase in SG&A in the Company's Canadian operations was primarily the result of volume-related increases and severance costs in the current period. There were higher positive provision adjustments in the second quarter of 2013, offset by the negative foreign exchange impact in the same period. The decrease in SG&A costs in the Company's South American operations reflected lower sales volumes and actions taken to lower operating costs. The weaker Argentinean and Chilean pesos lowered operating costs in comparison to the second quarter of 2013, contributing to the overall decrease in SG&A.

Contributing to the higher EBIT in the second quarter of 2014 compared to the same period of 2013 was $1.2 million lower net costs associated with the export business in Argentina and $0.9 million lower costs related to the ERP implementation in the Company's South American operations.

The Company's EBIT margin was 7.8% in the second quarter of 2014, up from 7.6% in the same period of 2013, driven mainly by the lower SG&A costs relative to sales, discussed above.

Finance Costs

Finance costs in the three months ended June 30, 2014 of $23.4 million were slightly below the $24.3 million reported in the second quarter of 2013. The prior year period included $1.5 million early redemption costs related to the Company's previously issued $250 million Medium Term Note (MTN) due September 2014.

Provision for Income Taxes

The effective income tax rate for the second quarter of 2014 was 24.1%, up from 15.8% in the comparable period of 2013. The lower effective tax rate in the prior year was primarily due to a $6 million benefit of previously unrecognized tax losses which offset taxable amounts on the settlement of the Company's £70 million Eurobond. The current period effective tax rate continues to be impacted by the devaluation of the Argentinean peso. Provision for income taxes was negatively impacted by taxable foreign exchange gains on U.S. dollar denominated net assets in Argentina.

Net Income

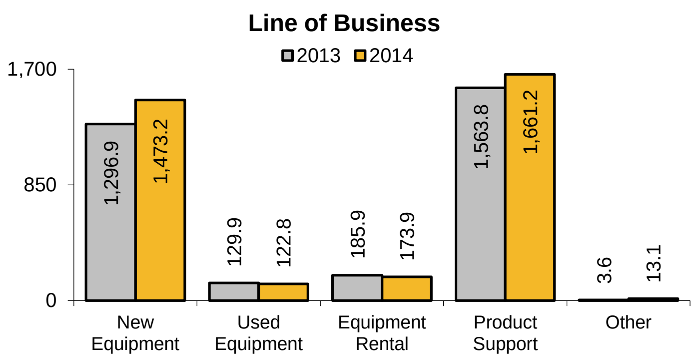
Net income was $86.4 million in the second quarter of 2014, an increase of 4% from the $82.7 million earned in the same period last year. Basic EPS was $0.50 per share compared with $0.48 per share in the comparative period last year. Higher sales and EBIT, partly offset by a higher provision for income taxes, resulted in an increase in net income and basic EPS compared to the second quarter of 2013. The benefit of previously unrecognized tax losses, as noted above, had a $0.03 positive impact on the prior year quarter's basic EPS. Although foreign exchange had a positive impact on EBIT for the second quarter of 2014, this increase was primarily offset by higher taxes due to the devaluation of the Argentinean peso.

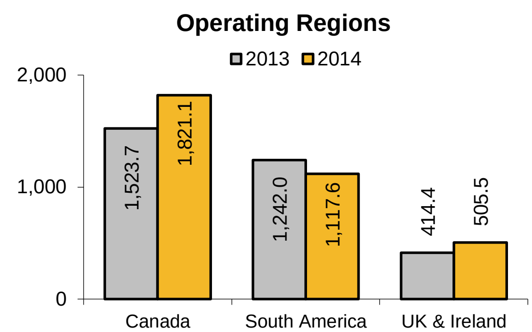
Year-to-Date Overview

	YTD 2014	YTD 2013	**YTD 2014**	YTD 2013
	($ millions)		(% of revenue)	
Revenue	**$ 3,444.2**	$ 3,180.1		
Gross profit	**1,022.0**	1,011.8	**29.7%**	31.8%
SG&A	**(776.5)**	(773.8)	**(22.5)%**	(24.3)%
Equity earnings of joint venture and associate	**3.8**	6.3	**0.1%**	0.2%
Other income	**0.1**	77.3	**0.0%**	2.4%
Other expenses	**(1.4)**	(82.0)	**(0.1)%**	(2.6)%
EBIT	**248.0**	239.6	**7.2%**	7.5%
Finance costs	**(43.9)**	(45.9)	**(1.3)%**	(1.4)%
Provision for income taxes	**(49.8)**	(37.6)	**(1.4)%**	(1.2)%
Net income	**$ 154.3**	$ 156.1	**4.5%**	4.9%
Basic EPS	**$ 0.90**	$ 0.91		
EBITDA	**$ 355.8**	$ 345.5	**10.3%**	10.9%
Free Cash Flow	**$ (11.4)**	$ (86.9)		

Revenue

Six months ended June 30
($ millions)





For the six months ended June 30, 2014, the Company achieved revenue of $3.4 billion, an increase of 8% over the same period last year, driven primarily by significant increases in new equipment and parts revenues in the Company's Canadian operations. This, together with an increase from the Company's UK & Ireland operations more than offset the decrease in new equipment revenues from the Company's South American operations.

New equipment sales were up 14% compared to the first six months of the prior year, with increases in the Canadian and UK & Ireland operations more than offsetting the decrease in South America. Product support revenue was up 6% over the first six months of 2013. The most notable increase was in the Company's Canadian operations, with parts revenues up in all markets, particularly mining. Although up in Canadian dollars, product support revenues were down in functional currency in both the Company's UK & Ireland and South American operations. In functional currency, product support revenues in the Company's South American operations were down 6% and the UK & Ireland operations were slightly down compared to the same period of 2013. New equipment and product support revenue variances were due to similar reasons as noted in the quarter overview.

Rental revenues were lower by 6% compared to the first six months of 2013, a result of the softening rental market in all operations. Used equipment sales were down 6% from the same period of 2013.

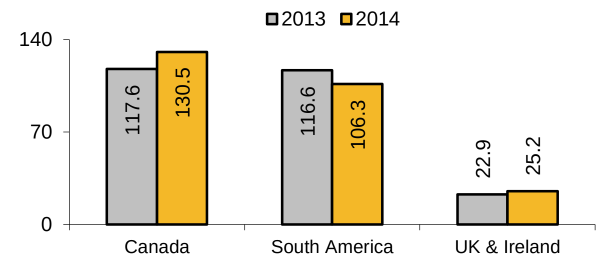
Foreign exchange had a positive impact on revenue, mainly due to the 8% weaker Canadian dollar relative to the U.S. dollar and 17% weaker Canadian dollar relative to the U.K. pound sterling for the first six months of 2014 compared to the same period last year.

Earnings Before Finance Costs and Income Taxes

On a consolidated basis, EBIT was $248.0 million in the first half of 2014, 3% higher than the $239.6 million earned in first half of the prior year. The increase was driven primarily by higher sales volumes in the Company's Canadian operations. EBIT was also positively impacted by foreign exchange on revenues and costs, driven primarily by the strengthening U.S. dollar against the Argentinean peso, Canadian dollar and Chilean peso.

Gross profit of $1.0 billion in the first six months of 2014 was up slightly compared to the same period in 2013. Gross profit margin was 29.7%, down from 31.8% in the first half of 2013.

EBIT by Operation[1]
Six months ended June 30
($ millions)



(1) Excluding other operations – corporate head office

The increase in sales volume in the Company's Canadian operations included a higher proportion of new equipment sales in the revenue mix and a greater proportion of lower-margin mining equipment sales, which were the main contributors to an overall lower gross profit margin. However, as a result of the initiatives taken in prior periods, the Canadian operations achieved improved service efficiencies and higher service margins compared to the same period of 2013. In the Company's South American operations, the decrease in gross profit from lower sales volumes was partially offset by a shift in revenue mix to a higher proportion of product support revenues. Gross profit was negatively impacted by lower rental gross profit in all operations due to softening in the rental market compared to the first six months of 2013.

SG&A costs were $776.5 million, marginally higher compared to the first six months of 2013, with higher volume related SG&A costs in the Company's Canadian and UK & Ireland operations being partly offset by lower costs in the Company's South American operations. The decrease in the Company's South American operations reflected lower sales volumes and actions taken to reduce operating costs. These decreases were partially offset by higher service-related expenses and severance costs. The weaker Argentinean and Chilean pesos against the U.S. dollar also lowered operating costs in comparison to the same period of 2013, which reduced the overall increase to SG&A.

The Company's EBIT margin was 7.2% in the first half of 2014, down from 7.5% in the same period of 2013, driven mainly by the reduced gross profit margin as discussed above.

Finance Costs

Finance costs in the six months ended June 30, 2014 were $43.9 million, lower than the $45.9 million reported in the first half of 2013. The prior six month period included early redemption costs related to the Company's previously issued $250 million MTN.

Provision for Income Taxes

The effective income tax rate for the first half of 2014 was 24.4%, up from 19.4% in the comparable period of the prior year, primarily due to the foreign exchange impacts from the devaluation of the Argentinean peso. The lower effective tax rate for the prior year is primarily due to the benefit of previously unrecognized tax losses to offset taxable amounts in the second quarter of 2013.

Net Income

Net income was $154.3 million in the first six months of 2014, down slightly from the $156.1 million of net income earned in the same period last year.

Basic EPS was $0.90 per share compared with $0.91 per share in the comparative period last year. Despite higher sales and EBIT, a higher provision for income taxes led to a decrease in net income and basic EPS compared to the first half of 2013. The benefit of previously unrecognized tax losses, as noted above, had a $0.03 positive impact on the prior year's basic EPS.

Invested Capital

($ millions, unless otherwise stated)		**June 30, 2014**		March 31, 2014		Increase (Decrease) from March 31, 2014		December 31, 2013		Increase (Decrease) from December 31, 2013
Consolidated	**$**	**3,333.6**	$	3,414.2	$	(80.6)	$	3,138.1	$	195.5
Canada	**$**	**1,755.6**	$	1,682.1	$	73.5	$	1,487.6	$	268.0
South America	**$**	**1,274.2**	$	1,443.4	$	(169.2)	$	1,390.9	$	(116.7)
UK & Ireland	**$**	**308.7**	$	296.2	$	12.5	$	265.3	$	43.4
South America (U.S. dollar)	***$***	***1,193.6***	*$*	*1,305.9*	*$*	*(112.3)*	*$*	*1,307.7*	*$*	*(114.1)*
UK & Ireland (U.K. pound sterling)	***£***	***169.1***	*£*	*160.7*	*£*	*8.4*	*£*	*150.5*	*£*	*18.6*

The decrease in consolidated invested capital of $80.6 million from Q1 2014 to Q2 2014 was primarily driven by:

- Decrease in equipment and parts inventory, largely in the Company's South American operations as a result of management's focus to align asset levels with lower market activity;
- Partly offset by a decrease in deferred revenues, primarily in South America, due to lower advance payments from customers for mining equipment.

In functional currency, invested capital in the Company's South American operations decreased 9% and was up 5% in the UK & Ireland operations from March 2014.The increase in consolidated invested capital of $195.5 million from Q4 2013 to Q2 2014 was primarily driven by:

- Lower deferred revenues, largely in the Company's South American operations, due to lower advance payments from customers for mining equipment; and
- An increase in inventory, primarily in the Company's Canadian operations where the Company invested in new equipment inventory to replenish stock levels after strong sales in the first six months of 2014 and to support strong order intake.

In functional currency, invested capital in the Company's South American operations decreased 9% and was up 12% in the UK & Ireland operations from December 2013.

Invested capital turnover at Q2 2014 was 2.12 times, an improvement from Q1 2014 and Q4 2013, a result of the significant increase in revenues from the Company's Canadian operations in recent months with invested capital to support the business not increasing as much, reflecting improvement in invested capital efficiencies. Invested capital turnover from the Company's Canadian operations was 2.20 times at Q2 2014, an improvement from recent quarters.

Return on invested capital at Q2 2014 was 16.0%, an improvement from Q1 2014 and Q4 2013, driven primarily by increased invested capital efficiencies from the Company's Canadian operations as noted above.

Results by Reportable Segment

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

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

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

Three months ended June 30, 2014 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consolidated**	**Revenue percentage**
New equipment	**$ 406.6**	**$ 201.9**	**$ 172.0**	**$ 780.5**	**44.1%**
Used equipment	**42.7**	**9.2**	**12.0**	**63.9**	**3.6%**
Equipment rental	**62.0**	**17.8**	**6.5**	**86.3**	**4.9%**
Product support	**417.0**	**338.4**	**75.6**	**831.0**	**47.0%**
Other	**1.8**	**0.6**	**3.9**	**6.3**	**0.4%**
Total	**$ 930.1**	**$ 567.9**	**$ 270.0**	**$ 1,768.0**	**100.0%**
Revenue percentage by operations	**52.6%**	**32.1%**	**15.3%**	**100.0%**	

Three months ended June 30, 2013 ($ millions)	Canada	South America	UK & Ireland	Consolidated	Revenue percentage
New equipment	$ 261.8	$ 259.0	$ 132.1	$ 652.9	40.3%
Used equipment	44.6	12.1	13.2	69.9	4.3%
Equipment rental	66.5	19.0	7.3	92.8	5.7%
Product support	393.4	338.2	70.9	802.5	49.5%
Other	1.4	0.6	—	2.0	0.2%
Total	$ 767.7	$ 628.9	$ 223.5	$ 1,620.1	100.0%
Revenue percentage by operations	47.4%	38.8%	13.8%	100.0%	

Six months ended June 30, 2014 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consolidated**	**Revenue percentage**
New equipment	**$ 746.5**	**$ 417.5**	**$ 309.2**	**$ 1,473.2**	**42.8%**
Used equipment	**84.4**	**14.3**	**24.1**	**122.8**	**3.6%**
Equipment rental	**125.4**	**35.6**	**12.9**	**173.9**	**5.0%**
Product support	**861.5**	**648.9**	**150.8**	**1,661.2**	**48.2%**
Other	**3.3**	**1.3**	**8.5**	**13.1**	**0.4%**
Total	**$ 1,821.1**	**$ 1,117.6**	**$ 505.5**	**$ 3,444.2**	**100.0%**
Revenue percentage by operations	**52.9%**	**32.4%**	**14.7%**	**100.0%**	

Six months ended June 30, 2013 ($ millions)	Canada	South America	UK & Ireland	Consolidated	Revenue percentage
New equipment	$ 514.3	$ 542.1	$ 240.5	$ 1,296.9	40.8%
Used equipment	86.7	18.8	24.4	129.9	4.1%
Equipment rental	133.6	37.4	14.9	185.9	5.8%
Product support	786.8	642.4	134.6	1,563.8	49.2%
Other	2.3	1.3	—	3.6	0.1%
Total	$ 1,523.7	$ 1,242.0	$ 414.4	$ 3,180.1	100.0%
Revenue percentage by operations	47.9%	39.1%	13.0%	100.0%	

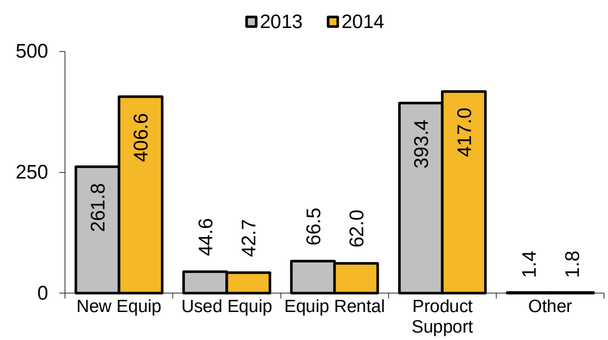
Canadian Operations

The Canadian reportable segment includes Finning (Canada), OEM Remanufacturing Company Inc. (OEM), and a 25% interest in 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 Canadian operation'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:

($ millions)	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 2014	Six months ended June 2013
Revenue from external sources	**$ 930.1**	$ 767.7	**$ 1,821.1**	$ 1,523.7
Operating costs	**(828.8)**	(681.1)	**(1,639.7)**	(1,356.7)
Depreciation and amortization	**(27.8)**	(28.2)	**(55.7)**	(54.5)
	73.5	58.4	**125.7**	112.5
Equity earnings of joint venture	**3.3**	2.6	**4.8**	5.1
Earnings before finance costs and income taxes	**$ 76.8**	$ 61.0	**$ 130.5**	$ 117.6
EBIT				
- as a percentage of revenue	**8.3%**	7.9%	**7.2%**	7.7%
- as a percentage of consolidated EBIT	**56.0%**	49.8%	**52.6%**	49.1%

Canada – Revenue by Line of Business
Three months ended June 30
($ millions)



Second quarter 2014 revenues of $930.1 million increased 21% compared to the second quarter of 2013, largely due to higher new equipment sales.

New equipment revenues in the three months ended June 30, 2014 were up 55% compared with the same period in 2013, primarily due to strong activity in mining, and were also higher in construction and power systems.

Product support revenues were 6% higher than in the second quarter of 2013, driven primarily by greater demand for parts in all markets, most notably in mining and construction.

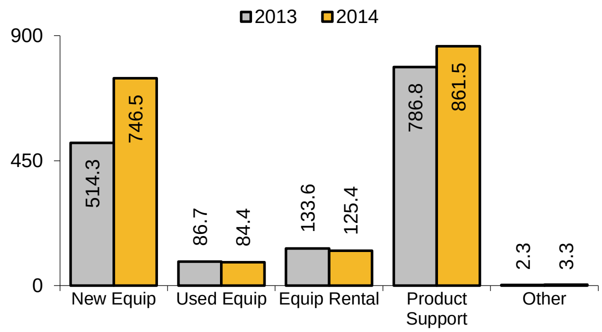
The weaker Canadian dollar relative to the U.S. dollar in 2014 relative to 2013 had a positive impact on total revenue of approximately $55 million.

Gross profit in absolute dollars compared to the second quarter of 2013 increased, primarily due to higher sales volumes. Gross profit margin was lower than the second quarter of 2013, driven primarily by the revenue mix, which included a higher percentage of new equipment sales which typically generate lower margins. New equipment revenues made up 44% of total revenues in the second quarter of 2014 compared to 34% in the prior year quarter, while product support revenues comprised 45% of second quarter 2014 total revenues relative to 51% in the second quarter of 2013. Also contributing to the lower gross profit margin in the second quarter of 2014 compared to the same period last year was a higher proportion of lower-margin mining equipment and parts sales from mining and power systems products. In addition, gross profit was impacted by a decrease in rental revenue driven by lower volume and margins from the continued softening of the short-term rental market compared to the strong second quarter of 2013. These reductions to the overall gross profit margin were partially offset by higher service margins, a result of improved service efficiencies reflecting progress on the operational improvement initiatives.

SG&A increased slightly over the same period last year driven primarily by volume-related increases and severance costs in the current period. There were higher positive provision adjustments in the second quarter of 2013, offset by the negative foreign exchange impact in the same period. SG&A costs in the current period were higher in absolute dollar terms but lower relative to revenues compared to the prior year quarter.

EBIT in the Canadian operations of $76.8 million in the second quarter of 2014 was up from $61.0 million in the same period of 2013, due to higher revenue and gross profit as described above. The weaker Canadian dollar did not have a material impact on the results of the Company's Canadian operations. EBIT margin of 8.3% in the second quarter of 2014 was up from 7.9% in the comparative period.

Canada – Revenue by Line of Business
Six months ended June 30
($ millions)



Revenues for the six months ended June 30, 2014 increased 20% to $1.8 billion compared to the same period last year, primarily driven by higher new equipment revenues largely as a result of increased market activity in mining, as noted above. In the prior year, there was reduced capital spending by mining customers. New equipment revenues in the first six months of 2014 were up 45% compared with the same period in 2013.

Product support revenues were 10% higher than the first half of 2013, driven by higher demand for parts in all markets.

The weaker Canadian dollar relative to the U.S. dollar had a positive impact on total revenue for the first six months of 2014 of approximately $110 million.

Gross profit in absolute dollars increased for the first half of 2014 compared to the first half of 2013, but gross profit margin was lower, for the same reasons as noted above for the second quarter.

SG&A costs for the first half of 2014 were higher in absolute dollar terms but lower relative to revenues compared to the first half of 2013, for the same reasons as noted above for the second quarter.

The Canadian operations contributed EBIT of $130.5 million for the six months ended June 30, 2014, 11% higher than the prior year. EBIT margin in the first half of 2014 was 7.2%, down from 7.7% in the same period in 2013 largely driven by the higher mix of equipment sales which typically generate lower margins. The weaker Canadian dollar did not have a material impact to the results of the Company's Canadian operations.

South American Operations

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

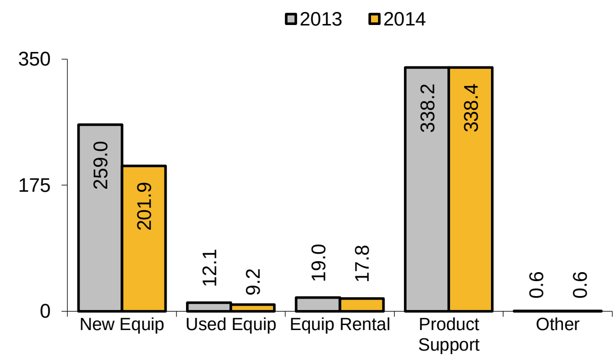
The table below provides details of the results from the South American operations:

	Three months ended June 30		Six months ended June 30	
($ millions)	**2014**	2013	**2014**	2013
Revenue from external sources	**$ 567.9**	$ 628.9	**$ 1,117.6**	$ 1,242.0
Operating costs	**(493.1)**	(549.2)	**(974.0)**	(1,086.2)
Depreciation and amortization	**(17.6)**	(18.0)	**(36.0)**	(35.2)
	57.2	61.7	**107.6**	120.6
Other income (expenses)				
Export of agricultural product	**—**	52.7	**0.1**	77.3
Costs of export of agricultural product	**—**	(53.9)	**(0.2)**	(79.3)
Other	**(0.5)**	(1.0)	**(1.2)**	(2.0)
Earnings before finance costs and income taxes	**$ 56.7**	$ 59.5	**$ 106.3**	$ 116.6
EBIT				
- as a percentage of revenue	**10.0%**	9.5%	**9.5%**	9.4%
- as a percentage of consolidated EBIT	**41.3%**	48.5%	**42.8%**	48.7%

In the second quarter of 2014, revenues decreased 10% to $567.9 million compared to the same period in 2013 (down 15% in functional currency, U.S. dollars). Softening market conditions throughout the Company's South American operations led to a decrease in revenue in functional currency in all lines of business compared to the second quarter of 2013.

New equipment revenue was down 22% (27% in functional currency) compared to the second quarter of 2013. The slowdown in mining activity in Chile and Argentina and reduced construction demand from the end of 2013 continued into the second quarter of 2014, driving a decrease in new equipment demand and lower deliveries.

South America – Revenue by Line of Business
Three months ended June 30
($ millions)



Product support revenue was comparable over the same period last year, but was down 6% in functional currency. The decrease in functional currency was driven primarily by lower service revenue in the mining sector, where customers continue to focus on reducing costs, as well as lower parts revenue, driven by a decline in equipment utilization in the construction sector.

The positive impact on total revenue in the second quarter of 2014 relative to the prior year period from the weaker Canadian dollar relative to the U.S. dollar was partially offset by the negative impact from the weaker Chilean pesos against the U.S. dollar. The net positive impact on total revenue was approximately $20 million.

Gross profit decreased over 2013, reflecting lower sales volumes from the comparative period. Gross profit margin was comparable to the second quarter of 2013. Despite the shift in revenue mix to higher margin product support sales, overall gross profit margin was lower due to lower rental margins. Product support revenues comprised 60% of total revenues in the second quarter 2014 relative to 54% in the second quarter of 2013, while new equipment revenues made up 36% of second quarter 2014 compared to 41% of second quarter 2013.

SG&A costs were down in the Company's South American operations compared to the second quarter of 2013, as a result of lower sales volumes, lower warranty expenses, and actions taken to reduce operating costs. The weaker Argentinean and Chilean pesos in comparison to the second quarter of 2013 also contributed to the lower operating costs.

During the second quarter of 2014, conditions permitted the Company's South American operations to import goods into Argentina to satisfy customer demand without further exportation of agricultural product. Net costs associated with exporting an agricultural product from Argentina were $1.2 million in the second quarter of 2013. Although the Company's South American operations have been able to import goods into Argentina to satisfy customer demand, the business is still subject to import and foreign currency restrictions and the devaluation of the Argentinean peso has increased the Company's effective tax rate. The Company continues to manage the various economic, fiscal, currency and regulatory challenges that exist as a result of operating in Argentina, which also includes a number of claims from the Argentina Customs Authority associated with the export of agricultural product. The Company has appealed these claims, believes they are without merit, and is confident in its position which is supported with legal opinions. These matters may take a number of years to resolve and additional disclosure will be provided if circumstances change.

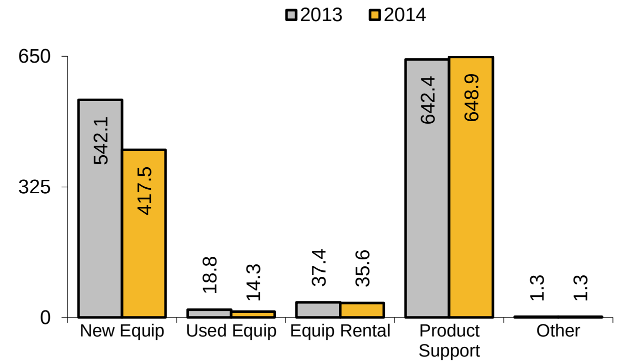
Second quarter EBIT for the Company's South American operations decreased 5% (11% in functional currency) from the second quarter of 2013, reflecting the decrease in revenues and gross profit. The decrease in gross profit was partially offset by the lower SG&A costs. The weaker Argentinean and Chilean pesos relative to the U.S. dollar, as it relates to costs combined with the positive impact from the weaker Canadian dollar against the U.S. dollar in translating results had a positive impact on EBIT of approximately $15 million. However, this increase was primarily offset by higher taxes due to the devaluation of the Argentinean peso. EBIT margin of 10.0% in the second quarter of 2014 was up from 9.5% in the comparative period.

For the six months ended June 30, 2014, revenues decreased 10% to $1.1 billion compared to the same period in 2013 (down 17% in functional currency).

The positive impact on total revenue of the weaker Canadian dollar relative to the U.S. dollar was partially offset by the negative impact of the weaker Chilean pesos against the U.S. dollar. The net positive impact on total revenue was approximately $50 million.

SG&A costs were down in the first half of 2014 as a result of lower sales volumes, lower warranty expenses, and actions taken to reduce operating costs. These decreases were partially offset by higher service-related expenses and severance costs. The weaker Argentinean and Chilean pesos against the U.S. dollar also lowered operating costs in comparison to the same period of 2013.

South America – Revenue by Line of Business
Six months ended June 30
($ millions)



In response to decreased activity levels, the Company's South American operations continued to reduce its workforce in the second quarter. Compared to the end of 2013, the number of employees in South America is down by about 5% to under 7,000 people. The Company will continue to monitor business conditions closely in its South American operations as necessary to align its cost structure with expected activity levels.

For the first half of 2014, EBIT of $106.3 million was 9% lower compared to the same period last year (down 15% in functional currency), reflecting the decrease in revenues and gross profit. The decrease in gross profit was partially offset by the lower SG&A costs. The weaker Argentinean and Chilean pesos relative to the U.S. dollar, combined with the positive impact from the weaker Canadian dollar against the U.S. dollar had a positive impact on EBIT of approximately $35 million. EBIT margin of 9.5% for the first half of 2014 was slightly up from 9.4% achieved in the same period in 2013.

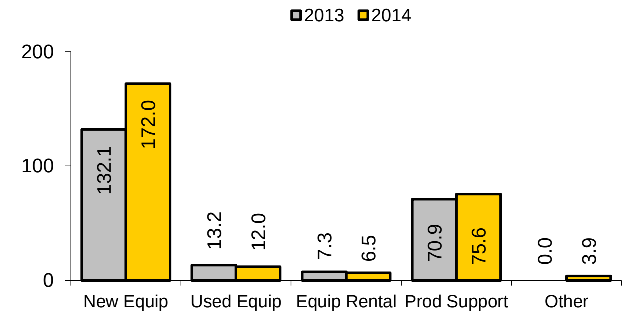
UK & Ireland Operations

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

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

	Three months ended June 30		Six months ended June 30	
($ millions)	**2014**	2013	**2014**	2013
Revenue from external sources	**$ 270.0**	$ 223.5	**$ 505.5**	$ 414.4
Operating costs	**(248.9)**	(203.0)	**(464.3)**	(374.7)
Depreciation and amortization	**(7.4)**	(7.5)	**(16.0)**	(16.1)
	13.7	13.0	**25.2**	23.6
Other expenses	**—**	(0.4)	**—**	(0.7)
Earnings before finance costs and income taxes	**$ 13.7**	$ 12.6	**$ 25.2**	$ 22.9
EBIT				
- as a percentage of revenue	**5.1%**	5.7%	**5.0%**	5.5%
- as a percentage of consolidated EBIT	**10.0%**	10.3%	**10.2%**	9.6%

UK & Ireland – Revenue by Line of Business
Three months ended June 30
($ millions)



Revenues from the UK & Ireland operations for the second quarter of 2014 were $270.0 million, 21% higher than in the prior year (up 3% in functional currency – U.K. pound sterling). The increase in functional currency was primarily driven by higher new equipment sales in the construction and plant hire sectors.

Product support revenue increased 7% over the same period last year, but was down 9% in functional currency. The decrease in functional currency was driven by lower parts revenue in the coal mining and power system sectors.

The weaker Canadian dollar relative to the U.K. pound sterling had a positive impact on revenue of approximately $40 million.

Gross profit in absolute dollars was higher in the second quarter of 2014 compared to 2013, although slightly lower in functional currency and as a percentage of revenues, reflecting a shift in mix to lower margin new equipment revenues. New equipment revenues comprised 64% of total revenues in the second quarter of 2014 compared to 59% in the same period of 2013, while product support revenues comprised 28% of second quarter 2014 total revenues relative to 32% in the same period of 2013.

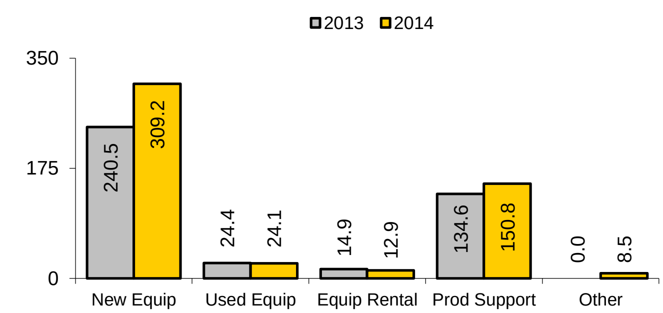
SG&A costs increased compared to the same period in 2013, but were comparable in functional currency, as volume-related increases were offset by disciplined management of discretionary spend.

2014 second quarter EBIT was $13.7 million, representing an increase of 8% over the prior year (down 7% in functional currency). The weaker Canadian dollar did not have a material impact on the Canadian dollar results of the Company's UK & Ireland operations. EBIT margin of 5.1% was down compared to the 5.7% earned in the same period last year, reflecting the shift in mix to lower-margin new equipment revenues.

For the six months ended June 30, 2014, revenues of $505.5 million were 22% higher than the same period in the prior year. In functional currency, total revenues were 4% higher compared to that reported in the first six months of 2013. The increase was primarily due to higher new equipment sales, primarily in the construction and plant hire sectors. Product support revenue was up compared to same period last year, but down marginally in functional currency due to lower parts revenues in the coal mining and power system sectors.

The weaker Canadian dollar relative to the U.K. pound sterling had a positive impact on revenue of approximately $75 million.

UK & Ireland – Revenue by Line of Business
Six months ended June 30
($ millions)



For the first half of 2014, EBIT of $25.2 million was 10% higher compared to the same period last year, but down 6% in functional currency driven by reasons as noted in the quarter discussion above. The weaker Canadian dollar did not have a material impact on the Canadian dollar results of the Company's UK & Ireland operations. EBIT margin of 5.0% was down compared to the 5.5% earned in the same period last year for similar trends noted for the second quarter.

<u>Other Developments</u>

On July 4, 2014, the Company's UK & Ireland operations acquired 100% of the shares of Reaction One Limited (UK) and Alveton Limited (Ireland). With this acquisition, the newly formed company, named SITECH, will sell and service Trimble's heavy and highway machine control and monitoring products in all of its dealership territories (rights in the Company's Canadian and South American dealership operations were acquired in 2011). Trimble is Caterpillar's global technologies joint venture partner in construction and other industries. Cash consideration of £7.6 million ($13.9 million) was paid at the time of acquisition, which may be subject to customary closing adjustments. Further contingent consideration with a possible range of £nil - £3.5 million may be paid after acquisition, contingent upon the profitability of the acquired business over the next three years.

Corporate and Other Operations

($ millions)	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Operating costs – corporate	**$ (6.6)**	$ (6.2)	**$ (10.7)**	$ (12.2)
Long-term incentive plan (LTIP)	**(3.1)**	(5.4)	**(2.2)**	(6.4)
Depreciation and amortization	**(0.1)**	—	**(0.1)**	(0.1)
	(9.8)	(11.6)	**(13.0)**	(18.7)
Equity gain (loss) of associate	**(0.2)**	1.0	**(1.0)**	1.2
Loss before finance costs and income taxes	**$ (10.0)**	$ (10.6)	**$ (14.0)**	$ (17.5)

Fluctuations in the Company's share price during the first half of the year led to a cost recovery from the Company's compensation hedge, which partially offset the mark-to-market impact relating to certain stock-based compensation plans.

The equity gain (loss) of associate for the three and six months ended June 30, 2014 and 2013 relates to the Company's investment in Energyst. Recent results from Energyst B.V. have been impacted by the slowdown in the mining industry and the competitive pressures on its international power projects business.

Outlook

The Company is committed to improving ROIC over time, and is executing on its operational excellence agenda to improve performance. Initiatives to increase EBIT are primarily focused on growing market share in non-mining segments and increasing the profitability of service operations. The expected improvement in capital efficiency will be driven through optimization of the supply chain to reduce working capital and improvements in asset utilization.

The Company expects business activity in Western Canada to remain strong through 2014 and support healthy demand for new equipment and product support in most markets. With the exception of the slowdown in metallurgical coal, mining activity is projected to be stable, as customers continue to focus on operating cost efficiencies while maintaining production levels. Solid infrastructure activity remains a positive driver for heavy construction and power systems, where the Company is achieving market share gains. Pipeline activity is strong with several projects underway, and the Company expects that LNG pipeline developments under consideration will be a positive driver for power systems, earthmoving and pipelaying opportunities for the next few years. Market conditions in the gas compression and electric power generation segments have strengthened. Demand for short term rental equipment has softened; however, activity levels in heavy rent with a purchase option are strong. The Company continues to make progress to improve profitability of the Canadian operations; however, achieving the full benefits of the service excellence and supply chain initiatives will take time.

Looking ahead, the Company expects challenging market conditions in South America to continue for the remainder of the year. Concerns regarding the price of copper, high capital expenditures, project execution, and production costs in the mining sector have resulted in delays of greenfield projects and revision of investments for brownfield projects. As a result, the Company expects significantly lower equipment sales compared to record levels achieved in 2013. Mining customers are expected to maintain production levels, while focusing on reducing costs and improving productivity and efficiencies. At this time, customers are delaying decisions on component purchases, major repairs and new maintenance contracts, which negatively impacts the Company's product support business, notably service. The slowdown in the mining sector is also impacting construction equipment markets in Chile, where demand for new, used and rental equipment remains weak and product support activity has been reduced due to lower machine utilization. In Argentina, the Company's market share for new equipment and product support remains subject to current import restrictions.

A significant devaluation of the Argentine peso affects the Company's effective tax rate. In addition, the Company is closely monitoring the proposed corporate tax reform bill in Chile, which the government has announced it intends to pass during the second half of 2014. There are a number of proposed changes, one of which could raise the current corporate income tax rates gradually from 20% to 27%. Once these changes are substantively enacted, the Company will evaluate the impact on its financial results.

In the U.K. & Ireland, new equipment outlook and order intake are solid, as macro-economic conditions continue to show signs of improvement. Equipment sales to the plant hire sector have increased due to the strengthening in house building and general construction sectors. The coal mining industry has remained weak due to inexpensive coal imports, and consolidation continues in the quarry and aggregates market, impacting new equipment sales and product support in those industries. The Company is encouraged by the increased order intake for electric power generation projects.

Liquidity and Capital Resources

Operating Activities

For the three months ended June 30, 2014, cash provided by operations after changes in operating assets and liabilities and interest and income tax paid was $182.6 million (year-to-date 2014: $55.4 million), compared to $61.6 million in the comparative period in 2013 (year-to-date 2013: $5.1 million). The higher cash inflow was primarily the result of higher operating results and lower working capital spend, primarily by the Company's South American operations.

EBITDA was $190.1 million in the second quarter of 2014 (year-to-date 2014: $355.8 million), higher than the $176.2 million in the comparative period in 2013 (year-to-date 2013: $345.5 million). In the second quarter of 2014, the Company invested $48.0 million in rental assets (year-to-date 2014: $48.6 million), net of disposals, compared to the second quarter of 2013 with cash invested of $41.6 million (year-to-date 2013: $51.4 million).

The Company's Free Cash Flow was $122.7 million (year-to-date 2014: $11.4 million use of cash) compared to Free Cash Flow of $6.6 million in the second quarter of 2013 (year-to-date 2013: $86.9 million use of cash). The higher free cash flow in the second quarter and first half of 2014 compared to the prior year was mainly due to lower working capital spend, primarily in the Company's South American operations.

Investing Activities

Net cash used in investing activities in the second quarter of 2014 totalled $15.6 million (year-to-date 2014: $21.9 million use of cash) compared with $13.3 million in the comparative period in 2013 (year-to-date 2013: $45.1 million). The primary use of cash in 2014 related to property, plant and equipment additions of $15.8 million (year-to-date 2014: $31.6 million), comparable to the $15.8 million invested in the second quarter of 2013 (year-to-date 2013: $43.2 million).

Financing Activities

To complement the internally generated funds from operating and investing activities in 2014, the Company has $1.8 billion in unsecured credit facilities. Included in this amount are committed bank facilities totalling $1.1 billion with various Canadian, U.S., and South American financial institutions. At June 30, 2014, $0.8 billion 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.

The Company is rated by both Dominion Bond Rating Service (DBRS) and Standard & Poor's (S&P). During the first quarter of 2014, DBRS re-confirmed the Company's short-term and long-term debt ratings at R-1 (low) and A (low), respectively, and S&P re-confirmed the Company's long-term debt rating at BBB+. The Company continues to utilize the Canadian commercial paper market, as well as borrowings under its credit facilities as its principal sources of short-term funding. The increase in cash used by financing activities in the second quarter of 2014 compared to the same period last year was primarily due to a reduction in short-term debt compared to the prior year period.

Dividends paid to shareholders in the second quarter of 2014 were $30.6 million, up 17% compared to the second quarter of 2013, reflecting the $0.025 per share increase to a quarterly dividend of $0.1775 per share announced in May 2014. Dividends paid to shareholders for the first half of 2014 increased 13% to $56.8 million compared to the first half of 2013. The Company targets a dividend payout ratio in the 25% to 35% range over the long term.

Net Debt to Invested Capital

Net Debt to Invested Capital at June 30, 2014 was 40.9%, compared with 42.9% at March 31, 2014 and 40.8% at December 31, 2013. Net Debt to Invested Capital is within the Company's target range of 35% to 45%. The Company is subject to a maximum Net Debt to Invested Capital level pursuant to a covenant within its syndicated bank credit facility. The Company was in compliance with this covenant at the end of Q2 2014.

Description of Non-GAAP and Additional GAAP Measures

Additional GAAP Measures

IFRS mandates certain minimum line items for financial statements and also requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the Company's financial position or performance. IFRS also requires the notes to the financial statements to provide information that is not presented elsewhere in the financial statements, but is relevant to understanding them. Such measures outside of the minimum mandated line items are considered additional GAAP measures. The Company's consolidated financial statements and notes thereto include certain additional GAAP measures where management considers such information to be useful to understanding of the Company's results.

EBIT

EBIT is defined herein as earnings before finance costs and income taxes and is utilized by management to assess and evaluate the financial performance of its operating segments. This measure is provided to improve comparability between periods by eliminating the impact of finance costs and income taxes.

A reconciliation between EBIT and net income is as follows:

	Three months ended June 30		**Six months ended June 30**	
($ millions)	**2014**	2013	**2014**	2013
EBIT	**$ 137.2**	$ 122.5	**$ 248.0**	$ 239.6
Finance costs	**(23.4)**	(24.3)	**(43.9)**	(45.9)
Provision for income taxes	**(27.4)**	(15.5)	**(49.8)**	(37.6)
Net income	**$ 86.4**	$ 82.7	**$ 154.3**	$ 156.1

Net Debt to Invested Capital

Net Debt to Invested Capital is calculated as net debt divided by invested capital (defined below), and is used by management as a measurement of the Company's financial leverage.

Net debt is calculated as short-term and long-term debt, net of cash. Invested capital is net debt plus all components of shareholders' equity (share capital, contributed surplus, accumulated other comprehensive income, and retained earnings). Invested capital is also calculated as total assets less total liabilities, excluding net debt. Invested capital is used by management as a measure of the total cash investment made in the Company and each operating segment. Management uses invested capital in a number of different measurements in assessing financial performance against other companies and between segments.

The calculation of Net Debt to Invested Capital is as follows:

($ millions, except as noted)	**June 30, 2014**	December 31, 2013
Cash and cash equivalents	**$ (185.0)**	$ (176.3)
Short-term debt	**175.2**	89.4
Current portion of long-term debt	**0.5**	0.7
Long-term debt	**1,373.2**	1,366.5
Net debt	**1,363.9**	1,280.3
Shareholders' equity	**1,969.7**	1,857.8
Invested capital	**$ 3,333.6**	$ 3,138.1
Net debt to invested capital	**40.9%**	40.8%

Non-GAAP Measures

Management believes that providing certain non-GAAP measures provides users of the Company's consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS measures set out below, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

The non-GAAP measures used by management do not have any standardized meaning prescribed by IFRS 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 IFRS.

EBITDA

EBITDA is defined as earnings before finance costs, income taxes, depreciation and amortization and is utilized by management to assess and evaluate the financial performance of its operating segments. Management believes that EBITDA improves comparability between periods by eliminating the impact of finance costs, income taxes, depreciation, and amortization. EBITDA is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses and is a common valuation metric.

A reconciliation between EBITDA and net income is as follows:

	Three months ended June 30		**Six months ended June 30**	
($ millions)	**2014**	2013	**2014**	2013
EBITDA	**$ 190.1**	$ 176.2	**$ 355.8**	$ 345.5
Depreciation and amortization	**(52.9)**	(53.7)	**(107.8)**	(105.9)
Finance costs	**(23.4)**	(24.3)	**(43.9)**	(45.9)
Provision for income taxes	**(27.4)**	(15.5)	**(49.8)**	(37.6)
Net income	**$ 86.4**	$ 82.7	**$ 154.3**	$ 156.1

ROIC

Return on Invested Capital, or ROIC, is defined as EBIT (adjusted for significant non-recurring items) for the last twelve months divided by invested capital, based on an average of the last four quarters.

Management views ROIC (at a consolidated and segment level), as a useful measure for supporting investment and resource allocation decisions, as it adjusts for certain items that may affect comparability between certain competitors and segments.

June 30 **($ millions, except as noted)**	**2014**	2013
EBIT – last twelve months	**$ 529.1**	$ 511.1
Invested capital – average	**$ 3,307.0**	$ 3,240.1
ROIC	**16.0%**	15.8%

Working Capital

Working capital is defined as total current assets (excluding cash) less total current liabilities (excluding short-term debt and current portion of long-term debt), both based on an average of the last four quarters. Management views working capital as a measure for assessing overall liquidity.

	2014		2013				2012	
($ millions)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total current assets	**$ 3,421.2**	$ 3,553.6	$ 3,248.6	$ 3,325.6	$ 3,463.4	$ 3,408.0	$ 3,317.2	$ 3,342.8
Cash	**(185.0)**	(210.4)	(176.3)	(83.1)	(115.0)	(116.2)	(114.9)	(135.8)
Total current assets[(1)]	**$ 3,236.2**	$ 3,343.2	$ 3,072.3	$ 3,242.5	$ 3,348.4	$ 3,291.8	$ 3,202.3	$ 3,207.0
Total current liabilities	**$ 1,580.4**	$ 1,730.7	$ 1,549.3	$ 1,737.5	$ 2,156.4	$ 2,256.3	$ 2,250.2	$ 2,163.5
Short-term debt	**(175.2)**	(279.2)	(89.4)	(327.3)	(454.2)	(429.2)	(303.3)	(303.4)
Current portion of long-term debt	**(0.5)**	(0.6)	(0.7)	(0.6)	(250.5)	(358.3)	(363.6)	(361.3)
Total current liabilities [(2)]	**$ 1,404.7**	$ 1,450.9	$ 1,459.2	$ 1,409.6	$ 1,451.7	$ 1,468.8	$ 1,583.3	$ 1,498.8
Working capital	**$ 1,831.5**	$ 1,892.3	$ 1,613.1	$ 1,832.9	$ 1,896.7	$ 1,823.0	$ 1,619.0	$ 1,708.2
Four quarter average	**$ 1,792.4**		$ 1,791.4		$ 1,761.7		$ 1,611.0	

(1) Excluding cash
(2) Excluding short-term debt and current portion long-term debt

Free Cash Flow

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

Free Cash Flow is a measure used by the Company to assess cash operating performance and the ability to raise and service debt.

A reconciliation of Free Cash Flow is as follows:

	Three months ended June 30		**Six months ended June 30**	
($ millions)	**2014**	2013	**2014**	2013
Cash flow (used in) provided by operating activities	**$ 134.6**	$ 19.9	**$ 6.7**	$ (46.3)
Additions to property, plant, and equipment and intangible assets	**(15.8)**	(15.8)	**(31.6)**	(43.2)
Proceeds on disposal of property, plant, and equipment	**3.9**	2.5	**13.5**	2.6
Free Cash Flow	**$ 122.7**	$ 6.6	**$ (11.4)**	$ (86.9)

Key Performance Indicators

Management uses key performance indicators to consistently measure performance against the Company's priorities across the organization. The Company's KPIs include gross profit margin, EBIT margin, inventory turns, invested capital turnover, working capital to sales ratio, order backlog and net debt to EBITDA ratio. Although some of these KPIs are expressed as ratios, they are non-GAAP financial measures that do not have a standardized meaning under IFRS and may not be comparable to similar measures used by other issuers.

Gross Profit Margin

This measure is defined as gross profit divided by total revenue.

EBIT Margin

This measure is defined as earnings before finance costs and income taxes divided by total revenue.

Inventory Turns

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

($ millions, except as noted)	June 30, 2014	December 31, 2013
Cost of sales – annualized	**$ 4,844.2**	$ 5,014.8
Inventory – average	**$ 1,890.0**	$ 1,830.1
Inventory turns (number of times)	**2.56**	2.74

Invested Capital Turnover

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

($ millions, except as noted)	June 30, 2014	December 31, 2013
Revenue – last twelve months	**$ 7,020.1**	$ 6,756.0
Invested capital – average	**$ 3,307.0**	$ 3,310.1
Invested capital turnover	**2.12**	2.04

Working Capital to Sales Ratio

This ratio is calculated as working capital, based on an average of the last four quarters, divided by total revenue for the last twelve months. This is a useful KPI for management in assessing the Company's efficiency in its use of working capital to generate sales.

($ millions, except as noted)	June 30, 2014	December 31, 2013
Working capital – average	**$ 1,792.4**	$ 1,791.4
Revenue – last twelve months	**$ 7,020.1**	$ 6,756.0
Working capital to sales	**25.5%**	26.5%

Order Backlog

The Company's global order book, or order backlog, is defined as the retail value of new equipment units ordered by customers for future deliveries. Management uses order backlog as a measure of projecting future new equipment deliveries. There is no directly comparable IFRS measure for order backlog.

Net Debt to EBITDA Ratio

This ratio is calculated as net debt, defined and calculated above, divided by EBITDA for the last twelve months. This ratio is used by management in assessing the Company's operating leverage and ability to repay its debt. This ratio approximates the length of time, in years, that it would take the Company to repay its debt, with net debt and EBITDA held constant.

($ millions, except as noted)	June 30, 2014	December 31, 2013
Net debt	**$ 1,363.9**	$ 1,280.3
EBITDA – last twelve months	**$ 746.7**	$ 736.4
Net Debt to EBITDA	**1.8**	1.7

Risk Management

Finning and its subsidiaries are exposed to market, credit, liquidity, and other risks in the normal course of their business activities. The Company's 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 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, 2013. There have been no material changes to existing risk factors and no new key risks identified from the key risks disclosed in the Company's AIF for the year ended December 31, 2013, which can be found at www.sedar.com and www.finning.com.

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

Exchange rate	**June 30, 2014**	December 31, 2013	June 30, 2013
U.S. dollar	**1.0676**	1.0636	1.0512
U.K. pound sterling	**1.8261**	1.7627	1.5987
Chilean peso	**0.0019**	0.0020	0.0021
Argentine peso	**0.1313**	0.1631	0.1951

Three months ended June 30 **Average exchange rates**	**2014**	2013
U.S. dollar	**1.0905**	1.0231
U.K. pound sterling	**1.8355**	1.5714
Chilean peso	**0.0020**	0.0021
Argentine peso	**0.1354**	0.1953

Six months ended June 30 **Average exchange rates**	**2014**	2013
U.S. dollar	**1.0968**	1.0159
U.K. pound sterling	**1.8306**	1.5678
Chilean peso	**0.0020**	0.0021
Argentine peso	**0.1404**	0.1981

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 on 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 June 30, 2014, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 (except for share and option data)	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 (Restated) Q4	2012 (Restated) Q3
Revenue from operations [(1)]								
Canada	**$ 930.1**	$ 891.0	$ 873.7	$ 960.5	$ 767.7	$ 756.0	$ 788.2	$ 768.9
South America [(2)]	**567.9**	549.7	674.9	597.6	628.9	613.0	740.3	601.9
UK & Ireland	**270.0**	235.5	247.2	222.1	223.5	190.9	217.2	222.9
Total revenue	**$1,768.0**	$1,676.2	$1,795.8	$1,780.2	$1,620.1	$1,559.9	$1,745.7	$1,593.7
Net income [(1) (3)]	**$ 86.4**	$ 67.9	$ 92.9	$ 86.2	$ 82.7	$ 73.4	$ 102.6	$ 81.2
Earnings Per Share [(1) (3)]								
Basic EPS	**$ 0.50**	$ 0.39	$ 0.54	$ 0.50	$ 0.48	$ 0.43	$ 0.60	$ 0.47
Diluted EPS	**$ 0.50**	$ 0.39	$ 0.54	$ 0.50	$ 0.48	$ 0.43	$ 0.60	$ 0.47
Total assets [(1)]	**$5,196.2**	$5,353.2	$5,057.6	$5,138.6	$5,301.6	$5,194.4	$5,118.0	$4,994.0
Long-term debt								
Current	**$ 0.5**	$ 0.6	$ 0.7	$ 0.6	$ 250.5	$ 358.3	$ 363.6	$ 361.3
Non-current	**1,373.2**	1,393.7	1,366.5	1,351.4	1,152.4	1,022.5	1,012.2	1,076.1
Total long-term debt [(4)]	**$1,373.7**	$1,394.3	$1,367.2	$1,352.0	$1,402.9	$1,380.8	$1,375.8	$1,437.4
Cash dividends paid per common share	**17.75¢**	15.25¢	15.25¢	15.25¢	15.25¢	14.00¢	14.00¢	14.00¢
Common shares outstanding (000's)	**172,182**	172,126	172,014	172,000	171,999	171,971	171,910	171,905
Options outstanding (000's)	**5,437**	5,381	5,685	5,596	5,643	4,708	5,060	5,118

1) 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 this acquired business have been included in the figures above since the date of acquisition.

   The results for 2012 have been restated to reflect the Company's adoption of the amendments to IAS 19, Employee Benefits, for the financial year beginning January 1, 2013.

2) In response to the Argentinean government's efforts to balance imports and exports and to manage access to foreign currency, the Company's South American operations began to export an agricultural product from Argentina in the third quarter of 2012. As these export activities are not related to the Company's core business, income and expenses related to these exports have been reported in other income and other expenses effective second quarter of 2013 and comparative periods adjusted accordingly. The Company has not exported agricultural product since Q3 2013.

3) The results for 2012 were negatively impacted by the ERP system implementation issues experienced in the Company's Canadian operations. The third and fourth quarters of 2012 included costs associated with the ERP system issues of $0.05 and $0.04, respectively.

4) In May 2013, the Company refinanced its £70 million Eurobond, due May 30, 2013, with the issuance of £70 million in unsecured Notes in the U.S. private placement market.

   In July 2013, the Company issued unsecured $200 million MTN due July 3, 2020. Proceeds from the issuance were used to early redeem the Company's $250 million MTN due September 30, 2013.

   In September 2013, the Company negotiated a two-year extension to its $1.0 billion global unsecured syndicated committed operating credit facility, under which $937.5 million was extended to September 2017 from the original maturity of September 2015.

New Accounting Pronouncements

(a) Changes in Accounting Policy

The Company has adopted the following amendments to standards and new IFRS Interpretations Committee interpretation (IFRIC) for the financial year beginning January 1, 2014:

- Amendments to IAS 19, *Employee Benefits* (effective January 1, 2014) clarify the accounting by entities with defined benefit plans that require contributions linked only to service in each period. The adoption of this amendment had no impact on the Company's financial position.
- Amendments to IAS 32, *Financial Instruments: Presentation* (effective January 1, 2014) clarifies existing application issues relating to offsetting requirements. The adoption of this amendment had no impact on the Company's financial position.
- IFRIC 21, *Levies* (effective January 1, 2014) provides guidance on the recognition of liabilities to pay levies to government bodies in accordance with legislation. This interpretation had no impact on the Company's financial position.

(b) Future Accounting Pronouncements

The Company has not applied the following new standards and amendments to standards that have been issued but are not yet effective:

- Amendments to IFRS 8, *Operating Segments* (effective January 1, 2015) require disclosure of the judgments made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. Management is currently assessing the impact of the amendments on its annual financial statement disclosures.
- IFRS 15, *Revenue from Contracts with Customers* (effective January 1, 2017) outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers. Management is currently assessing the impact of the new standard.
- IFRS 9, *Financial Instruments* (the IASB tentatively decided an effective date of January 1, 2018) 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.

Outstanding Share Data

As at July 31, 2014	
Common shares outstanding	172,232,881
Options outstanding	4,967,181

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; EBIT margin; ROIC; market share growth; expected results from service excellence action plans; anticipated asset utilization, inventory turns and parts service levels; the expected target range of the Company's net debt to invested capital ratio; and the expected target range of the Company's dividend payout ratio. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this report reflect Finning's expectations at August 6, 2014. Except as may be required by Canadian securities laws, Finning does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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

Forward-looking statements made in this report are based on a number of assumptions that Finning believed were reasonable on the day the Company made the forward-looking statements. Refer in particular to the Outlook section of this MD&A. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in Section 4 of the Company's current AIF.

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

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian $ thousands)	June 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	**$ 185,054**	$ 176,268
Accounts receivable	**993,479**	963,733
Service work in progress	**131,893**	101,544
Inventories	**1,834,544**	1,755,808
Income tax recoverable	**2,389**	9,086
Other assets	**273,824**	242,172
Total current assets	**3,421,183**	3,248,611
Property, plant, and equipment	**657,220**	668,094
Rental equipment	**422,957**	414,126
Intangible assets	**63,689**	75,881
Distribution network	**321,242**	320,300
Goodwill	**115,381**	114,131
Investment in and advances to joint venture and associate	**79,123**	77,988
Finance assets	**20,215**	36,065
Deferred tax assets	**48,438**	53,216
Other assets	**46,735**	49,156
Total assets	**$ 5,196,183**	$ 5,057,568
LIABILITIES		
Current liabilities		
Short-term debt	**$ 175,222**	$ 89,423
Accounts payable and accruals	**1,039,291**	1,010,747
Income tax payable	**14,696**	6,409
Provisions	**93,803**	93,978
Deferred revenue	**245,866**	332,040
Derivative liabilities (Note 4)	**11,031**	16,045
Current portion of long-term debt	**472**	643
Total current liabilities	**1,580,381**	1,549,285
Long-term debt	**1,373,235**	1,366,512
Long-term obligations	**80,650**	80,486
Net employee benefit obligations	**132,195**	144,930
Provisions	**6,737**	6,528
Deferred revenue	**5,576**	9,931
Deferred tax liabilities	**47,710**	42,132
Total liabilities	**3,226,484**	3,199,804
SHAREHOLDERS' EQUITY		
Share capital	**575,550**	573,165
Contributed surplus	**42,261**	40,296
Accumulated other comprehensive income	**22,453**	13,803
Retained earnings	**1,329,435**	1,230,500
Total shareholders' equity	**1,969,699**	1,857,764
Total liabilities and shareholder's equity	**$ 5,196,183**	$ 5,057,568

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Canadian $ thousands, except share and per share amounts)	Three months ended June 30 **2014**	Three months ended June 30 2013	Six months ended June 30 **2014**	Six months ended June 30 2013
Revenue				
New equipment	**$ 780,382**	$ 652,955	**$ 1,473,200**	$ 1,296,845
Used equipment	**63,910**	69,866	**122,780**	129,943
Equipment rental	**86,293**	92,791	**173,864**	185,832
Product support	**830,997**	802,495	**1,661,191**	1,563,815
Other	**6,345**	2,037	**13,115**	3,635
Total revenue	**1,767,927**	1,620,144	**3,444,150**	3,180,070
Cost of sales	**(1,244,971)**	(1,106,717)	**(2,422,109)**	(2,168,224)
Gross profit	**522,956**	513,427	**1,022,041**	1,011,846
Selling, general, and administrative expenses	**(388,356)**	(391,889)	**(776,537)**	(773,845)
Equity earnings of joint venture and associate	**3,065**	3,577	**3,790**	6,321
Other income (Note 2)	**–**	52,751	**42**	77,300
Other expenses (Note 2)	**(496)**	(55,322)	**(1,379)**	(82,004)
Earnings before finance costs and income taxes	**137,169**	122,544	**247,957**	239,618
Finance costs (Note 3)	**(23,364)**	(24,343)	**(43,866)**	(45,882)
Income before provision for income taxes	**113,805**	98,201	**204,091**	193,736
Provision for income taxes	**(27,385)**	(15,496)	**(49,764)**	(37,643)
Net income	**$ 86,420**	$ 82,705	**$ 154,327**	$ 156,093
Earnings per share (Note 6)				
Basic	**$ 0.50**	$ 0.48	**$ 0.90**	$ 0.91
Diluted	**$ 0.50**	$ 0.48	**$ 0.89**	$ 0.91
Weighted average number of shares outstanding				
Basic	**172,141,352**	171,984,337	**172,106,171**	171,960,188
Diluted	**172,966,169**	172,323,186	**172,935,134**	172,383,329

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

(Canadian $ thousands)	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Net income	**$ 86,420**	$ 82,705	**$ 154,327**	$ 156,093
Other comprehensive income (loss), net of income tax				
Items that may be reclassified subsequently to net income:				
Foreign currency translation adjustments	**(61,189)**	63,929	**14,572**	81,006
Unrealized gain (loss) on net investment hedges	**20,281**	(33,834)	**(7,215)**	(42,408)
Income tax (expense) recovery on net investment hedges	**(63)**	3,072	**197**	3,655
Foreign currency translation and gain (loss) on net investment hedges, net of income tax	**(40,971)**	33,167	**7,554**	42,253
Unrealized gain (loss) on cash flow hedges	**445**	(6,061)	**(2,176)**	(4,507)
Realized loss (gain) on cash flow hedges, reclassified to earnings	**2,383**	(122)	**3,581**	(1,690)
Income tax (expense) recovery on cash flow hedges	**(580)**	1,214	**(309)**	1,190
Gain (loss) on cash flow hedges, net of income tax	**2,248**	(4,969)	**1,096**	(5,007)
Items that will not be reclassified subsequently to net income:				
Actuarial (loss) gain	**(934)**	(10,890)	**1,742**	(15,243)
Income tax recovery (expense) on actuarial (loss) gain	**144**	2,426	**(329)**	3,849
Actuarial (loss) gain, net of income tax	**(790)**	(8,464)	**1,413**	(11,394)
Total comprehensive income	**$ 46,907**	$ 102,439	**$ 164,390**	$ 181,945

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, 2013	171,909,758	$ 571,100	$ 36,046	$ (43,868)	$ (6,606)	$ 1,009,882	$ 1,566,554
Net income	—	—	—	—	—	156,093	156,093
Other comprehensive income (loss)	—	—	—	42,253	(5,007)	(11,394)	25,852
Total comprehensive income (loss)	—	—	—	42,253	(5,007)	144,699	181,945
Issued on exercise of share options	89,679	1,888	(1,825)	—	—	—	63
Share option expense	—	—	2,755	—	—	—	2,755
Dividends on common shares	—	—	—	—	—	(50,302)	(50,302)
Balance, June 30, 2013	171,999,437	$ 572,988	$ 36,976	$ (1,615)	$ (11,613)	$ 1,104,279	$ 1,701,015
Balance, January 1, 2014	**172,014,230**	**$ 573,165**	**$ 40,296**	**$ 28,103**	**$ (14,300)**	**$ 1,230,500**	**$ 1,857,764**
Net income	**—**	**—**	**—**	**—**	**—**	**154,327**	**154,327**
Other comprehensive income	**—**	**—**	**—**	**7,554**	**1,096**	**1,413**	**10,063**
Total comprehensive income	**—**	**—**	**—**	**7,554**	**1,096**	**155,740**	**164,390**
Issued on exercise of share options	**167,521**	**2,385**	**(2,266)**	**—**	**—**	**—**	**119**
Share option expense	**—**	**—**	**4,231**	**—**	**—**	**—**	**4,231**
Dividends on common shares	**—**	**—**	**—**	**—**	**—**	**(56,805)**	**(56,805)**
Balance, June 30, 2014	**172,181,751**	**$ 575,550**	**$ 42,261**	**$ 35,657**	**$ (13,204)**	**$ 1,329,435**	**$ 1,969,699**

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 June 30		Six months ended June 30	
(Canadian $ thousands)	**2014**	2013	**2014**	2013
OPERATING ACTIVITIES				
Net income	**$ 86,420**	$ 82,705	**$ 154,327**	$ 156,093
Adjusting for:				
Depreciation and amortization	**52,912**	53,680	**107,808**	105,855
Gain on sale of rental equipment and property, plant, and equipment	**(9,748)**	(10,203)	**(11,827)**	(12,800)
Equity earnings of joint venture and associate	**(3,065)**	(3,577)	**(3,790)**	(6,321)
Share-based payment expense	**4,867**	7,363	**7,278**	10,498
Provision for income taxes	**27,385**	15,496	**49,764**	37,643
Finance costs	**23,364**	24,343	**43,866**	45,882
Defined benefit and other post-employment benefit expense	**3,263**	4,165	**6,918**	9,030
Changes in operating assets and liabilities (Note 7)	**30,604**	(80,090)	**(249,146)**	(273,948)
Additions to rental equipment	**(97,648)**	(87,272)	**(146,757)**	(133,565)
Proceeds on disposal of rental equipment	**49,604**	45,695	**98,116**	82,149
Equipment leased to customers, net of disposals	**—**	(140)	**—**	—
Interest paid	**(29,482)**	(31,202)	**(36,197)**	(43,031)
Income tax paid	**(3,878)**	(1,090)	**(13,636)**	(23,787)
Cash flow provided by (used in) operating activities	**134,598**	19,873	**6,724**	(46,302)
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	**(15,767)**	(15,762)	**(31,622)**	(43,171)
Proceeds on disposal of property, plant, and equipment	**3,900**	2,454	**13,465**	2,610
Investment in and advances to associate	**(3,771)**	—	**(3,771)**	(4,542)
Cash flow used in investing activities	**(15,638)**	(13,308)	**(21,928)**	(45,103)
FINANCING ACTIVITIES				
(Decrease) increase in short-term debt	**(102,968)**	13,316	**85,071**	135,003
(Decrease) increase in long-term debt	**(594)**	670	**(844)**	537
Issue of senior notes	**—**	108,389	**—**	108,389
Repayment of Eurobond	**—**	(109,725)	**—**	(109,725)
Issue of common shares on exercise of share options	**18**	—	**119**	63
Dividends paid	**(30,557)**	(26,230)	**(56,805)**	(50,302)
Cash flow (used in) provided by financing activities	**(134,101)**	(13,580)	**27,541**	83,965
Effect of currency translation on cash balances	**(10,244)**	5,856	**(3,551)**	7,557
(Decrease) increase in cash and cash equivalents	**(25,385)**	(1,159)	**8,786**	117
Cash and cash equivalents, beginning of period	**210,439**	116,200	**176,268**	114,924
Cash and cash equivalents, end of period (Note 7)	**$ 185,054**	$ 115,041	**$ 185,054**	$ 115,041

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 Finning International Inc. ("Finning" or "Company") and its subsidiaries were prepared in accordance with International Accounting Standard (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 International Financial Reporting Standards (IFRS) have been omitted or condensed, and therefore these Interim Statements should be read in conjunction with the December 31, 2013 audited annual consolidated financial statements and the accompanying notes. These Interim Statements are presented in Canadian dollars, unless otherwise stated.

These Interim Statements are based on the IFRS and IFRS Interpretations Committee interpretations (IFRIC) issued and effective as of August 6, 2014, the date these Interim Statements were authorized for issuance by the Company's Board of Directors, 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) Changes in Accounting Policy

The Company has adopted the following amendments to standards and new IFRIC for the financial year beginning January 1, 2014:

- Amendments to IAS 19, *Employee Benefits* (effective January 1, 2014) clarifies the accounting by entities with defined benefit plans that require contributions linked only to service in each period. The adoption of this amendment had no impact on the Company's financial position.
- Amendments to IAS 32, *Financial Instruments: Presentation* (effective January 1, 2014) clarifies existing application issues relating to offsetting requirements. The adoption of this amendment had no impact on the Company's financial position.
- IFRIC 21, *Levies* (effective January 1, 2014) provides guidance on the recognition of liabilities to pay levies to government bodies in accordance with legislation. This interpretation had no impact on the Company's financial position.

(b) Future Accounting Pronouncements

The Company has not applied the following new standards and amendments to standards that have been issued but are not yet effective:

- Amendments to IFRS 8, *Operating Segments* (effective January 1, 2015) require disclosure of the judgments made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. Management is currently assessing the impact of the amendments on its annual financial statement disclosures.
- IFRS 15, *Revenue from Contracts with Customers* (effective January 1, 2017) outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers. Management is currently assessing the impact of the new standard.
- IFRS 9, *Financial Instruments* (the IASB tentatively decided an effective date of January 1, 2018) 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.

2. Other Income and Other Expenses

Other income includes the following items:

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2014**	2013	**2014**	2013
Export of agricultural product (a)	**$ —**	$ 52,751	**$ 42**	$ 77,300
	$ —	$ 52,751	**$ 42**	$ 77,300

Other expenses include the following items:

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2014**	2013	**2014**	2013
Costs of export of agricultural product (a)	**$ —**	$ 53,943	**$ 158**	$ 79,341
Project costs (b)	**496**	1,379	**1,221**	2,663
	$ 496	$ 55,322	**$ 1,379**	$ 82,004

(a) In response to the Argentinean government's efforts to balance imports and exports and to manage access to foreign currency, the Company's South American operations began to export an agricultural product from Argentina in the third quarter of 2012. As these export activities are not related to the Company's core business, income and expenses related to these exports have been reported in other income and other expenses effective second quarter 2013.

(b) Project costs relate to the implementation of a new Enterprise Resource Planning (ERP) system for the Company's global operations.

3. Finance Costs

Finance costs include the following items:

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2014**	2013	**2014**	2013
Short-term debt	**$ 4,197**	$ 1,930	**$ 6,305**	$ 3,554
Long-term debt	**15,742**	17,180	**31,472**	34,389
Interest on debt securities	**19,939**	19,110	**37,777**	37,943
Loss on interest rate derivatives	**223**	319	**443**	686
Net interest on pension and other post-employment benefit obligations	**1,214**	1,206	**2,429**	2,436
Other finance related expenses	**2,177**	3,838	**3,411**	5,052
	23,553	24,473	**44,060**	46,117
Less:				
Borrowing costs capitalized to property, plant, and equipment	**(189)**	(130)	**(194)**	(235)
Finance costs	**$ 23,364**	$ 24,343	**$ 43,866**	$ 45,882

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

June 30, 2014 ($ thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Foreign currency forward contracts	**$ —**	**$ 630**	**$ —**	**$ 630**
Total	**$ —**	**$ 630**	**$ —**	**$ 630**
Financial liabilities at fair value through profit or loss				
Foreign currency forward contracts	**$ —**	**$ (5,364)**	**$ —**	**$ (5,364)**
Variable rate share forward contract	**—**	**(5,667)**	**—**	**(5,667)**
Total	**$ —**	**$ (11,031)**	**$ —**	**$ (11,031)**

December 31, 2013 ($ thousands)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Foreign currency forward contracts	$ —	$ 1,403	$ —	$ 1,403
Total	$ —	$ 1,403	$ —	$ 1,403
Financial liabilities at fair value through profit or loss				
Foreign currency forward contracts	$ —	$ (4,372)	$ —	$ (4,372)
Variable rate share forward contract	—	(11,673)	—	(11,673)
Total	$ —	$ (16,045)	$ —	$ (16,045)

The Company did not move any instruments between levels of the fair value hierarchy during the six months ended June 30, 2014 and year ended December 31, 2013.

Variable rate share forward (Level 2)

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

Other derivative instruments (Level 2)

The fair value of other derivative instruments is determined using present value techniques applied to estimated future cash flows. These techniques utilize a combination of quoted prices and market observable inputs. Where appropriate, fair values are adjusted for credit risk based on observed credit default spreads or fair market yield curves for counterparties when the derivative instrument is an asset and based on Finning's credit risk when the derivative instrument is a liability. Finning's credit risk is derived from yield spreads on Finning's market quoted debt.

The fair value of foreign currency forward contracts 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 the maturity date derived from observed forward prices.

The fair values of accounts receivable, instalment notes receivable, short-term debt, and accounts payable approximate 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:

	June 30, 2014		December 31, 2013	
($ thousands)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Long-term debt	**$ 1,373,707**	**$ 1,449,219**	$ 1,367,155	$ 1,376,578

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. The present value of future cash flows is discounted using the yield to maturity rate as at the measurement date. This technique utilizes a combination of quoted prices and market observable inputs (Level 2).

5. SHARE BASED PAYMENTS

The Company has a number of share-based compensation plans in the form of share options and other share-based compensation plans noted below.

Share Options

Details of the share option plans are as follows:

	Six months ended June 30, 2014		Twelve months ended December 31, 2013	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	**5,684,770**	**$ 24.93**	5,060,053	$ 25.53
Granted	**989,570**	**$ 29.17**	1,536,900	$ 22.64
Exercised [(1)]	**(454,334)**	**$ 18.69**	(420,419)	$ 18.67
Forfeited	**(782,930)**	**$ 31.36**	(491,764)	$ 29.30
Options outstanding, end of period	**5,437,076**	**$ 25.29**	5,684,770	$ 24.93
Exercisable at period end	**3,154,470**	**$ 24.88**	3,548,564	$ 25.67

(1) Share options exercised in 2014 comprised both cash and cashless exercises. Under the 2005 Stock Option Plan, exercises generally utilize the cashless method, whereby the actual number of shares issued is represented by the premium between the fair value at the time of exercise and the grant value, and the equivalent value of the number of options up to the grant value is withheld. 454,334 options were exercised in 2014 under the 2005 Stock Option Plan resulting in 167,521 common shares issued; 286,813 options were withheld and returned to the option pool for future issues/grants.

In the second quarter of 2014, the Company granted 989,570 common share options to senior executives and management of the Company (Q2 2013: 1,358,310 common share options). The Company's practice is to grant and price share options only when it is felt that all material information has been disclosed to the market.

The fair value of the options granted in 2014 has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Dividend yield	2.39%
Expected volatility [(1)]	33.86%
Risk-free interest rate	1.65%
Expected life	5.59 years

(1) Expected volatility is based on historical share price volatility of Finning shares

The weighted average grant date fair value of options granted during the six month period was $7.58 (2013: $6.36).

Other Share-Based Compensation Plans

The Company has other share-based compensation plans in the form of deferred share units and performance share units that use notional common share units. Details of the plans with significant changes subsequent to December 31, 2013 are as follows:

Directors

Directors' Deferred Share Unit Plan A (DDSU)

Under the Deferred Share Unit Plan (DDSU) for members of the Board of Directors, non-employee Directors of the Company were granted a total of 15,531 share units in Q2 2014 (Q2 2013: 19,314 share units).

Executive

Performance Share Unit Plan (PSU)

Under the 2014 PSU Plan, executives of the Company may be awarded performance share units as approved by the Board of Directors. This plan utilizes notional units that become vested dependent on achieving future specified performance levels. All PSUs granted in 2014 will be divided equally into two categories. Half of the awards is based on the extent to which the Company's average return on invested capital achieves or exceeds the specified performance levels over a three-year period (ROIC PSUs). The remaining half of the awards is based on the performance of the Company's share price over the three-year period relative to the performance of the share prices of all companies in the S&P/TSX Capped Industrials Index (TSR PSUs). Vested performance share units are redeemable in cash based on the common share price at the end of the performance period.

Executives of the Company were granted a total of 331,380 performance share units in Q2 2014, based on 100% vesting (Q2 2013: 455,630 performance share units).

6. 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 potentially dilutive common shares, which comprise share options granted to employees.

($ thousands, except share and per share amounts)	Three months ended June 30			Six months ended June 30		
2014	Income	Shares	Per Share	Income	Shares	Per Share
Basic EPS:						
Net income	**$ 86,420**	**172,141,352**	**$ 0.50**	**$ 154,327**	**172,106,171**	**$ 0.90**
Effect of dilutive securities: share options	—	**824,817**	—	—	**828,963**	—
Diluted EPS:						
Net income and assumed conversions	**$ 86,420**	**172,966,169**	**$ 0.50**	**$ 154,327**	**172,935,134**	**$ 0.89**
2013						
Basic EPS:						
Net income	$ 82,705	171,984,337	$ 0.48	$ 156,093	171,960,188	$ 0.91
Effect of dilutive securities: share options	—	338,849	—	—	423,141	—
Diluted EPS:						
Net income and assumed conversions	$ 82,705	172,323,186	$ 0.48	$ 156,093	172,383,329	$ 0.91

7. Supplemental Cash Flow Information

Changes in operating assets and liabilities

($ thousands)	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Accounts receivable and other assets	**$ 2,373**	$ 20,813	**$ (34,473)**	$ (62,560)
Service work in progress	**(12,708)**	9,303	**(29,732)**	(1,494)
Inventories – on-hand equipment	**61,912**	(62,394)	**(53,903)**	44,540
Inventories – parts and supplies	**32,195**	23,781	**(3,886)**	(54,625)
Instalment notes receivable	**(12,896)**	4,011	**(11,081)**	5,942
Accounts payable and accruals and other liabilities	**(31,225)**	(73,638)	**(105,506)**	(199,143)
Income tax recoverable/payable	**(9,047)**	(1,966)	**(10,565)**	(6,608)
Changes in operating assets and liabilities	**$ 30,604**	$ (80,090)	**$ (249,146)**	$ (273,948)

Components of cash and cash equivalents

June 30 ($ thousands)	2014	2013
Cash	**$ 183,674**	$ 111,500
Short-term investments	**1,380**	3,541
Cash and cash equivalents	**$ 185,054**	$ 115,041

8. Employee Benefits

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

	June 30, 2014 Canada	June 30, 2014 UK	December 31, 2013 Canada	December 31, 2013 UK	June 30, 2013 Canada	June 30, 2013 UK
Discount rate – obligation	**4.1%**	**4.2%**	4.6%	4.5%	4.5%	4.7%
Discount rate – expense[1]	**4.6%**	**4.5%**	4.1%	4.6%	4.1%	4.6%
Retail price inflation – obligation	**n/a**	**3.3%**	n/a	3.5%	n/a	3.5%
Retail price inflation – expense[1]	**n/a**	**3.5%**	n/a	3.0%	n/a	3.0%

(1) Used to determine the net interest cost and expense for the three months ended June 30, 2014 and June 30, 2013, and the year ended December 31, 2013.

The Company's Canadian defined benefit obligation as at June 30, 2014 is estimated using updated mortality assumptions resulting in actuarial losses on plan liabilities of approximately $8 million being recognized in the three months then ended.

The three and six month expense and actuarial loss (gain) for the Company's pension plans is as follows:

Three months ended ($ thousands)	**June 30, 2014 Canada**	**June 30, 2014 UK & Ireland**	**June 30, 2014 Total**	June 30, 2013 Canada	June 30, 2013 UK & Ireland	June 30, 2013 Total
Defined contribution (DC) pension plans						
Net benefit cost	**$ 8,795**	**$ 2,197**	**$ 10,992**	$ 8,201	$ 1,675	$ 9,876
Defined benefit (DB) pension plans						
Current service cost, net of employee contributions	**1,760**	**—**	**1,760**	2,405	—	2,405
Administration costs	**99**	**275**	**374**	99	302	401
Net interest cost	**367**	**545**	**912**	510	429	939
Net benefit cost	**2,226**	**820**	**3,046**	3,014	731	3,745
Net DC and DB benefit cost recognized in net income	**$ 11,021**	**$ 3,017**	**$ 14,038**	$ 11,215	$ 2,406	$ 13,621
Actuarial (gain) loss on plan assets	**$(11,451)**	**$ (5,646)**	**$(17,097)**	$ 11,519	$ 15,129	$ 26,648
Actuarial loss (gain) on plan liabilities	**10,298**	**7,733**	**18,031**	(23,435)	7,677	(15,758)
Total actuarial (gain) loss recognized in other comprehensive income	**$ (1,153)**	**$ 2,087**	**$ 934**	$(11,916)	$ 22,806	$ 10,890

Six months ended ($ thousands)	**June 30, 2014 Canada**	**June 30, 2014 UK & Ireland**	**June 30, 2014 Total**	June 30, 2013 Canada	June 30, 2013 UK & Ireland	June 30, 2013 Total
Defined contribution (DC) pension plans						
Net benefit cost	**$ 19,184**	**$ 4,360**	**$ 23,544**	$ 18,449	$ 3,341	$ 21,790
Defined benefit (DB) pension plans						
Current service cost, net of employee contributions	**3,630**	**—**	**3,630**	4,805	—	4,805
Administration costs	**198**	**549**	**747**	198	341	539
Net interest cost	**744**	**1,088**	**1,832**	1,020	855	1,875
Net benefit cost	**4,572**	**1,637**	**6,209**	6,023	1,196	7,219
Net DC and DB benefit cost recognized in net income	**$ 23,756**	**$ 5,997**	**$ 29,753**	$ 24,472	$ 4,537	$ 29,009
Actuarial (gain) loss on plan assets	**$(27,808)**	**$(10,487)**	**$(38,295)**	$ 4,044	$(10,971)	$ (6,927)
Actuarial loss on plan liabilities	**28,079**	**18,066**	**46,145**	4,239	17,931	22,170
Total actuarial loss recognized in other comprehensive income	**$ 271**	**$ 7,579**	**$ 7,850**	$ 8,283	$ 6,960	$ 15,243

The actuarial gain recognized in other comprehensive income for the Company's other post-employment benefit obligations for the six months ended June 30, 2014 was $9.6 million.

Subsequent to the second quarter of 2014, the Company elected to invest a portion of its Canadian defined benefit plan assets in insurance contracts (totaling $129.2 million) in order to partly mitigate the Company's exposure to investment and longevity risk. This change in investments results in an actuarial loss of approximately $10 million that will be recognized in other comprehensive income in the third quarter of 2014. There is no change to the Company's responsibility and commitment to the Canadian defined benefit pension plans and their members.

9. 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 segments are:

Three months ended June 30, 2014 ($ thousands)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consolidated**
Revenue from external sources	**$ 930,082**	**$ 567,901**	**$ 269,944**	**$ —**	**$ 1,767,927**
Operating costs	**(828,815)**	**(493,053)**	**(248,823)**	**(9,724)**	**(1,580,415)**
Depreciation and amortization	**(27,801)**	**(17,654)**	**(7,435)**	**(22)**	**(52,912)**
	73,466	**57,194**	**13,686**	**(9,746)**	**134,600**
Equity earnings (loss)	**3,332**	**—**	**—**	**(267)**	**3,065**
Other expenses (Note 2)	**—**	**(496)**	**—**	**—**	**(496)**
Earnings (loss) before finance costs and income taxes	**$ 76,798**	**$ 56,698**	**$ 13,686**	**$ (10,013)**	**$ 137,169**
Finance costs					**(23,364)**
Provision for income taxes					**(27,385)**
Net income					**$ 86,420**
Invested capital [1]	**$ 1,755,588**	**$ 1,274,250**	**$ 308,722**	**$ (4,986)**	**$ 3,333,574**
Identifiable assets	**$ 2,491,575**	**$ 2,021,042**	**$ 623,718**	**$ 59,848**	**$ 5,196,183**
Capital and rental equipment [2]	**$ 680,760**	**$ 347,265**	**$ 115,326**	**$ 515**	**$ 1,143,866**
Gross capital expenditures [3]	**$ 7,876**	**$ 1,918**	**$ 5,970**	**$ 192**	**$ 15,956**
Gross rental asset expenditures [3]	**$ 90,808**	**$ 4,872**	**$ 1,973**	**$ —**	**$ 97,653**

Three months ended June 30, 2013 ($ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	$ 767,732	$ 628,900	$ 223,512	$ —	$ 1,620,144
Operating costs	(681,135)	(549,161)	(203,040)	(11,590)	(1,444,926)
Depreciation and amortization	(28,161)	(18,012)	(7,488)	(19)	(53,680)
	58,436	61,727	12,984	(11,609)	121,538
Equity earnings	2,563	—	—	1,014	3,577
Other income (Note 2)	—	52,751	—	—	52,751
Other expenses (Note 2)	—	(54,987)	(335)	—	(55,322)
Earnings (loss) before finance costs and income taxes	$ 60,999	$ 59,491	$ 12,649	$ (10,595)	$ 122,544
Finance costs					(24,343)
Provision for income taxes					(15,496)
Net income					$ 82,705
Invested capital [1]	$ 1,740,274	$ 1,453,932	$ 259,307	$ (10,431)	$ 3,443,082
Identifiable assets	$ 2,534,784	$ 2,204,482	$ 509,185	$ 53,117	$ 5,301,568
Capital and rental equipment [2]	$ 688,593	$ 398,734	$ 94,635	$ 232	$ 1,182,194
Gross capital expenditures [3]	$ 11,344	$ 4,835	$ 317	$ —	$ 16,496
Gross rental asset expenditures [3]	$ 68,712	$ 15,619	$ 2,941	$ —	$ 87,272

(1) Invested capital is calculated as total assets less total liabilities, excluding net debt
(2) Capital includes property, plant, and equipment and intangibles
(3) Includes finance leases and borrowing costs capitalized

Six months ended June 30, 2014 ($ thousands)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consolidated**
Revenue from external sources	**$ 1,821,117**	**$ 1,117,564**	**$ 505,469**	**$ —**	**$ 3,444,150**
Operating costs	**(1,639,695)**	**(973,947)**	**(464,273)**	**(12,923)**	**(3,090,838)**
Depreciation and amortization	**(55,731)**	**(36,040)**	**(15,996)**	**(41)**	**(107,808)**
	125,691	**107,577**	**25,200**	**(12,964)**	**245,504**
Equity earnings (loss)	**4,796**	**—**	**—**	**(1,006)**	**3,790**
Other income (Note 2)	**—**	**42**	**—**	**—**	**42**
Other expenses (Note 2)	**—**	**(1,379)**	**—**	**—**	**(1,379)**
Earnings (loss) before finance costs and income taxes	**$ 130,487**	**$ 106,240**	**$ 25,200**	**$ (13,970)**	**$ 247,957**
Finance costs					**(43,866)**
Provision for income taxes					**(49,764)**
Net income					**$ 154,327**
Invested capital [1]	**$ 1,755,588**	**$ 1,274,250**	**$ 308,722**	**$ (4,986)**	**$ 3,333,574**
Identifiable assets	**$ 2,491,575**	**$ 2,021,042**	**$ 623,718**	**$ 59,848**	**$ 5,196,183**
Capital and rental equipment [2]	**$ 680,760**	**$ 347,265**	**$ 115,326**	**$ 515**	**$ 1,143,866**
Gross capital expenditures [3]	**$ 17,775**	**$ 7,186**	**$ 6,492**	**$ 363**	**$ 31,816**
Gross rental asset expenditures [3]	**$ 137,289**	**$ 6,688**	**$ 2,785**	**$ —**	**$ 146,762**

Six months ended June 30, 2013 ($ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	$ 1,523,700	$ 1,241,987	$ 414,383	$ —	$ 3,180,070
Operating costs	(1,356,706)	(1,086,096)	(374,682)	(18,730)	(2,836,214)
Depreciation and amortization	(54,467)	(35,248)	(16,102)	(38)	(105,855)
	112,527	120,643	23,599	(18,768)	238,001
Equity earnings	5,121	—	—	1,200	6,321
Other income (Note 2)	—	77,300	—	—	77,300
Other expenses (Note 2)	—	(81,320)	(684)	—	(82,004)
Earnings (loss) before finance costs and income taxes	$ 117,648	$ 116,623	$ 22,915	$ (17,568)	$ 239,618
Finance costs					(45,882)
Provision for income taxes					(37,643)
Net income					$ 156,093
Invested capital [1]	$ 1,740,274	$ 1,453,932	$ 259,307	$ (10,431)	$ 3,443,082
Identifiable assets	$ 2,534,784	$ 2,204,482	$ 509,185	$ 53,117	$ 5,301,568
Capital and rental equipment [2]	$ 688,593	$ 398,734	$ 94,635	$ 232	$ 1,182,194
Gross capital expenditures [3]	$ 23,383	$ 12,622	$ 916	$ 125	$ 37,046
Gross rental asset expenditures [3]	$ 104,670	$ 24,908	$ 3,987	$ —	$ 133,565

(1) Invested capital is calculated as total assets less total liabilities, excluding net debt
(2) Capital includes property, plant, and equipment and intangibles
(3) Includes finance leases and borrowing costs capitalized

10. SUBSEQUENT EVENT

On July 4, 2014, the Company's UK and Ireland operations acquired 100% of the shares of Reaction One Limited (UK) and Alveton Limited (Ireland). With this acquisition, the newly formed company named SITECH will sell and service Trimble's heavy and highway machine control and monitoring products in all of its dealership territories (rights in the Company's Canadian and South American dealership operations were acquired in 2011). Trimble is Caterpillar's global technologies joint venture partner in construction and other industries. Cash consideration of $13.9 million (£7.6 million) was paid at the time of acquisition, which may be subject to customary closing adjustments. Further contingent consideration with a possible range of £nil - £3.5 million may be paid after acquisition, contingent upon the profitability of the acquired business over the next three years. Due to the short time period that has elapsed since the acquisition was completed, initial accounting for the business combination is not yet complete.