



First Quarter 2005 Results

May 11, 2005

Finning Announces Record First Quarter Earnings

Vancouver, Canada – Finning International Inc. today reported record first quarter net income of \$37.4 million or \$0.42 per share, compared with \$23.9 million or \$0.31 per share in the first quarter of 2004, an increase of 35% in earnings per share. Quarterly revenue reached record levels once again at \$1,153.4 million, an increase of 19% over the first quarter of 2004. These strong first quarter results reflect continued strong sales in equipment as well as growing parts and service revenues.

"We are very pleased with our first quarter results," said Doug Whitehead, President and CEO of Finning International Inc. "New equipment sales are up over 40% and parts and service revenues are up over 13% compared to the first quarter last year. Strong business conditions in all segments at Finning (Canada) and Finning South America continue to drive our results higher. While the bottom line results at Finning (UK) are disappointing, we are making solid progress as their first quarter revenues are up 15% compared to the first quarter of 2004. In addition, Finning (UK)'s order backlog is up 67% from the Q1 2004 level and up 15% from December 2004. With a great start to the year, our outlook for the remainder of the year and for 2006 is positive."

"Normalized basic earnings per share growth of approximately 14% from the first quarter of 2004 supports our earnings guidance for growth in the range of 15% to 20% in 2005," said Wayne Bingham, Executive Vice President and CFO of Finning International Inc. "With our cost reduction initiative underway (\$60 million by '06), a continuation of strong commodity prices and with our building book of customer service revenues, we are well positioned for the balance of 2005 and 2006."

C\$ millions, except EPS data

Revenue

EBIT

Net Income

Basic EPS

Diluted EPS

Normalized Basic EPS ⁽¹⁾

Cash Flow ⁽²⁾

Three months ended March 31		
2005	2004	Change
1,153.4	968.2	19.1%
69.4	63.0	10.0%
37.4	23.9	56.5%
\$0.42	\$0.31	35.5%
\$0.42	\$0.30	40.0%
\$0.42	\$0.37	13.5%
60.4	108.3	(44.2)%

⁽¹⁾ See Footnote 1

⁽²⁾ After working capital changes

Footnote 1 on Normalized Basic EPS

Revenue and expense items not considered reflective of the underlying financial performance of the Company from ongoing operations are included as other expenses and as mark-to-market valuation changes in finance costs on the Consolidated Income Statement in both 2004 and 2005. These items are not included in the calculation of Normalized Basic EPS, Normalized EBIT and Normalized Net Income, which are not Generally Accepted Accounting Principle (GAAP) measures. Please refer to Attachment 1 titled "Description of non-GAAP measures" in the 2005 Interim Management's Discussion and Analysis for a summary of these items and a reconciliation of normalized (non-GAAP) results to published results.

Finning International Inc. (Finning) achieved record quarterly revenues in the first quarter of \$1,153.4 million, up 19.1% from the first quarter of 2004. The improvement in revenues was mainly the result of continued strength in equipment spending by resource-based businesses in South America and Canada. Strong commodity prices and good overall economic conditions are supporting these resource-based businesses and the outlook for this to continue is good. This is evident in Finning's order book, which continues to build and achieved a new record level of \$945 million, up from the December 2004 levels of \$835 million. Order book, or backlog, represents the retail value of equipment units ordered by customers for future deliveries.

Earnings Before Interest and Taxes (EBIT) for the quarter was \$69.4 million and net income for the quarter was \$37.4 million, compared with \$63.0 million and \$23.9 million, respectively, in the first quarter of 2004. Normalized EBIT, further described in Attachment 1 to Management's Discussion and Analysis, was \$69.5 million, an increase of 9.2% over the same period last year while Normalized Net Income was \$37.1 million (2004: \$28.4 million).

Net income for the first quarter of 2005 was 56.5% higher than the comparative period of 2004, with improved EBIT, significantly lower finance costs and the elimination of the distributions to non-controlling interests in the 2005 results. Although the overall debt level is higher at March 2005 compared to March 2004, finance costs were lower by \$9.5 million due to refinancing long-term debt at lower rates and the negative mark-to-market adjustments on derivatives included in financing costs in 2004. Overall debt levels are higher by approximately \$300 million at March 2005 compared to March 2004, due to higher working capital requirements to meet sales demand and longer lead times for equipment as well as due to the partial refinancing of the non-controlling interests with debt in November 2004. Basic Earnings Per Share (EPS) for the first quarter was \$0.42 in 2005 compared to \$0.31 in the comparative period of the prior year. Normalized Basic Earnings Per Share was \$0.42, an increase of 13.5% over the same period last year (2004: \$0.37).

Cash flow before working capital items for the first quarter of 2005 was \$122.0 million, up \$5.5 million from the first quarter of 2004. Cash flow after working capital changes was \$60.4 million for the first quarter, compared with \$108.3 million for the same period last year, reflecting higher working capital requirements, primarily inventory levels, associated with an increase in our current sales demand and the longer lead time required for the delivery of product.

Important New Contracts

In the first quarter of 2005, Finning's South American operations secured the sale of 15 pieces of Caterpillar equipment to Minera El Tesoro, a part of the Antofagasta Minerals Group in Chile and 19 pieces of Caterpillar equipment to Washington Group International, the mining contractor for Minera San Cristobal in Bolivia. The new equipment package for Minera El Tesoro has a value of \$31 million. The equipment is scheduled to be delivered to El Tesoro over the course of 2005. In addition, Finning has agreed to a new 5 year Maintenance and Repair Contract (MARC), for a total value of \$55 million, with El Tesoro that will cover the new equipment and will also incorporate the existing El Tesoro fleet. The MARC value attributable to the new equipment is \$20 million. The equipment sale to Washington Group International is worth \$39 million and will be delivered over the course of 2005 and 2006. The sale also includes a technical assistance contract to support the new equipment for the first several months of the mine's operations.

Other Developments

In February 2005, Finning announced that its Canadian division was selected by Caterpillar Inc. to be one of four Caterpillar dealers forming a new global Caterpillar dealership, PipeLine Machinery International (PLM). As a partner with a 25% interest in PLM, Finning will serve the global pipeline construction industry by supplying Caterpillar pipeline products to customers who specialize in large diameter pipeline projects.

In March 2005, as part of its strategy to divest non-core assets, Finning sold its investment in Maxim Power Corp., a supplier of distributed power systems, for \$16 million, representing a gain of \$1.8 million on this investment.

Subsequent to the quarter-end, in April 2005, Finning invested an additional \$9.5 million (EUR 6 million) in Energyst B.V., a Pan-European power rental company jointly owned by Finning, Caterpillar and 10 European Caterpillar dealers. Finning is now the largest shareholder with a 24.4% interest in Energyst. The company was formed in 2003 and currently has operations in most European countries.

First Quarter Conference Call

Management will hold an investor conference call on Wednesday, May 11, 2005 at 4:00 pm Eastern Time. Dial-in numbers:

1-877-888-3490 (anywhere within Canada and the US)
(416) 695-9757 (for participants dialing from Toronto and overseas)

The call will be webcast live at www.finning.com/investor_relations and www.newswire.ca/webcast, and subsequently archived on the Finning website. Playback recording will be available at **1-888-509-0081** from 7:00 pm Eastern Time on May 11, 2005 until the end of business day on May 18, 2005.

About Finning International

Finning International Inc. sells, rents, finances and provides customer support services for Caterpillar equipment and engines, and complementary equipment, in Western Canada (Alberta, British Columbia, the Northwest Territories, the Yukon Territory and a portion of Nunavut), the U.K. and South America (Argentina, Bolivia, Chile and Uruguay). Headquartered in Vancouver, B.C., Canada, Finning International Inc. (www.finning.com) is a widely held, publicly traded corporation, listed on the Toronto Stock Exchange (symbol FTT).

Complete financial statements and Management's Discussion and Analysis can be accessed at www.finning.com.

Forward-Looking Disclaimer

This report contains forward-looking statements and information, which reflect the current view of Finning International Inc. with respect to future events and financial performance. Any such forward-looking statements are subject to risks and uncertainties and Finning's actual results of operations could differ materially from historical results or current expectations. Finning assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein do not materialize.

Refer to Finning's annual report, management information circular, annual information form and other filings with Canadian securities regulators, which can be found at www.sedar.com, for further information on risks and uncertainties that could cause actual results to differ materially from forward-looking statements contained in this report.

Next Quarterly Results – August 9, 2005

Finning International's second quarter results for 2005 will be released and an investor conference call will be held on August 9, 2005.

For more information

Please call Tom Merinsky, Vice President, Investor Relations

Phone: (604) 331-4950

Email: investor_relations@finning.ca

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Finning International Inc. (Finning or the Company) should be read in conjunction with the interim consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars unless otherwise stated. For additional information, please refer to Finning's financial statements and accompanying notes and the Management's Discussion and Analysis included in the Company's 2004 annual report.

Results of Operations

First quarter overview

The Company achieved record quarterly revenues driven by significantly higher new equipment sales and customer support services. Consolidated revenues increased 19.1% to \$1,153.4 million, earnings before interest and taxes (EBIT) increased 10.0% to \$69.4 million and consolidated net income increased 56.5% to \$37.4 million. Basic Earnings Per Share (EPS) for the quarter of \$0.42 was 35.5% higher than the same period last year (2004: \$0.31) despite a 13.7% increase in the average number of shares outstanding. The increase in the number of shares is primarily due to the issue of 10 million common shares in November 2004.

The increase in EBIT, year over year, reflects stronger performances of the Company's Canadian and South American operations and Hewden; offset by a weaker performance from the Company's U.K. Materials Handling business. Net income improved 56.5% in 2005 as a result of higher operational EBIT as well as significantly lower finance costs and the elimination of non-controlling interest distributions. Although the overall debt level is higher at March 2005 compared to March 2004, finance costs were lower by \$9.5 million due to refinancing long-term debt at lower rates and the negative mark-to-market adjustments on derivatives included in financing costs in 2004. Overall debt levels are higher by approximately \$300 million at March 2005 compared to March 2004, due to higher working capital requirements to meet sales demand and longer lead times for equipment as well as the partial refinancing of non-controlling interests in November 2004.

Excluding items that do not reflect the Company's ongoing operations, Normalized EBIT for the quarter increased by 9.2% to \$69.5 million, compared to the first quarter of 2004. Normalized Net Income was \$37.1 million (2004: \$28.4 million), a 30.3% improvement while Normalized Basic EPS was \$0.42, an increase of 13.5% compared to the first quarter of 2004 (\$0.37 per share). Please refer to Attachment 1 for a summary of normalized items and a reconciliation of normalized (non-GAAP) results to published results.

Cash flow after changes in working capital was \$60.4 million, down \$47.9 million from the same quarter last year primarily due to an increase in working capital. Accounts receivable increased due to higher sales at the end of the quarter in 2005 and the Company continued to invest in inventories to support strong customer demand and the longer lead times required for deliveries. The Company's net investment in rental assets was \$69.4 million in the first three months of 2005 compared with \$88.3 million in the same period of 2004. Gross expenditures in rental assets were comparable in both years but there were higher conversions of rental units into sales to customers in the first quarter of 2005.

The table below sets forth summary financial data for the periods indicated.

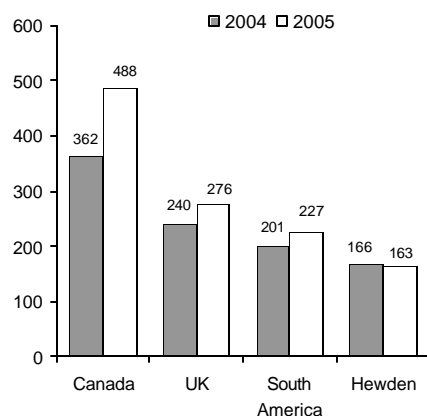
<i>C\$ millions</i>	Q1 2005		Q1 2004	
	(% of revenue)			
Revenue	1,153.4	968.2		
Gross profit	327.9	297.5	28.4	30.7
Selling, general & administrative expenses	258.4	233.9	22.4	24.1
Normalized EBIT	69.5	63.6	6.0	6.6
Other expenses	0.1	0.6	0.0	0.1
EBIT	69.4	63.0	6.0	6.5
Finance costs and interest on other indebtedness	20.6	30.1	1.8	3.1
Provision for income taxes	11.4	4.5	1.0	0.4
Non-controlling interests	—	4.5	—	0.5
Net income	37.4	23.9	3.2	2.5

Revenues

Revenue by operation

C\$ millions

Three months ended March 31



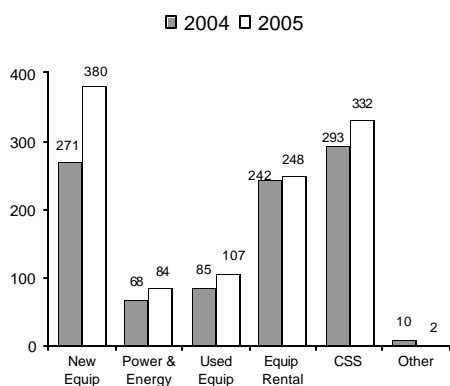
Record revenues in the first quarter of 2005 increased 19.1% to \$1,153.4 million, the fourth consecutive quarter that the Company has reported quarterly revenues in excess of one billion dollars. Over half of the increase was contributed by the Company's Canadian operation with strong equipment sales in the quarter. Continued strength in commodity prices, infrastructure spending in the regions in which the Company operates, price increases, and strong customer support services activities also contributed to the stronger revenues. The growth in revenues occurred despite the negative foreign exchange translation impact on revenues due to a stronger Canadian dollar relative to the pound sterling and the US dollar, year over year.

Finning's order book continues to build and achieved a new record level of \$945 million, up from the December 2004 levels of \$835 million. Order book, or backlog, represents the retail value of equipment units ordered by customers for future deliveries and is a measure used by Company management to forecast future revenues. The Company is dependent on Caterpillar for the timely supply of equipment and parts to fulfill these deliveries. Caterpillar has placed certain of its models under managed distribution, thereby increasing the time necessary to deliver these products when ordered. The Company continues to work with Caterpillar and our customers to ensure we can meet demand for product. In the event of a shortage in supply, the Company has been utilizing its rental assets and used equipment to meet demand. While Caterpillar has faced issues associated with material availability, they have indicated that, with cooperation from its suppliers, material availability is improving.

Revenue by line of business

C\$ millions

Three months ended March 31



From a line of business perspective, revenue mix has shifted towards equipment sales in 2005 compared to 2004 as a result of large deliveries in Canada and South America and rental conversions in Canada. All components of revenue increased except operating lease and finance revenues, which reflect the 2004 sale of the majority of the Company's lease assets to Caterpillar Financial Services Limited. Operating lease revenue is now reported together with finance and other revenues.

Canada

The Canadian operating segment primarily reflects the results of the Company's operating division, Finning (Canada). This segment also includes the Company's interest in OEM Remanufacturing Company Inc. (OEM). OEM will be fully operational in its new component rebuild facility under construction in Edmonton, Alberta, in the second quarter of 2005.

Revenues in the first quarter of 2005 increased by 34.8% to \$487.6 million in Canada compared with the same period in 2004. This increase is attributable to the construction and mining sectors as the first quarter of 2005 experienced a higher level of conversions of rental agreements to sales and the delivery of more equipment to mining customers. Strong commodity prices supported the increased demand for the Company's products particularly in its Alberta-based operations which contributed over 72% of customer revenue in the first quarter of 2005.

Revenues increased despite an increase in the value of the Canadian dollar relative to the United States dollar, for the three-month period year over year. Revenues in the quarter from all lines of business in Canada increased over 2004 levels with the exception of operating lease revenue due to the sale of lease assets in 2004. Continued strong performance in customer support services was boosted by the additional revenue from the Company's expansion of its product alliance venture with Shell which contributed to an improvement in customer support services revenues of 16.4% compared to the first quarter of 2004. Deliveries of power systems units to power generation projects were higher in the quarter and rental revenues increased year over year with a higher rental fleet supporting the CAT rental store businesses in 2005 and higher utilization of units in the dealership rental fleets.

With the strong deliveries of units in the first quarter, Finning (Canada)'s new equipment order backlog at March 31, 2005 decreased slightly from December 2004 but is almost 3 times the level at March 2004. Backlog continues to include a significant number of mining trucks of all sizes, as well as a large number of mining support equipment orders, reflecting strong activity in the mining, construction, forestry and petroleum sectors.

United Kingdom

Revenues in the first quarter increased by \$36.0 million or 15.0% for the Company's UK operations, although in local currency, revenues rose by 20.3%. New equipment revenues increased 54.3% in the first quarter of 2005 compared to the prior year. Activity increased in both quarrying and waste and metal

recycling applications in the first quarter of 2005 with deliveries to customers that had previously been deferring their capital purchases. Power Systems revenues, while at similar levels to the same period last year, included for the first time, the full quarter operation of the Company's Perkins' distribution business (Diperk) which contributed \$6.3 million in revenues. Rental revenues decreased in the quarter as a result of a reduction in the number of Materials Handling rental fleet units as more customers are purchasing units. Despite strong revenues in the first quarter of 2005, new equipment order backlog also increased to levels that were up 68% from March 2004 and 15% higher than December 2004, which bodes well for future revenues.

South America

Revenues for the first quarter of 2005 increased 13.2% to \$227.2 million, driven by the continued strength in commodity prices, increased spending on infrastructure and stronger economic growth in the countries in which Finning South America operates. Customer support services increased as a result of increased activity in contracts with large mining customers and stronger construction activity. In local currency, revenues increased 21.6%, reflecting a 6.9% appreciation of the Canadian dollar relative to the United States dollar, quarter over quarter. South America experienced growth in most core lines of business, particularly in new equipment, power and energy systems and customer support services. New equipment order backlog is at a record level and is almost 50% higher than the December 2004 level.

Hewden

Hewden revenues decreased 1.9% to \$162.6 million in the first quarter of 2005 compared with the same period in 2004, although in local currency, revenues increased 2.6%. Despite fewer billing days in the first quarter of 2005 compared with 2004, the rental business benefitted from an increase in volumes and utilization.

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

<i>C\$ millions</i> Q1 2005	Canada	UK	South America	Hewden	Consolidated	Revenue percentage
New mobile equipment	178.9	100.9	97.2	3.3	380.3	33.0%
New power & energy systems	32.6	31.2	20.3	—	84.1	7.3%
Used equipment	67.8	26.9	7.0	5.7	107.4	9.3%
Equipment rental	45.1	49.9	10.0	143.0	248.0	21.5%
Customer support services	161.7	67.1	92.4	10.6	331.8	28.7%
Finance income, operating leases & other	1.5	—	0.3	—	1.8	0.2%
Total	487.6	276.0	227.2	162.6	1,153.4	100.0%
Revenue percentage by operations	42.3%	23.9%	19.7%	14.1%	100.0%	
Q1 2004						
New mobile equipment	114.3	65.4	88.2	2.6	270.5	27.9%
New power & energy systems	27.7	30.5	10.1	—	68.3	7.1%
Used equipment	38.2	28.6	10.7	7.1	84.6	8.7%
Equipment rental	33.4	55.2	9.0	144.6	242.2	25.0%
Customer support services	138.9	60.3	82.3	11.4	292.9	30.3%
Finance income, operating leases & other	9.3	—	0.4	—	9.7	1.0%
Total	361.8	240.0	200.7	165.7	968.2	100.0%
Revenue percentage by operations	37.4%	24.8%	20.7%	17.1%	100.0%	

Gross profit

Gross profit of \$327.9 million in the first quarter of 2005 was 10.2% higher than the corresponding period in 2004. As a percentage of revenue, consolidated gross profit in the first quarter was 28.4% compared to 30.7% in the same period last year, primarily reflecting the revenue mix shift from 44% to almost 50% equipment sales which attract a lower margin than the rental and customer support services. Factors affecting the net improvement in gross profit for the quarter are detailed below:

- In Canada, gross profit increased 21.4% due to strong customer demand, but decreased as a percentage of revenue. This was mainly due to a change in the mix of revenues in the first quarter of 2005 to more large mining equipment sales with lower margins which were not present in the comparable 2004 quarter.
- In the UK operation, gross profit was lower in both absolute dollars and as a percentage of revenue. This was primarily due to the materials handling business which experienced lower margins in the first quarter of 2005. Rental margins declined with lower materials handling rental revenues and higher fleet maintenance costs. Management at Finning (UK) is focusing on improving margins in all areas, with more rigorous back office processes to support new equipment sales activity and incentives to promote profitability.
- In South America, gross profit increased over 17.6%, reflecting the strong demand for the Company's products and included favourable performance from large mining contracts and price increases.
- In Hewden, price competitiveness in the UK rental market continued in the first quarter of 2005. However, rental margins in the first quarter were comparable to the prior year with supplier price increases offset by improved asset utilization.

Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses increased \$24.6 million to \$258.4 million in the first quarter of 2005 compared to the same period in the prior year. As a percentage of revenue, these expenses were lower at 22.4% in the first quarter of 2005 compared to 24.1% in the first quarter of 2004. This percentage decrease is due to higher revenue mix from equipment sales in the first quarter of 2005 which attracts a lower level of selling expenses. The Company has numerous initiatives underway to reduce SG&A costs.

Key factors affecting the SG&A increase in the quarter compared to the prior year included:

- The Company incurred higher costs to meet customer demands and to support future revenue generating activities related to the large maintenance contracts entered into last year. As a result of increased service demand due to new maintenance contracts, the Company experienced an increase in revenue-generating employees in South America and Canada.
- Higher selling costs of approximately \$27.0 million, year over year, to support the incremental sales volumes experienced in 2005. Selling expenses as a percentage of revenue is relatively unchanged for the first quarter of 2005 compared to the prior year.
- Higher long-term incentive plan (LTIP) costs of \$2.6 million compared to the first quarter of 2004, due primarily to the vestings of performance-based deferred share units which occurred in February 2005 as a result of the appreciation in the Company's share price. LTIP include all stock-based compensation plans such as deferred share unit plans, share appreciation rights plans, and stock options.
- Higher pension costs in Canada and the U.K. of \$2.0 million.

- Higher operating costs in the UK operation due to inefficiencies arising from the delay in integrating the Lex Harvey and Finning (UK) systems and unanticipated bad debts.

The increase in SG&A costs in the first quarter of 2005 compared to the prior year is offset by:

- Favourable foreign exchange impact of approximately \$10.5 million primarily due to a stronger Canadian dollar relative to the pound sterling and United States dollar utilized for translation.
- Information systems costs in the UK operation were \$2.5 million higher in 2004 related to the startup of the DBSi system which went into production January 2004.

The Company is committed to improve its cost structure and implemented a formalized program in 2004 to reduce annualized costs by \$60 million by 2006. Management has already identified a number of significant opportunities to reduce costs, including projects already underway at Hewden and Finning (UK), the disposition of non-core assets, various 6-Sigma projects in Canada and South America and certain initiatives to achieve company-wide efficiencies.

In January, Finning (Canada) commenced bargaining with its union representing approximately 850 employees in Alberta and the Northwest Territories. As a result of the uncertainty created by a number of concurrent proceedings before the Alberta Labour Relations Board (ALRB) relating to Finning Canada's component repair and parts distribution operations, and the OEM joint venture operations, Finning (Canada) suspended negotiations and the current collective agreement expired April 30th. The collective agreement however will continue to apply until a new agreement is ratified or other legal steps are taken by either Finning or the union. The matters before the ALRB are expected to carry on during most of the second quarter.

Other expenses

Other expenses are shown separately on the income statement to allow an easier comparison of the performance of the Company's ongoing operations to the corresponding period in the prior year and are excluded from the calculation of normalized results. As a result of these items, the Company recorded a pre-tax expense of \$0.1 million in the first quarter of 2005 compared to a pre-tax expense of \$0.6 million for the corresponding period in 2004. See Attachment 1 for a complete listing of these items.

The major pre-tax items incurred to date are:

In 2005:

- Project costs in the UK operation for business model redesign and in the Hewden operation for its key initiatives which focus on its core customer base, narrowing its product offering and simplifying its operational organization so as to increase asset utilization and reduce costs. These expenditures are expected to continue throughout 2005, 2006 and possibly into 2007.
- Restructuring in Canada relating to outsourcing its parts warehousing to Tracker Logistics. In the first quarter of 2005, the Company's Canadian division Finning (Canada), entered into a five-year renewable contract with Edmonton, Alberta based Tracker Logistics, to outsource the majority of the warehousing activities of its Edmonton-based parts distribution centre. The contract is volume based with performance based termination provisions and represents a contractual commitment of approximately \$9.0 million per annum.
- Sale of the Company's investment in Maxim Power Corp. as part of a strategy to divest non-core assets. The Company recorded a \$1.8 million gain on the sale of this investment.

In 2004:

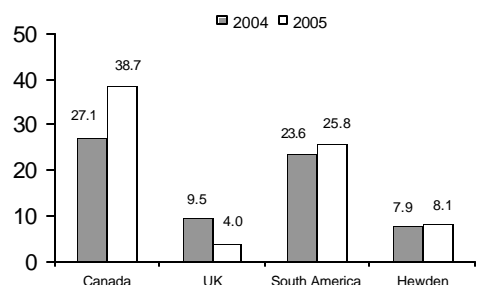
- Restructuring and project costs incurred in Canada and Hewden operations of \$4.1 million in the quarter.
 - 3 key projects were initiated at Hewden, with costs incurred of \$0.6 million.
 - Finning (Canada) re-organized its operations to improve its customer service focus to take advantage of growth opportunities and reduce its cost base. This restructuring involved re-alignment of various customer-facing positions and streamlining of other functions. As a result, a restructuring charge was taken of \$3.5 million. Annualized savings from this re-organization are estimated at \$2.5 million.
- Recognition of the \$3.8 million unamortized portion of the deferred gain from the sale of the Canadian Materials Handling business in 2001.

Earnings before interest and taxes (EBIT)

EBIT increased by 10.0% to \$69.4 million in the quarter notwithstanding the negative impact of foreign exchange on a year over year basis. EBIT as a percentage of revenue decreased from 6.5% in the first quarter of 2004 to 6.0% for the comparative period in 2005. Please refer to note 4 of the Notes to the Interim Consolidated Financial Statements for the segmentation of EBIT by operation.

Normalized EBIT by operation*
C\$ millions

Three months ended March 31



* see Attachment 1: Description of Non-GAAP Measures

Major components of the EBIT variance for the quarter were:
C\$ millions

2004 Q1 EBIT	63.0
Net growth in operations	10.6
Higher UK DBSi implementation costs in 2004	2.6
Foreign exchange impact	(2.7)
Long-term incentive plan costs	(2.6)
Pension expense increase	(2.0)
Net change in normalizing items (<i>see note 2 to the Interim Consolidated Financial Statements</i>)	0.5
2005 Q1 EBIT	69.4

Finance costs and interest on other indebtedness

Finance costs and interest on other indebtedness for the three months ended March 31, 2005 of \$20.6 million was 31.5% lower than the comparable period last year. The decrease in 2005 is primarily due to the following:

- Lower average borrowing rates as term borrowing matured in 2004 and were refinanced at lower rates.
- \$6.7 million negative mark-to-market valuation adjustment included in 2004 finance costs relating to interest rate swaps not eligible for hedge accounting in 2004. These hedging arrangements were unwound in late 2004.
- Foreign exchange impact of translating sterling denominated debt in 2005 with a weaker pound sterling relative to the Canadian dollar.

These decreases were partially offset by higher short-term borrowings in most operations in 2005 to fund the higher investment in inventories, receivables and rental assets as well as the impact of partially funding the redemption of the non-controlling interests in late 2004 with debt.

Provision for income taxes

Income tax expense for the current quarter amounted to \$11.4 million (23.4% effective tax rate) compared with \$4.5 million (15.9% effective tax rate) for the same period last year, reflecting a higher level of income and more business originating in higher tax jurisdictions than in the previous year's quarter. Excluding the tax recovery (expense) on normalizing items, the effective tax rates, as a percentage of income before taxes, would be 24.2% for the first quarter of 2005 compared with 20.3% for the comparable period in 2004.

Non-controlling interests

In the fourth quarter of 2004, the Company redeemed the non-controlling partnership interests held by private investors for \$425 million. The distribution to the non-controlling partnership interests for the first quarter of 2004 was \$4.5 million, representing a yield of 4.3%.

Net income

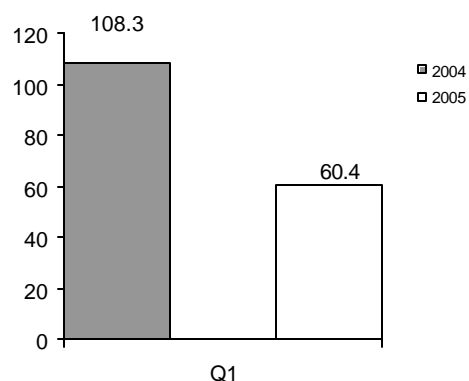
Net income increased by \$13.5 million to \$37.4 million in the first quarter of 2005 and basic earnings per share for the quarter increased to \$0.42 in 2005 compared to \$0.31 in the comparative period of the prior year. Normalized Net Income was \$37.1 million (2004: \$28.4 million) and Normalized Basic EPS was \$0.42 (2004: \$0.37).

Liquidity and Capital Resources

Cash Flow

C\$ millions

Cash flow after working capital changes



Cash flow from operating activities

Cash flow before working capital changes was \$122.0 million for the first quarter of 2005, up from \$116.5 million in the comparative period of 2004. With \$33.0 million higher investments in new equipment inventories to support customer demand and \$46.9 million higher accounts receivable from strong customer activity at the end of the first quarter, cash used by operating activities was \$9.0 million in the quarter compared to cash provided of \$25.3 million in the corresponding period last year.

Cash used for investing activities

Net cash used for investments in the first quarter of 2005 totalled \$13.3 million, \$1.5 million lower than the comparative period in 2004.

Financing activities

The Company's total short and long-term borrowings increased \$25.2 million to \$1,393.1 million at March 31, 2005 compared to the December 31, 2004 level. This increase is due to higher overall debt in local currency (\$30.3 million) offset by the impact of translating foreign denominated debt into Canadian dollars (\$5.1 million). During the first quarter of 2004, the Company repaid its \$75 million 8.35% debentures via short-term borrowings on its bank credit facilities.

Dividends paid to shareholders were \$9.7 million, \$2.0 million higher than the first quarter of 2004 due to an increase in the dividend rate from \$0.10 to \$0.11 per share, announced in early 2005 and the higher number of common shares outstanding in 2005 due to the equity issue in December 2004. In the fourth quarter of 2004, the Company redeemed the non-controlling interests held by private investors thereby eliminating the requirement of future distributions, compared to \$4.5 million paid in the first quarter of 2004.

Financial derivatives and risk management

The Company's financial performance may be influenced by fluctuations in foreign exchange, interest rates and commodity prices. The Company uses various financial instruments such as interest rate swaps, forward exchange contracts and options to manage its foreign exchange and interest rate exposures (see note 3 of Notes to the Interim Consolidated Financial Statements).

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 approach in identifying and evaluating risks. This risk management approach assists the Company in managing business activities and risks associated with those activities.

The Company is dedicated to a strong risk management culture to protect and enhance shareholder value. The processes within Finning's risk management function are designed to ensure that risks are properly identified, managed and reported.

The Company discloses all of its key risks in its most recent Annual Information Form with key financial risks also included in the Company's Annual MD&A. For further details on the management of liquidity and capital resources, financial derivatives and financial risks and uncertainties, please refer to the Annual Information Form and Management Discussion and Analysis (MD&A) for the year ended December 31, 2004.

There have been no significant changes or new key risks identified from the key risks as disclosed in the Company's Annual Information Form for the year ended December 31, 2004, which can be found at www.sedar.com and www.finning.com.

Sensitivity to variances in foreign exchange rates

The Company is geographically diversified, with significant investments in several different countries. Finning transacts business in multiple currencies, the most significant of which are the US dollar (USD), the Canadian dollar, the U.K. pound sterling (GBP), the Chilean peso (CHP), and the European euro (EUR). As a result, the Company has a certain degree of foreign currency exposure with respect to items denominated in foreign currencies. The three main types of foreign exchange risk of the Company are investment in foreign operations, transaction exposure and translation exposure. These are explained further in the 2004 annual MD&A.

The sensitivity of the Company's annual net earnings to fluctuations in average annual foreign exchange rates is summarized in the table below. The table assumes that the Canadian dollar strengthens 5% against the currency noted, for a full year relative to the March 2005 month end rates, without any change in local currency volumes or hedging activities.

Currency	March 31, 2005 month end rates	Increase (decrease) in annual net income
		<i>C\$ millions</i>
USD	1.2096	(12)
GBP	2.2848	(3)
EUR	1.5689	3
CHP	0.002065	2

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.

Selected Quarterly Information

<i>C\$ millions, except for share and option data</i>	2005	2004				2003		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Canada	487.6	456.2	381.5	363.1	361.8	378.4	373.2	347.8
UK	276.0	244.4	268.4	290.7	240.0	220.5	242.0	242.3
South America	227.2	210.1	256.0	203.1	200.7	187.7	143.6	111.7
Hewden	162.6	164.5	180.0	175.7	165.7	146.4	166.2	159.3
Total revenue	1,153.4	1,075.2	1,085.9	1,032.6	968.2	933.0	925.0	861.1
Net income	37.4	20.1	43.1	27.8	23.9	28.1	36.6	32.2
Earnings per common share								
Basic	0.42	0.23	0.56	0.35	0.31	0.36	0.48	0.42
Diluted	0.42	0.23	0.55	0.35	0.30	0.36	0.47	0.41
Normalized	0.42	0.42	0.56	0.40	0.37	0.42	0.51	0.46
Total assets	3,905.3	3,804.0	3,683.6	3,744.2	3,555.0	3,440.6	3,204.5	3,168.1
Long-term debt								
Current	5.1	6.5	156.3	158.7	159.1	235.2	82.6	78.9
Non-current	885.3	889.6	738.9	767.3	765.9	748.2	882.0	886.4
Total long-term debt	890.4	896.1	895.2	926.0	925.0	983.4	964.6	965.3
Cash dividends paid per common share	0.11	0.10	0.10	0.10	0.10	0.09	0.09	0.09
Common shares outstanding (000's)	88,608	88,390	78,037	77,849	77,937	77,755	77,779	77,394
Options outstanding (000's)	1,812	2,016	2,359	2,546	2,564	2,746	2,825	3,210

Outstanding share data

May 2, 2005

Common shares outstanding	88,650
Options outstanding	1,770

Market Outlook

The Company's current views on economic conditions, commodity prices and impact of foreign exchange are consistent with those disclosed in the Market Outlook section of the 2004 year-end MD&A.

Commodity prices for copper, gold, coal and oil and gas continue to be strong. This bodes well for our customers and is reflected in our strong order book/backlog, which reached record levels yet again at March 31, 2005.

Competitive pressures continue to impact the Company operations in the U.K. Management is working with Caterpillar to increase Finning (UK) profitability as well as market share. Finning (UK) has delayed its integration of Lex Harvey and as a result, is experiencing inefficiencies resulting from operating two different systems. Finning (UK) management is focusing on improving margins in all areas, particularly the materials handling business, and is reviewing all back office processes for efficiencies.

Despite competitive pressures in the U.K. rental market, Hewden continues to experience increased volumes and higher utilization of equipment which bodes well for future improvement in results. Initiatives are underway at Hewden that are expected to improve the financial performance of the operation. Efforts are in place to simplify the organizational structure by offering streamlined product offerings and one distribution channel to customers. This will require new information systems and technologies for Hewden to improve customer relationships, support sophisticated customer requirements and improve financial stewardship and controls.

Global energy demand is expected to drive an increase in worldwide construction activity in the future. The Company is a 25% partner in the new Caterpillar pipeline machinery dealership which provides us with an opportunity to participate in this growth business.

The Company is underway in its initiative to reduce costs by \$60 million by the end of 2006, and progress to date is on track. Savings will come from 6 Sigma projects, company-wide savings, and initiatives at Hewden and the UK. To date, the Company has completed 30 projects that will generate \$14 million of annual savings. The Company expects to have \$60 million of cost savings fully in place by January 1, 2007.

The current economic environment, commodity pricing and launched and pending cost efficiency initiatives, together, provide a positive outlook for the Company's medium to long-term growth opportunities.

May 11, 2005

Attachment 1

Description of non-GAAP measures

To supplement Finning's consolidated financial statements, the Company uses certain non-GAAP measures that do not have standardized meanings under Canadian GAAP and are therefore unlikely to be comparable to similar measures used by other companies. These non-GAAP measures are Normalized Net Income, Normalized Basic EPS and Normalized EBIT. Finning's management believes these financial measures are useful to investors because they contain the same meaningful information that is used by Finning management to assess the financial performance of the Company and its operating segments. To allow the reader to view financial results in this way, occasional or other significant items that do not reflect the underlying financial performance of the Company's ongoing operations have been removed from reported results prepared in accordance with GAAP.

Reconciliation between reported EBIT and Normalized EBIT		
	Three months ended March 31	
<i>C\$ thousands</i>	2005	2004
Reported EBIT (GAAP measure)	69,387	63,073
Gain on sale of surplus properties in Canada and the U.K.	(2,362)	(447)
Restructuring charges in Canada and project costs in the U.K.	4,326	4,133
Recognition of deferred gain on the 2001 sale of the Canadian Materials Handling business	—	(3,800)
(Gain on sale of) loss from equity investment	(1,827)	693
Normalized EBIT (reflects non-GAAP measure)	69,524	63,652

Reconciliation between reported net income and EPS and Normalized Net Income and Normalized Basic EPS		
	Three months ended March 31	
<i>C\$ thousands, except EPS data</i>	2005	2004
Basic EPS (GAAP measure)	\$0.42	\$0.31
Reported net income (GAAP measure)	37,360	23,869
Gain on sale of surplus properties in Canada and the U.K.	(1,654)	(280)
Restructuring charges in Canada and project costs in the U.K.	2,996	2,739
Recognition of deferred gain on the 2001 sale of the Canadian Materials Handling business	—	(3,000)
(Gain on sale of) loss from equity investment	(1,653)	693
Market value adjustment: interest rate swap not eligible for hedge accounting	—	4,411
Normalized Net Income (reflects non-GAAP measure)	37,049	28,432
Normalized Basic EPS (reflects non-GAAP measure)	\$0.42	\$0.37

INTERIM CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

C\$ thousands except per share amounts

	Three months ended March 31	
	2005 unaudited	2004 unaudited
Revenue		
New mobile equipment	380,346	270,477
New power and energy systems	84,094	68,298
Used equipment	107,437	84,564
Equipment rental	247,977	242,241
Customer support services	331,793	292,886
Finance, operating leases and other	1,739	9,709
Total revenue	1,153,386	968,175
Cost of sales	825,413	670,646
Gross profit	327,973	297,529
Selling, general and administrative expenses	258,449	233,877
Other expenses (Note 2)	137	579
Earnings before interest, taxes and non-controlling interests	69,387	63,073
Finance costs and interest on other indebtedness (Note 3)	20,625	30,112
Income before provision for income taxes and non-controlling interests	48,762	32,961
Provision for income taxes	11,402	4,523
Non-controlling interests	—	4,569
Net income	37,360	23,869
Retained earnings, beginning of period	850,321	775,113
Net income	37,360	23,869
Dividends on common shares	(9,745)	(7,782)
Retained earnings, end of period	877,936	791,200

Earnings per share (EPS)		
Basic	\$0.42	\$0.31
Diluted	\$0.42	\$0.30

Weighted average number of shares outstanding	88,529,090	77,828,853
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The accompanying Notes to the Interim Consolidated Financial Statements are an integral part of these statements.

INTERIM CONSOLIDATED BALANCE SHEETS

C\$ thousands

	March 31 2005 unaudited	December 31 2004 audited
ASSETS		
Current assets		
Cash and short-term investments	16,473	15,843
Accounts receivable	644,329	578,350
Inventories		
On-hand equipment	665,209	641,366
Parts and supplies	370,138	346,490
Other assets	138,610	115,295
Income taxes recoverable	18,992	12,435
Future income taxes	28,614	24,820
Current portion of instalment notes receivable	14,292	24,355
Total current assets	1,896,657	1,758,954
Finance assets		
Instalment notes receivable	8,508	12,879
Equipment leased to customers	3,104	3,357
Total finance assets	11,612	16,236
Rental equipment	1,146,026	1,163,976
Land, buildings and equipment	337,018	330,430
Future income taxes	26,073	31,091
Goodwill	382,743	386,257
Intangible assets	12,103	12,042
Other assets	93,067	105,025
	3,905,299	3,804,011
LIABILITIES		
Current liabilities		
Short-term debt	502,666	471,811
Accounts payable and accruals	1,061,680	1,027,667
Income tax payable	21,188	4,354
Future income taxes	5,021	2,773
Current portion of long-term debt	5,090	6,460
Total current liabilities	1,595,645	1,513,065
Long-term debt	885,347	889,623
Future income taxes	68,114	75,118
Total liabilities	2,549,106	2,477,806
SHAREHOLDERS' EQUITY		
Share capital	560,217	557,740
Retained earnings	877,936	850,321
Contributed surplus	1,207	878
Cumulative currency translation adjustments	(83,167)	(82,734)
Total shareholders' equity	1,356,193	1,326,205
	3,905,299	3,804,011

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

C\$ thousands

	Three months ended March 31	
	2005 unaudited	2004 unaudited
OPERATING ACTIVITIES		
Net income	37,360	23,869
Add		
Depreciation and amortization	88,741	87,627
Future income taxes	(2,019)	1,010
Stock option expense	329	—
Other items	(2,362)	(606)
Non-controlling interests distribution	—	4,569
	122,049	116,469
Changes in working capital items		
Accounts receivable and other	(80,182)	(33,258)
Inventories – on-hand equipment	(24,776)	8,269
Inventories – parts and supplies	(23,615)	(29,726)
Instalment notes receivable	14,390	(961)
Accounts payable and accruals	43,406	59,970
Income taxes	9,091	(12,460)
Cash provided after changes in working capital items	60,363	108,303
Rental equipment, net of disposals	(69,412)	(88,255)
Equipment leased to customers, net disposals	58	5,285
Cash flow (used) provided by operating activities	(8,991)	25,333
INVESTING ACTIVITIES		
Net cash invested in land, buildings and equipment	(13,344)	(14,810)
Cash used by investing activities	(13,344)	(14,810)
FINANCING ACTIVITIES		
Increase in short-term debt	31,710	53,642
Repayment of long-term debt	(1,367)	(79,525)
Non-controlling interests distribution	—	(4,569)
Issue of common shares on exercise of stock options	2,478	2,284
Dividends paid	(9,745)	(7,782)
Cash provided (used) by financing activities	23,076	(35,950)
Currency translation adjustments	(111)	(175)
Increase (decrease) in cash and short-term investments	630	(25,602)
Cash and short-term investments, beginning of period	15,843	66,385
Cash and short-term investments, end of period	16,473	40,783
Cash flows include the following elements		
Interest paid	7,350	9,973
Income taxes paid	4,080	17,064

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

(unaudited)

C\$ thousands, except for exercise and share prices

1. ACCOUNTING POLICIES

The accompanying unaudited Interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles on a basis consistent with those disclosed in the most recent audited annual financial statements. These unaudited Interim Consolidated Financial Statements do not include all the information and note disclosures required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the December 31, 2004 audited annual consolidated financial statements and the notes below.

The unaudited Interim Consolidated Financial Statements follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements.

Certain comparative figures have been reclassified to conform to the 2005 presentation.

2. OTHER EXPENSES

Other expenses (income) in the period include the following items:

	Three months ended March 31	
	2005	2004
Gain on sale of surplus properties in Canada and the U.K.	(2,362)	(447)
Restructuring charges in Canada and project costs in the U.K.	4,326	4,133
(Gain on sale of) loss from equity investment (a)	(1,827)	693
Recognition of deferred gain on the 2001 sale of the Canadian Materials Handling business	—	(3,800)
	137	579
Tax recovery on net other expenses	448	426
Other expenses (income), net of tax	(311)	153

(a) The Company sold its investment in Maxim Power Corp. for cash of \$16,000, resulting in a pre-tax gain of \$1,827.

3. SHORT-TERM AND LONG-TERM DEBT

Finance costs and interest on other indebtedness as shown on the consolidated statement of income is comprised of the following elements:

	Three months ended March 31	
	2005	2004
Interest on debt securities	19,472	18,233
Interest on swap contracts	360	4,460
Mark to market valuation changes on interest rate swap not eligible for hedge accounting (a)	—	6,694
Amortization of deferred debt costs and other finance related expenses (income)	793	725
	20,625	30,112

(a) In December 2004, the Company unwound its interest rate swaps that did not receive hedge accounting treatment.

4. SEGMENTED INFORMATION

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

The reportable operating segments are:

Three months ended March 31, 2005	Canada	UK	South America	Hewden	Other	Consolidated
Revenue from external sources	487,552	276,022	227,177	162,617	18	1,153,386
Operating costs	421,514	251,247	195,826	119,458	7,076	995,121
Depreciation and amortization	27,372	20,741	5,584	35,044	—	88,741
Other expenses	—	—	—	—	137	137
Earnings before interest and tax	38,666	4,034	25,767	8,115	(7,195)	69,387
Finance costs and interest on other indebtedness						20,625
Provision for income taxes						11,402
Non-controlling interests						—
Net income						37,360
EBIT as percentage of revenue	7.9%	1.5%	11.3%	5.0%	—	6.0%
EBIT percentage by operations	55.7%	5.8%	37.1%	11.7%	(10.3)%	100.0%
Identifiable assets	1,146,722	884,191	683,831	1,074,950	115,605	3,905,299
Gross capital expenditures	13,286	1,447	1,292	1,858	113	17,996
Gross rental fleet asset expenditures	26,037	23,780	11,531	44,520		105,868

Three months ended March 31, 2004	Canada	UK	South America	Hewden	Other	Consolidated
Revenue from external sources	361,777	239,987	200,690	165,720	1	968,175
Operating costs	308,064	210,852	171,780	122,188	4,485	817,369
Depreciation and amortization	26,572	19,652	5,335	35,595	—	87,154
Other expenses	—	—	—	—	579	579
Earnings before interest and tax	27,141	9,483	23,575	7,937	(5,063)	63,073
Finance costs and interest on other indebtedness						30,112
Provision for income taxes						4,523
Non-controlling interests						4,569
Net income						23,869
EBIT as percentage of revenue	7.5%	4.0%	11.7%	4.8%	—	6.5%
EBIT percentage by operations	43.0%	15.0%	37.4%	12.6%	(8.0)%	100.0%
Identifiable assets	1,082,915	783,790	486,165	1,110,530	91,605	3,555,005
Gross capital expenditures	9,675	2,842	3,386	2,772	—	18,675
Gross rental fleet asset expenditures	30,578	28,490	2,499	44,192		105,759

5. EMPLOYEE BENEFITS

The expense for the Company's benefit plans providing retirement benefits for employees in Canada and the U.K. is as follows:

	Three months ended March 31 2005				Three months ended March 31 2004			
	Canada	UK	Hewden	Total	Canada	UK	Hewden	Total
Defined contribution plans	2,418	201	70	2,689	1,851	109	68	2,028
Defined benefit plans	2,172	4,773	1,818	8,763	1,258	3,911	2,302	7,471
Total benefit plan expense	4,590	4,974	1,888	11,452	3,109	4,020	2,370	9,499

6. SHARE CAPITAL

Other stock-based compensation plans

Deferred Share Unit Plans

The Company's Executive Deferred Share Unit Plan (DSU-B) vests at specified percentages if the Company's share price exceeds, at specified levels, the common share price at the date of grant. In February 2005, the Company's share price increased to levels that resulted in the vestings of two tranches of the DSU-B plan. Details of the deferred share unit plans, which reflect the vestings in the quarter as well as mark-to-market adjustments, for the three-month period ended March 31, are as follows:

Units	DSU-A		DSU-B		DDSU	
	2005	2004	2005	2004	2005	2004
Outstanding, beginning of year	52,716	67,607	723,301	685,766	163,072	132,390
Additions during period	172	199	1,600	15,856	2,370	2,468
Exercised/cancelled during period	—	—	(25,323)	—	—	—
Outstanding, end of period	52,888	67,806	699,578	701,622	165,442	134,858
Vested, beginning of period	52,716	67,607	388,050	258,498	163,072	132,390
Vested during period	172	199	124,536	5,310	2,370	2,468
Exercised/cancelled during period	—	—	(21,466)	—	—	—
Vested, end of period	52,888	67,806	491,120	263,808	165,442	134,858

Liability (C\$ thousands)	DSU-A		DSU-B		DDSU	
	2005	2004	2005	2004	2005	2004
Balance, beginning of year	1,844	2,028	13,578	7,755	5,706	3,972
Expensed during period	(105)	33	3,323	80	(266)	(14)
Exercised/cancelled during period	—	—	(753)	—	—	—
Balance, end of period	1,739	2,061	16,148	7,835	5,440	3,958

Management Share Appreciation Rights Plan (SAR)

In the first quarter of 2005, there were no additional SAR units issued. However, a favourable \$579 adjustment was recorded due to the mark-to-market valuation compared to a charge of \$18 for the comparative period in 2004.

7. CURRENCY RATES

The Company operates in three main currencies: Canadian dollars, British pound Sterling and U.S. dollars. At March 31, 2005, December 31, 2004, and March 31, 2004, the exchange rates of the Canadian dollar against the following foreign currencies were as follows:

	March 31, 2005	December 31, 2004	March 31, 2004
Exchange rate as at			
United States dollar	1.2096	1.2036	1.3105
British pound Sterling	2.2848	2.3062	2.4116
Average exchange rates for three month period ended			
United States dollar	1.2267		1.3179
British pound Sterling	2.3191		2.4232

8. SUBSEQUENT EVENTS

In April, 2005, the Company increased its interest in Energyst B.V. (Energyst) by purchasing 100,000 new shares that were issued from treasury for cash of \$9.5 million (EUR 6 million). As a result of this transaction, the Company's equity interest in Energyst increased to 24.4% from 15.17%.