

## Finning Reports Q3 2011 Results

### Q3 2011 HIGHLIGHTS

- Revenue increased by over 10% to \$1.3 billion, driven by continued growth in new equipment sales in all operations and record product support revenues in South America and the UK and Ireland in functional currency.
- South America delivered record quarterly EBIT. In the UK and Ireland, EBIT more than tripled over the prior year's quarter.
- As previously disclosed, the five-week strike in British Columbia and the enterprise resource planning (ERP) implementation resulted in lower Canadian revenues, and additional system support costs were incurred, reducing earnings by approximately 25 cents per share in Q3 2011.
- Consolidated EBIT declined by just over 50% to \$46 million, and basic EPS was \$0.21 compared to \$0.37 in Q3 2010 primarily due to the impact of the Canadian ERP implementation.
- Backlog improved to \$1.8 billion, reflecting continuing robust demand from mining and heavy construction sectors.

**Vancouver, B.C.** – Finning International Inc. (TSX: FTT) reported quarterly revenues of \$1.3 billion, a 10% increase over Q3 2010. Earnings before interest and income taxes (EBIT)<sup>(1)</sup> of \$46 million declined by 51% from Q3 2010, and EBIT margin was 3.5% compared to 7.9% in Q3 2010. Basic earnings per share (EPS) was \$0.21, down 43% from Q3 2010. As previously disclosed, third quarter results were negatively impacted by the ERP system implementation in Canada in the quarter and the strike in British Columbia, together totaling approximately \$0.25 per share.

“Our third quarter results continue to reflect strong market conditions in our core businesses. We posted higher new equipment sales in all operations and achieved outstanding product support revenues in South America and the U.K. and Ireland. Importantly, we demonstrated improved operating leverage in South America, where EBIT reached a new record, and our operations in the U.K. and Ireland more than tripled their EBIT contribution from a year ago,” said Mike Waites, president and CEO, Finning International. “The functionality of our ERP system in Canada has improved considerably since go-live, and I am confident the system will deliver the expected operational benefits and support our growth objectives. As we continue to execute on our long-term strategy, I am optimistic about our growth opportunities going into 2012. Discussions continue with Caterpillar regarding the potential acquisition of the Bucyrus distribution business.”

The outlook for mining, construction and power systems markets for 2012 and 2013 remains solid, and the strong backlog provides good visibility into 2012 business levels. The Company remains committed to driving profitability improvements in all operations and achieving its 10% EBIT margin target in 2013.

### Q3 2011 FINANCIAL SUMMARY

Beginning with Q1 2011, the Company's financial results are reported under IFRS (International Financial Reporting Standards)<sup>(2)</sup>.

C\$ millions, except per share amounts (unaudited)	Three months ended Sep 30		
	2011	2010	% change
Revenue	<b>1,329</b>	1,206	10
Earnings before interest and income taxes (EBIT) <sup>(1)</sup>	<b>46</b>	95	(51)
Net income	<b>35</b>	63	(44)
Basic EPS	<b>0.21</b>	0.37	(43)
Earnings before interest, income taxes, depreciation and amortization (EBITDA) <sup>(1)</sup>	<b>91</b>	132	(31)
Free cash flow <sup>(1)(3)</sup>	<b>(119)</b>	24	n/m

- Revenues of \$1.3 billion were up 10% from Q3 2010, driven by higher new equipment sales in all operations. New equipment sales increased by 21%, supported by continued strength in mining and heavy construction. Record product support revenues in South America and the UK & Ireland in functional currency were offset by lower parts and service revenues in Canada due to the combined negative impact of the ERP system implementation and the B.C. strike. As a result, consolidated product support revenues declined by 1%. Used equipment sales were 1% lower mostly due to lower sales in Canada, and rental revenues were 22% higher, reflecting strong demand.
- Gross profit increased by 2% from Q3 2010. Gross profit margin declined to 27.7% from 30.0% as revenue mix shifted in favour of new equipment sales in all operations. New equipment sales contributed 50% to the total revenue compared to 45% in Q3 2010. Product support comprised 39% of the total revenue compared to 44% in Q3 of last year, primarily due to lower product support revenues in Canada.
- Selling, general and administrative (SG&A) expenses as a percentage of revenue increased to 23.3% from 21.4% in Q3 2010 primarily as a result of additional costs related to the new ERP system implementation issues in Canada in the quarter. The Company remains committed to driving SG&A expenses as a percentage of revenue down to approximately 20% by 2013.
- EBIT was down by 51% to \$46 million, and consolidated EBIT margin was 3.5% compared to 7.9% in Q3 2010. The Company continued to demonstrate improved operating leverage in South America and the U.K. and Ireland, where earnings growth outpaced revenue growth in the quarter. EBIT was at record levels in South America and very strong in the UK and Ireland. Consolidated EBIT reflects lower profitability in Canada, resulting from the ERP system implementation and the strike.
- Net income declined by 44% to \$35 million and basic EPS was \$0.21 compared to \$0.37 in Q3 2010. The negative impact of the ERP system implementation in Canada and the strike in B.C. is estimated at approximately \$0.25 per share. Foreign exchange had a negative impact of \$0.03 per share compared to Q3 2010.
- EBITDA, which is an indicator of a company's cash operating performance, declined by 31% to \$91 million. Quarterly free cash flow was a \$119 million use of cash, compared to \$24 million generation of cash in Q3 2010. The use of cash in the quarter was driven by higher inventory levels in Canada and South America to support expected deliveries in Q4 and into 2012. Third quarter free cash flow was also negatively impacted by the ERP system implementation with reduced parts sales volumes affecting inventories and collections in Canada. The Company expects to generate positive free cash flow in Q4 2011 with higher scheduled deliveries and related collections as well as moderating inventory additions. Free cash flow is expected to be negative for the full year, reflecting the required level of working capital to meet continued strong demand for equipment and parts. The Company continues to closely manage its working capital to ensure a strong balance sheet.
- The Company's net debt to total capital ratio<sup>(6)</sup> was 48.7% compared to 45.6% at the end of June 2011 due to a decrease in cash levels to support the higher working capital requirements. With positive free cash flow expected in the fourth quarter, the net debt to total capital ratio is expected to be within the Company's target range by the end of 2011.

- Consolidated backlog increased to \$1.8 billion from \$1.7 billion at the end of June, as new order intake exceeded deliveries in all operations. There were no unusual order cancellations in any of the Company's operations in Q3 2011.

### **Q3 2011 HIGHLIGHTS BY OPERATIONS**

#### ***Canada***

- Third quarter revenues were up by 4% from Q3 2010, as a 15% increase in new equipment sales was partly offset by a 10% decline in product support revenues. New equipment sales were robust across all sectors and particularly strong in mining. Product support revenues were negatively impacted by the ERP system implementation issues and the five-week strike in British Columbia.
- Following the launch of its new ERP system in Canada in July, the Company experienced implementation issues affecting parts supply, warehousing and distribution operations. Finning's Canadian operations have since tested and deployed a series of application changes to improve the functionality and reliability of the system to process and distribute parts to customers. With improved functionality in the application, the next phase of work will focus on enhancing user proficiency, business process improvements, and introducing controlled system improvements to achieve greater efficiency over time. The ability to process parts orders has grown considerably since go-live and the Company expects fourth quarter parts activity levels to be substantially improved and approaching near normal volumes.
- SG&A costs increased as a percentage of revenues relative to Q3 2010 primarily due to additional costs related to the new ERP system implementation issues noted above. The Company expects to continue to experience these higher costs in Q4 2011, but at a reduced rate.
- Finning Canada reported a loss before interest and tax of \$2 million compared to EBIT of \$47 million in Q3 2010, reflecting reduced sales volumes directly related to ERP go-live issues, lower gross profit margins and additional system support costs. As a result, EBIT margin was a negative 0.3%, significantly lower than 8.0% in Q3 2010 and 9.0% achieved in the second quarter of 2011. Despite the setback caused by the ERP start-up challenges, Finning Canada remains committed to achieving its 10% EBIT margin target in 2013.

#### ***South America***

- Third quarter revenues increased by 14% from Q3 2010, driven by strong new equipment sales and continued growth in product support across all sectors. In functional currency (USD), revenues rose by 21% from Q3 2010, with new equipment sales up 28% and product support climbing 14% to record levels. New equipment sales to the construction industry were particularly robust in the quarter, while the Chilean mining sector continued to drive solid product support growth.
- SG&A costs as a percentage of revenue were marginally higher compared to Q3 2010, reflecting a 12% increase in the workforce to support the growing product support business. The Company continues to manage cost pressures associated with strong business volumes and a tight and competitive labour market.
- EBIT of \$50 million reached a new record and was 20% higher compared to Q3 2010 (in functional currency, EBIT increased by 26%). EBIT margin improved to 9.4% from 9.0% in Q3 2010, driven by record product support revenues and higher or comparable gross profit margins in most lines of business. Finning South America is on track to achieve its EBIT margin target of 10% to 11% in 2013.

#### ***United Kingdom and Ireland***

- Quarterly revenues were up 23% from Q3 2010, driven by higher new equipment sales in the heavy construction and power systems sectors and record product support revenues in functional currency (GBP). Quarterly revenues increased by 25% in functional currency, with a 40% increase in new equipment sales and an 8% increase in product support.
- EBIT rose to \$13 million from \$4 million in Q3 2010, and the quarterly EBIT margin improved significantly to 6.8% from 2.6% a year ago. Higher volumes and reduced SG&A costs as a percentage of revenue drove improved profitability in the quarter despite a shift in revenue mix to a higher proportion of new equipment sales, from 50% of total revenue in Q3 2010 to 56% in Q3 2011. The Company expects to continue making solid progress towards achieving a 7% to 8% EBIT margin in the UK and Ireland in 2013.

## **CORPORATE AND BUSINESS DEVELOPMENTS**

### **Dividend**

The Board of Directors approved a quarterly dividend of \$0.13 per share; payable on December 9, 2011 to shareholders of record on November 25, 2011. This dividend will be considered an eligible dividend for Canadian income tax purposes.

### **Leadership Change at Finning Canada**

On October 18, the Company announced the appointment of Andy Fraser as president of Finning Canada. Mr. Fraser has held a variety of senior roles across the Company's operations in his career covering over 30 years with Finning. In his most recent role as executive vice president, power systems and global business development for Finning International, he was responsible for growing Finning's power systems capabilities globally and managing the Company's investments in OEM Remanufacturing Company Inc., PipeLine Machinery International and Energyst. Prior to this role, Mr. Fraser was managing director, Finning UK Group where he laid the groundwork for a renewed business strategy, including the successful restructuring of the U.K. operations and the acquisition of the Ireland territory. Mr. Fraser replaces Dave Parker, who stepped down from his role with the Company.

**SELECTED CONSOLIDATED FINANCIAL INFORMATION**  
(from continuing operations unless otherwise stated, C\$ millions, except per share amounts)

	Three months ended Sep 30			Nine months ended Sep 30		
	2011	2010	% change	2011	2010	% change
Revenue						
New equipment	661.0	548.1	21	1,899.0	1,301.3	46
Used equipment	52.3	53.0	(1)	174.9	198.3	(12)
Equipment rental	87.9	71.8	22	248.0	197.3	26
Product support	524.8	531.2	(1)	1,753.0	1,534.6	14
Other	3.1	2.1	51	9.4	6.6	43
<b>Total revenue</b>	<b>1,329.1</b>	<b>1,206.2</b>	<b>10</b>	<b>4,084.3</b>	<b>3,238.1</b>	<b>26</b>
Gross profit	367.9	362.2	2	1,205.2	983.8	23
<i>Gross profit margin<sup>(4)</sup></i>	<i>27.7%</i>	<i>30.0%</i>		<i>29.5%</i>	<i>30.4%</i>	
SG&A	(310.2)	(258.7)	(20)	(912.3)	(758.7)	(20)
<i>SG&amp;A as a percentage of revenue</i>	<i>(23.3)%</i>	<i>(21.4)%</i>		<i>(22.3)%</i>	<i>(23.4)%</i>	
Equity earnings	1.9	1.8		3.7	2.5	
Other expenses	(13.4)	(10.6)	(25)	(24.2)	(26.1)	8
<b>EBIT<sup>(2)</sup></b>	<b>46.2</b>	<b>94.7</b>	<b>(51)</b>	<b>272.4</b>	<b>201.5</b>	<b>35</b>
<i>EBIT margin<sup>(5)</sup></i>	<i>3.5%</i>	<i>7.9%</i>		<i>6.7%</i>	<i>6.2%</i>	
Income from continuing operations	35.4	63.4	(44)	188.8	125.6	50
Loss from discontinued operations, net of tax	-	-		-	(125.0)	
<b>Net income (loss)</b>	<b>35.4</b>	<b>63.4</b>		<b>188.8</b>	<b>0.6</b>	
Basic earnings (loss) per share (EPS)						
from continuing operations	0.21	0.37	(43)	1.10	0.73	51
from discontinued operations	-	-		-	(0.73)	
<b>Total basic earnings (loss) per share</b>	<b>0.21</b>	<b>0.37</b>		<b>1.10</b>	<b>0.00</b>	
<b>EBITDA<sup>(2)</sup></b>	<b>90.5</b>	<b>131.8</b>	<b>(31)</b>	<b>398.1</b>	<b>315.9</b>	<b>26</b>
<b>Free Cash Flow<sup>*(2)/(3)</sup></b>	<b>(118.6)</b>	<b>23.7</b>	<b>n/m</b>	<b>(501.8)</b>	<b>140.2</b>	<b>n/m</b>
				<b>Sep 30, 11</b>	<b>Dec 31, 10</b>	
Total assets				4,086.8	3,429.7	
Total shareholders' equity				1,316.0	1,203.0	
Net debt to total capital <sup>(6)</sup>				48.7%	35.3%	

\* Free cash flow from Hewden Stuart Limited has been included in the figures for periods prior to its sale.

### Q3 2011 RESULTS INVESTOR CALL

Management will hold an investor conference call on Tuesday, November 8 at 11:00 am Eastern Time. Dial-in numbers: 1-866-223-7781 (anywhere within Canada and the U.S.) or (416) 340-8018 (for participants dialing from Toronto and overseas).

The call will be webcast live and subsequently archived at [www.finning.com](http://www.finning.com). Playback recording will be available at 1-800-408-3053 from 1:00 pm Eastern Time on November 8 until November 15. The pass code to access the playback recording is 1052651 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 since 1933. Finning sells, rents and services equipment and engines to help customers maximize productivity. Headquartered in Vancouver, B.C., the Company operates in western Canada, Chile, Argentina, Bolivia, Uruguay, as well as in the United Kingdom and Ireland.

### CONTACT INFORMATION

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### Footnotes

- (1) These amounts do not have a standardized meaning under generally accepted accounting principles. For a reconciliation of these amounts to net income and cash flow from operating activities, see the heading "Description of Non-GAAP Measures" in the Company's management discussion and analysis that accompanies the third quarter consolidated financial statements.
- (2) Beginning in 2011, the Company's results are now being prepared in accordance with International Financial Reporting Standards ("IFRS"). Finning's accounting policies have changed and the presentation, financial statement captions and terminology used in this news release and the accompanying unaudited financial statements differ from that used in all previously issued financial statements and quarterly and annual reports. The new policies have been consistently applied to all of the years presented in this news release and all prior period information has been restated or reclassified for comparative purposes unless otherwise noted. Further details on the conversion to IFRS are provided in the management's discussion and analysis section of this news release and in the notes to Finning's unaudited consolidated financial statements as at and for the quarter ended September 30, 2011.
- (3) Free cash flow is defined as cash flow provided by (used in) operating activities less net property, plant and equipment expenditures.
- (4) Gross profit margin is defined as gross profit as a percentage of total revenue.
- (5) EBIT margin is defined as earnings before interest and income taxes as a percentage of total revenue.
- (6) Net debt to total capital ratio is calculated as short-term debt and long-term debt, net of cash and cash equivalents (net debt) divided by total capitalization. Total capitalization is defined as the sum of net debt and all components of equity (share capital, contributed surplus, accumulated other comprehensive loss, and retained earnings).

## Forward-Looking Disclaimer

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; expected revenue and SG&A levels and EBIT growth; anticipated generation of free cash flow (including projected net capital and rental expenditures), and its expected use; anticipated defined benefit plan contributions; the expected target range of Debt Ratio; the expected quantitative impact on the 2010 consolidated statements of financial position and statements of income and comprehensive income of the Company's transition to IFRS effective January 1, 2010; and the impact on new and revised IFRS that have been issued but are not yet effective. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this report describe our expectations at November 8, 2011. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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

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

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

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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the financial results of Finning International Inc. (Finning or the Company) should be read in conjunction with the interim consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Canadian dollars unless otherwise stated. Prior to January 1, 2011, Finning prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles. For more information about the Company's conversion to IFRS, please see the 'Explanation of Transition to IFRS' section of this Management's Discussion and Analysis (MD&A), Notes 1 and 9-17 of the Q1 2011 interim condensed consolidated financial statements, and Note 11 of the Q3 2011 interim condensed consolidated financial statements. 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](http://www.sedar.com).

### Results of Operations

The results from continuing operations described in this MD&A include those of acquired businesses from the date of their purchase and exclude results from operations that have been disposed of or are classified as discontinued. Results of operations from businesses that qualified as discontinued operations have been reclassified to that category for all periods presented unless otherwise noted.

#### Third Quarter Overview

	Q3 2011	Q3 2010	Q3 2011	Q3 2010
	(\$ millions)		(% of revenue)	
Revenue	\$ 1,329.1	\$ 1,206.2		
Gross profit	367.9	362.2	27.7%	30.0%
Selling, general & administrative expenses	(310.2)	(258.7)	(23.3)%	(21.4)%
Equity earnings of joint venture and associate	1.9	1.8	0.1%	0.2%
Other expenses	(13.4)	(10.6)	(1.0)%	(0.9)%
Earnings before interest and income taxes (EBIT) <sup>(1)</sup>	46.2	94.7	3.5%	7.9%
Finance costs	(10.8)	(9.6)	(0.8)%	(0.8)%
Provision for income taxes	—	(21.7)	—	(1.8)%
Net income	\$ 35.4	\$ 63.4	2.7%	5.3%
Basic earnings (loss) per share (EPS)	\$ 0.21	\$ 0.37		
Earnings before interest, taxes, depreciation, and amortization (EBITDA) <sup>(1)</sup>	\$ 90.5	\$ 131.8	6.8%	10.9%
Free Cash Flow <sup>(1) (2)</sup>	\$ (118.6)	\$ 23.7		

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

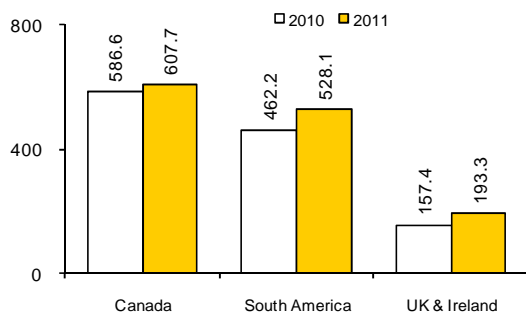
(2) Free Cash Flow is defined as cash flow provided by (used in) operating activities less net property, plant, and equipment expenditures.



## Revenue by Operation

(\$ millions)

Three months ended September 30



Third quarter consolidated revenues of \$1.3 billion were up 10.2% from the comparable quarter in 2010, with higher revenues contributed by all operations. The increase in revenues reflected the growing demand for new equipment in all of the Company's regions.

Revenues from the Company's Canadian operations increased 3.6% in the third quarter of 2011 compared with the same period last year, largely due to higher new equipment sales. New equipment sales, 14.7% higher than the third quarter of 2010, were robust across all sectors and particularly strong in mining. Product support revenues in the third quarter of 2011 were 9.8% lower than the comparative quarter in 2010. As previously disclosed, following the launch of its new Enterprise Resource Planning (ERP) system in Canada on July 4, 2011, the Company experienced implementation issues affecting parts supply, warehousing, and distribution operations, which negatively impacted the Company's ability to efficiently distribute parts and perform service work. The Canadian operations have since tested and deployed a series of application changes to improve the functionality and reliability of the system to process and distribute parts to customers. Third quarter results for the Canadian operations were also negatively impacted by the five-week work stoppage in British Columbia.

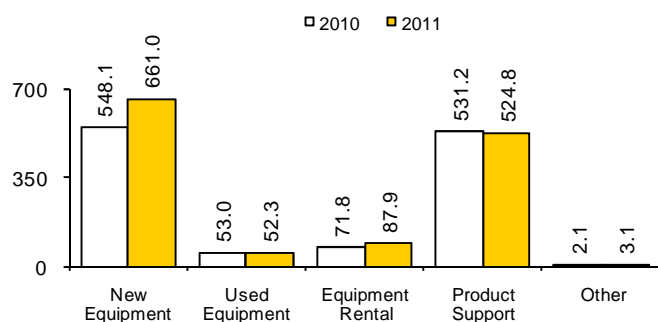
Third quarter revenues from the Company's operations in South America increased 14.3% compared to the third quarter of 2010. Excluding the negative impact of translating the results of the South American operations with a stronger Canadian dollar, revenues for the third quarter of 2011 in functional currency (the U.S. dollar) increased by 20.8% over the third quarter of 2010. This was driven mainly by strong new equipment sales with increased demand in all market segments. Product support revenues were at record levels and 14.1% higher in functional currency than the third quarter of 2010, up particularly in mining and construction.

Revenues from the U.K. and Ireland operations were up 22.8% over the third quarter of 2010, and up 25.3% in functional currency (the U.K. pound sterling). This increase was largely due to higher new equipment sales (39.7% higher in functional currency) in the construction division and power systems, record product support revenues (up 7.6% in functional currency) as well as the incremental revenues from the Irish operations acquired in the third quarter of 2010.

## Revenue by Line of Business

(\$ millions)

Three months ended September 30



On a consolidated basis, new equipment sales were up 20.6% compared with the third quarter of 2010, up in all operating units and supported by continued strength in mining and heavy construction sectors.

Product support revenues in the third quarter of 2011 were down slightly compared with the same quarter last year primarily due to the impact of the ERP implementation in Canada noted above. Product support revenues, in functional currency, were at record levels in the Company's South American and UK and Ireland operations.

Used equipment revenues were slightly lower compared to the prior year's third quarter, primarily due to lower sales in the Company's Canadian operations which were impacted by limited equipment supply.

Rental revenues were 22.3% higher than the third quarter of 2010 primarily due to strong customer demand in Canada.

Finning's global order book or backlog (the retail value of new equipment units ordered by customers for future deliveries) was over \$1.8 billion at the end of the third quarter of 2011, up from \$1.7 billion at the end of June 2011, and was at its highest level since September 2008. The consolidated backlog has increased in each consecutive quarter since September 2009, driven primarily by the mining and construction sectors.

All regions are affected by the pressure on the supply chain resulting from strengthened market conditions. The impact of longer lead times for products from Caterpillar Inc. (Caterpillar), Finning's key supplier, is being partially mitigated by the Company's efforts to find solutions to meet customers' equipment needs. Such solutions include renting equipment, selling used equipment, repairing or rebuilding equipment, and utilizing the entire Caterpillar dealer network to source equipment. Finning continues to work closely with Caterpillar and customers to ensure that equipment demands can be met.

## Earnings Before Interest and Taxes (EBIT)

On a consolidated basis, EBIT was \$46.2 million in the third quarter of 2011, compared to EBIT of \$94.7 million generated in the third quarter of 2010. The decrease is primarily driven by the impact of the ERP system implementation in the Company's Canadian operations, partially offset by strong earnings from the Company's South American and UK and Ireland operations.

Gross profit of \$367.9 million in the third quarter of 2011 was up 1.6% compared to the third quarter of 2010. Quarterly gross profit margin (gross profit as a percentage of revenue) of 27.7% was lower than the prior year's third quarter margin of 30.0%. This decline reflected the shift in revenue mix to a higher proportion of new equipment sales which are at lower margins than product support revenues. New equipment sales made up 49.7% of total revenues in the third quarter of 2011, compared with 45.4% of total revenues in the same period last year. Comparatively, product support revenues comprised 39.5% of total revenues in the third quarter of 2011, compared with 44.0% in the same period last year, primarily due to lower product support revenues in the Company's Canadian operations.

Selling, general, and administrative (SG&A) costs were \$310.2 million or 19.9% higher than the third quarter of 2010, reflecting increased volume-related costs to support higher revenues and the growing higher margin product support business. SG&A costs in the third quarter of 2011 increased as a percentage of revenue to 23.3% from 21.4% in the third quarter of 2010, largely due to additional costs related to the new ERP system implementation issues noted above in the Company's Canadian operations.

EBIT in the third quarter of 2011 included \$10.6 million of costs (Q3 2010: \$8.2 million) related to the global information technology (IT) system which was implemented in the Company's Canadian operations on July 4, 2011. These costs included additional system support expenses as well as costs associated with application changes to improve the functionality of the system. EBIT in the third quarter of 2011 also included \$2.8 million of costs related to discussions associated with the possible purchase of certain distribution assets owned by Caterpillar as a result of

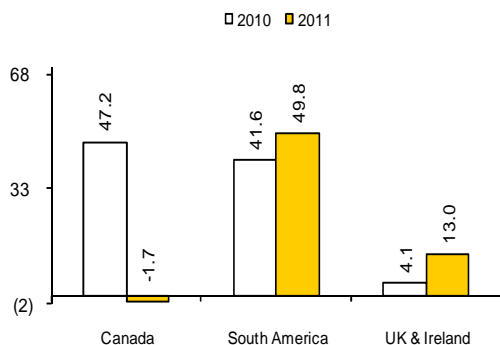
its recent acquisition of Bucyrus International, Inc. (Bucyrus). Included in the results for the third quarter of 2010 were costs of \$2.4 million related to the acquisition of the Irish dealerships as well as certain restructuring costs.

The Company's EBIT margin (EBIT divided by revenues) was 3.5% in the third quarter of 2011 compared with 7.9% in the third quarter of 2010. The decline in EBIT margin was primarily driven by reduced parts volumes and higher costs incurred due to the system implementation issues noted above in the Company's Canadian operations. The decrease in EBIT margin was partly offset by higher profitability in the Company's South American and UK and Ireland operations, which demonstrated improved operating leverage as earnings growth outpaced revenue growth in the third quarter of 2011.

### EBIT by Operation<sup>(1)</sup>

(\$ millions)

Three months ended September 30



(1) Excluding other operations – corporate head office

Major components of the EBIT variance were:  
(\$ millions)

<b>2010 Q3 EBIT</b>	<b>\$ 94.7</b>
Net change in operations	(38.8)
Foreign exchange impact	(6.9)
Higher IT system development and implementation costs in 2011	(2.4)
Higher acquisition and other related costs in 2011	(1.0)
Restructuring costs in 2010	0.6
<b>2011 Q3 EBIT</b>	<b><u><u>\$ 46.2</u></u></b>

### Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) and Free Cash Flow

EBITDA, which management views as an indicator of the Company's cash operating performance, was \$90.5 million in the third quarter of 2011 compared to \$131.8 million in the third quarter of 2010.

The Company's Free Cash Flow was a \$118.6 million use of cash compared to a \$23.7 million generation of cash in the comparative period of the prior year. The use of cash in the third quarter was primarily driven by higher inventory levels in the Company's Canadian and South American operations to support expected deliveries in the fourth quarter of 2011 and into 2012. Third quarter 2011 Free Cash Flow was also negatively impacted by the ERP system implementation with reduced parts sales volumes affecting inventories and collections in Finning (Canada). The Company expects inventory requirements to moderate and projects a positive Free Cash Flow in the fourth quarter of 2011 with higher scheduled deliveries and related collections. Despite this trend, Free Cash Flow is expected to be negative for the full year and will primarily be driven by the level of working capital required.

### Finance Costs

Finance costs for the three months ended September 30, 2011 were \$10.8 million compared with \$9.6 million in the third quarter of 2010.

### Provision for Income Taxes

The effective income tax rate for the third quarter of 2011 was nearly zero compared to 25.4% in the comparable period of the prior year. The effective rate was lower in the third quarter of 2011 due to a higher proportion of earnings from lower tax jurisdictions and losses in higher tax jurisdictions, as well as the benefit from a tax recovery in the quarter.

### Net Income

Finning's net income was \$35.4 million in the third quarter of 2011 compared with \$63.4 million in the same period last year.

Basic EPS in the third quarter of 2011 decreased 43.2% to \$0.21 per share compared to the same period last year. The results for the third quarter 2011 were negatively impacted by the system implementation issues experienced in the Company's Canadian operations as discussed above. The ERP system implementation and the five-week BC union strike in the third quarter of 2011 resulted in lower revenues and additional system support costs were

incurred in the Company's Canadian operations, reducing earnings by approximately \$0.25 per share. Third quarter 2010 results included \$0.04 per share of costs related to the global IT system implementation. Foreign exchange had a negative impact of approximately \$0.03 per share in the third quarter of 2011 compared to the prior year's third quarter due to the stronger Canadian dollar relative to the U.S. dollar and the U.K. pound sterling.

## Year-to-Date Overview

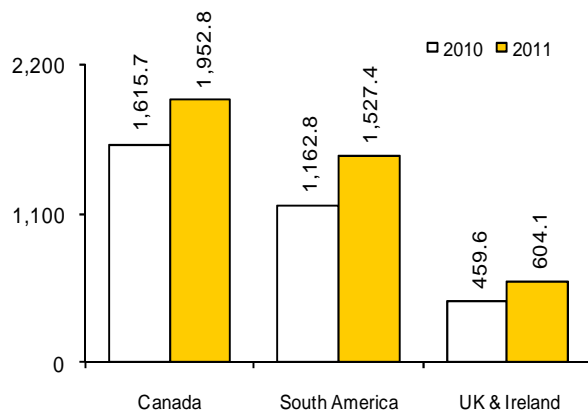
	YTD 2011		YTD 2010	
	(\$ millions)		(% of revenue)	
Revenue	\$ 4,084.3	\$ 3,238.1		
Gross profit	1,205.2	983.8	29.5%	30.4%
Selling, general & administrative expenses	(912.3)	(758.7)	(22.3)%	(23.4)%
Equity earnings of joint venture and associate	3.7	2.5	0.1%	—
Other expenses	(24.2)	(26.1)	(0.6)%	(0.8)%
Earnings from continuing operations before interest and income taxes (EBIT)	272.4	201.5	6.7%	6.2%
Finance costs	(38.8)	(45.2)	(1.0)%	(1.4)%
Provision for income taxes	(44.8)	(30.7)	(1.1)%	(0.9)%
Income from continuing operations	\$ 188.8	\$ 125.6	4.6%	3.9%
Loss from discontinued operations, net of tax <sup>(1)</sup>	—	(125.0)	—	(3.9)%
Net income (loss)	\$ 188.8	\$ 0.6	4.6%	—
Basic earnings (loss) per share (EPS)				
from continuing operations	\$ 1.10	\$ 0.73		
from discontinued operations	—	(0.73)		
Total basic earnings (loss) per share	\$ 1.10	\$ —		
Earnings from continuing operations before interest, taxes, depreciation, and amortization (EBITDA)	\$ 398.1	\$ 315.9	9.7%	9.8%
Free cash flow	\$ (501.8)	\$ 140.2		

(1) On May 5, 2010, the Company sold Hewden, its UK equipment rental business, for an after-tax loss of \$120.8 million. As a consequence, the results of operations of Hewden have been reclassified as discontinued operations for all periods presented

## Revenue from Continuing Operations

(\$ millions)

Nine months ended September 30

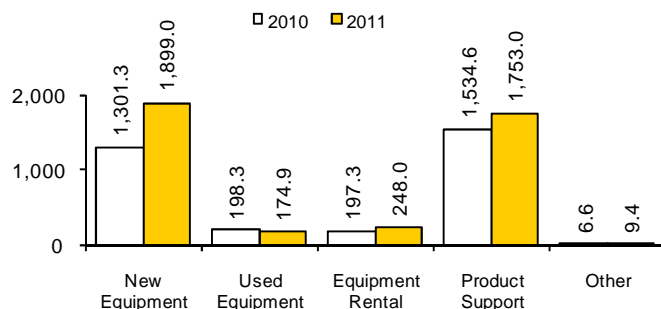


For the nine months ended September 30, 2011, revenues of \$4.1 billion increased 26.1% over the same period last year, up in all operations. New equipment sales and product support revenues from the Company's Canadian operations were up 35.1% and 15.7%, respectively, compared to the first nine months of the prior year. In functional currency, revenues from the Company's South American operations (up 39.1%) reflected strong new equipment sales in mining and construction and solid growth in product support. Revenues from the UK and Ireland operations, in functional currency, were up 31.8% compared to the first nine months of 2010, with improved activity in the heavy construction and power systems sectors.

## Revenue by Line of Business from Continuing Operations

(\$ millions)

Nine months ended September 30



On a consolidated basis, new equipment sales were 45.9% higher than the first nine months of 2010, with higher volumes in all operations. Product support revenues were 14.2% higher than the first nine months of the prior year and also up in all operations. Used equipment sales decreased by 11.8% compared to the first nine months of 2010, primarily due to lower used equipment sales in Canada resulting from a limited supply of used equipment. Rental revenues increased by 25.7% compared to the first nine months of 2010 reflecting strong customer demand in Canada.

## Earnings from Continuing Operations Before Interest and Taxes (EBIT)

On a consolidated basis, EBIT was \$272.4 million in the first nine months of 2011, 35.2% higher than EBIT of \$201.5 million in the comparable period last year. The increase was primarily driven by very strong revenue growth and improved or comparable gross profit margins in most lines of business.

Gross profit of \$1,205.2 million in the first nine months of the year increased 22.5% over the same period last year and gross profit as a percentage of revenue was 29.5%, down slightly compared with 30.4% in the first nine months of 2010. The slight decline was primarily due to a higher percentage of new equipment sales, which generate lower margins, in all operations, partially offset by higher or comparable margins realized in most lines of business. New equipment sales made up 46.5% of total revenues in the first nine months of 2011, compared with 40.2% of total revenues in the same period last year.

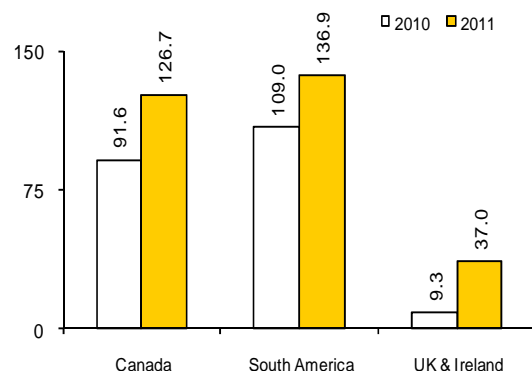
SG&A costs were \$912.3 million or 20.2% higher than the first nine months of 2010. This increase was primarily due to volume-related costs to support higher revenues and the growing higher margin product support business, in addition to higher costs related to the new ERP system in Canada such as transportation and overtime. The Company continued to realize cost savings from productivity initiatives. Reflecting these cost reductions and efficiency improvements as well as operating leverage to higher sales volumes, SG&A costs in the first nine months of 2011 decreased as a percentage of revenue to 22.3% from 23.4% in the same period last year.

Results for the first nine months of 2011 included costs of \$21.4 million (2010: \$20.6 million) related to the global IT system which was implemented in the Company's Canadian operations on July 4, 2011. These costs included additional system support expenses as well as costs associated with application changes to improve the functionality of the system. EBIT in the first nine months of 2011 also included \$2.8 million of costs related to discussions associated with the possible purchase of certain distribution assets owned by Caterpillar as a result of its recent acquisition of Bucyrus. Included in the results for the first nine months of 2010 were costs of \$5.5 million, primarily related to severance costs in the Company's Canadian and UK and Ireland operations which were incurred in response to market conditions, and the acquisition of the Irish dealerships. The Company's EBIT margin was 6.7% in the first nine months of 2011, up from 6.2% in the first nine months of 2010 primarily due to the factors noted above.

## EBIT from Continuing Operations

(\$ millions)

Nine months ended September 30



Excluding other operations – corporate head office

Major components of the EBIT variance were:  
(\$ millions)

<b>2010 Year-to-Date EBIT</b>	<b>\$ 201.5</b>
Net change in operations	95.3
Foreign exchange impact	(26.3)
Restructuring costs in 2010	3.7
Higher acquisition and other related costs in 2011	(1.0)
Higher IT system development and implementation costs in 2011	(0.8)
<b>2011 Year-to-Date EBIT</b>	<b><u>\$ 272.4</u></b>

## Earnings from Continuing Operations Before Interest, Taxes, Depreciation, and Amortization (EBITDA) and Free Cash Flow

EBITDA, which management views as an indicator of a company's operating performance and generation of operating cash flow, was \$398.1 million in the first nine months of 2011 compared to \$315.9 million in the nine months of 2010.

The Company's Free Cash Flow was a \$501.8 million use of cash compared to a \$140.2 million generation of cash in the first nine months of the prior year. With stronger customer demand for equipment and parts, the Company is experiencing increased requirements for working capital. The Company expects inventory requirements to moderate and projects a positive Free Cash Flow for the remainder of the year with higher scheduled deliveries and related collections. Despite this trend, Free Cash Flow is expected to be negative for the full year and will primarily be driven by the level of working capital required. Free Cash Flow from Hewden has been included in the reported amounts for periods prior to its sale – see 'Description of Non-GAAP Measures'.

## Finance Costs

Finance costs for the nine months ended September 30, 2011 were \$38.8 million compared with \$45.2 million in the first nine months of 2010.

Following the May 2010 sale of Hewden that reduced the Company's U.K. pound sterling denominated assets, the Company used a portion of the sale proceeds to purchase £45 million of its £115 million outstanding Eurobond Notes in June 2010. As a result, the Company recorded charges of approximately \$6.4 million in 2010, reflecting the premium paid to purchase the Eurobond Notes, costs associated with the recognition of deferred original financing costs, and related purchase costs.

## Provision for Income Taxes

The effective income tax rate for the first nine months of 2011 was 19.2% compared to 19.6% in the comparable period of the prior year.

## Income from Continuing Operations

Finning's income from continuing operations was \$188.8 million in the first nine months of 2011, up significantly compared to \$125.6 million of income from continuing operations in the same period in 2010.

Basic EPS from continuing operations for the nine months ended September 30, 2011 was \$1.10 per share compared with \$0.73 per share in the same period last year. The results for the first nine months of 2011 reflected higher revenues in all operations, improved or comparable margins in most lines of business, and the benefits of cost control and process efficiencies. The ERP system implementation and the five-week BC union strike in the third quarter of 2011 resulted in lower revenues and additional system support costs were incurred in the Company's Canadian operations, reducing earnings by approximately \$0.25 per share. Results for the first nine months of 2011 also included \$0.02 per share of costs related to the global IT system implementation for the Company's South American and UK and Ireland operations, and \$0.01 per share of acquisition and other related costs. Results for the

first nine months of 2010 included \$0.09 per share of costs related to the global IT system implementation, incremental finance costs (\$0.03 per share) incurred on the repurchase of a portion of the Company's Eurobond Notes, \$0.01 per share of acquisition and other related costs, and \$0.01 per share of restructuring and severance costs. Foreign exchange had a negative impact of approximately \$0.12 per share in the first nine months of 2011 compared to the prior year's first nine months primarily due to the stronger Canadian dollar relative to the U.S. dollar.

## **Foreign Exchange**

### Translation

The Company's reporting currency is the Canadian dollar. However, due to the geographical diversity of the Company's operations, a significant portion of revenue and operating expenses are in different currencies. The most significant currencies in which the Company transacts business are the U.S. dollar, the Canadian dollar, the U.K. pound sterling, and the Chilean peso. Changes in the Canadian dollar / U.S. dollar and Canadian dollar / U.K. pound sterling relationship affects reported results on the translation of the financial statements of the Company's South American and UK and Ireland operations as well as U.S. dollar based earnings of the Company's Canadian operations.

Foreign exchange had a negative impact on consolidated revenues in the third quarter of 2011 of \$47.3 million due to a 5.6% stronger Canadian dollar relative to the U.S. dollar and a 2.1% stronger Canadian dollar relative to the U.K. pound sterling, all compared to the third quarter of 2010. As a result, EBIT was negatively impacted by \$6.9 million and earnings were negatively impacted by approximately \$0.03 per share in the third quarter of 2011 compared to the prior year's third quarter.

For the first nine months of 2011, foreign exchange had a negative impact on consolidated revenues of \$135.4 million primarily due to a 5.6% stronger Canadian dollar relative to the U.S. dollar. As a result, EBIT was negatively impacted by \$26.3 million and earnings were negatively impacted by approximately \$0.12 per share in the first nine months of 2011 compared to the comparable period last year.

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

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

The following tables provide details of revenue and EBIT from continuing operations and the foreign exchange impact for the three and nine months ended September 30, 2011.

<b>Three months ended September 30</b>					
<b>(\$ millions)</b>	<b>Canada</b>	<b>South America</b>	<b>UK &amp; Ireland</b>	<b>Consolidated</b>	
Revenues – Q3 2010	\$ 586.6	\$ 462.2	\$ 157.4	\$ 1,206.2	
Foreign exchange impact	(12.4)	(30.6)	(4.3)	(47.3)	
Operating revenue increase	33.5	96.5	40.2	170.2	
Revenues – Q3 2011	\$ 607.7	\$ 528.1	\$ 193.3	\$ 1,329.1	
Total revenue increase	\$ 21.1	\$ 65.9	\$ 35.9	\$ 122.9	
- percentage increase	3.6%	14.3%	22.8%	10.2%	
- percentage increase, excluding foreign exchange	5.7%	20.9%	25.5%	14.1%	
<b>Nine months ended September 30</b>					
<b>(\$ millions)</b>	<b>Canada</b>	<b>South America</b>	<b>UK &amp; Ireland</b>	<b>Consolidated</b>	
Revenues – Q3 YTD 2010	\$ 1,615.7	\$ 1,162.8	\$ 459.6	\$ 3,238.1	
Foreign exchange impact	(43.9)	(89.7)	(1.8)	(135.4)	
Operating revenue increase	381.0	454.3	146.3	981.6	
Revenues – Q3 YTD 2011	\$ 1,952.8	\$ 1,527.4	\$ 604.1	\$ 4,084.3	
Total revenue increase	\$ 337.1	\$ 364.6	\$ 144.5	\$ 846.2	
- percentage increase	20.9%	31.4%	31.4%	26.1%	
- percentage increase, excluding foreign exchange	23.6%	39.1%	31.8%	30.3%	
<b>Three months ended September 30</b>					
<b>(\$ millions)</b>	<b>Canada</b>	<b>South America</b>	<b>UK &amp; Ireland</b>	<b>Other</b>	<b>Consolidated</b>
EBIT – Q3 2010	\$ 47.2	\$ 41.6	\$ 4.1	\$ 1.8	\$ 94.7
Foreign exchange impact	(0.9)	(4.4)	(1.6)	—	(6.9)
Operating EBIT increase (decrease)	(48.0)	12.6	10.5	(16.7)	(41.6)
EBIT – Q3 2011	\$ (1.7)	\$ 49.8	\$ 13.0	\$ (14.9)	\$ 46.2
Total EBIT increase (decrease)	\$ (48.9)	\$ 8.2	\$ 8.9	\$ (16.7)	\$ (48.5)
- percentage increase (decrease)	(103.6)%	19.7%	217.7%	n/m	(51.2)%
- percentage increase (decrease), excluding foreign exchange	(101.7)%	30.3%	256.1%	n/m	(43.9)%
<b>Nine months ended September 30</b>					
<b>(\$ millions)</b>	<b>Canada</b>	<b>South America</b>	<b>UK &amp; Ireland</b>	<b>Other</b>	<b>Consolidated</b>
EBIT – Q3 YTD 2010	\$ 91.6	\$ 109.0	\$ 9.3	\$ (8.4)	\$ 201.5
Foreign exchange impact	(9.2)	(15.6)	(1.5)	—	(26.3)
Operating EBIT increase (decrease)	44.3	43.5	29.2	(19.8)	97.2
EBIT – Q3 YTD 2011	\$ 126.7	\$ 136.9	\$ 37.0	\$ (28.2)	\$ 272.4
Total EBIT increase (decrease)	\$ 35.1	\$ 27.9	\$ 27.7	\$ (19.8)	\$ 70.9
- percentage increase	38.2%	25.6%	298.1%	n/m	35.2%
- percentage increase (decrease), excluding foreign exchange	48.4%	39.9%	314.0%	n/m	48.2%

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



### Investment in Foreign Operations

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

Currency translation adjustments arise as a result of fluctuations in foreign currency exchange rates at the period reporting date compared to the previous period reporting date. The unrealized currency translation gain of \$52.6 million recorded in the first nine months of 2011 resulted primarily from the weaker spot Canadian dollar against the U.S. dollar and the U.K. pound sterling of 4.5% and 4.6%, respectively, at September 30, 2011 compared to December 31, 2010. For more details, refer to the Company's Interim Consolidated Statements of Comprehensive Income (Loss).

### **Results by Business Segment**

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

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

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

<b>Three months ended September 30, 2011 (\$ millions)</b>						
	<b>Canada</b>	<b>South America</b>	<b>UK &amp; Ireland</b>	<b>Consolidated</b>	<b>Revenue percentage</b>	
New equipment	\$ 279.0	\$ 273.9	\$ 108.1	\$ 661.0	49.7%	
Used equipment	26.9	11.2	14.2	52.3	3.9%	
Equipment rental	63.2	17.1	7.6	87.9	6.6%	
Product support	236.2	225.2	63.4	524.8	39.5%	
Other	2.4	0.7	—	3.1	0.3%	
<b>Total</b>	<b>\$ 607.7</b>	<b>\$ 528.1</b>	<b>\$ 193.3</b>	<b>\$ 1,329.1</b>	<b>100.0%</b>	
Revenue percentage by operations	45.7%	39.7%	14.6%	100.0%		

<b>Three months ended September 30, 2010 (\$ millions)</b>						
	<b>Canada</b>	<b>South America</b>	<b>UK</b>	<b>Consolidated</b>	<b>Revenue percentage</b>	
New equipment	\$ 243.3	\$ 225.8	\$ 79.0	\$ 548.1	45.4%	
Used equipment	31.6	12.0	9.4	53.0	4.4%	
Equipment rental	48.1	14.9	8.8	71.8	6.0%	
Product support	262.1	208.9	60.2	531.2	44.0%	
Other	1.5	0.6	—	2.1	0.2%	
<b>Total</b>	<b>\$ 586.6</b>	<b>\$ 462.2</b>	<b>\$ 157.4</b>	<b>\$ 1,206.2</b>	<b>100.0%</b>	
Revenue percentage by operations	48.6%	38.3%	13.1%	100.0%		

<b>Nine months ended September 30, 2011 (\$ millions)</b>						
	<b>Canada</b>	<b>South America</b>	<b>UK &amp; Ireland</b>	<b>Consolidated</b>	<b>Revenue percentage</b>	
New equipment	\$ 760.2	\$ 787.7	\$ 351.1	\$ 1,899.0	46.5%	
Used equipment	96.2	32.5	46.2	174.9	4.3%	
Equipment rental	176.4	51.3	20.3	248.0	6.1%	
Product support	913.3	653.2	186.5	1,753.0	42.9%	
Other	6.7	2.7	—	9.4	0.2%	
<b>Total</b>	<b>\$ 1,952.8</b>	<b>\$ 1,527.4</b>	<b>\$ 604.1</b>	<b>\$ 4,084.3</b>	<b>100.0%</b>	
Revenue percentage by operations	47.8%	37.4%	14.8%	100.0%		

<b>Nine months ended September 30, 2010 (\$ millions)</b>						
	<b>Canada</b>	<b>South America</b>	<b>UK</b>	<b>Consolidated</b>	<b>Revenue percentage</b>	
New equipment	\$ 562.8	\$ 506.3	\$ 232.2	\$ 1,301.3	40.2%	
Used equipment	123.4	31.5	43.4	198.3	6.1%	
Equipment rental	135.2	40.2	21.9	197.3	6.1%	
Product support	789.3	583.2	162.1	1,534.6	47.4%	
Other	5.0	1.6	—	6.6	0.2%	
<b>Total</b>	<b>\$ 1,615.7</b>	<b>\$ 1,162.8</b>	<b>\$ 459.6</b>	<b>\$ 3,238.1</b>	<b>100.0%</b>	
Revenue percentage by operations	49.9%	35.9%	14.2%	100.0%		

## Canadian Operations

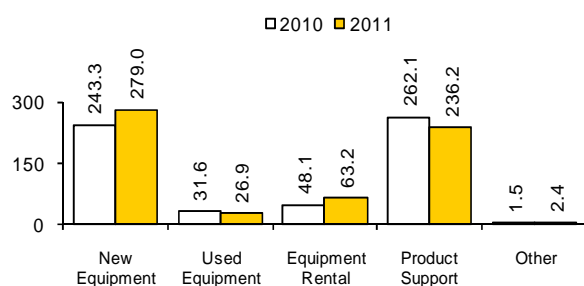
The Canadian operating segment includes Finning (Canada), the Company's interest in OEM Remanufacturing Company Inc. (OEM), and a 25% interest in PipeLine Machinery International (PLM). Finning (Canada) sells, services, and rents mainly Caterpillar mobile equipment and engines in British Columbia, Alberta, Yukon, Northwest Territories, and a portion of Nunavut. The Company's end 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 operating segment:

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Revenue from external sources	\$ 607.7	\$ 586.6	\$ 1,952.8	\$ 1,615.7
Operating costs	(572.8)	(513.5)	(1,734.0)	(1,441.4)
Depreciation and amortization	(28.8)	(22.2)	(80.2)	(71.8)
	6.1	50.9	138.6	102.5
Equity earnings of joint venture	1.4	1.5	4.6	3.5
Other expenses				
Information technology system implementation costs	(9.2)	(4.9)	(16.5)	(11.2)
Restructuring costs	—	(0.3)	—	(3.2)
Earnings before interest and taxes (EBIT)	\$ (1.7)	\$ 47.2	\$ 126.7	\$ 91.6
EBIT				
- as a percentage of revenue	(0.3)%	8.0%	6.5%	5.7%
- as a percentage of consolidated EBIT	(3.7)%	49.8%	46.5%	45.5%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	\$ 27.1	\$ 69.4	\$ 206.9	\$ 163.4

### Canada – Revenue by Line of Business

Three months ended September 30  
(\$ millions)



Third quarter revenues increased 3.6% over 2010 to \$607.7 million, largely due to higher new equipment sales.

New equipment sales, 14.7% higher than the third quarter of 2010, were robust across all sectors and particularly strong in mining. Finning (Canada)'s backlog is at its highest level since September 2008.

Product support revenues in the third quarter of 2011 were 9.8% lower than the comparative quarter in 2010. As previously disclosed, following the launch of its new ERP system in Canada on July 4, the Company experienced implementation issues affecting parts supply, warehousing, and distribution operations, which negatively impacted the Company's ability to efficiently distribute parts and perform service work. The Canadian operations have since tested and deployed a series of application changes to improve the functionality and reliability of the system to process and distribute parts to customers.

In Canada, gross profit in absolute dollars and as a percentage of revenue were both lower than the third quarter of 2010, primarily due to lower parts revenue resulting from the system implementation issues, and the shift in revenue mix to a higher proportion of new equipment sales, which typically return lower margins than product support revenues.

SG&A costs in the third quarter of 2011 increased both in absolute dollars and as a percentage of revenue, partly due to higher IT system implementation related costs, such as transportation and overtime, as well as an increase in the workforce to support higher revenues and the growing business levels experienced during the first half of 2011.

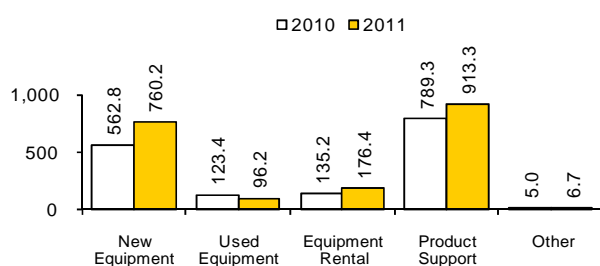
From September 30, 2010 to September 30, 2011, the number of employees in the Company's Canadian operations increased by 18% to approximately 4,500 to meet current and anticipated demand.

Included in other expenses was \$9.2 million (Q3 2010: \$4.9 million) of costs in the third quarter of 2011, representing additional system support costs related to the ERP implementation, which was launched in Canada on July 4, 2011. In response to market conditions, Finning (Canada) incurred some restructuring and severance costs in 2010.

In the third quarter of 2011 the Canadian operations incurred a loss before interest and tax of \$1.7 million, compared with EBIT of \$47.2 million in the same period in 2010, primarily reflecting the reduced parts volumes and higher costs incurred due to the IT system implementation issues noted above. EBIT margin was (0.3)%, significantly lower than the EBIT margin of 8.0% achieved in the third quarter of 2010. A series of application changes have been tested and put in place since July 4, 2011 to improve the functionality and reliability of the system to process and distribute parts to customers.

### Canada – Revenue by Line of Business

Nine months ended September 30  
(\$ millions)



Revenues for the nine months ended September 30, 2011 increased 20.9% to \$1,952.8 million, primarily due to the increase in customer demand for new equipment throughout the year and parts in the first half of 2011. Product support revenues in the first nine months of 2011 were up 15.7% compared with the same period in 2010, and new equipment sales were 35.1% higher than the first nine months of 2010.

SG&A costs for the first nine months of 2011 were higher in absolute dollar terms but lower as a percentage of revenue compared to the first nine months of 2010, reflecting both operating leverage to higher sales volumes and actions taken to reduce discretionary expenses and improve operating efficiencies, partly offset by higher costs due to the ERP implementation issues. The Canadian operations contributed EBIT of \$126.7 million for the nine months ended September 30, 2011, compared with \$91.6 million generated for the same period in the prior year, reflecting higher product support revenues in the first half of 2011, strong new equipment sales, and higher gross profit in most lines of business.

### Other Developments

On October 18, 2011, the Company announced the appointment of Andy Fraser as president of the Company's Canadian operations. Mr. Fraser has held a variety of senior roles across the Company's global operations, including his most recent role as executive vice president, power systems and global business development for Finning International. Mr. Fraser replaces Dave Parker, who stepped down from his role with the Company.

On July 29, 2011, following a five-week work stoppage, Finning (Canada) and the International Association of Machinists and Aerospace Workers (IAM) – Local Lodge 692, representing approximately 700 employees in B.C. and Yukon, reached agreement on a four-year collective agreement which expires on April 14, 2015. The new agreement provides for a wage increase of 4% in year one, 3% in years two and three, and 4% in year four.

In early January 2011, the Company received a decision from the Alberta Labour Relations Board (ALRB) relating to the ongoing proceedings with the IAM – Local Lodge 99 relating to Finning (Canada)'s outsourcing of component repair and rebuilding services to OEM in 2005. The ALRB recognized the existing collective agreement with the Christian Labour Association of Canada (CLAC) and found that it should continue to apply to the OEM bargaining unit to the end of the current contract (December 31, 2011). A vote was ordered to be held by the OEM employees (some former Finning (Canada) Component Rebuild Centre (CRC) employees were also eligible to vote) to determine whether the CLAC or IAM – Local Lodge 99 will represent them going forward. These OEM and CRC employees voted in early June 2011 for the CLAC to continue to represent them under the existing collective agreement.

## South American Operations

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

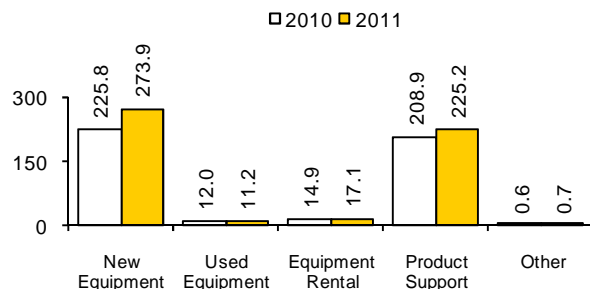
The table below provides details of the results from the South American operations:

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Revenue from external sources	\$ 528.1	\$ 462.2	\$ 1,527.4	\$ 1,162.8
Operating costs	(467.1)	(408.2)	(1,356.8)	(1,019.6)
Depreciation and amortization	(10.1)	(9.9)	(29.6)	(27.7)
Other expenses	50.9	44.1	141.0	115.5
Information technology system implementation costs	(1.1)	(2.5)	(4.1)	(6.5)
Earnings before interest and taxes (EBIT)	\$ 49.8	\$ 41.6	\$ 136.9	\$ 109.0
EBIT				
- as a percentage of revenue	9.4%	9.0%	9.0%	9.4%
- as a percentage of consolidated EBIT	107.8%	43.9%	50.3%	54.1%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	\$ 59.9	\$ 51.5	\$ 166.5	\$ 136.7

### South America – Revenue by Line of Business

Three months ended September 30

(\$ millions)



Finning South America's third quarter 2011 revenues of \$528.1 million increased 14.3% over the comparable quarter of 2010 (up 20.8% in functional currency, the U.S. dollar). This increase reflected strong new equipment sales, up 28.1% in functional currency compared with the third quarter of 2010, with increased demand in all market sectors.

New equipment backlog, in functional currency, was comparable to June 2011 levels and continues to be at its highest level since September 2008.

Product support revenues were at record levels and were 14.1% higher in functional currency than the third quarter of 2010, up in all sectors but particularly in mining and construction.

In functional currency, gross profit in the third quarter of 2011 in absolute terms was at record levels, driven primarily by the record product support revenues. Gross profit as a percentage of revenue was also higher compared with the same period last year, with higher or comparable margins in most lines of business. This occurred despite a shift in revenue mix to a higher proportion of new equipment sales, which typically return lower margins than product support revenues. New equipment sales made up 51.8% of total revenues in the third quarter of 2011, compared with 48.9% in the same period last year.

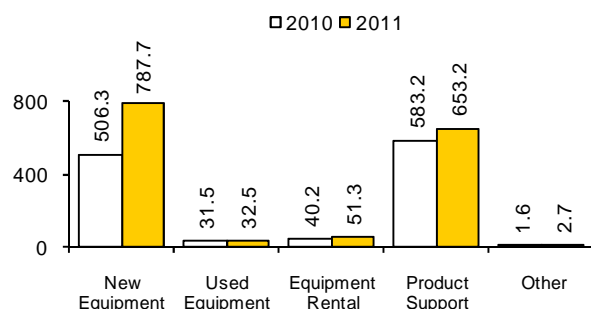
SG&A costs, in functional currency, increased in absolute dollars primarily due to volume-related costs and partly due to an increase in workforce costs to support higher revenues and the growing product support business. From September 30, 2010 to September 30, 2011, the number of employees in the Company's South American operations increased by 12% to approximately 6,400 to meet current and anticipated customer demand for product support. There is significant demand and competition for highly skilled workers, particularly in Chile, which the Company is actively managing. SG&A as a percentage of revenue was slightly higher than the third quarter of 2010.

Included in other expenses was \$1.1 million (Q3 2010: \$2.5 million) of costs representing the South American operations' share of the costs related to the implementation of a new IT system for the Company's global dealership operations.

EBIT from the Company's South American operations of \$49.8 million in the third quarter of 2011 was at record levels, and 19.7% higher than the third quarter of 2010. In functional currency, record EBIT in the third quarter of 2011 increased 26.2% over the third quarter of the prior year largely due to higher new equipment sales and record product support revenues. EBIT as a percentage of revenue for Finning South America was 9.4%, compared with 9.0% achieved in the third quarter of 2010, reflecting the higher or comparable margins generated in most lines of business.

### South America – Revenue by Line of Business

Nine months ended September 30  
(\$ millions)



For the nine months ended September 30, 2011, revenues increased 31.4% to \$1,527.4 million. In functional currency, revenues were up 39.1% compared with the first nine months of 2010, reflecting significantly higher new equipment sales and strong product support revenues.

For the first nine months of 2011, EBIT of \$136.9 million was 25.6% higher compared to the same period last year, (up 32.9% in functional currency), reflecting the quarterly trends already noted. Similar to the quarter, SG&A costs were higher in the first nine months of 2011 compared with the same period of 2010 due to higher volumes, but were lower as a percentage of revenue, reflecting operating efficiencies and productivity improvements. EBIT as a percentage of revenue for Finning South America was 9.0% for the first nine months of 2011, compared to the EBIT margin of 9.4% achieved in the same period in 2010, reflecting the significant increase in lower margin new equipment sales.

## United Kingdom (UK) and Ireland Operations

The Company's UK and Ireland operations sell, service, and rent mainly Caterpillar mobile equipment and engines in England, Scotland, Wales, Northern Ireland, the Republic of Ireland, the Falkland Islands, and the Channel Islands. The Company's markets include mining, quarrying, construction, power systems, and rental services. In August 2010, Finning was appointed the Caterpillar dealer for Northern Ireland and the Republic of Ireland. The results of these operations have been included in the consolidated financial statements since their acquisition date.

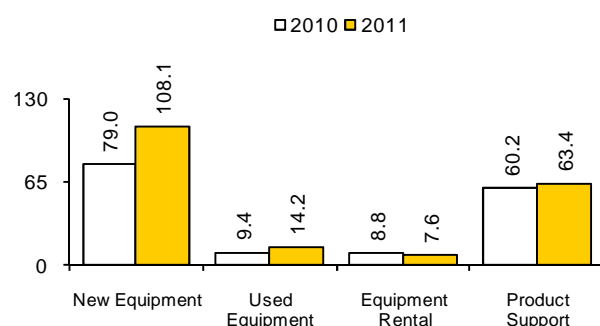
The table below provides details of the results of the continuing operations from the UK and Ireland:

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Revenue from external sources	\$ 193.3	\$ 157.4	\$ 604.1	\$ 459.6
Operating costs	(174.4)	(145.4)	(550.2)	(430.8)
Depreciation and amortization	(5.4)	(5.0)	(15.7)	(14.8)
	13.5	7.0	38.2	14.0
Other expenses				
Information technology system implementation costs	(0.5)	(0.8)	(1.2)	(2.4)
Acquisition and other related costs	—	(1.8)	—	(1.8)
Restructuring costs	—	(0.3)	—	(0.5)
Earnings before interest and taxes (EBIT)	\$ 13.0	\$ 4.1	\$ 37.0	\$ 9.3
EBIT				
- as a percentage of revenue	6.8%	2.6%	6.1%	2.0%
- as a percentage of consolidated EBIT	28.3%	4.4%	13.6%	4.6%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	\$ 18.4	\$ 9.1	\$ 52.7	\$ 24.1

### UK & Ireland – Revenue by Line of Business from Continuing Operations

Three months ended September 30

(\$ millions)



The UK and Ireland revenues for the third quarter of 2011 of \$193.3 million were up 22.8% from the same period last year and were up 25.3% in functional currency (the U.K. pound sterling). The increase was largely due to higher new equipment sales in the construction division (particularly in the coal and plant hire sectors) and power systems, record product support revenues, as well as incremental revenues from the Irish operations.

Revenues, in functional currency, from all lines of business were higher compared to third quarter of 2010, with the exception of rental revenues. In functional currency, new equipment sales were up 39.7%, and revenues from product support were at record levels in the third quarter of 2011, 7.6% higher compared to third quarter of 2010.

Gross profit, in functional currency, in the third quarter of 2011 was higher compared with the same period last year in absolute terms. However, gross profit as a percentage of revenue was slightly lower than the third quarter of 2010, reflecting a shift in revenue mix to a higher proportion of new equipment sales, which typically return lower margins than product support revenues. New equipment sales made up 56.0% of total revenues in the third quarter of 2011, compared with 50.2% of total revenues in the same period last year. The UK operations experienced higher gross margins in most lines of business compared with the same period of the prior year.

SG&A costs, in functional currency, were higher in absolute dollars in the third quarter of 2011 compared with the third quarter of 2010, reflecting increased volume-related costs to support higher revenues. However, SG&A as a

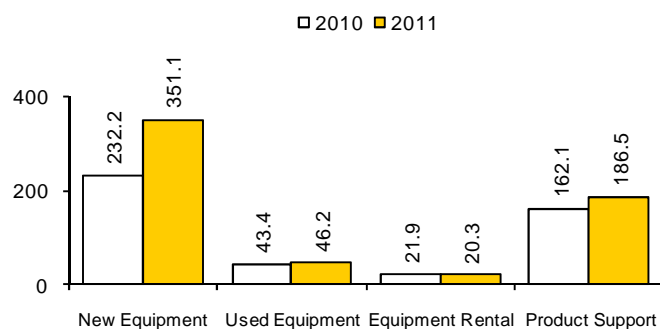
percentage of revenue was lower than the third quarter of 2010, primarily reflecting the benefit of management's initiatives to reduce operating cost levels and improve operating efficiencies.

Other expenses in the third quarter of 2011 included costs of \$0.5 million representing the UK dealership's share of costs related to the implementation of a new IT system for the Company's global dealership operations (Q3 2010: \$0.8 million). In the third quarter of 2010, Finning was appointed the Caterpillar dealer for Northern Ireland and the Republic of Ireland. Acquisition and other related costs of \$1.8 million were incurred on the transaction and were included in other expenses. In response to market conditions, Finning (UK) also incurred some restructuring and severance costs in 2010.

In the third quarter of 2011, the UK and Ireland operations generated EBIT of \$13.0 million, compared with EBIT of \$4.1 million in the third quarter of 2010. The higher EBIT in the third quarter of 2011 was primarily the result of significantly higher new equipment revenues and lower operating cost levels. The UK and Ireland's EBIT margin (EBIT as a percentage of revenue) in the third quarter of 2011 of 6.8% improved significantly compared to 2.6% in the third quarter of 2010 primarily due to higher volumes and reduced SG&A costs as a percentage of revenue.

### UK & Ireland – Revenue by Line of Business from Continuing Operations

Nine months ended September 30  
(\$ millions)



For the nine months ended September 30, 2011, revenues of \$604.1 million were 31.4% higher than the same period in the prior year. In functional currency, total revenues were 31.8% higher compared to that reported in the first nine months of 2010. The higher results in the nine months ended September 30, 2011 compared to the same period last year were primarily due to the same reasons as noted for the quarter.

### Other Developments

In the first quarter of 2011, Finning UK and the Unite trade union successfully reached a new two-year collective agreement which will expire at the end of 2012.



## Corporate and Other Operations

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Operating costs – corporate	\$ (4.3)	\$ (4.5)	\$ (14.6)	\$ (12.5)
Long-term incentive plan (LTIP)	(8.5)	6.0	(10.1)	5.7
Depreciation and amortization	—	—	(0.2)	(0.1)
	(12.8)	1.5	(24.9)	(6.9)
Equity income (loss) of joint venture	0.5	0.3	(0.9)	(1.0)
Other expenses (income)				
Acquisition and other related costs	(2.8)	—	(2.8)	—
Information technology system implementation recovery (costs)	0.2	—	0.4	(0.5)
Earnings before interest and taxes	\$ (14.9)	\$ 1.8	\$ (28.2)	\$ (8.4)

For the three months ended September 30, 2011, corporate operating costs of \$4.3 million were comparable with the same period in 2010.

The Company entered into a compensation hedge at the end of 2007 in order to offset the mark-to-market impact relating to certain stock-based compensation plans. In 2011, the compensation hedge expense recorded at the corporate level as a result of a lower market price for the Company's shares was partially offset by the fair value change of the LTIP. In 2010, the Company's share price increased and the LTIP expense was more than offset by the positive fair value change of the LTIP hedge.

The equity income (loss) of joint venture for the three and nine months ended September 30, 2011 and 2010 relates to the Company's investment in Energyst B.V. Third quarter 2011 results reflected the benefit of management's initiatives to reduce operating cost levels and improve operating efficiencies, as well as improving market conditions.

Other costs incurred during the three months ended September 30, 2011 relate to the discussions associated with the possible purchase of certain distribution assets owned by Caterpillar as a result of its recent acquisition of Bucyrus.

## Liquidity and Capital Resources

### Cash Flow from Operating Activities

For the three months ended September 30, 2011, cash flow used after working capital changes was \$60.2 million (year-to-date 2011: \$295.0 million), compared with cash generated of \$70.2 million during the same period in 2010 (year-to-date 2010: \$229.6 million).

The use of cash in the first nine months of 2011 reflected an increase in customer demand with a corresponding increase in working capital requirements, driven by higher accounts receivable levels related to higher sales and increased inventories to support significant mining deliveries expected in the fourth quarter of 2011. As a result, the Company's working capital investment in the third quarter of 2011 was \$123.5 million higher than in the comparable quarter of the prior year (year to date 2011: \$582.8 million higher than the first nine months of 2010). Throughout all operations, management continues to focus on improving cash cycle times and operating efficiencies while ensuring appropriate levels of working capital are in place to support activity levels.

In the third quarter of 2011, the Company invested \$11.4 million in rental assets for continuing operations, net of disposals (year-to-date 2011: \$124.2 million). In the comparable quarter in 2010, the Company invested \$31.3 million in rental assets, net of disposals (year-to-date 2010: \$47.1 million). Rental investment had moderated in 2010 as a result of lower demand and a focus on a more selective rental strategy. Rental demand has increased in 2011 in response to improved market conditions; however, the Company continues to closely monitor overall rental investment levels and returns.

As a result of these items, cash flow used in operating activities was \$79.5 million in the third quarter of 2011 (year-to-date 2011: \$425.9 million use of cash) compared to cash flow provided by operating activities of \$38.5 million in the comparative quarter of 2010 (year-to-date 2010: \$178.9 million generation of cash).

EBITDA was \$90.5 million in the third quarter of 2011 (year-to-date 2011: \$398.1 million) compared to \$131.8 million in the third quarter of 2010 (year-to-date 2010: \$315.9 million).

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

Net cash used in investing activities for the three months ended September 30, 2011 totalled \$40.8 million (year-to-date 2011: \$72.7 million) compared with net cash used by investing activities of \$18.2 million in the third quarter of 2010 (year-to-date 2010: cash provided of \$70.6 million). The primary use of cash in 2011 and 2010, both in the quarter and year to date, related to capital asset additions. The primary source of cash in the first nine months of 2010 related to net proceeds of \$117.8 million received on the sale of Hewden, net of transaction costs and cash sold. In the second quarter of 2011, the Company received \$6.3 million as partial payment of the £20 million 5-year note receivable from the purchaser of Hewden.

Gross capital additions from continuing operations for the three months ended September 30, 2011 were \$40.3 million (year-to-date 2011: \$78.2 million) compared with the \$18.7 million invested in the third quarter of 2010 (year-to-date 2010: \$47.8 million). Capital additions in 2011 and 2010 generally reflected capital spending related to growing product support demand. In addition, capital additions in the third quarter of 2011 included capitalized costs of \$1.7 million (Q3 2010: \$5.8 million) related to the Company's new global IT system (year-to-date 2011: \$7.6 million; year-to-date 2010: \$14.0 million).

In the third quarter of 2011, the Company acquired certain assets and operations which include the rights to sell and service machine control and monitoring products in Finning (Canada)'s dealership territory, for cash of approximately \$1.7 million. In the first quarter of 2011, the Company increased its investment in Energyst B.V. by \$1.4 million.

In the third quarter of 2010, the Company paid \$3.3 million for certain assets, acquisition and other related costs on the acquisition of the Ireland dealerships. In the first nine months of 2010, the Company received proceeds of \$26.0 million on the settlement of a cross currency interest rate swap that was part of a hedge against foreign subsidiary investments.

### **Financing Activities**

As at September 30, 2011, the Company's short and long-term borrowings totalled approximately \$1.4 billion, up 34.6% from December 31, 2010. The increase reflected borrowings to support the Company's higher working capital requirements.

In September 2011, the Company entered into a \$1.0 billion committed unsecured syndicated operating credit facility. This facility replaces the previous \$800 million global credit facility, which was set to expire in December 2011. The new facility is available in multiple borrowing jurisdictions and may be drawn by a number of the Company's principal operating subsidiaries. Borrowings under this facility are available in multiple currencies and at various floating rates of interest. The new committed facility matures in September 2015 and contains annual options to extend the maturity date on terms reflecting market conditions at the time of the extension.

Finning has committed bank facilities totalling approximately \$1.1 billion with various Canadian, U.S., and South American financial institutions. The largest of these facilities, the \$1.0 billion global credit facility, matures in September 2015 as noted above. As at September 30, 2011 over \$625 million was available under these committed facilities. Based upon the availability of these facilities, the Company's business operating plans, and the discretionary nature of some of the outflows such as rental and capital expenditures, the Company believes it has sufficient liquidity to meet operational needs.

The Company's long-term and short-term debt ratings were reconfirmed at A (low) and R-1 (low), respectively, by Dominion Bond Rating Service in April 2011. The Company's long-term debt rating was also reconfirmed at BBB+ by Standard & Poor's in October 2011.

Dividends paid to shareholders in the third quarter of 2011 were \$22.3 million, up almost 9% compared to the third quarter of 2010, reflecting the \$0.01 per common share increase to a quarterly dividend of \$0.13 per common share announced in May 2011. Dividends paid to shareholders for the first nine months of 2011 increased almost 9% to \$65.2 million.

The Company's Debt Ratio (net debt to total capitalization ratio) at September 30, 2011 was 48.7%, compared with 45.6% at June 30, 2011 and 35.3% at December 31, 2010. The increase in the Debt Ratio reflected cash used to fund working capital requirements. With positive cash generation expected in the fourth quarter of the year, the Debt Ratio is expected to be within the Company's target range by the end of 2011.

## Outlook

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Finning's consolidated backlog increased for the eighth consecutive quarter, demonstrating strong demand for new equipment and robust order intake in all the Company's regions. Low-hour used equipment remains in short supply, and demand for rental equipment continues to be solid. The Company is also experiencing strong demand for parts and service, including equipment rebuild work for mining and construction customers.

As a result of strong market conditions, all regions are experiencing long lead times from Caterpillar for new equipment. The Company has increased its inventory levels in response to strong demand and is utilizing the entire Caterpillar dealer network to source new and used equipment. The Company continues to work closely with customers to find solutions for their equipment needs, include renting, repairing or rebuilding equipment.

In Canada, the Company is experiencing significant demand for new, used and rental equipment in all sectors. In mining, including the oil sands, new machine sales and quoting activity for projects remains strong. The heavy construction, conventional oil & gas, and forestry sectors are very active, driving increased demand for equipment. In power systems, the Company benefits from robust compression and drilling activity. Product support business is strong in all sectors; and large equipment overhaul and component remanufacturing remain solid.

Following the launch of its new ERP system in Canada in July 2011, the Company experienced implementation issues affecting parts supply, warehousing and distribution operations. Finning's Canadian operations have since tested and deployed a series of application changes to improve the functionality and reliability of the system to process and distribute parts to customers. With improved functionality in the application, the next phase of work will focus on enhancing user proficiency, business process improvements, and introducing controlled system improvements to achieve greater efficiency over time. The ability to process parts orders has grown considerably since go-live and the Company expects fourth quarter parts activity levels to be substantially improved and approaching near normal volumes. Additional system related support costs are anticipated in the fourth quarter of 2011, but at a reduced rate than what was experienced in the third quarter.

In South America, new order intake in all sectors is robust. Demand for mining equipment is strong and projected to continue for the foreseeable future. Long-term fundamentals are expected to be positive despite a recent volatility in the price of copper. The Company is actively quoting on new equipment and receiving new orders from mining customers. In Chile and Argentina, construction and power systems activity is projected to remain solid as a result of significant investment in infrastructure and energy. The growing installed base of equipment in mining, construction and power systems is expected to continue to drive ongoing product support growth in South America.

In the U.K., the outlook is encouraging despite uncertainty in the economy. Sales opportunities to coal mining, quarrying, re-handling and plant hire customers remain positive. Product support activities, including equipment rebuild work for large accounts, are expected to remain at healthy levels. The Company also continues to execute well on its distribution strategy for smaller new equipment. In power systems, order intake for engines and projects has strengthened, particularly in the pleasure craft, industrial, oil and gas, and power and energy sectors. In Ireland, the power systems business has been active while construction remains fairly slow.

Finning continues discussions with Caterpillar regarding the possible purchase of certain distribution assets owned by Caterpillar as a result of its recently completed acquisition of Bucyrus. Due to the nature of these discussions, no assurance can be given that any transaction will occur or concerning the terms, conditions or timing of any such transaction. If those discussions are successful and a definitive agreement is entered into between Finning and Caterpillar, Finning will provide appropriate disclosure regarding the terms of the arrangement. Until such time, Finning does not intend to provide any further comments regarding the progress of negotiations or the terms of any potential agreement.

The Company expects to generate a positive free cash flow in the fourth quarter of 2011. For the full year, free cash flow is expected to be negative, reflecting the required level of working capital to meet continued strong demand for equipment and parts. The Company continues to closely manage its working capital to ensure a strong balance sheet. With positive free cash flow forecast in the fourth quarter, the Company expects its net debt to total capital ratio to be within its target range of 35 to 45 percent by the end of 2011.

Finning expects active market conditions to continue through the end of the year and maintains a strong outlook for mining, construction and power systems markets for 2012 and 2013.

The Company maintains its focus on cost discipline and continues to implement efficiency and productivity initiatives to further improve operating leverage and drive higher profitability. SG&A as a percentage of revenue is projected to decline to approximately 20% in the medium term. The Company is committed to driving sustainable profitability improvement and achieving its 10% EBIT margin target in 2013.

November 8, 2011

## Description of Non-GAAP Measures

EBIT is defined herein as earnings from continuing operations before interest expense, interest income, and income taxes. EBITDA is defined as earnings from continuing operations before interest, taxes, depreciation, and amortization. Free Cash Flow is defined as cash flow provided by (used in) operating activities less net property, plant, and equipment expenditures. EBIT, EBITDA, and Free Cash Flow are measures of performance utilized by management to measure and evaluate the financial performance of its operating segments. EBITDA and Free Cash Flow are measures commonly reported and widely used by investors as an indicator of a company's cash operating performance and ability to raise and service debt. EBITDA is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses and is a common valuation metric.

Management believes that these measures provide important information regarding the operational performance of the Company's business. By considering these measures in combination with the comparable IFRS (also referred to as generally accepted accounting principles, or GAAP) measures set out below, management believes that shareholders are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the GAAP measures alone. EBIT, EBITDA, and Free Cash Flow do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with GAAP.

A reconciliation between EBITDA, EBIT, and net income from continuing operations is as follows:

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Earnings from continuing operations before interest, taxes, depreciation, and amortization (EBITDA)	\$ 90.5	\$ 131.8	\$ 398.1	\$ 315.9
Depreciation and amortization	(44.3)	(37.1)	(125.7)	(114.4)
Earnings from continuing operations before interest and income taxes (EBIT)	46.2	94.7	272.4	201.5
Finance costs	(10.8)	(9.6)	(38.8)	(45.2)
Provision for income taxes	—	(21.7)	(44.8)	(30.7)
Net income from continuing operations	\$ 35.4	\$ 63.4	\$ 188.8	\$ 125.6

A reconciliation of Free Cash Flow is as follows:

(\$ millions)	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Cash flow provided by (used in) operating activities	\$ (79.5)	\$ 38.5	\$ (425.9)	\$ 178.9
Additions to capital assets	(40.3)	(18.7)	(78.2)	(47.8)
Proceeds on disposal of capital assets	1.2	3.9	2.3	5.3
Net capital expenditures of discontinued operations	—	—	—	3.8
Free cash flow	\$ (118.6)	\$ 23.7	\$ (501.8)	\$ 140.2

Free Cash Flow from Hewden has been included in the figures for periods prior to sale in May 2010.

## Risk Management

Finning and its subsidiaries are exposed to market, financial, and other risks in the normal course of their business activities. The Company has adopted an Enterprise Risk Management (ERM) approach in identifying, prioritizing, and evaluating risks. This ERM framework assists the Company in managing business activities and risks across the organization in order to achieve the Company's strategic objectives. The Company assesses its ERM approach as part of its quarterly process to ensure it continues to operate in an effective and efficient manner.

The Company is dedicated to a strong risk management culture to protect and enhance shareholder value. The processes within Finning's risk management function are designed to ensure that risks are properly identified, managed, and reported. The Company discloses all of its key risks in its most recent 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, 2010.

There have been no significant changes to existing risk factors and no new key risks identified from the key risks disclosed in the Company's current AIF for the year ended December 31, 2010, which can be found at [www.sedar.com](http://www.sedar.com) and [www.finning.com](http://www.finning.com).

### Sensitivity to variances in foreign exchange rates

The Company is geographically diversified, with significant investments in several different countries. The Company transacts business in multiple currencies, the most significant of which are the U.S. dollar (USD), the Canadian dollar (CAD), the U.K. pound sterling (GBP), and the Chilean peso (CLP). As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies. The two main types of foreign exchange risk of the Company are translation exposure and transaction exposure. These are explained further in the Foreign Exchange Risk section in the 2010 annual MD&A.

The sensitivity of the Company's net earnings to fluctuations in average annual foreign exchange rates is summarized in the table below. A 5% strengthening of the Canadian dollar against the following currencies for a full year relative to the September 30, 2011 month end rates would increase / (decrease) annual net income by the amounts shown below. This analysis assumes that all other variables, in particular volumes, relative pricing, interest rates, and hedging activities are unchanged.

Currency	September 30, 2011 month end rates	Net income \$ millions
USD	1.0389	\$ (30)
GBP	1.6231	\$ (2)
CLP	0.0020	\$ 1

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

## **Controls and Procedures Certification**

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### **Disclosure Controls and Procedures**

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities.

The Company has a Disclosure Policy and a Disclosure Committee in place to mitigate risks associated with the disclosure of inaccurate or incomplete information, or failure to disclose required information.

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

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management 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 September 30, 2011, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting. In the third quarter of 2011, management did employ additional procedures to ensure key financial internal controls remained in place during and after the conversion to a new ERP system in the Company's Canadian operations. Management also performed additional account reconciliations and other analytical procedures to mitigate any financial risks from the introduction of the new system.

Regular involvement of the Company's internal audit function and quarterly reporting to the Audit Committee and the Company's external auditors 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)	2011			2010				2009	
	IFRS			IFRS				Canadian GAAP	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue from continuing operations <sup>(1) (2)</sup>									
Canada	\$ 607.7	\$ 733.0	\$ 612.1	\$ 652.0	\$ 586.6	\$ 551.7	\$ 477.4	\$ 601.8	\$ 489.9
South America	528.1	532.7	466.6	505.7	462.2	352.8	347.8	337.0	376.9
UK & Ireland	193.3	214.9	195.9	188.8	157.4	160.5	141.7	142.0	145.5
<b>Total revenue</b>	<b>\$1,329.1</b>	<b>\$1,480.6</b>	<b>\$1,274.6</b>	<b>\$1,346.5</b>	<b>\$1,206.2</b>	<b>\$1,065.0</b>	<b>\$ 966.9</b>	<b>\$1,080.8</b>	<b>\$1,012.3</b>
Net income (loss) <sup>(1) (2)</sup>									
from continuing operations	\$ 35.4	\$ 81.9	\$ 71.5	\$ 55.5	\$ 63.4	\$ 35.7	\$ 26.5	\$ 21.7	\$ 25.6
from discontinued operations	—	—	—	—	—	(123.2)	(1.8)	(5.4)	(3.9)
<b>Total net income</b>	<b>\$ 35.4</b>	<b>\$ 81.9</b>	<b>\$ 71.5</b>	<b>\$ 55.5</b>	<b>\$ 63.4</b>	<b>\$ (87.5)</b>	<b>\$ 24.7</b>	<b>\$ 16.3</b>	<b>\$ 21.7</b>
Basic Earnings (Loss) Per Share <sup>(1) (2)</sup>									
from continuing operations	\$ 0.21	\$ 0.48	\$ 0.42	\$ 0.32	\$ 0.37	\$ 0.21	\$ 0.16	\$ 0.13	\$ 0.15
from discontinued operations	—	—	—	—	—	(0.72)	(0.01)	(0.03)	(0.02)
<b>Total basic EPS</b>	<b>\$ 0.21</b>	<b>\$ 0.48</b>	<b>\$ 0.42</b>	<b>\$ 0.32</b>	<b>\$ 0.37</b>	<b>\$ (0.51)</b>	<b>\$ 0.15</b>	<b>\$ 0.10</b>	<b>\$ 0.13</b>
Diluted Earnings (Loss) Per Share <sup>(1) (2)</sup>									
from continuing operations	\$ 0.21	\$ 0.47	\$ 0.41	\$ 0.32	\$ 0.37	\$ 0.21	\$ 0.15	\$ 0.13	\$ 0.15
from discontinued operations	—	—	—	—	—	(0.72)	(0.01)	(0.03)	(0.02)
<b>Total diluted EPS</b>	<b>\$ 0.21</b>	<b>\$ 0.47</b>	<b>\$ 0.41</b>	<b>\$ 0.32</b>	<b>\$ 0.37</b>	<b>\$ (0.51)</b>	<b>\$ 0.14</b>	<b>\$ 0.10</b>	<b>\$ 0.13</b>
<b>Total assets <sup>(1) (2)</sup></b>	<b>\$4,086.8</b>	<b>\$3,645.0</b>	<b>\$3,511.0</b>	<b>\$3,429.7</b>	<b>\$3,356.0</b>	<b>\$3,231.5</b>	<b>\$3,273.0</b>	<b>\$3,671.4</b>	<b>\$3,892.4</b>
Long-term debt									
Current	\$ 262.3	\$ 263.2	\$ 209.0	\$ 203.1	\$ 37.9	\$ 32.4	\$ 23.7	\$ 24.2	\$ 23.9
Non-current	778.5	710.9	711.7	711.1	861.4	867.4	940.5	991.7	1,013.8
<b>Total long-term debt <sup>(3)</sup></b>	<b>\$1,040.8</b>	<b>\$ 974.1</b>	<b>\$ 920.7</b>	<b>\$ 914.2</b>	<b>\$ 899.3</b>	<b>\$ 899.8</b>	<b>\$ 964.2</b>	<b>\$1,015.9</b>	<b>\$1,037.7</b>
Cash dividends paid per common share	\$ 0.13	\$ 0.13	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.11	\$ 0.11	\$ 0.11
Common shares outstanding (000's)	171,571	171,570	171,528	171,431	171,177	171,009	170,907	170,747	170,661
Options outstanding (000's)	5,411	5,462	5,371	5,603	6,095	6,455	6,058	6,299	6,537

- 1) In August 2010, the Company was appointed the Caterpillar dealer for Northern Ireland and the Republic of Ireland. The results of operations and financial position of these dealers have been included in the figures above since the date of acquisition.
- 2) On May 5, 2010, the Company sold Hewden, its UK equipment rental business. Results from Hewden are presented as discontinued operations and have been reclassified to that category for all periods presented. Included in the loss from discontinued operations in the second quarter of 2010 is the after-tax loss on the disposition of Hewden of \$120.8 million. Revenues from Hewden have been excluded from the revenue figures above. Assets from Hewden have been included in the total assets figures for periods prior to the sale.
- 3) In the second quarter of 2010, the Company utilized funds from the sale of Hewden to redeem £45 million of its £115 million Eurobond Notes.

In September 2011, the Company entered into a \$1.0 billion committed unsecured syndicated operating credit facility. This facility replaces the previous \$800 million global credit facility, which was set to expire in December 2011. The new committed facility matures in September 2015. The Company's \$150 million Medium Term Note matures in December 2011 and has been classified as current since December 2010.

## **New Accounting Pronouncements**

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### **Changes in Accounting Policy in 2011**

#### **EXPLANATION OF TRANSITION TO IFRS**

The Q1 2011 interim condensed consolidated financial statements were the Company's first interim consolidated financial statements to be presented in accordance with IFRS. As such, the Company's transition activities with respect to IFRS technical analysis, preparation of IFRS compliant comparatives for 2010, transition training, and systems and controls reviews are now complete. The Company wishes to emphasize that the transition to IFRS does not impact its underlying business activities or strategy; the changes arising from the adoption of IFRS relate to accounting differences only.

#### **Transition adjustments**

The Company's transitional elections, accounting policy choices, and their impact on the financial statements are described in Note 11 to these interim condensed consolidated financial statements. Reconciliations of the statement of financial position at September 30, 2010 and statements of income and comprehensive income for the three and nine months ended September 30, 2010 are also provided in Note 11. Reconciliations of shareholders' equity at the transition date (January 1, 2010) and at December 31, 2010, and of total comprehensive income for the year ended December 31, 2010 are provided in Note 9 of the Q1 2011 interim condensed consolidated financial statements. Where an accounting policy choice or transitional election was available, the Company considered, amongst other factors, expected developments in International Accounting Standards Board (IASB) standard setting, practice amongst existing IFRS reporters, and the implementation effort required in making the policy choice or election.

#### **Key performance indicators**

The impact of IFRS on the Company's key performance indicators has been assessed as follows:

##### *Net debt to total capitalization*

As a result of the reduction to equity arising in the Company's opening statement of financial position (primarily due to the transitional election taken to write off previously unrecognized actuarial losses to retained earnings), the net debt to total capitalization ratio at December 31, 2010 increased from 33.0% (Canadian GAAP) to 35.3% (IFRS). The Company expects increased variability in this metric under IFRS, as the immediate recognition of actuarial gains and losses in other comprehensive income will increase volatility in shareholders' equity. The Company's underlying financing strategy is not impacted by this accounting change.

##### *Free cash flow*

The revised presentation of the Company's joint venture using the equity method had an insignificant impact on comparative free cash flow, which increased to \$140.2 million (IFRS) from \$137.4 million (Canadian GAAP) for the nine months ended September 30, 2010. Cash and cash equivalents of the Company's joint venture are now disclosed in the 'Investment in joint venture and associate' line on the statement of financial position and are consequently not included in the calculation of free cash flow.

##### *EBIT margin (EBIT as a percentage of revenue)*

The increase in comparative period EBIT margin from 7.2% (Canadian GAAP) to 7.9% (IFRS) for the three months ended September 30, 2010 was primarily attributable to reductions in defined benefit pension expense in Canada and the UK, and reductions in share based payment expense across all operations. For the nine months ended September 30, 2010, EBIT margin increased to 6.2% (IFRS) from 6.0% (Canadian GAAP); this improvement was driven by an overall reduction in SG&A expenses (primarily due to reduced share based payment expense in all operations and reduced pension expense in Canada), partially offset by additional UK pension expense in Q2 2010 arising from the recognition of fully vested past service costs that had previously been deferred and amortized under Canadian GAAP.

##### *Earnings per share*

Earnings per share from continuing operations increased to \$0.37 (IFRS) from \$0.36 (Canadian GAAP) for the three months ended September 30, 2010. Improvements to net income under IFRS were primarily driven by lower defined benefit pension expense under IFRS in the Canadian and UK operations due to the fact that actuarial losses have been recognized in equity and are therefore no longer amortized through SG&A. In addition, the improvement reflected reduced share based payment expense arising from the change to a fair value measurement for cash settled share based payment plans (in all operations). These improvements to net income in the quarter were partially offset by an increase in tax expense due to differences in the computation of deferred tax balances (primarily in the Company's South American operations).



Earnings per share from continuing operations for the nine months ended September 30, 2010 increased from \$0.71 (Canadian GAAP) to \$0.73 (IFRS). This can be explained by reductions in Canadian defined benefit pension plan expense, reduced share based payment costs globally, and reduced tax expense arising from differences in the computation of deferred tax balances. These improvements to net income were partially offset by increased defined benefit pension plan expense in the UK, which is explained by the recognition of fully vested past service costs immediately under IFRS in Q2 2010.

### **Control activities**

The Company has assessed the impact of IFRS on internal control over financial reporting. Changes to the Company's control processes were minimal, mainly related to some additional processes to identify the actuarial gains and losses relating to the defined benefit pension plans on a quarterly basis. While IFRS requires substantial additional disclosures in the financial statements, the Company assessed its existing disclosure control framework to be adequate to support these new disclosure requirements.

### **Systems implications**

The Company's existing systems infrastructure did not require significant adaptation to record the comparative IFRS data. The Company's new global IT system supports IFRS reporting, and there was frequent liaison between the IT system and IFRS project teams to ensure alignment of the system design and IFRS reporting requirements.

### **Post implementation plan**

Going forward, the Company will continue to monitor IASB standard setting developments. Current IASB projects relating to financial instruments, revenue, and leases are especially relevant to the Company. Ongoing technical training will be provided to relevant personnel where required as these new and revised standards are issued.

### **Future Accounting Pronouncements**

The Company has not applied the following revised IFRS that have been issued but not yet effective for the Company at November 8, 2011:

- Amendments to IFRS 7, *Financial Instruments: Disclosures* are effective for annual periods beginning on or after July 1, 2011 and introduce enhanced disclosure around transfer of financial assets and associated risks. These amendments are not anticipated to impact the disclosures made by the Company.

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective at November 8, 2011:

- Amendments to IAS 1, *Presentation of Financial Statements* (effective for annual periods beginning on or after July 1, 2012) require that elements of other comprehensive income that may subsequently be reclassified through profit and loss be differentiated from those items that will not be reclassified.
- IFRS 9, *Financial Instruments* (effective January 1, 2013, with a proposal to defer the effective date to January 1, 2015) introduces new requirements for the classification and measurement of financial assets and financial liabilities.
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated.
- IFRS 13 *Fair Value Measurement* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.

These accounting standards are not expected to have a significant effect on the Company's accounting policies or financial statements.

- Amendments to IAS 19, *Employee Benefits* (effective January 1, 2013) provide new requirements for the accounting for defined benefit pension plans. Most notably, the amendments mandate the immediate recognition of actuarial gains and losses, and require companies to use the same discount rate for both the defined benefit obligation and the expected asset return when calculating the interest component of pension expense. The Company already recognizes all actuarial gains and losses immediately through other comprehensive income, consequently this element of the amendments will not impact the Company. The Company is currently evaluating the impact of other amendments to IAS 19.

## Outstanding Share Data

### As at November 3, 2011

Common shares outstanding	171,572,429
Options outstanding	5,402,706

### Forward-Looking Disclaimer

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; expected revenue and SG&A levels and EBIT growth; anticipated generation of free cash flow (including projected net capital and rental expenditures), and its expected use; anticipated defined benefit plan contributions; the expected target range of Debt Ratio; the expected quantitative impact on the 2010 consolidated statements of financial position and statements of income and comprehensive income of the Company's transition to IFRS effective January 1, 2010; and the impact on new and revised IFRS that have been issued but are not yet effective. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this report describe our expectations at November 8, 2011. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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

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

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

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<b>(Canadian \$ thousands)</b>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 105,322	\$ 346,387
Accounts receivable	783,334	663,920
Service work in progress	85,571	73,602
Inventories	1,669,438	1,075,824
Income taxes recoverable	21,052	24,444
Derivative assets	7,463	7,420
Other assets	160,569	114,096
<b>Total current assets</b>	<b>2,832,749</b>	<b>2,305,693</b>
Rental equipment	401,256	366,628
Property, plant, and equipment	490,128	440,363
Intangible assets	52,039	45,285
Goodwill	93,655	91,114
Investment in and advances to joint venture and associate	60,696	53,008
Finance assets	34,295	30,158
Deferred tax assets	88,656	59,542
Other assets	33,330	37,907
	<b>\$ 4,086,804</b>	<b>\$ 3,429,698</b>
<b>LIABILITIES</b>		
Current liabilities		
Short-term debt	\$ 310,472	\$ 89,965
Accounts payable and accruals	712,991	611,051
Income tax payable	9,843	8,225
Provisions	71,807	57,365
Deferred revenue	341,622	318,657
Derivative liabilities	8,228	4,421
Current portion of long-term debt	262,278	203,087
<b>Total current liabilities</b>	<b>1,717,241</b>	<b>1,292,771</b>
Long-term debt	778,535	711,067
Long-term obligations	217,239	180,725
Derivative liabilities	20,728	8,672
Provisions	3,042	1,078
Deferred revenue	21,476	18,876
Deferred tax liabilities	15,526	13,524
<b>Total liabilities</b>	<b>2,773,787</b>	<b>2,226,713</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	566,373	564,973
Contributed surplus	35,022	33,128
Accumulated other comprehensive loss	(17,227)	(53,385)
Retained earnings	728,849	658,269
<b>Total shareholders' equity</b>	<b>1,313,017</b>	<b>1,202,985</b>
	<b>\$ 4,086,804</b>	<b>\$ 3,429,698</b>

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 September 30		Nine months ended September 30	
	2011	2010	2011	2010
Revenue				
New equipment	\$ 661,031	\$ 548,130	\$ 1,898,999	\$ 1,301,300
Used equipment	52,309	53,048	174,863	198,321
Equipment rental	87,867	71,835	247,970	197,318
Product support	524,800	531,143	1,753,049	1,534,563
Other	3,114	2,056	9,410	6,572
Total revenue	1,329,121	1,206,212	4,084,291	3,238,074
Cost of sales	(961,196)	(844,035)	(2,879,085)	(2,254,297)
Gross profit	367,925	362,177	1,205,206	983,777
Selling, general, and administrative expenses	(310,257)	(258,670)	(912,288)	(758,692)
Equity earnings of joint venture and associate	1,838	1,783	3,665	2,545
Other expenses (Note 2)	(13,314)	(10,632)	(24,160)	(26,151)
Earnings from continuing operations before interest and income taxes	46,192	94,658	272,423	201,479
Finance costs (Note 3)	(10,762)	(9,592)	(38,762)	(45,192)
Income from continuing operations before provision for income taxes	35,430	85,066	233,661	156,287
Recovery (provision) for income taxes	43	(21,638)	(44,821)	(30,680)
Income from continuing operations	35,473	63,428	188,840	125,607
Loss from discontinued operations, net of tax	—	—	—	(125,023)
Net income	\$ 35,473	\$ 63,428	\$ 188,840	\$ 584
Earnings (loss) per share - basic				
From continuing operations (Note 5)	\$ 0.21	\$ 0.37	\$ 1.10	\$ 0.73
From discontinued operations	—	—	—	(0.73)
	\$ 0.21	\$ 0.37	\$ 1.10	\$ —
Earnings (loss) per share - diluted				
From continuing operations (Note 5)	\$ 0.21	\$ 0.37	\$ 1.10	\$ 0.73
From discontinued operations	—	—	—	(0.73)
	\$ 0.21	\$ 0.37	\$ 1.10	\$ —
Weighted average number of shares outstanding				
Basic	171,570,944	171,059,627	171,537,260	170,956,128
Diluted	172,204,611	171,822,395	172,372,589	171,478,078

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 (LOSS)

(Canadian \$ thousands)	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Net income	\$ 35,473	\$ 63,428	\$ 188,840	\$ 584
Other comprehensive income (loss), net of income tax				
Currency translation adjustments	78,895	(17,752)	52,616	(47,029)
Unrealized gain (loss) on net investment hedges	(10,516)	(2,423)	(8,956)	11,952
Realized loss on foreign currency translation, net of realized gain on net investment hedges, reclassified to earnings on disposal of discontinued operations	—	—	—	19,142
Tax recovery (expense) on net investment hedges	2,116	341	1,719	(825)
Foreign currency translation and gain (loss) on net investment hedges, net of income tax	70,495	(19,834)	45,379	(16,760)
Unrealized gain (loss) on cash flow hedges	(8,503)	6,656	(8,454)	2,204
Realized loss (gain) on cash flow hedges, reclassified to earnings	(2,531)	(1,565)	(2,957)	2,213
Tax recovery (expense) on cash flow hedges	2,179	(901)	2,190	(1,038)
Gain (loss) on cash flow hedges, net of income tax	(8,855)	4,190	(9,221)	3,379
Actuarial loss (Note 8)	(71,608)	(3,586)	(70,563)	(64,349)
Tax recovery on actuarial loss	18,061	848	17,491	16,786
Actuarial loss, net of income tax	(53,547)	(2,738)	(53,072)	(47,563)
Comprehensive income (loss)	\$ 43,566	\$ 45,046	\$ 171,926	\$ (60,360)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(\$ Canadian thousands, except share amounts)	Share Capital			Accumulated Other Comprehensive Income (Loss)			
	Shares	Amount	Contributed Surplus	Foreign Currency Translation and Gain / (Loss) on Net Investment Hedges	Gain / (Loss) on Cash Flow Hedges	Retained Earnings	Total
Balance, January 1, 2010	170,746,800	\$ 557,052	\$ 32,069	\$ —	\$ (4,846)	\$ 704,792	\$ 1,289,067
Net income	—	—	—	—	—	584	584
Other comprehensive income (loss)	—	—	—	(16,760)	3,379	(47,563)	(60,944)
Total comprehensive income (loss)	—	—	—	(16,760)	3,379	(46,979)	(60,360)
Issued on exercise of share options	430,114	4,615	(1,193)	—	—	—	3,422
Stock option expense	—	—	3,033	—	—	—	3,033
Dividends on common shares	—	—	—	—	—	(59,845)	(59,845)
Balance, September 30, 2010	171,176,914	\$ 561,667	\$ 33,909	\$ (16,760)	\$ (1,467)	\$ 597,968	\$ 1,175,317
Balance, January 1, 2011	171,431,349	\$ 564,973	\$ 33,128	\$ (52,316)	\$ (1,069)	\$ 658,269	\$ 1,202,985
Net income	—	—	—	—	—	188,840	188,840
Other comprehensive income (loss)	—	—	—	45,379	(9,221)	(53,072)	(16,914)
Total comprehensive income (loss)	—	—	—	45,379	(9,221)	135,768	171,926
Issued on exercise of share options	139,899	1,400	(700)	—	—	—	700
Stock option expense	—	—	2,594	—	—	—	2,594
Dividends on common shares	—	—	—	—	—	(65,188)	(65,188)
Balance, September 30, 2011	171,571,248	\$ 566,373	\$ 35,022	\$ (6,937)	\$ (10,290)	\$ 728,849	\$ 1,313,017

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**

<b>(Canadian \$ thousands)</b>	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>OPERATING ACTIVITIES</b>				
Net income	\$ 35,473	\$ 63,428	\$ 188,840	\$ 584
Add items not affecting cash				
Depreciation and amortization	44,902	37,731	127,308	117,879
Deferred taxes	5,196	(530)	(1,884)	(8,238)
Share-based payments	6,721	(651)	13,038	1,938
Loss from discontinued operations	—	—	—	125,023
Other	(3,479)	(1,529)	(2,167)	2,571
	<b>88,813</b>	<b>98,449</b>	<b>325,135</b>	<b>239,757</b>
Changes in working capital items (Note 7)	(143,262)	(19,727)	(560,590)	22,231
Interest paid	(3,373)	(5,068)	(30,072)	(36,123)
Income tax received (paid)	(2,313)	(3,499)	(29,447)	3,715
Cash provided (used) after changes in working capital items	(60,135)	70,155	(294,974)	229,580
Additions to rental equipment	(52,043)	(58,105)	(216,929)	(112,195)
Proceeds on disposal of rental equipment	40,615	26,836	92,684	65,139
Equipment leased to customers, net of disposals	(7,932)	(418)	(6,657)	(1,963)
Cash provided by (used in) continuing operations	(79,495)	38,468	(425,876)	180,561
Cash used in discontinued operations	—	—	—	(1,647)
Cash flow provided by (used in) operating activities	<b>(79,495)</b>	<b>38,468</b>	<b>(425,876)</b>	<b>178,914</b>
<b>INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	(40,213)	(18,714)	(78,169)	(47,813)
Proceeds on disposal of property, plant and equipment	1,127	3,898	2,262	5,332
Net proceeds paid on acquisition (Note 9)	(1,700)	(3,344)	(1,700)	(3,344)
Net proceeds from sale of discontinued operations	—	—	6,332	117,829
Investment in equity investment	—	—	(1,375)	—
Proceeds on settlement of derivatives	—	—	—	25,983
Cash provided by (used in) continuing operations	(40,786)	(18,160)	(72,650)	97,987
Cash used in discontinued operations	—	—	—	(27,361)
Cash provided by (used in) investing activities	<b>(40,786)</b>	<b>(18,160)</b>	<b>(72,650)</b>	<b>70,626</b>
<b>FINANCING ACTIVITIES</b>				
Increase (decrease) in short-term debt	97,426	4,580	215,435	(96,125)
Increase (decrease) in long-term debt	48,182	(2,020)	106,573	(2,972)
Purchase of Eurobond and premium paid (Note 3)	—	—	—	(73,156)
Issue of common shares on exercise of stock options	—	1,280	700	3,422
Dividends paid	(22,304)	(20,530)	(65,188)	(59,845)
Cash provided by (used in) continuing operations	123,304	(16,690)	257,520	(228,676)
Cash used in discontinued operations	—	—	—	—
Cash provided by (used in) financing activities	<b>123,304</b>	<b>(16,690)</b>	<b>257,520</b>	<b>(228,676)</b>
Effect of currency translation on cash balances	5,701	(2,302)	(59)	(8,812)
Increase (decrease) in cash and cash equivalents	8,724	1,316	(241,065)	12,052
Cash and cash equivalents, beginning of period	96,598	205,646	346,387	194,910
Cash and cash equivalents, end of period (Note 7)	<b>\$ 105,322</b>	<b>\$ 206,962</b>	<b>\$ 105,322</b>	<b>\$ 206,962</b>

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

## 1. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements (Interim Statements) of the Company and its subsidiaries were prepared in accordance with IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standard Board (IASB). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the IASB, have been omitted or condensed. These Interim Statements have been prepared in accordance with the accounting policies presented in Note 1 of the Q1 2011 Interim Statements and are based on the IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective as of November 8, 2011. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these Interim Statements, including the transition adjustments recognized on transition to IFRS. The accounting policies set out in Note 1 of the Company's Q1 2011 Interim Statements were consistently applied to all the periods presented unless otherwise noted.

These Interim Statements were approved for issue on November 8, 2011.

Prior to January 1, 2011, the Company's consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP), which differs in some areas from IFRS. In preparing these Interim Statements, management has amended certain accounting methods previously applied in the Canadian GAAP consolidated financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these amendments. Reconciliations of the statement of financial position at September 30, 2010 and statements of income and comprehensive income for the three and nine months ended September 30, 2010 are provided in Note 11. Reconciliations of shareholders' equity at the transition date (January 1, 2010) and at December 31, 2010, and of total comprehensive income for the year ended December 31, 2010 are provided in Note 9 of the Q1 2011 Interim Statements. In addition, Notes 10-17 of the Q1 2011 Interim Statements provide certain information and disclosures normally only included in annual financial statements in relation to balances that have changed materially under IFRS as compared to Canadian GAAP for the year ended December 31, 2010.

### Adoption of new and revised IFRS and IFRS not yet effective

The Company has not applied the following revised IFRS that have been issued but not yet effective for the Company at November 8, 2011:

- Amendments to IFRS 7, *Financial Instruments: Disclosures* are effective for annual periods beginning on or after July 1, 2011 and introduce enhanced disclosure around transfer of financial assets and associated risks. These amendments are not anticipated to impact the disclosures made by the Company.

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective at November 8, 2011:

- Amendments to IAS 1, *Presentation of Financial Statements* (effective for annual periods beginning on or after July 1, 2012) require that elements of other comprehensive income that may subsequently be reclassified through profit and loss be differentiated from those items that will not be reclassified.
- IFRS 9, *Financial Instruments* (effective January 1, 2013, with a proposal to defer the effective date to January 1, 2015) introduces new requirements for the classification and measurement of financial assets and financial liabilities.
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated.
- IFRS 13 *Fair Value Measurement* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.

These accounting standards are not expected to have a significant effect on the Company's accounting policies or financial statements.

- Amendments to IAS 19, *Employee Benefits* (effective January 1, 2013) provide new requirements for the accounting for defined benefit pension plans. Most notably, the amendments mandate the immediate recognition of actuarial gains and losses, and require companies to use the same discount rate for both the defined benefit

obligation and the expected asset return when calculating the interest component of pension expense. The Company already recognizes all actuarial gains and losses immediately through other comprehensive income, consequently this element of the amendments will not impact the Company. The Company is currently evaluating the impact of other amendments to IAS 19.

## 2. OTHER EXPENSES

Other expenses (income) include the following items:

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Project costs (a)	\$ 10,561	\$ 8,311	\$ 21,407	\$ 20,666
Restructuring (b)	—	519	—	3,735
Acquisition and other related costs (c)	2,753	1,829	2,753	1,829
Gain on sale of other surplus properties	—	(27)	—	(79)
	\$ 13,314	\$ 10,632	\$ 24,160	\$ 26,151

- (a) Project costs incurred during the three and nine months ended September 30, 2011 and 2010 relate to the implementation of a new information technology (IT) system for the Company's global operations. The new IT system was implemented in Finning (Canada) on July 4, 2011 and costs in the third quarter of 2011 included additional support costs for Finning (Canada)'s implementation. Subsequent implementations are planned for the U.K. and then South American operations.
- (b) During the three and nine months ended September 30, 2010, the Company incurred restructuring and severance costs that were in response to market conditions, primarily in the Company's Canadian operations.
- (c) Other costs incurred during the three months ended September 30, 2011 relate to the discussions associated with the possible purchase of certain distribution assets owned by Caterpillar as a result of its recent acquisition of Bucyrus. Acquisition costs incurred during the three and nine months ended September 30, 2010 relate to the acquisition of the Caterpillar dealerships in Northern Ireland and the Republic of Ireland.

## 3. FINANCE COSTS

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

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Interest on debt securities:				
Short-term debt	\$ 555	\$ 299	\$ 1,072	\$ 1,168
Long-term debt	12,167	12,616	35,798	38,166
	12,722	12,915	36,870	39,334
Loss on interest rate derivatives	375	374	1,111	1,289
Costs associated with debt purchase (a)	—	—	—	6,441
Interest income on tax reassessment	(2,411)	(2,941)	(2,411)	(2,941)
Other finance related expenses	397	(529)	4,108	3,545
	11,083	9,819	39,678	47,668
Less:				
Borrowing costs capitalized to property, plant, and equipment	(321)	(227)	(916)	(367)
Interest expense related to discontinued operations	—	—	—	(2,109)
Finance costs of continuing operations	\$ 10,762	\$ 9,592	\$ 38,762	\$ 45,192



- a) Following the May 2010 sale of Hewden, the Company's UK equipment rental business, the Company used a portion of the proceeds to purchase £45 million of its £115 million 5.625% Eurobond due 2013. The Company recorded charges of approximately \$6.4 million, reflecting the premium paid to purchase the Eurobond, the early recognition of deferred financing costs, and other costs associated with this purchase.
- b) In September 2011, the Company entered into a new unsecured syndicated operating credit facility of up to \$1.0 billion. This new facility replaces the previous \$800 million global credit facility, which was set to expire in December 2011. The new facility is available in multiple borrowing jurisdictions and may be drawn by a number of the Company's principal operating subsidiaries. Borrowings under this facility are available in multiple currencies and at various floating rates of interest. The new committed facility matures in September 2015 and contains annual options to extend the maturity date on terms reflecting market conditions at the time of the extension.

#### 4. 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:

	Nine months ended September 30, 2011		Twelve months ended December 31, 2010	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	5,602,612	\$ 24.16	6,299,454	\$ 22.94
Granted	479,540	\$ 28.28	548,990	\$ 17.43
Exercised	(222,408)	\$ 13.56	(1,086,873)	\$ 13.42
Cancelled	(448,917)	\$ 30.37	(158,959)	\$ 26.06
Options outstanding, end of period	5,410,827	\$ 24.45	5,602,612	\$ 24.16
Exercisable at period end	4,275,356	\$ 25.29	3,934,913	\$ 25.85

- (1) Stock options exercised in 2011 comprised both cash and cashless exercises, based on the terms of the particular stock option plan. There were 78,568 options exercised under the pre-2005 Stock Option Plan which utilized a cash method of exercise resulting in the same number (78,568) of common shares issued. 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 market value at exercise time and the grant value, and the equivalent value of the number of options up to the grant value is withheld. An additional 143,840 options were exercised in 2011 under the 2005 Stock Option Plan resulting in 61,331 common shares issued and 82,509 options were withheld and returned to the option pool for future issues/grants.

In 2011 and 2010, long-term incentives for executives and senior management were a combination of both share options and performance share units. In the nine months ended September 30, 2011, the Company granted 479,540 common share options to senior executives and management of the Company (year-to-date Q3 2010: 548,990 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 Company uses an option-pricing model to determine the fair value of share options granted which is amortized over the vesting period. The fair value of the options granted in 2011 has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Dividend yield	1.88%
Expected volatility	33.81%
Risk-free interest rate	2.65%
Expected life	5.86 years

The weighted average grant date fair value of options granted during the period was \$8.44 (2010: \$5.20).

## Other Share-Based Compensation Plans

The Company has other share-based compensation plans in the form of deferred share units, performance share units, and share appreciation rights that use notional common share units. Details of the plans with significant changes subsequent to December 31, 2010 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 allocated a total of 21,386 share units in May 2011 (2010: 34,430 share units), which were granted to the Directors and will be expensed over the calendar year as the units are issued.

### Executive

#### Performance Share Unit Plan (PSU)

Executives of the Company were allocated a total of 210,000 performance share units in 2011, based on 100% vesting (2010: 236,390 performance share units).

The specified levels and respective vesting percentages for the 2011 grant are as follows:

Performance Level	Average Return on Equity (over three-year period)	Proportion of PSUs Vesting
Below Threshold	< 15%	Nil
Threshold	15%	50%
Target	18%	100%
Maximum	22%	200%

## 5. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by dividing net income available to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise share options granted to employees.

Net income used in determining EPS from continuing operations are presented below. Net income used in determining EPS from discontinued operations is the net income from discontinued operations as reported in the consolidated statements of income.

(\$ thousands, except share and per share amounts) 2011	Three months ended September 30			Nine months ended September 30		
	Income	Shares	Per Share	Income	Shares	Per Share
<b>Basic EPS from continuing operations:</b>						
Net income from continuing operations	\$ 35,473	171,570,944	\$ 0.21	\$188,840	171,537,260	\$ 1.10
Effect of dilutive securities: stock options	—	633,667	—	—	835,329	—
<b>Diluted EPS from continuing operations:</b>						
Net income from continuing operations and assumed conversions	\$ 35,473	172,204,611	\$ 0.21	\$188,840	172,372,589	\$ 1.10
<b>2010</b>						
<b>Basic EPS from continuing operations:</b>						
Net income from continuing operations	\$ 63,428	171,059,627	\$ 0.37	\$125,607	170,956,128	\$ 0.73
Effect of dilutive securities: stock options	—	762,768	—	—	521,950	—
<b>Diluted EPS from continuing operations:</b>						
Net income from continuing operations and assumed conversions	\$ 63,428	171,822,395	\$ 0.37	\$125,607	171,478,078	\$ 0.73

## 6. CURRENCY RATES

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

Exchange rate at	September 30, 2011	December 31, 2010	September 30, 2010
U.S. dollar	1.0389	0.9946	1.0298
U.K. pound sterling	1.6231	1.5513	1.6198

Three months ended September 30			
Average exchange rates	2011		2010
U.S. dollar	0.9807		1.0391
U.K. pound sterling	1.5784		1.6117

Nine months ended September 30			
Average exchange rates	2011		2010
U.S. dollar	0.9781		1.0356
U.K. pound sterling	1.5791		1.5888

## 7. SUPPLEMENTAL CASH FLOW INFORMATION

### Non cash working capital changes

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Accounts receivable	\$ 49,218	\$ (12,250)	\$ (135,094)	\$ (99,636)
Service work in progress	(20,893)	345	(10,528)	(16,921)
Inventories – on-hand equipment	(136,543)	(57,756)	(371,005)	(78,225)
Inventories – parts and supplies	(149,869)	(61,223)	(176,294)	(108,730)
Accounts payable and accruals	127,708	97,412	103,406	297,027
Income taxes	(12,917)	13,446	33,234	20,875
Other	34	299	(4,309)	7,841
Changes in working capital items	\$ (143,262)	\$ (19,727)	\$ (560,590)	\$ 22,231

### Components of cash and cash equivalents

September 30 (\$ thousands)	2011	2010
Cash	\$ 61,097	\$ 70,172
Short-term investments	44,225	136,790
Cash and cash equivalents	\$ 105,322	\$ 206,962

## 8. EMPLOYEE FUTURE BENEFITS

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

	September 30, 2011		December 31, 2010		September 30, 2010	
	Canada	UK	Canada	UK	Canada	UK
Discount rate – obligation	4.4%	5.1%	5.10%	5.30%	4.80%	5.00%
Discount rate – expense <sup>(1)</sup>	5.10%	5.30%	5.70%	5.70%	5.70%	5.70%
Expected long-term rate of return on plan assets <sup>(1)</sup>	6.75%	6.75%	7.00%	7.00%	7.00%	7.00%
Rate of compensation increase	3.50%	4.00%	3.50%	4.00%	3.50%	4.00%

<sup>(1)</sup> Used to determine the expense for the nine months ended September 30, 2011 and September 30, 2010, and the year ended December 31, 2010.

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

(\$ thousands)	Nine months ended September 30, 2011		Year ended December 31, 2010	
Included within the statement of financial position:				
Deficit at the start of the period		\$ (105,515)	\$	(102,947) <sup>(1)</sup>
Deficit at the end of the period		\$ (150,229)	\$	(105,515)

<sup>(1)</sup> The opening balance excludes the pension liability related to the discontinued operations of \$29,413.

The amounts recognized in the consolidated statement of income and in other comprehensive income during the reporting period for the Company's defined contribution and defined benefit plans for continuing operations are as follows:

For three months ended September 30 (\$ thousands)	2011			2010		
	Canada	UK & Ireland	Total	Canada	UK & Ireland	Total
Amounts recognized in the statement of income:						
Defined contribution plans	\$ 6,225	\$ 543	\$ 6,768	\$ 5,352	\$ 453	\$ 5,805
Defined benefit plans	1,554	84	1,638	1,569	565	2,134
Total expense recognized in the statement of income	7,779	627	8,406	6,921	1,018	7,939
Gain (loss) recognized in other comprehensive income:						
Actuarial gain (loss) relating to pension liabilities	(31,745)	(18,517)	(50,262)	(25,307)	(14,667)	(39,974)
Actuarial gain (loss) relating to pension assets	(1,507)	(19,839)	(21,346)	17,047	19,341	36,388
Total actuarial gain (loss) recognized in other comprehensive income	\$ (33,252)	\$ (38,356)	\$ (71,608)	\$ (8,260)	\$ 4,674	\$ (3,586)

For nine months ended September 30 (\$ thousands)	2011			2010		
	Canada	UK & Ireland	Total	Canada	UK & Ireland	Total
Amounts recognized in the statement of income:						
Defined contribution plans	\$ 19,764	\$ 1,582	\$ 21,346	\$ 15,731	\$ 1,298	\$ 17,029
Defined benefit plans	4,661	251	4,912	4,707	9,469 <sup>(1)</sup>	14,176
Total expense recognized in the statement of income	<b>24,425</b>	<b>1,833</b>	<b>26,258</b>	20,438	10,767	31,205
Gain (loss) recognized in other comprehensive income:						
Actuarial gain (loss) relating to pension liabilities	(37,352)	(7,330)	(44,682)	(57,234)	(22,029)	(79,263)
Actuarial gain (loss) relating to pension assets	(4,049)	(21,832)	(25,881)	5,074	10,469	15,543
Total actuarial gain (loss) recognized in other comprehensive income	<b>\$ (41,401)</b>	<b>\$ (29,162)</b>	<b>\$ (70,563)</b>	\$ (52,160)	\$ (11,560)	\$ (63,720) <sup>(2)</sup>

<sup>(1)</sup> In April 2010, the Finning UK defined benefit plan was amended to reverse a previous decision to move to a Career Average Re-valued Earnings (CARE) basis of benefit accrual. As a result, past service costs of \$7.8 million were recognized during Q2, 2010.

<sup>(2)</sup> Included in the comparative consolidated statement of other comprehensive income are actuarial losses of discontinued operations of \$629 thousand.

## 9. ACQUISITION

In the third quarter of 2011, the Company acquired certain assets and operations which include the rights to sell and service machine control and monitoring products in Finning (Canada)'s dealership territory, for cash of approximately \$1.7 million.

In August 2010, Finning was appointed the Caterpillar dealer for Northern Ireland and the Republic of Ireland. The Company acquired certain assets, comprising inventory, a building, and other fixed assets, from the Administrator or Receiver of the previous Caterpillar dealers in Northern Ireland and the Republic of Ireland. The total purchase price of approximately \$6 million (GBP 3.7 million) was paid in cash. Acquisition and other related costs of \$1.8 million were incurred on the transaction. In the third quarter of 2010, \$3.3 million was paid with the remaining \$4.5 million paid in the fourth quarter of 2010.

Both purchases were accounted for under the purchase method of accounting. The results of these operations have been included in the consolidated financial statements since the date of acquisition.

## 10. SEGMENTED INFORMATION

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

For three months ended September 30, 2011 (\$ thousands)					
	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$ 607,754	\$ 528,111	\$ 193,256	\$ —	\$ 1,329,121
Operating costs	(572,823)	(467,065)	(174,391)	(12,822)	(1,227,101)
Depreciation and amortization	(28,813)	(10,140)	(5,346)	(53)	(44,352)
	6,118	50,906	13,519	(12,875)	57,668
Equity earnings (loss)	1,354	—	—	484	1,838
Other income (expenses)					
IT system implementation costs	(9,190)	(1,106)	(451)	186	(10,561)
Acquisition costs	—	—	—	(2,753)	(2,753)
Earnings (loss) before interest and taxes	\$ (1,718)	\$ 49,800	\$ 13,068	\$ (14,958)	\$ 46,192
Finance costs					(10,762)
Provision for income taxes					43
Net income					\$ 35,473
Identifiable assets	\$ 1,959,075	\$ 1,529,989	\$ 519,932	\$ 77,808	\$ 4,086,804
Property, plant, and equipment and intangible assets	\$ 325,304	\$ 165,050	\$ 51,383	\$ 430	\$ 542,167
Gross capital expenditures <sup>(1)</sup>	\$ 16,050	\$ 17,842	\$ 7,353	\$ —	\$ 41,245
Gross rental asset expenditures	\$ 33,602	\$ 14,408	\$ 4,668	\$ —	\$ 52,678

For three months ended September 30, 2010 (\$ thousands)					
	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$ 586,594	\$ 462,193	\$ 157,425	\$ —	\$ 1,206,212
Operating costs	(513,361)	(408,313)	(145,439)	1,561	(1,065,552)
Depreciation and amortization	(22,250)	(9,816)	(5,045)	(42)	(37,153)
	50,983	44,064	6,941	1,519	103,507
Equity earnings	1,402	—	—	381	1,783
Other expenses					
IT system implementation costs	(4,914)	(2,475)	(815)	(107)	(8,311)
Other	(307)	—	(2,014)	—	(2,321)
Earnings before interest and taxes	\$ 47,164	\$ 41,589	\$ 4,112	\$ 1,793	\$ 94,658
Finance costs					(9,592)
Provision for income taxes					(21,638)
Net income					\$ 63,428
Identifiable assets	\$ 1,473,741	\$ 1,289,990	\$ 441,669	\$ 150,580	\$ 3,355,980
Property, plant, and equipment and intangible assets	\$ 308,089	\$ 135,045	\$ 43,722	\$ 563	\$ 487,419
Gross capital expenditures <sup>(1)</sup>	\$ 10,049	\$ 8,373	\$ 1,247	\$ —	\$ 19,669
Gross rental asset expenditures	\$ 34,288	\$ 19,932	\$ 3,885	\$ —	\$ 58,105

<sup>(1)</sup> includes finance leases and borrowing costs capitalized

For nine months ended September 30, 2011 (\$ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$ 1,952,837	\$ 1,527,401	\$ 604,053	\$ —	\$ 4,084,291
Operating costs	(1,734,025)	(1,356,752)	(550,130)	(24,774)	(3,665,681)
Depreciation and amortization	(80,181)	(29,638)	(15,670)	(203)	(125,692)
	138,631	141,011	38,253	(24,977)	292,918
Equity earnings (loss)	4,551	—	—	(886)	3,665
Other income (expenses)					
IT system implementation costs	(16,528)	(4,116)	(1,194)	431	(21,407)
Acquisition costs	—	—	—	(2,753)	(2,753)
Earnings (loss) before interest and taxes	\$ 126,654	\$ 136,895	\$ 37,059	\$ (28,185)	\$ 272,423
Finance costs					(38,762)
Provision for income taxes					(44,821)
Net income					\$ 188,840
Identifiable assets	\$ 1,959,075	\$ 1,529,989	\$ 519,932	\$ 77,808	\$ 4,086,804
Property, plant, and equipment and intangible assets	\$ 325,304	\$ 165,050	\$ 51,383	\$ 430	\$ 542,167
Gross capital expenditures <sup>(1)</sup>	\$ 34,238	\$ 35,898	\$ 9,628	\$ 32	\$ 79,796
Gross rental asset expenditures	\$ 162,576	\$ 47,119	\$ 7,869	\$ —	\$ 217,564
For nine months ended September 30, 2010 (\$ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$ 1,615,705	\$ 1,162,739	\$ 459,630	\$ —	\$ 3,238,074
Operating costs	(1,441,352)	(1,019,576)	(430,825)	(6,793)	(2,898,546)
Depreciation and amortization	(71,826)	(27,665)	(14,828)	(124)	(114,443)
	102,527	115,498	13,977	(6,917)	225,085
Equity earnings (loss)	3,480	—	—	(935)	2,545
Other expenses					
IT system implementation costs	(11,199)	(6,524)	(2,377)	(566)	(20,666)
Other	(3,193)	—	(2,292)	—	(5,485)
Earnings (loss) from continuing operations before interest and taxes	\$ 91,615	\$ 108,974	\$ 9,308	\$ (8,418)	\$ 201,479
Finance costs					(45,192)
Provision for income taxes					(30,680)
Income from continuing operations					125,607
Loss from discontinued operations, net of tax					(125,023)
Net income					\$ 584
Identifiable assets	\$ 1,473,741	\$ 1,289,990	\$ 441,669	\$ 150,580	\$ 3,355,980
Property, plant, and equipment and intangible assets	\$ 308,089	\$ 135,045	\$ 43,722	\$ 563	\$ 487,419
Gross capital expenditures <sup>(1)</sup>	\$ 23,617	\$ 21,579	\$ 3,870	\$ —	\$ 49,066
Gross rental asset expenditures	\$ 69,075	\$ 36,956	\$ 6,164	\$ —	\$ 112,195

<sup>(1)</sup> includes finance leases and borrowing costs capitalized

## 11. EXPLANATION OF TRANSITION TO IFRS

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The Company's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. IFRS 1, *First-Time Adoption of IFRS*, requires that comparative financial information be provided with the Company's first IFRS annual consolidated financial statements. As a result, the first date at which the Company will apply IFRS is January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS as of the reporting date, which for the Company is December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Described below are the IFRS 1 applicable exemptions and exceptions applied by the Company in the conversion from Canadian GAAP to IFRS. These may vary from those ultimately determined to be applicable when the first complete set of financial statements in accordance with IAS 1, *Presentation of Financial Statements*, and IFRS 1 is prepared for the year ended December 31, 2011.

### IFRS Exemption Options

*i. Employee benefits*

Any unamortized defined benefit pension plan actuarial gains and losses accumulated at January 1, 2010 were recognized in retained earnings in accordance with the IFRS 1 transitional exemption. Not taking this exemption would have required retrospective application of IAS 19, *Employee Benefits*, from the inception of all defined benefit plans.

*ii. Share-based payments*

IFRS 1 does not require first-time adopters to apply the requirements of IFRS 2, *Share-based Payment*, to equity instruments that were granted on or prior to November 7, 2002 or to equity instruments that were granted after November 7, 2002 and vested before the date of transition to IFRS. The Company has not applied IFRS 2 to share options issued on or prior to November 7, 2002, nor share options that were fully vested prior to the transition to IFRS.

*iii. Property, plant, and equipment (PP&E)*

No transitional elections were taken. The Company retained assets at historical cost upon transition rather than taking the allowed election to recognize assets at fair value.

*iv. Borrowing costs*

Borrowing costs were not capitalized retrospectively. The Company only capitalizes borrowing costs for those qualifying assets that commenced construction after the Transition Date.

*v. Business combinations*

The Company did not retrospectively restate any business combinations; IFRS 3, *Business Combinations*, is applied prospectively to acquisitions after January 1, 2010.

*vi. Cumulative translation adjustments*

All cumulative translation adjustments and associated cumulative hedging gains and losses were transferred to retained earnings from accumulated other comprehensive income upon transition. Not taking this election would have required retrospective application of IAS 21, *The Effect of Changes in Foreign Exchange Rates*, from the date the foreign operations were formed or acquired.



## **IFRS Mandatory Exceptions**

The mandatory IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS are noted below.

### *i. Hedge accounting*

Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39, *Financial Instruments: Recognition and Measurement*, at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. All of the Company's hedging relationships satisfied IFRS hedging criteria at the Transition Date, and as such these are reflected as hedges in the Company's results under IFRS, and do not result in any adjustment from the Canadian GAAP financial position.

### *ii. Estimates*

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

## **Reconciliations of Canadian GAAP to IFRS**

IFRS 1 requires an entity to reconcile equity and comprehensive income for periods prior to January 1, 2011. The following represents the reconciliations from Canadian GAAP to IFRS for the statement of financial position as at September 30, 2010, and consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2010. Reconciliations of total operating, investing, and financing cash flows for the three and nine months ended September 30, 2010 are not provided as the changes to these cash flows are not material. Reconciliations from Canadian GAAP to IFRS for the statement of financial position at the Transition Date and at December 31, 2010, and consolidated statements of income and comprehensive income for the year ended December 31, 2010 are provided in Note 9 of the Q1 2011 Interim Statements.

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

September 30, 2010 (Canadian \$ thousands)	Canadian GAAP	Employee Benefits (1)	Share Based Payment (2)	Leases (3)	Income Taxes (4)	Other (5)	Depreciation (6)	IFRS Reclassifications (8)	IFRS
<b>Current assets</b>									
Cash and cash equivalents	\$ 208,195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,233)	\$ 206,962
Accounts receivable	658,541	-	-	-	-	-	-	(5,706)	652,835
Service work in progress	78,878	-	-	-	-	-	-	-	78,878
Inventories	1,154,776	-	-	-	-	-	(323)	(12,529)	1,141,924
Income taxes recoverable	-	-	-	-	-	-	-	10,764	10,764
Derivative assets	-	-	-	-	-	-	-	4,583	4,583
Other assets	199,012	-	-	-	-	-	-	(67,838)	131,174
<b>Total current assets</b>	<b>2,299,402</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(323)</b>	<b>(71,959)</b>	<b>2,227,120</b>
Rental equipment	407,494	-	-	-	-	-	3,326	(61,593)	349,227
Property, plant, and equipment	441,619	-	-	4,552	-	105	(2,326)	(646)	443,304
Intangible assets	44,590	-	-	-	-	263	(731)	(7)	44,115
Goodwill	92,941	-	-	-	-	-	-	-	92,941
Investment in and advances to joint venture and associate	-	-	-	-	-	-	-	58,538	58,538
Finance assets	29,814	-	-	-	-	-	-	-	29,814
Deferred tax assets	-	52,809	(650)	(634)	568	(31)	143	21,264	73,469
Other assets	217,687	(151,712)	-	-	-	(512)	-	(28,011)	37,452
	<b>\$ 3,533,547</b>	<b>\$ (98,903)</b>	<b>\$ (650)</b>	<b>\$ 3,918</b>	<b>\$ 568</b>	<b>\$ (175)</b>	<b>\$ 89</b>	<b>\$ (82,414)</b>	<b>\$ 3,355,980</b>
<b>Current liabilities</b>									
Short-term debt	\$ 67,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,742)	\$ 64,137
Accounts payable and accruals	956,049	-	-	920	-	-	-	(308,810)	648,159
Income tax payable	9,443	-	-	126	-	(22)	-	135	9,682
Provisions	-	-	-	-	-	-	-	54,907	54,907
Deferred revenue	-	-	-	-	-	-	-	234,205	234,205
Derivative liabilities	-	-	-	-	-	-	-	2,713	2,713
Current portion of long-term debt	37,912	-	-	-	-	-	-	-	37,912
<b>Total current liabilities</b>	<b>1,071,283</b>	<b>-</b>	<b>-</b>	<b>1,046</b>	<b>-</b>	<b>(22)</b>	<b>-</b>	<b>(20,592)</b>	<b>1,051,715</b>
Long-term debt	891,043	-	-	-	-	-	-	(29,658)	861,385
Long-term obligations	107,615	152,271	(1,495)	(1,783)	-	(211)	-	(35,017)	221,380
Derivative liabilities	-	-	-	-	-	-	-	14,926	14,926
Provisions	-	-	-	-	-	-	-	978	978
Deferred revenue	-	-	-	-	-	-	-	19,113	19,113
Deferred tax liabilities	70,022	(26,790)	-	-	-	-	98	(32,164)	11,166
<b>TOTAL LIABILITIES</b>	<b>2,139,963</b>	<b>125,481</b>	<b>(1,495)</b>	<b>(737)</b>	<b>-</b>	<b>(233)</b>	<b>98</b>	<b>(82,414)</b>	<b>2,180,663</b>
<b>SHAREHOLDERS' EQUITY</b>									
Share capital	561,667	-	-	-	-	-	-	-	561,667
Contributed surplus	36,318	-	(2,409)	-	-	-	-	-	33,909
Accumulated other comprehensive loss	(235,071)	3,326	-	(19)	151	111	1	213,274	(18,227)
Retained earnings	1,030,670	(227,710)	3,254	4,674	417	(53)	(10)	(213,274)	597,968
<b>Total shareholders' equity</b>	<b>1,393,584</b>	<b>(224,384)</b>	<b>845</b>	<b>4,655</b>	<b>568</b>	<b>58</b>	<b>(9)</b>	<b>-</b>	<b>1,175,317</b>
	<b>\$ 3,533,547</b>	<b>\$ (98,903)</b>	<b>\$ (650)</b>	<b>\$ 3,918</b>	<b>\$ 568</b>	<b>\$ (175)</b>	<b>\$ 89</b>	<b>\$ (82,414)</b>	<b>\$ 3,355,980</b>

**RECONCILIATION OF THE CONSOLIDATED STATEMENT OF INCOME PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

For three months ended September 30, 2010 (Canadian \$ thousands)	Canadian GAAP	Employee Benefits (1)	Share Based Payment (2)	Leases (3)	Income Taxes (4)	Other (5)	Depreciation (6)	Reclassifications (8)	IFRS IFRS
<b>Revenue</b>									
New equipment	\$ 549,749	\$ -	\$ -	\$ (222)	\$ -	\$ -	\$ -	\$ (1,397)	\$ 548,130
Used equipment	55,767	-	-	-	-	-	-	(2,719)	53,048
Equipment rental	81,322	-	-	-	-	-	-	(9,487)	71,835
Product support	531,143	-	-	-	-	-	-	-	531,143
Other	2,075	-	-	-	-	-	-	(19)	2,056
<b>Total revenue</b>	1,220,056	-	-	(222)	-	-	-	(13,622)	1,206,212
Cost of sales	(857,428)	-	-	188	-	-	2,066	11,139	(844,035)
Gross profit	362,628	-	-	(34)	-	-	2,066	(2,483)	362,177
Selling, general, and, administrative expenses	(263,872)	4,031	1,533	(131)	-	36	(806)	539	(258,670)
Equity earnings of joint venture and associate	-	-	-	-	-	-	-	1,783	1,783
Other expenses	(10,632)	-	-	-	-	-	-	-	(10,632)
<b>Earnings before interest and income taxes</b>	88,124	4,031	1,533	(165)	-	36	1,260	(161)	94,658
Finance costs	(9,933)	-	-	(57)	-	227	-	171	(9,592)
Income before provision for income taxes	78,191	4,031	1,533	(222)	-	263	1,260	10	85,066
Provision for income taxes	(16,697)	(2,569)	(158)	20	(1,867)	(68)	(289)	(10)	(21,638)
<b>Net income (loss)</b>	\$ 61,494	\$ 1,462	\$ 1,375	\$ (202)	\$ (1,867)	\$ 195	\$ 971	\$ -	\$ 63,428
<b>Earnings per share - basic</b>	\$ 0.36								\$ 0.37

**RECONCILIATION OF THE CONSOLIDATED STATEMENT OF INCOME PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

For nine months ended September 30, 2010 (Canadian \$ thousands)	Canadian GAAP	Employee Benefits (1)	Share Based Payment (2)	Leases (3)	Income Taxes (4)	Other (5)	Depreciation (6)	Hewden loss on disposal (7)	IFRS Reclassifications (8)	IFRS
<b>Revenue</b>										
New equipment	\$ 1,306,715	\$ -	\$ -	\$ (654)	\$ -	\$ -	\$ -	\$ -	\$ (4,761)	\$ 1,301,300
Used equipment	211,319	-	-	-	-	-	-	-	(12,998)	198,321
Equipment rental	215,250	-	-	-	-	-	-	-	(17,932)	197,318
Product support	1,534,563	-	-	-	-	-	-	-	-	1,534,563
Other	7,157	-	-	-	-	-	-	-	(585)	6,572
<b>Total revenue</b>	<b>3,275,004</b>	<b>-</b>	<b>-</b>	<b>(654)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,276)</b>	<b>3,238,074</b>
Cost of sales	(2,287,736)	-	-	553	-	-	3,315	-	29,571	(2,254,297)
Gross profit	987,268	-	-	(101)	-	-	3,315	-	(6,705)	983,777
Selling, general, and, administrative expenses	(765,203)	3,157	3,009	(268)	-	24	(3,057)	-	3,646	(758,692)
Equity earnings of joint venture and associate	-	-	-	-	-	-	-	-	2,545	2,545
Other expenses	(26,151)	-	-	-	-	-	-	-	-	(26,151)
<b>Earnings from continuing operations before interest and income taxes</b>	<b>195,914</b>	<b>3,157</b>	<b>3,009</b>	<b>(369)</b>	<b>-</b>	<b>24</b>	<b>258</b>	<b>-</b>	<b>(514)</b>	<b>201,479</b>
Finance costs	(45,895)	-	-	(158)	-	367	-	-	494	(45,192)
Income from continuing operations before provision for income taxes	150,019	3,157	3,009	(527)	-	391	258	-	(20)	156,287
Provision for income taxes	(29,409)	(2,220)	(226)	83	1,210	(129)	(9)	-	20	(30,680)
Income from continuing operations	120,610	937	2,783	(444)	1,210	262	249	-	-	125,607
Loss from discontinued operations, net of tax	(249,089)	490	-	(157)	296	176	-	123,261	-	(125,023)
<b>Net income (loss)</b>	<b>\$ (128,479)</b>	<b>\$ 1,427</b>	<b>\$ 2,783</b>	<b>\$ (601)</b>	<b>\$ 1,506</b>	<b>\$ 438</b>	<b>\$ 249</b>	<b>\$ 123,261</b>	<b>\$ -</b>	<b>\$ 584</b>
<b>Earnings (loss) per share - basic</b>										
From continuing operations	\$ 0.71									\$ 0.73
From discontinued operations	(1.46)									(0.73)
	\$ (0.75)									\$ -

**RECONCILIATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

For three months ended September 30, 2010 (Canadian \$ thousands)	Canadian GAAP	Employee Benefits (1)	Share Based Payment (2)	Leases (3)	Income Taxes (4)	Other (5)	Depreciation (6)	IFRS
<b>Net income</b>	\$ 61,494	\$ 1,462	\$ 1,375	\$ (202)	\$ (1,867)	\$ 195	\$ 971	\$ 63,428
Other comprehensive income (loss), net of income tax								
Currency translation adjustments	(15,224)	(2,273)	-	9	(257)	(6)	(1)	(17,752)
Unrealized gain (loss) on net investment hedges	(2,423)	-	-	-	-	-	-	(2,423)
Tax recovery (expense) on net investment hedges	341	-	-	-	-	-	-	341
Foreign currency translation and gain (loss) on net investment hedges, net of income tax	(17,306)	(2,273)	-	9	(257)	(6)	(1)	(19,834)
Unrealized gain on cash flow hedges	6,656	-	-	-	-	-	-	6,656
Realized gain on cash flow hedges, reclassified to earnings	(1,565)	-	-	-	-	-	-	(1,565)
Tax expense on cash flow hedges	(901)	-	-	-	-	-	-	(901)
Gain on cash flow hedges, net of income tax	4,190	-	-	-	-	-	-	4,190
Actuarial loss	-	(3,586)	-	-	-	-	-	(3,586)
Tax recovery on actuarial loss	-	848	-	-	-	-	-	848
Actuarial loss, net of income tax	-	(2,738)	-	-	-	-	-	(2,738)
<b>Comprehensive income (loss)</b>	\$ 48,378	\$ (3,549)	\$ 1,375	\$ (193)	\$ (2,124)	\$ 189	\$ 970	\$ 45,046

**RECONCILIATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

For nine months ended September 30, 2010 (Canadian \$ thousands)	Canadian GAAP	Employee Benefits (1)	Share Based Payment (2)	Leases (3)	Income Taxes (4)	Other (5)	Depreciation (6)	Hewden loss on disposal (7)	IFRS
<b>Net income (loss)</b>	\$ (128,479)	\$ 1,427	\$ 2,783	\$ (601)	\$ 1,506	\$ 438	\$ 249	\$ 123,261	\$ 584
Other comprehensive income (loss), net of income tax									
Currency translation adjustments	(54,527)	3,326	-	(19)	151	13	1	4,026	(47,029)
Unrealized gain on net investment hedges	11,856	-	-	-	-	96	-	-	11,952
Realized loss (gain) on foreign currency translation, net of realized gain on net investment hedges, reclassified to earnings on disposal of discontinued operations	82,833	-	-	-	-	-	-	(63,691)	19,142
Tax recovery (expense) on net investment hedges	15,257	-	-	-	-	2	-	(16,084)	(825)
Foreign currency translation and gain (loss) on net investment hedges, net of income tax	55,419	3,326	-	(19)	151	111	1	(75,749)	(16,760)
Unrealized gain on cash flow hedges	2,204	-	-	-	-	-	-	-	2,204
Realized loss on cash flow hedges, reclassified to earnings	2,213	-	-	-	-	-	-	-	2,213
Tax expense on cash flow hedges	(1,038)	-	-	-	-	-	-	-	(1,038)
Gain on cash flow hedges, net of income tax	3,379	-	-	-	-	-	-	-	3,379
Actuarial loss	-	(63,720)	-	-	-	-	-	(629)	(64,349)
Tax recovery on actuarial loss from continuing operations	-	16,609	-	-	-	-	-	177	16,786
Actuarial loss, net of income tax	-	(47,111)	-	-	-	-	-	(452)	(47,563)
<b>Comprehensive income (loss)</b>	\$ (69,681)	\$ (42,358)	\$ 2,783	\$ (620)	\$ 1,657	\$ 549	\$ 250	\$ 47,060	\$ (60,360)

## 11. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

### Transitional adjustments and accounting policy changes arising from the transition to IFRS

The following notes explain each adjustment arising from the Company's transition to IFRS as referenced on the reconciliations on the previous pages:

#### 1. *Employee benefits*

Under Canadian GAAP, actuarial gains and losses were deferred and amortized in accordance with the "corridor" method. The excess of the net accumulated actuarial gains or losses over 10% of the greater of the accrued benefit obligation and the fair value of the plan assets was amortized on a straight-line basis over the expected average remaining service life of the active employees covered by the plans.

As described above in 'IFRS exemption options', the Company elected to recognize all unamortized cumulative actuarial gains and losses that existed at the Transition Date in opening retained earnings for all employee benefit plans. Any unrecognized fully vested past service costs were also recognized in full in retained earnings.

In addition, IFRS requires that the Company measure the assets and liabilities of the defined benefit plan at the end of the reporting period, whereas Canadian GAAP allows the measurement to occur up to 3 months prior to the reporting date. The Company's measurement date prior to adopting IFRS was November 30<sup>th</sup>. Plans that were previously measured on November 30, 2009 and 2010 were re-measured as at December 31, 2009 and 2010.

Under IFRS, the Company has elected to record any actuarial gains and losses arising from its defined benefit pension plans in other comprehensive income. Actuarial gains and losses are separately identified in the consolidated statement of comprehensive income.

Fully vested past service costs arose in the Company's UK defined benefit pension plans, relating to the reversal of the decision to move to a Career Average Re-valued Earnings basis of benefit accrual during Q2 2010. These past service costs were being deferred and amortized over time for Canadian GAAP purposes, but are required to be recognized immediately under IFRS, as they are fully vested. The IFRS pension expense has therefore been adjusted to reflect these past service costs in full in the second quarter of 2010.

#### 2. *Share-based payments*

##### a. *Cash settled plans*

Under Canadian GAAP, cash settled share-based payments are measured at intrinsic value, with changes in intrinsic value taken to the consolidated statement of income immediately. IFRS requires such cash settled plans to be valued at fair value and valuation movements continue to be taken to the consolidated statement of income. The additional liability arising from the fair valuation of the Company's cash settled plans at the Transition Date is therefore recognized in the opening statement of financial position as at January 1, 2010, and the subsequent share based payment expense is adjusted to reflect the difference in valuation methodology.

##### b. *Equity settled plans*

Under Canadian GAAP, the Company previously measured share options that vest in tranches at fair value as a single grant. IFRS requires that each share option tranche be valued as a separate grant with a separate vesting date. In addition, under IFRS, the initial valuation is based upon the amount of awards estimated to vest, whereas under Canadian GAAP the Company only recognized forfeitures of awards as and when they arose. The Company therefore adjusted contributed surplus and retained earnings at January 1, 2010 for unvested share options to reflect these changes in the valuation process. Subsequent grants of share options are also valued using this methodology.

#### 3. *Leases*

##### a. *Accelerated recognition of sale and leaseback gains*

Under Canadian GAAP, operating sale and leaseback gains were deferred and amortized over the term of the operating lease. Under IFRS, such gains are recognized upfront if the sale and leaseback results in an operating lease, and is undertaken at fair value. As certain sale and leaseback transactions met these criteria, the unamortized portion of the gain on sale is recognized in retained earnings and the deferred gain derecognized in the opening IFRS statement of financial position. The amortization of the deferred gain for these transactions was then reversed in the IFRS comparative consolidated statement of income.

*b. Reclassification of certain leases from operating to finance lease*

While the concepts of operating and finance leases are very similar under Canadian GAAP and IFRS, IFRS provides more qualitative indicators to apply in the classification of the lease, and does not specify quantitative thresholds to be applied in the lease classification test. Certain leases which were classified as operating under Canadian GAAP are now classified as financing under IFRS. The leased asset is now capitalized on the opening statement of financial position, with the corresponding payable recognized as a liability. Depreciation and interest expense, rather than operating lease costs, are recognized in the consolidated statement of income.

*4. Income taxes*

IAS 12, *Income Taxes*, requires that deferred tax be recognized on foreign exchange differences where the currency of the tax basis of non monetary assets is different to the functional currency for accounting purposes, whereas no such deferred taxation was recognized under Canadian GAAP. In addition, under IFRS deferred taxes are recognized on temporary differences arising from intra-company transfers, whereas this is not required under Canadian GAAP.

IFRS specifically addresses the accounting for current and deferred taxes arising from share-based payment transactions whereas Canadian GAAP did not. Adjustments have been recorded to conform the Company's accounting treatment to IAS 12.

There are also differences between IFRS and Canadian GAAP with respect to the calculation of the tax basis of certain assets in the UK and Chile. In Chile, inflation adjustments on assets that are subject to income tax are now included in the tax basis of the asset for deferred tax computation purposes. In the UK, the determination of the tax basis for certain buildings is impacted by the different approaches of Canadian GAAP and IFRS with respect to circumstances where the tax deductible amount of a building differs dependent on whether it is used or sold. Under Canadian GAAP the tax basis for certain buildings was determined to be the higher of the tax basis if the building was sold and the tax basis if the building was used, whereas IFRS requires the tax basis to be based on the expected manner of recovery.

Movements in these revised deferred taxation balances are reflected as adjustments to tax expense throughout the 2010 comparative IFRS statement of income. The tax expense adjustment is impacted by exchange rate movements, the timing of asset acquisitions and the volume of non-monetary assets transferred within the consolidated group.

*5. Other miscellaneous adjustments*

Borrowing costs for all qualifying assets (defined as assets constructed by the Company that necessarily take a substantial period of time to be ready for use) that commenced construction after January 1, 2010 are capitalized. This reduces finance costs and increases PP&E and intangible asset balances and associated depreciation for those assets constructed after January 1, 2010.

This section also includes other immaterial adjustments including differences in the accounting treatment of decommissioning liabilities and a financial instrument that did not meet the retrospective quantitative hedge effectiveness test under IFRS.

*6. Depreciation*

IFRS requires that uniform accounting policies be used throughout the Company, while Canadian GAAP has no such explicit requirement. The depreciation methods used for certain assets are therefore aligned throughout the Company for IFRS purposes, and the difference in the Canadian GAAP depreciation charge and the IFRS straight line depreciation charge is adjusted in the 2010 comparative IFRS consolidated statement of income.

*7. Hewden loss on disposal*

The loss on disposal of the Company's discontinued operation, Hewden Stuart Limited, has been adjusted to reflect the impact of IFRS adjustments on the disposal calculation. The adjustments to the loss on disposal were primarily caused by the election to reclassify the cumulative translation adjustment and associated net investment hedge gains and losses to retained earnings upon transition to IFRS, and changes to the accounting for defined benefit pension plans. Further details of the disposal of the discontinued operation are provided in Note 17 of the Q1 2011 Interim Statements.



## 8. *Presentation reclassifications*

The following notes explain financial statement reclassifications arising from the Company's transition to IFRS:

### *Joint Venture Accounting*

Canadian GAAP prescribed the use of the proportionate consolidation method for joint ventures. Under IFRS, the Company may use either proportionate consolidation or equity method accounting for jointly controlled entities. In anticipation of the new requirements of IFRS 11, *Joint Arrangements*, the Company has elected to adopt the available option in IAS 31, *Joint Ventures*, to use equity accounting for its existing joint venture. This has no overall impact on net assets or net income, but alters the presentation of the Company's joint venture; the joint venture is now presented as a separate line item, 'Investment in and advances to joint venture and associate' on the consolidated statement of financial position, and 'Equity earnings of joint venture and associate' on the consolidated statement of income. The Company's investment in an associate, which was always accounted for using the equity method, was re-classified from 'Other assets' to 'Investment in and advances to joint venture and associate' on the consolidated statement of financial position, and from selling, general, and administrative expenses to 'Equity earnings of joint venture and associate' on the consolidated statement of income.

### *Cumulative translation adjustment*

As described above in 'IFRS exemption options', the Company elected to reclassify all cumulative translation gains and losses, previously recorded in Accumulated Other Comprehensive Income (AOCI), to retained earnings in the opening statement of financial position.

### *Income taxes*

Canadian GAAP requires deferred tax balances to be split between current and non-current assets and liabilities. In contrast, IAS 12 requires that all deferred tax balances be presented as non-current. Current deferred tax balances were therefore re-classified to non-current assets and liabilities.

### *Provisions*

IAS 1 prescribes that provisions must be presented separately on the face of the statement of financial position. Liabilities meeting the definition of a provision are therefore re-classified from accounts payable and accruals and long term obligations. The estimation process used for measurement of provisions in the Company's Canadian GAAP consolidated financial statements is compliant with IFRS measurement requirements, consequently no adjustment to these liabilities has been applied in the opening statement of financial position.

### *Deferred revenue; Derivative financial assets and liabilities*

While there is no specific requirement to present deferred revenue or derivative financial instruments separately on the face of the statement of financial position, the Company has decided that separate presentation of these amounts provides users of the financial statements with useful information. These amounts have therefore been re-classified.