Second Quarter 2005 Results *August 9, 2005*

Finning Announces Record Second Quarter Earnings

Highlights

- Record quarterly revenues which grew by 23%, led by Canadian and South American operations
- Normalized Basic EPS [1] in the second quarter up 32% compared to last year
- Cash flow after working capital changes in the quarter of $117.4 million more than doubled compared to prior year

	Three months ended June 30			Six months ended June 30		
C$ millions, except EPS data	**2005**	2004	Change	**2005**	2004	Change
Revenue	**1,271.5**	1,032.6	23.1%	**2,424.9**	2,000.8	21.2%
EBIT	**80.5**	56.8	41.7%	**149.9**	119.8	25.1%
Net Income	**45.6**	27.8	64.0%	**83.0**	51.7	60.5%
Basic EPS	**$ 0.52**	$ 0.35	48.6%	**$ 0.94**	$ 0.66	42.4%
Diluted EPS	**$ 0.51**	$ 0.35	45.7%	**$ 0.93**	$ 0.65	43.1%
Normalized Basic EPS [1]	**$ 0.53**	$ 0.40	32.5%	**$ 0.95**	$ 0.77	23.4%
Cash Flow, after working capital changes	**117.4**	56.3	108.5%	**161.8**	164.6	(1.7)%

Vancouver, Canada – Finning International Inc. today reported record second quarter net income of $45.6 million or $0.52 per share, compared with $27.8 million or $0.35 per share in the second quarter of 2004, an increase of almost 49% in basic earnings per share. Once again, quarterly revenues reached record levels at $1,271.5 million, an increase of 23% over the second quarter of 2004. These strong second quarter results continue to reflect strong sales in equipment as well as growing parts and service revenues.

"Our second quarter results are extremely positive and continue on the strong performance we experienced in the first quarter of this year," said Doug Whitehead, President and CEO of Finning International Inc. "Business conditions remain buoyant and our strong order book points to a solid second half of 2005 and a good start for 2006. We are pleased with the record results being produced by our Canadian and South American operations although we are disappointed with the results of our Materials Handling business in the U.K. Together with Caterpillar Inc., we have completed a significant review of our business model for the UK dealership. Changes will begin to be implemented later this year that we expect will lead to meaningfully improved results in due course."

[1] 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 reported results.

"Our second quarter results reflect strong top line and bottom line growth and exceeds our growth objectives," said Wayne Bingham, Executive Vice President and CFO of Finning International Inc. "We are very pleased with the recent confirmation of our long-term debt rating at BBB (high) by DBRS and an upgrade in our short-term debt rating to R-1 (low) which enhances our ability to access commercial paper markets. Our cash flow after working capital changes for the quarter is strong and more than double that of the prior year."

Finning International Inc. (Finning) achieved record quarterly revenues in the second quarter of $1,271.5 million, up 23.1% from the second 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 be strong at $925 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 $80.5 million and net income for the quarter was $45.6 million, compared with $56.8 million and $27.8 million, respectively, in the second quarter of 2004. Normalized EBIT, further described in Attachment 1 to Management's Discussion and Analysis, was $83.0 million, an increase of 20.3% over the same period last year while Normalized Net Income was $47.4 million (2004: $31.7 million).

Net income for the second quarter of 2005 was 64.0% higher than the comparative period of 2004, as a result of improved EBIT and the refinancing of the non-controlling interests in November 2004. Excluding the positive mark-to-market adjustment on derivatives included in financing costs in the three month period ended June 30, 2004, finance costs were actually lower in the second quarter of 2005 by $3.5 million compared to the second quarter of 2004. Although the overall debt level is higher at June 2005 compared to June 2004, finance costs were lower due to refinancing long-term debt at lower rates and the favourable impact of foreign exchange due to a stronger Canadian dollar in 2005. Overall debt levels are higher by approximately $227 million at June 2005 compared to June 2004, due to higher working capital requirements to meet sales demand as well as due to the refinancing of the non-controlling interests partially with debt in November 2004. Basic Earnings Per Share (EPS) for the second quarter was $0.52 in 2005 compared to $0.35 in the comparative period of the prior year. Normalized Basic Earnings Per Share was $0.53, an increase of 32.5% over the same period last year (2004: $0.40).

Cash flow before working capital items for the second quarter of 2005 was $139.6 million, up $13.9 million from the second quarter of 2004. Cash flow after working capital changes has increased significantly to $117.4 million for the second quarter, compared with $56.3 million for the same period last year, partially reflecting the higher earnings in 2005. Working capital demands have stabilized in 2005 and, combined with balance sheet initiatives to reduce underutilized assets, also improved our cash flow.

On a year-to-date basis, consolidated revenues increased by 21.2% to $2,424.9 million and EBIT levels increased 25.1% from the same six-month period in 2004. Net income was $83.0 million (2004: $51.7 million) while Basic EPS was $0.94 (2004: $0.66). Reported results include expenses that do not reflect the underlying financial performance of the Company's ongoing operations. When these items are excluded, Normalized EBIT for the six-month period was $152.5 million, up 15.0% from 2004, while Normalized Net Income was $84.4 million (2004: $60.2 million) and Normalized Basic EPS was $0.95 (2004: $0.77).

Important New Contracts

In the second quarter of 2005, Finning secured the following important new contracts:

- *Suncor* – the sale of an equipment and product support services package worth approximately $115 million to Suncor Energy Inc. Approximately 20% of this amount relates to the renewal of an earlier product support services agreement. The transaction includes nine Caterpillar 797B off-highway trucks that will be delivered over the next 12 months, a 10-year product support agreement and an option on six additional 797B trucks.
- *Highland Valley Copper* – the sale of ten 793C off-highway trucks to the Highland Valley Copper mine, the largest copper mine in Canada. The equipment, valued at approximately $26 million will be delivered early in 2006.
- *Spence* – A $57 million maintenance contract for the Spence project in Chile, majority owned by BHP Billiton (with minority participation by Rio Tinto). Finning previously announced the sale of the major portion of the fleet to be covered by this maintenance contract in November 2004, which consisted of 21 type 793 trucks, 2 type 994D front loaders and associated support equipment. The equipment began to arrive on site in March of this year, with the first pieces in operation starting June 1st. Recently, Finning negotiated the sale of an additional 4 type 793 trucks for $9 million, and expects all machines to be operating under the terms of the new maintenance contract by May 2006. The maintenance contract has an initial term of 3 years.
- *Mantoverde* – An equipment package consisting of 33 Caterpillar production and support machines worth $43 million, as well as a significant maintenance contract worth $55 million, with Anglo American Chile, owner of the Mantoverde mine in Chile. The maintenance contract includes service assistance for all 33 Caterpillar machines which will make up the mine's complete production and support fleet. The maintenance contract covers the Caterpillar and Atlas Copco drill fleet that will operate in the mine. This will include 9 type 785C trucks, 8 type 777D trucks, 2 type 994F front loaders, 2 type 992G front loaders, as well as the complete support fleet and 4 open surface drills. Equipment operations are slated to begin on September 1st, 2005, and the maintenance contract has an initial term of 5 years.
- *Veladero* – The sale of 17 pieces of Caterpillar equipment to Minera Argentina Gold S.A., a Barrrick Gold Corporation subsidiary, for use in the Veladero gold mine project in Argentina. The equipment package is worth $35 million and includes 12 type 793 mining trucks, 2 type D11R bulldozers, 2 type 16H motorgraders and 1 type 854G wheel dozer. The new machines will all be delivered by February 2006, integrated into the existing fleet and covered by accompanying new maintenance contracts worth $51 million, which together with the current maintenance contract will provide complete coverage at the mine site until November 2009.
- *Greenpark Energy* – A turnkey design and construct contract for 5 mine gas-fired electric power generation stations for Greenpark Energy - a developer of power projects in the United Kingdom. The sites will be fuelled with methane gas being collected from disused coal mines and will generate 24 megawatts of electricity on a continuous basis - sufficient for more than 50,000 domestic dwellings. The equipment supply contract for the five sites is worth approximately $28 million. In addition to the equipment supply contract, the agreement includes a seven-year operation and maintenance contract as a fully managed service. Equipment deliveries and installation will begin in the fourth quarter of 2005 and continue to early 2006.

Second Quarter Conference Call

Management will hold an investor conference call on Tuesday, August 9, 2005 at 2:30 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 5:30 pm Eastern Time on August 9, 2005 until the end of business day on August 16, 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 – November 14, 2005

Finning International's third quarter results for 2005 will be released and an investor conference call will be held on November 14, 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

Second quarter overview

The Company achieved record quarterly revenues driven by significantly higher new equipment sales and customer support services. Consolidated revenues increased 23.1% to $1,271.5 million, earnings before interest and taxes (EBIT) increased 41.7% to $80.5 million and consolidated net income increased 64.0% to $45.6 million. Basic Earnings Per Share (EPS) for the quarter of $0.52 was 48.6% higher than the same period last year (2004: $0.35).

The increase in EBIT, year over year, reflects stronger performances of the Company's Canadian and South American operations, partially offset by a weaker performance from the Company's UK Materials Handling business. Net income improved 64.0% in the second quarter of 2005 as a result of higher operational EBIT, lower other expenses and the refinancing of the non-controlling interests in November 2004. Excluding the positive mark-to-market adjustment on derivatives included in financing costs in the three month period ended June 30, 2004, finance costs were actually lower in the second quarter of 2005 by $3.5 million compared to the second quarter of 2004. Although the overall debt level is higher at June 2005 compared to June 2004, finance costs were lower due to refinancing long-term debt at lower rates. Overall debt levels are higher by approximately $227 million at June 2005 compared to June 2004, due to higher working capital requirements to meet sales demand as well as due to the refinancing of the non-controlling interests partially with debt in November 2004.

Excluding items that do not reflect the Company's ongoing operations, Normalized EBIT for the quarter increased by 20.3% to $83.0 million, compared to the second quarter of 2004. Normalized Net Income was $47.4 million (2004: $31.7 million), a 49.5% improvement while Normalized Basic EPS was $0.53, an increase of 32.5% compared to the second quarter of 2004 ($0.40 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 $117.4 million, up $61.1 million from the same quarter last year primarily due to stabilizing working capital requirements in the second quarter of 2005 as management continues to focus on improving cash cycle times and operating efficiencies. In the second quarter of 2005 the Company continued to invest in inventories to support strong customer demand. The Company's net investment in rental assets was $141.4 million in the second quarter of 2005, comparable to the same period of 2004.

Year-to-date overview

Revenues are higher, year over year, most notably in the Company's Canadian and South American operations, which resulted in consolidated revenues increasing 21.2% to $2,424.9 million.

EBIT increased 25.1% to $149.9 million and consolidated net income increased 60.5% to $83.0 million. Basic EPS was $0.94 compared with $0.66 in the same period last year. The increase in net income year over year is primarily due to the strong performance of the Company's Canadian and South American operations, lower finance costs and other expenses and the elimination of non-controlling interest distributions, as discussed above.

Other expenses were lower by $10.2 million in 2005 partially due to the $7.9 million pre-tax settlement of a legal claim in 2004. Adjusting for these items not reflective of the Company's ongoing operations as outlined in Attachment 1, Normalized EBIT was $152.5 million, compared to $132.6 million in 2004. Normalized Net Income was $84.4 million (2004: $60.2 million) and Normalized Basic EPS was $0.95 (2004: $0.77).

For the six-months ended June 30, 2005 cash flow before working capital items was $19.5 million higher than in the same period of 2004, and $2.8 million lower after working capital changes. The Company decreased spending on rental assets by 8.4% with a net investment of $210.8 million in 2005 (2004: $230.2 million).

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

	Q2 2005	Q2 2004	**Q2 2005**	Q2 2004
	C$ millions		(% of revenue)	
Revenue	**1,271.5**	1,032.6		
Gross profit	**364.3**	310.2	**28.6**	30.0
Selling, general and administrative expenses	**281.3**	241.2	**22.1**	23.4
Normalized EBIT	**83.0**	69.0	**6.5**	6.6
Other expenses	**2.5**	12.2	**0.2**	1.1
EBIT	**80.5**	56.8	**6.3**	5.5
Finance costs and interest on other indebtedness	**21.5**	18.6	**1.7**	1.8
Provision for income taxes	**13.4**	6.4	**1.0**	0.6
Non-controlling interests	—	4.0	—	0.4
Net income	**45.6**	27.8	**3.6**	2.7

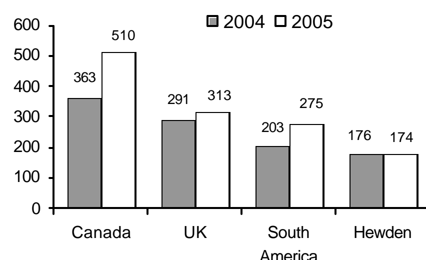
	YTD 2005	YTD 2004	**YTD 2005**	YTD 2004
	C$ millions		(% of revenue)	
Revenue	**2,424.9**	2,000.8		
Gross profit	**692.2**	607.7	**28.5**	30.4
Selling, general and administrative expenses	**539.7**	475.1	**22.2**	23.7
Normalized EBIT	**152.5**	132.6	**6.3**	6.7
Other expenses	**2.6**	12.8	**0.1**	0.7
EBIT	**149.9**	119.8	**6.2**	6.0
Finance costs and interest on other indebtedness	**42.1**	48.7	**1.8**	2.4
Provision for income taxes	**24.8**	10.9	**1.0**	0.6
Non-controlling interests	—	8.5	—	0.4
Net income	**83.0**	51.7	**3.4**	2.6

Revenues

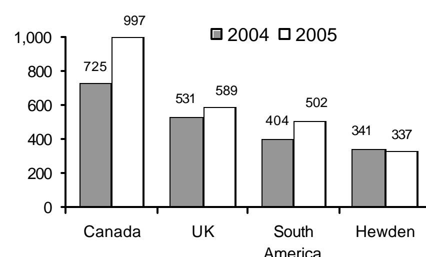
Revenue by operation

C$ millions

Three months ended June 30



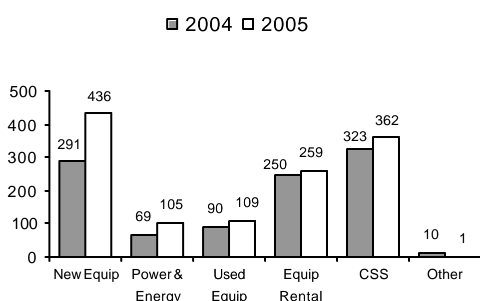
Six months ended June 30



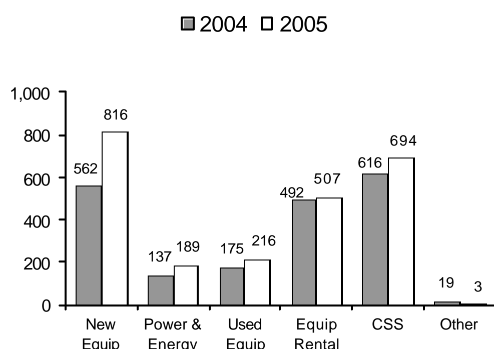
Revenue by line of business

C$ millions

Three months ended June 30



Six months ended June 30



Record revenues in the second quarter of 2005 increased 23.1% from the prior year to $1,271.5 million, the fifth consecutive quarter that the Company has reported quarterly revenues in excess of one billion dollars. Over 60% of the increase was contributed by the Company's Canadian operations with strong equipment sales again in the second 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 higher 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 of $925 million continues at strong levels, 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. Notwithstanding the strong backlog levels, the Company is dependent on Caterpillar for the timely supply of equipment and parts to fulfill these deliveries. Caterpillar has reported that they have placed certain of its models under managed distribution, thereby increasing the time necessary to deliver these products when ordered. Caterpillar continues to face material availability issues for large mining products, which together with a tire shortage has led to significantly longer lead times than previously experienced. The Company continues to work closely with Caterpillar and customers to ensure that demand for product can be met. In the event of a shortage in supply, the Company has been utilizing its rental assets and used equipment to meet demand.

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. All components of revenue increased in 2005 except operating lease and finance revenues, which reflects the 2004 sale of the majority of the Company's leased assets to Caterpillar Financial Services Limited. Operating lease revenue is now reported together with finance and other revenues.

Consolidated revenues on a year-to-date basis increased 21.2% to $2,424.9 million consistent with the quarterly trends.

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 became fully operational in its new component rebuild facility in Edmonton, Alberta, late in the second quarter of 2005.

Revenues in the second quarter of 2005 increased by 40.3% to $509.5 million in Canada compared with the same period in 2004. The increase in the second quarter of 2005 is attributable to the strength in the construction and mining sectors. Finning (Canada) delivered almost double the number of equipment units to customers in these sectors. Strong commodity prices supported the increased demand for the Company's products particularly in its Alberta-based operations, which contributed over 67% of customer revenue in the second 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 second quarter from all lines of business in Canada increased over 2004 levels with the exception of operating lease revenue due to the sale of leased assets in 2004. Continued strong performance in customer support services was boosted by demand for parts, price realization and 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 26.7% compared to the second quarter of 2004. Deliveries of power systems units to power generation projects were higher in the second quarter and used equipment markets improved both domestically and internationally. Rental revenues increased over the 2004 comparable period with a higher rental fleet supporting the CAT rental store businesses in 2005.

New equipment backlog continues to be strong and includes a significant number of mining trucks of all sizes, as well as a large number of mining support equipment orders, and reflects strong activity in the mining, construction, forestry and petroleum sectors.

On a year-to-date basis, revenues increased 37.6% to $997.1 million.

United Kingdom

Revenues in the second quarter increased by 7.8% to $313.3 million for the Company's UK operations compared to the prior year. In local currency, revenues rose by 14.6%. New equipment revenues increased 10.1% in the second quarter of 2005 compared to the prior year. Activity continued to be strong in the quarrying sector in the second quarter of 2005, similar with the first quarter of 2005, with deliveries to customers that had previously been deferring their capital purchases. Power Systems sales revenues increased by $12.5 million or 54.3%, compared to the same period last year, and included the Company's new Perkins' distribution business (Diperk) in the U.K. which contributed $4.2 million in sales revenues. New order backlog showed continued strength, increasing over December 2004 levels. Rental revenues decreased in the quarter partially due to a slowing demand for short-term rental of Materials Handling fleet units and partially due to more customers purchasing units with external financing as opposed to entering into long-term rental agreements. In response to this trend, the short-term rental fleet for Materials Handling has been reduced to 2,704 units at the end of the June 2005 compared to 2,859 at the end of the first quarter of 2005 and 2,977 at June 2004. The increase in customer service revenues, quarter over quarter, reflects stronger volumes in its construction division and contribution from Diperk.

Year-to-date, revenues increased 11.0% to $589.3 million. Excluding the foreign currency translation impact, revenues increased 17.2% in local currency.

South America

Revenues for the second quarter of 2005 increased 35.1% to $274.3 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. In local currency, revenues increased 47.8%. South America experienced growth in most lines of business, particularly in new equipment, and power and energy systems driven by customer's investments in production capacity. New equipment order backlog shows ongoing strength as significant new mining contracts continue to be secured.

Year-to-date, revenues increased 24.2% to $501.5 million. Excluding the foreign currency translation impact, revenues increased 34.6% in local currency.

Hewden

Hewden revenues decreased marginally to $174.4 million in the second quarter of 2005 compared with the same period in 2004, although in local currency, revenues increased 5.6%. Despite early indications of a softening economic environment, the rental business benefitted from an increase in volumes and utilization in the second quarter of 2005 compared with 2004.

Year-to-date, revenues decreased 1.3% to $337.0 million. In local currency, revenues increased 4.1% over the same period in 2004.

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

C$ millions **Q2 2005**	**Canada**	**UK**	**South America**	**Hewden**	**Consolidated**	**Revenue percentage**
New mobile equipment	**188.5**	**118.0**	**124.6**	**5.1**	**436.2**	**34.3%**
New power & energy systems	**41.5**	**35.5**	**27.4**	**—**	**104.4**	**8.2%**
Used equipment	**56.0**	**38.0**	**8.5**	**6.0**	**108.5**	**8.6%**
Equipment rental	**43.3**	**50.4**	**12.3**	**152.5**	**258.5**	**20.3%**
Customer support services	**179.6**	**71.4**	**100.8**	**10.8**	**362.6**	**28.5%**
Finance income, operating leases & other	**0.6**	**—**	**0.7**	**—**	**1.3**	**0.1%**
Total	**509.5**	**313.3**	**274.3**	**174.4**	**1,271.5**	**100.0%**
Revenue percentage by operations	**40.1%**	**24.6%**	**21.6%**	**13.7%**	**100.0%**	
Q2 2004						
New mobile equipment	113.6	107.2	68.3	2.1	291.2	28.2%
New power & energy systems	28.6	23.0	16.8	—	68.4	6.6%
Used equipment	39.1	37.2	4.7	9.4	90.4	8.7%
Equipment rental	30.4	56.2	10.1	152.8	249.5	24.2%
Customer support services	141.7	67.1	103.1	11.4	323.3	31.3%
Finance income, operating leases & other	9.7	—	0.1	—	9.8	1.0%
Total	363.1	290.7	203.1	175.7	1,032.6	100.0%
Revenue percentage by operations	35.2%	28.1%	19.7%	17.0%	100.0%	

C$ millions **YTD 2005**	**Canada**	**UK**	**South America**	**Hewden**	**Consolidated**	**Revenue percentage**
New mobile equipment	**367.4**	**218.9**	**221.8**	**8.4**	**816.5**	**33.7%**
New power & energy systems	**74.1**	**66.7**	**47.7**	**—**	**188.5**	**7.8%**
Used equipment	**123.8**	**64.9**	**15.5**	**11.7**	**215.9**	**8.9%**
Equipment rental	**88.4**	**100.3**	**22.3**	**295.5**	**506.5**	**20.9%**
Customer support services	**341.3**	**138.5**	**193.2**	**21.4**	**694.4**	**28.6%**
Finance income, operating leases & other	**2.1**	**—**	**1.0**	**—**	**3.1**	**0.1%**
Total	**997.1**	**589.3**	**501.5**	**337.0**	**2,424.9**	**100.0%**
Revenue percentage by operations	**41.1%**	**24.3%**	**20.7%**	**13.9%**	**100.0%**	
YTD 2004						
New mobile equipment	227.9	172.6	156.5	4.7	561.7	28.1%
New power & energy systems	56.3	53.5	26.9	—	136.7	6.8%
Used equipment	77.3	65.8	15.4	16.5	175.0	8.7%
Equipment rental	63.8	111.4	19.1	297.4	491.7	24.6%
Customer support services	280.6	127.4	185.4	22.8	616.2	30.8%
Finance income, operating leases & other	19.0	—	0.5	—	19.5	1.0%
Total	724.9	530.7	403.8	341.4	2,000.8	100.0%
Revenue percentage by operations	36.2%	26.5%	20.2%	17.1%	100.0%	

Gross profit

Gross profit of $364.3 million in the second quarter of 2005 was 17.4% higher than the corresponding period in 2004 despite a stronger Canadian dollar. As a percentage of revenue, gross profit in the second quarter was 28.6% compared to 30.0% in the same period last year. This percentage decrease is primarily due to a change in the revenue mix from 44% to over 51% equipment sales which attract a lower margin than the rental and customer support services businesses. Factors affecting the net improvement in gross profit for the quarter are detailed below:

- In Canada, gross profit increased 29.2% due to strong customer demand and price realization, but decreased as a percentage of revenue. This was mainly due to a change in the mix of revenues in the second quarter of 2005 to more equipment sales.
- In the UK operation, gross profit was lower in both absolute dollars and as a percentage of revenue. Similar to the first quarter of 2005, this was primarily due to the stronger Canadian dollar, lower rental revenues and higher fleet maintenance costs of the Materials Handling business, partially offset by improved construction division volumes. In the second quarter, there has been some improvement in the absolute margin achieved by the dealership business, and management at Finning (UK) continues to focus on improving margins in all areas, increasing cost control and working with Caterpillar to improve market share.
- In South America, gross profit increased 31.5%, reflecting the strong demand for the Company's products and included favourable performance from large mining contracts and price realization.
- In Hewden, price competitiveness in the UK rental market continued in the second quarter of 2005. However, rental margins in the second quarter were comparable to the prior year with supplier price increases offset by improved asset utilization.

Strong volumes in equipment, customer support services and rentals have increased the year-to-date gross profit by 13.9% to $692.2 million when compared to the same period last year. Margins have decreased as a percentage of revenue from 30.4% in 2004 to 28.5% in 2005 for similar reasons as noted above.

Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses increased $40.1 million to $281.3 million in the second quarter of 2005 compared to the same period in the prior year. As a percentage of revenue, these expenses were lower at 22.1% in the second quarter of 2005 compared to 23.4% in the second quarter of 2004. This percentage decrease is primarily due to the higher revenue mix from equipment sales in the second quarter of 2005, which attracts a lower proportionate 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 same period last 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 in the last year. As a result of increased service demand due to new maintenance contracts, the Company added revenue-generating employees in South America and Canada and headcount increased by approximately 800 from one year ago.
- Higher selling costs of approximately $25.7 million, year over year, to support the incremental sales volumes experienced in 2005.
- Higher pension costs in Canada and the U.K. of $2.3 million.

- Higher costs incurred in the start-up businesses of Diperk in the U.K. and OEM in Canada

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

- Favourable foreign exchange impact primarily due to a stronger Canadian dollar relative to the pound sterling and US dollar utilized for translation.
- Long-term incentive plan (LTIP) costs of $5.1 million in the quarter were $3.2 million lower than costs incurred for the same period in 2004. LTIP include all stock-based compensation plans such as deferred share unit plans, share appreciation rights plans, and stock options. The costs incurred in the second quarter of 2005 are primarily due to the mark-to-market impact on the valuation of LTIP resulting from the appreciation of the Company's share price. In the second quarter of 2004, in addition to a mark-to-market impact, two tranches of deferred share units vested. In July 2005, a further two tranches of deferred share units vested as a result of the appreciation of the Company's share price, with an impact in the third quarter of approximately $3.5 million.

Year-to-date, SG&A expenses increased year over year by $64.6 million to $539.7 million. As a percentage of revenue, SG&A decreased to 22.2% in 2005 from 23.7% last year.

The Company is committed to improving its cost structure and implemented a formalized program in 2004 to reduce annualized costs by $60 million by the end of 2006. Management has 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.

Finning (Canada)'s collective bargaining agreement with the union representing approximately 850 employees in Alberta and the Northwest Territories (Union) expired April 30, 2005. Negotiations for a new collective agreement were suspended in July when the Union filed for mediation to resolve outstanding issues. Mediation meetings were held on August 4 and 5, 2005. Although expired, the collective agreement will continue to apply until a new agreement is ratified or other legal steps are taken by either Finning or the Union.

The Union has also legally challenged the recent Finning (Canada) outsourcing transactions involving OEM and Tracker Logistics. The OEM outsourcing involves the contracting out of component repair and rebuilding services to the OEM joint venture. The Tracker Logistics outsourcing involves the contracting out of parts warehousing services to a company unrelated to Finning, Tracker Logistics. There are a number of proceedings that are ongoing before the Alberta Labour Relations Board (ALRB). To date, the ALRB has ruled in favour of Finning (Canada) and OEM (subject to a judicial review to be heard in August), and an ALRB decision is pending in respect of the Tracker Logistics matter.

It is management's intention to obtain a satisfactory settlement of all outstanding Union matters in a manner which provides our employees with a positive and safe work environment and positions the Company for growth.

Other expenses

Other expenses are shown separately on the statement of income 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 $2.5 million in the second quarter of 2005 (year-to-date 2005: $2.6 million) compared to a pre-tax expense of $12.2 million for the corresponding period in 2004 (year-to-date 2004: $12.8 million). 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, which began in 2004 in the Hewden operation, are expected to continue throughout 2005, 2006 and possibly into 2007.
- Restructuring relating to the outsourcing of Finning (Canada)'s parts warehousing to Tracker Logistics. In the first quarter of 2005, 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.
- Gain on sale of surplus properties in the U.K. and Canada of $3.1 million.

In 2004:

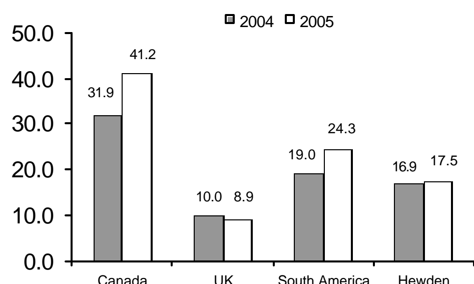
- In June, the Company settled proceedings against Hewden Tower Cranes Limited, a subsidiary of the Company, with Yarm Road Limited and Cleveland Bridge U.K. Limited totalling £5.1 million ($12.1 million). The settlement was for damages arising from the collapse of a tower crane at the Canary Wharf site in the U.K. on May 21, 2000, prior to the Company acquiring the business. The impact of the settlement, net of previous accruals, was a pre-tax charge of $7.9 million.
- Restructuring and project costs incurred in Canada, UK and Hewden operations of $4.7 million in the quarter ($8.9 million year-to-date) primarily due to:
  - 3 key projects were initiated at Hewden, with costs incurred in the second quarter of $2.0 million (year-to-date: $2.5 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 in the first quarter. Annualized savings from this re-organization are estimated at $2.5 million. In the second quarter of 2004, Finning (Canada) recorded a further restructuring charge of $1.7 million mainly to cover redundancy costs in preparation of outsourcing its component rebuild service work to OEM.
  - In the UK operation, downsizing of specialized services and a restructuring of their component rebuild centre resulted in a redundancy charge of $1.0 million in the second quarter.
- 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 41.7% to $80.5 million in the quarter notwithstanding the negative impact of foreign exchange on a year over year basis. EBIT as a percentage of revenue increased from 5.5% in the second quarter of 2004 to 6.3% 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 June 30



* see Attachment 1: Description of Non-GAAP Measures

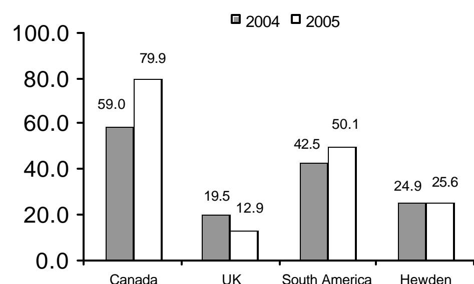
Major components of the EBIT variance for the quarter were:
C$ millions

2004 Q2 EBIT	56.8
Net growth in operations, particularly Canada and South America	21.7
Lower long-term incentive plan costs	3.2
Start-up businesses	(1.9)
Pension expense increase	(2.2)
Lower UK Materials Handling contribution	(2.5)
Foreign exchange	(4.3)
Net change in normalizing items (*see note 2 to the Interim Consolidated Financial Statements*)	9.7
2005 Q2 EBIT	80.5

Year-to-date EBIT increased by 25.1% to $149.9 million reflecting similar variances as the quarterly impacts noted above. The foreign exchange variance is mainly due to translating results from country operations with foreign denominated currencies into Canadian dollars and translating in-country sales transactions that are based on a foreign currency. Most of the foreign exchange impact on EBIT was due to the stronger Canadian dollar relative to the US dollar and pound sterling for the six-month period, year over year.

Normalized EBIT by operation*
C$ millions

Six months ended June 30



* see Attachment 1: Description of Non-GAAP Measures

Major components of the EBIT variance year-to-date were:
C$ millions

2004 YTD EBIT	119.8
Net growth in operations, particularly Canada and South America	39.1
Higher UK DBSi implementation costs in 2004	2.6
Lower long-term incentive plan costs	0.6
Start-up businesses	(3.3)
Pension expense increase	(4.2)
Foreign exchange	(7.0)
Lower UK Materials Handling contribution	(7.9)
Net change in normalizing items (*see note 2 to the Interim Consolidated Financial Statements*)	10.2
2005 YTD EBIT	149.9

Finance costs and interest on other indebtedness

Finance costs and interest on other indebtedness for the three months ended June 30, 2005 of $21.5 million was 15.6 % higher than the comparable period last year. Finance costs in the second quarter of 2004 included a $6.4 million positive mark-to-market valuation adjustment relating to interest rate swaps not eligible for hedge accounting. These hedging arrangements were unwound in late 2004 as part of the refinancing of the non-controlling interests. Excluding the mark-to-market adjustment recorded in 2004, the finance costs in the second quarter of 2005 were $3.5 million lower than the comparable period in 2004 primarily due to the following:

- Lower average borrowing rates in 2005 as term debt matured in 2004 and was refinanced at lower rates.
- Favourable foreign exchange impact of translating sterling and US denominated interest expense in 2005 with a stronger 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 funding the redemption of the non-controlling interests in late 2004 partially with debt.

Year-to-date, finance costs decreased by $6.6 million to $42.1 million. The mark-to-market valuation adjustment was minimal in the six-month period in 2004, and the six-month variance reflects similar trends as noted above.

Provision for income taxes

Income tax expense for the current quarter amounted to $13.4 million (22.7% effective tax rate) compared with $6.4 million (18.8% effective tax rate) for the same period last year, reflecting a higher level of income and more business originating in the higher Canadian tax jurisdiction than in the previous year's quarter. The year-to-date income tax expense was $24.8 million (23.0% effective tax rate) compared with $10.9 million (17.5% effective tax rate) for the same period last year, also reflecting the change in the earnings mix and the other expenses (income) items. Excluding the tax recovery (expense) on the normalizing items, the effective tax rates, as a percentage of income before taxes, would be 23.5% year to date 2005 compared with 20.5% for 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 second quarter of 2004 was $4.0 million (2004 year-to-date: $8.5 million), representing a yield of 3.7% (2004 year-to-date: 4.0%).

Net income

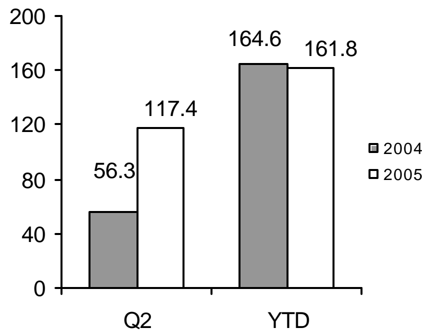
Net income increased by $17.8 million to $45.6 million in the second quarter of 2005 and basic earnings per share for the quarter increased to $0.52 in 2005 compared to $0.35 in the comparative period of the prior year. Normalized Net Income was $47.4 million (2004: $31.7 million) and Normalized Basic EPS was $0.53 (2004: $0.40).

Year-to-date, net income increased by $31.3 million to $83.0 million and basic earnings per share increased to $0.94 in 2005 from $0.66 of the same period last year. On a normalized basis, net income was $84.4 million (2004: $60.2 million) and Normalized Basic EPS was $0.95 (2004: $0.77).

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 $139.6 million for the second quarter of 2005, up from $125.7 million in the comparative period of 2004, reflecting the higher earnings in 2005. Cash flow after changes in working capital was $117.4 million, up $61.1 million from the same quarter last year as working capital increased at a faster rate to meet customer demand in 2004. Working capital requirements have stabilized in the second quarter of 2005. Management's efforts to control investments in working capital spending and reduce underutilized assets are now being evidenced in the current quarter. The Company's net investment in rental assets was $141.4 million in the second quarter of 2005, comparable to the same period of 2004.

For the six-months ended June 30, 2005 cash flow before working capital items was $19.5 million higher than in the same period of 2004, and $2.8 million lower after working capital changes. Working capital at the end of March 2005 grew from the December balances to support the increase in customer demand and the revenue growth year over year. Further improvements to cash flow are anticipated through the increased focus on credit collections and delivery of inventory to customers. In addition, 6 Sigma projects have been initiated throughout the Company to improve cash cycle times and operating efficiencies.

Cash used for investing activities

Net cash used for investing activities in the second quarter of 2005 totalled $30.2 million (2004: $6.7 million) and year-to-date cash invested was $27.6 million (2004: $21.6 million). In 2005, a further $24.0 million was invested in the new component rebuild facility being built by OEM in Edmonton, Alberta. The facility became fully operational late in the second quarter of 2005 at an estimated completion cost of $72.0 million incurred over the 2004 and 2005 timeframe. The 2005 year-to-date amounts also reflect the $16.0 million proceeds on the sale of the Company's investment in Maxim Power Corp., as well as a further investment of $9.5 million in Energyst B.V. Other spending was for general operational requirements.

Financing activities

The Company's total short and long-term borrowings increased $57.5 million to $1,425.4 million at June 30, 2005 compared to the December 31, 2004 level. This increase is due to higher overall debt in local currency ($84.0 million) offset by the impact of translating foreign denominated debt into Canadian dollars ($26.5 million).

Dividends paid to shareholders were $9.8 million, $2.0 million higher than the second quarter of 2004 due to an increase in the quarterly 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.

The Company's short-term debt rating was upgraded to R-1 (low) and its long-term debt rating was reconfirmed at BBB (high) by DBRS in the quarter.

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 Management Discussion and Analysis (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 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 June 2005 month end rates, without any change in local currency volumes or hedging activities.

Currency	June 30, 2005 month end rates	Increase (decrease) in annual net income *C$ millions*
USD	1.2256	(12)
GBP	2.1973	(3)
EUR	1.4827	3
CHP	0.002117	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

C$ millions, except for share and option data	2005		2004				2003		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue									
Canada	509.5	487.6	456.2	381.5	363.1	361.8	378.4	373.2	347.8
UK	313.3	276.0	244.4	268.4	290.7	240.0	220.5	242.0	242.3
South America	274.3	227.2	210.1	256.0	203.1	200.7	187.7	143.6	111.7
Hewden	174.4	162.6	164.5	180.0	175.7	165.7	146.4	166.2	159.3
Total revenue	1,271.5	1,153.4	1,075.2	1,085.9	1,032.6	968.2	933.0	925.0	861.1
Net income	45.6	37.4	20.1	43.1	27.8	23.9	28.1	36.6	32.2
Earnings per common share									
Basic	0.52	0.42	0.23	0.56	0.35	0.31	0.36	0.48	0.42
Diluted	0.51	0.42	0.23	0.55	0.35	0.30	0.36	0.47	0.41
Normalized	0.53	0.42	0.42	0.56	0.40	0.37	0.42	0.51	0.46
Total assets	3,916.8	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	4.1	5.1	6.5	156.3	158.7	159.1	235.2	82.6	78.9
Non-current	866.6	885.3	889.6	738.9	767.3	765.9	748.2	882.0	886.4
Total long-term debt	870.7	890.4	896.1	895.2	926.0	925.0	983.4	964.6	965.3
Cash dividends paid per common share	0.11	0.11	0.10	0.10	0.10	0.10	0.09	0.09	0.09
Common shares outstanding (000's)	88,906	88,608	88,390	78,037	77,849	77,937	77,755	77,779	77,394
Options outstanding (000's)	1,810	1,812	2,016	2,359	2,546	2,564	2,746	2,825	3,210

Outstanding share data

As at August 2, 2005 (000's)	
Common shares outstanding	88,952
Options outstanding	1,764

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 at June 30, 2005.

Competitive pressures continue to impact the Company's 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, continues to experience inefficiencies in its Materials Handling business resulting from operating two different information systems. Finning (UK) management is focusing on improving margins in all areas, particularly the Materials Handling business, and is reviewing other areas to achieve efficiencies and control costs.

Despite competitive pressures in the U.K. rental market, Hewden continues to experience higher utilization of equipment which bodes well for future improvement in results. Initiatives are currently underway at Hewden that are expected to improve the financial performance of the operation. The initiatives will simplify Hewden's 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.

On August 4 2005, the Bank of England reduced interest rates by 0.25 percentage points. This, together with other economic statistics from the U.K., is pointing to a softening in economic growth in that country. While slower economic growth can be expected to have a moderating effect on construction activity, management believes that the current order backlog, and projects and initiatives underway in the U.K. should offset any impact of a slow growth economy.

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

Argentina's economy is experiencing upward pressure on wage rates. To date the Company has been able to adjust its salary structure with minimal impact on its results.

The Company is well underway to reduce costs by $60 million by the end of 2006. Savings will come from 6 Sigma projects, company-wide savings, and initiatives at Hewden and the UK. Although there have been some delays in certain U.K. initiatives, this has been offset by the acceleration of other initiatives so that progress to achieve $60 million of savings is on track. To date, the Company has completed 38 projects that will generate over $17 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.

August 9, 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 June 30		Six months ended June 30	
C$ thousands	**2005**	2004	**2005**	2004
Reported EBIT (GAAP measure)	**80,527**	56,758	**149,914**	119,831
Gain on sale of surplus properties in Canada and the U.K.	**(735)**	(339)	**(3,097)**	(786)
Restructuring charges in Canada and project costs in the U.K.	**3,224**	4,733	**7,550**	8,866
Recognition of deferred gain on the 2001 sale of the Canadian Materials Handling business	—	—	—	(3,800)
Loss (income) from equity investment in Maxim	—	(60)	**(1,827)**	633
Canary Wharf legal settlement	—	7,863	—	7,863
Normalized EBIT (reflects non-GAAP measure)	**83,016**	68,955	**152,540**	132,607

Reconciliation between reported net income and EPS and Normalized Net Income and Normalized Basic EPS				
	Three months ended June 30		Six months ended June 30	
C$ thousands, except EPS data	**2005**	2004	2005	2004
Basic EPS (GAAP measure)	**$0.52**	$0.35	$0.94	$0.66
Reported net income (GAAP measure)	**45,645**	27,781	**83,005**	51,650
Gain on sale of surplus properties in Canada and the U.K.	**(510)**	(313)	**(2,164)**	(593)
Restructuring charges in Canada and project costs in the U.K.	**2,255**	3,035	**5,251**	5,774
Recognition of deferred gain on the 2001 sale of the Canadian Materials Handling business	—	—	—	(3,000)
Loss (income) from equity investment in Maxim	—	(60)	**(1,653)**	633
Canary Wharf legal settlement	—	5,504	—	5,504
Market value adjustment: interest rate swap not eligible for hedge accounting	—	(4,217)	—	194
Normalized Net Income (reflects non-GAAP measure)	**47,390**	31,730	**84,439**	60,162
Normalized Basic EPS (reflects non-GAAP measure)	**$0.53**	$0.40	**$0.95**	$0.77

INTERIM CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

C$ thousands except per share amounts

	Three months ended June 30		Six months ended June 30	
	2005 unaudited	2004 unaudited	**2005 unaudited**	2004 unaudited
Revenue				
New mobile equipment	**436,145**	291,240	**816,491**	561,717
New power and energy systems	**104,417**	68,396	**188,511**	136,694
Used equipment	**108,457**	90,432	**215,894**	174,996
Equipment rental	**258,509**	249,485	**506,486**	491,726
Customer support services	**362,651**	323,318	**694,444**	616,204
Finance, operating leases and other	**1,354**	9,796	**3,093**	19,505
Total revenue	**1,271,533**	1,032,667	**2,424,919**	2,000,842
Cost of sales	**907,288**	722,442	**1,732,701**	1,393,088
Gross profit	**364,245**	310,225	**692,218**	607,754
Selling, general and administrative expenses	**281,229**	241,270	**539,678**	475,147
Other expenses (Note 2)	**2,489**	12,197	**2,626**	12,776
Earnings before interest, taxes and non-controlling interests	**80,527**	56,758	**149,914**	119,831
Finance costs and interest on other indebtedness (Note 3)	**21,491**	18,603	**42,116**	48,715
Income before provision for income taxes and non-controlling interests	**59,036**	38,155	**107,798**	71,116
Provision for income taxes	**13,391**	6,432	**24,793**	10,955
Non-controlling interests	**—**	3,942	**—**	8,511
Net income	**45,645**	27,781	**83,005**	51,650
Retained earnings, beginning of period	**877,936**	791,200	**850,321**	775,113
Net income	**45,645**	27,781	**83,005**	51,650
Dividends on common shares	**(9,754)**	(7,775)	**(19,499)**	(15,557)
Premium on repurchase of common shares	**—**	(8,557)	**—**	(8,557)
Retained earnings, end of period	**913,827**	802,649	**913,827**	802,649
Earnings per share (EPS)				
Basic	**$0.52**	$0.35	**$0.94**	$0.66
Diluted	**$0.51**	$0.35	**$0.93**	$0.65
Weighted average number of shares outstanding			**88,614,905**	77,804,776

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

INTERIM CONSOLIDATED BALANCE SHEETS
C$ thousands

	June 30 2005 unaudited	December 31 2004 audited
ASSETS		
Current assets		
Cash and short-term investments	**12,571**	15,843
Accounts receivable	**603,731**	578,350
Inventories		
On-hand equipment	**673,979**	641,366
Parts and supplies	**376,478**	346,490
Other assets	**154,800**	115,295
Income taxes recoverable	**3,610**	12,435
Future income taxes	**22,570**	24,820
Current portion of instalment notes receivable	**20,682**	24,355
Total current assets	**1,868,421**	1,758,954
Finance assets		
Instalment notes receivable	**9,319**	12,879
Equipment leased to customers	**1,307**	3,357
Total finance assets	**10,626**	16,236
Rental equipment	**1,176,956**	1,163,976
Land, buildings and equipment	**344,240**	330,430
Future income taxes	**25,031**	31,091
Goodwill	**369,811**	386,257
Intangible assets	**11,453**	12,042
Other assets	**110,236**	105,025
	3,916,774	3,804,011
LIABILITIES		
Current liabilities		
Short-term debt	**554,698**	471,811
Accounts payable and accruals	**1,017,186**	1,027,667
Income tax payable	**9,659**	4,354
Future income taxes	**3,305**	2,773
Current portion of long-term debt	**4,069**	6,460
Total current liabilities	**1,588,917**	1,513,065
Long-term debt	**866,669**	889,623
Future income taxes	**68,246**	75,118
Total liabilities	**2,523,832**	2,477,806
SHAREHOLDERS' EQUITY		
Share capital	**564,247**	557,740
Retained earnings	**913,827**	850,321
Contributed surplus	**1,673**	878
Cumulative currency translation adjustments	**(86,805)**	(82,734)
Total shareholders' equity	**1,392,942**	1,326,205
	3,916,774	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 June 30		Six months ended June 30	
	2005 unaudited	2004 unaudited	**2005 unaudited**	2004 unaudited
OPERATING ACTIVITIES				
Net income	**45,645**	27,781	**83,005**	51,650
Add				
Depreciation and amortization	**88,908**	90,516	**177,649**	178,143
Future income taxes	**5,286**	2,808	**3,267**	3,818
Stock option expense	**466**	221	**795**	221
Other items	**(735)**	386	**(3,097)**	(220)
Non-controlling interests distribution	**—**	3,942	**—**	8,511
	139,570	125,654	**261,619**	242,123
Changes in working capital items				
Accounts receivable and other	**11,868**	(53,163)	**(84,314)**	(86,421)
Inventories – on-hand equipment	**(15,318)**	(34,377)	**(40,094)**	(26,108)
Inventories – parts and supplies	**(6,794)**	(17,205)	**(30,409)**	(46,931)
Instalment notes receivable	**(7,460)**	(2,524)	**6,930**	(3,485)
Accounts payable and accruals	**(3,821)**	31,173	**39,585**	91,143
Income taxes	**(617)**	6,761	**8,474**	(5,699)
Cash provided after changes in working capital items	**117,428**	56,319	**161,791**	164,622
Rental equipment, net of disposals	**(141,356)**	(141,948)	**(210,768)**	(230,203)
Equipment leased to customers, net disposals	**1,755**	(12,609)	**1,813**	(7,324)
Cash flow used by operating activities	**(22,173)**	(98,238)	**(47,164)**	(72,905)
INVESTING ACTIVITIES				
Net cash invested in land, buildings and equipment	**(20,734)**	(6,744)	**(34,078)**	(21,554)
Net cash (invested in) received on sale of equity investments	**(9,479)**	—	**6,521**	—
Cash used by investing activities	**(30,213)**	(6,744)	**(27,557)**	(21,554)
FINANCING ACTIVITIES				
Increase in short-term debt	**57,678**	111,367	**89,388**	165,009
Repayment of long-term debt	**(2,199)**	(2,739)	**(3,566)**	(82,264)
Non-controlling interests distribution	**—**	(3,942)	**—**	(8,511)
Issue of common shares on exercise of stock options	**4,029**	3,120	**6,507**	5,404
Repurchase of common shares	**—**	(9,610)	**—**	(9,610)
Dividends paid	**(9,754)**	(7,775)	**(19,499)**	(15,557)
Cash provided by financing activities	**49,754**	90,421	**72,830**	54,471
Currency translation adjustments	**(1,270)**	1,731	**(1,381)**	1,556
Decrease in cash and short-term investments	**(3,902)**	(12,830)	**(3,272)**	(38,432)
Cash and short-term investments, beginning of period	**16,473**	40,783	**15,843**	66,385
Cash and short-term investments, end of period	**12,571**	27,953	**12,571**	27,953
Cash flows include the following elements				
Interest paid	**45,943**	49,544	**53,293**	59,517
Income taxes (received) paid	**(1,206)**	(8,676)	**2,874**	8,388

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 Stateme nts 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 June 30		Six months ended June 30	
	2005	2004	**2005**	2004
Gain on sale of surplus properties in Canada and the U.K.	**(735)**	(339)	**(3,097)**	(786)
Restructuring charges in Canada and project costs in the U.K.	**3,224**	4,733	**7,550**	8,866
(Gain on sale of) loss from equity investment (a)	—	(60)	**(1,827)**	633
Canary Wharf legal settlement	—	7,863	—	7,863
Recognition of deferred gain on the 2001 sale of the Canadian Materials Handling business	—	—	—	(3,800)
	2,489	12,197	**2,626**	12,776
Tax recovery on net other expenses	**744**	4,032	**1,192**	4,458
Other expenses, net of tax	**1,745**	8,165	**1,434**	8,318

(a) In March 2005, 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 June 30		Six months ended June 30	
	2005	2004	**2005**	2004
Interest on debt securities	**20,412**	17,049	**39,884**	35,282
Interest on swap contracts	**(59)**	4,920	**301**	9,380
Mark-to-market valuation changes on interest rate swaps not eligible for hedge accounting (a)	—	(6,394)	—	300
Amortization of deferred debt costs and other finance related expenses	**1,138**	3,028	**1,931**	3,753
	21,491	18,603	**42,116**	48,715

(a) In December 2004, the Company unwound its interest rate swaps that were not eligible for 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 June 30, 2005	**Canada**	**UK**	**South America**	**Hewden**	**Other**	**Consolidated**
Revenue from external sources	**509,511**	**313,330**	**274,288**	**174,404**	**—**	**1,271,533**
Operating costs	**442,309**	**284,190**	**243,115**	**121,118**	**8,877**	**1,099,609**
Depreciation and amortization	**26,038**	**20,240**	**6,868**	**35,762**	**—**	**88,908**
Other expenses	**—**	**—**	**—**	**—**	**2,489**	**2,489**
Earnings before interest and tax	**41,164**	**8,900**	**24,305**	**17,524**	**(11,366)**	**80,527**
Finance costs and interest on other indebtedness						**21,491**
Provision for income taxes						**13,391**
Non-controlling interests						**—**
Net income						**45,645**
EBIT as percentage of revenue	**8.1%**	**2.8%**	**8.9%**	**10.0%**	**—**	**6.3%**
EBIT percentage by operations	**51.1%**	**11.0%**	**30.2%**	**21.8%**	**(14.1)%**	**100.0%**
Identifiable assets	**1,133,449**	**871,918**	**713,985**	**1,064,032**	**133,390**	**3,916,774**
Gross capital expenditures	**14,926**	**1,831**	**2,629**	**3,995**	**104**	**23,485**
Gross rental fleet asset expenditures	**73,983**	**31,774**	**16,153**	**60,800**	**—**	**182,710**

Three months ended June 30, 2004	Canada	UK	South America	Hewden	Other	Consolidated
Revenue from external sources	363,147	290,720	203,083	175,713	4	1,032,667
Operating costs	306,288	257,574	178,223	122,296	8,815	873,196
Depreciation and amortization	24,999	23,130	5,903	36,484	—	90,516
Other expenses	—	—	—	—	12,197	12,197
Earnings before interest and tax	31,860	10,016	18,957	16,933	(21,008)	56,758
Finance costs and interest on other indebtedness						18,603
Provision for income taxes						6,432
Non-controlling interests						3,942
Net income						27,781
EBIT as percentage of revenue	8.8%	3.4%	9.3%	9.6%	—	5.5%
EBIT percentage by operations	56.1%	17.6%	33.4%	29.8%	(37.0)%	100.0%
Identifiable assets	1,092,912	811,860	593,778	1,131,290	114,369	3,744,209
Gross capital expenditures	7,989	3,687	4,687	4,228	—	20,591
Gross rental fleet asset expenditures	73,382	27,965	12,298	56,279	—	169,925

Six months ended June 30, 2005	**Canada**	**UK**	**South America**	**Hewden**	**Other**	**Consolidated**
Revenue from external sources	**997,081**	**589,352**	**501,465**	**337,021**	**—**	**2,424,919**
Operating costs	**863,823**	**535,437**	**438,941**	**240,576**	**15,953**	**2,094,730**
Depreciation and amortization	**53,410**	**40,981**	**12,452**	**70,806**	**—**	**177,649**
Other expenses	**—**	**—**	**—**	**—**	**2,626**	**2,626**
Earnings before interest and tax	**79,848**	**12,934**	**50,072**	**25,639**	**(18,579)**	**149,914**
Finance costs and interest on other indebtedness						**42,116**
Provision for income taxes						**24,793**
Non-controlling interests						**—**
Net income						**83,005**
EBIT as percentage of revenue	**8.0%**	**2.2%**	**10.0%**	**7.6%**	**—**	**6.2%**
EBIT percentage by operations	**53.3%**	**8.6%**	**33.4%**	**17.1%**	**(12.4)%**	**100.0%**
Identifiable assets	**1,133,449**	**871,918**	**713,985**	**1,064,032**	**133,390**	**3,916,774**
Gross capital expenditures	**28,212**	**3,278**	**3,921**	**5,853**	**217**	**41,481**
Gross rental fleet asset expenditures	**100,020**	**55,554**	**27,684**	**105,320**	**—**	**288,578**

Six months ended June 30, 2004	Canada	UK	South America	Hewden	Other	Consolidated
Revenue from external sources	724,924	530,707	403,773	341,433	5	2,000,842
Operating costs	614,190	468,271	349,847	244,484	13,300	1,690,092
Depreciation and amortization	51,733	42,937	11,394	72,079	—	178,143
Other expenses	—	—	—	—	12,776	12,776
Earnings before interest and tax	59,001	19,499	42,532	24,870	(26,071)	119,831
Finance costs and interest on other indebtedness						48,715
Provision for income taxes						10,955
Non-controlling interests						8,511
Net income						51,650
EBIT as percentage of revenue	8.1%	3.7%	10.5%	7.3%	—	6.0%
EBIT percentage by operations	49.2%	16.3%	35.5%	20.8%	(21.8)%	100.0%
Identifiable assets	1,092,912	811,860	593,778	1,131,290	114,369	3,744,209
Gross capital expenditures	17,665	6,529	8,072	7,000	—	39,266
Gross rental fleet asset expenditures	103,960	56,455	14,797	100,471	—	275,684

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:

2005	Three months ended June 30				Six months ended June 30			
	Canada	**UK**	**Hewden**	**Total**	Canada	UK	Hewden	Total
Defined contribution plans	**2,521**	**227**	**104**	**2,852**	**4,939**	**428**	**174**	**5,541**
Defined benefit plans	**2,319**	**4,615**	**1,763**	**8,697**	**4,491**	**9,388**	**3,581**	**17,460**
Total benefit plan expense	**4,840**	**4,842**	**1,867**	**11,549**	**9,430**	**9,816**	**3,755**	**23,001**
2004								
Defined contribution plans	1,471	120	66	1,657	3,322	229	134	3,685
Defined benefit plans	1,201	4,271	2,151	7,623	2,459	8,208	4,468	15,135
Total benefit plan expense	2,672	4,391	2,217	9,280	5,781	8,437	4,602	18,820

6. SHARE CAPITAL

Common shares issued and outstanding are:

	Six months ended June 30, 2005		Twelve months ended December 31, 2004	
	Shares	**$**	Shares	$
Balance, beginning of period	**88,389,881**	**557,740**	77,754,985	248,939
Shares issued	**-**	**-**	10,000,000	296,769
Exercise of stock options	**515,650**	**6,507**	964,796	13,095
Repurchase of common shares	**-**	**-**	(329,900)	(1,063)
Balance, end of period	**88,905,531**	**564,247**	88,389,881	557,740

Stock options

In May 2005, the Company issued 290,800 common share options to senior executives and management of the Company under the New Option Plan under the conditions specified in the 2005 Management Proxy Circular. The most notable change in the New Option Plan is that in general, the new plan allows for a cashless exercise method which has a less dilutive effect on share capital at the time of exercising and involves the holder giving up the right to exercise a number of vested options with a value equal to the purchase price of the Common Shares to be issued. After the date of grant, the options vest one-third per year over a three-year period.

The Company determines the cost of all stock options granted since January 1, 2002 using the fair value-based method of accounting for stock options. This method of accounting uses an option-pricing model to determine the fair value of stock options granted which is amortized over the vesting period. The fair value of the options granted in 2005 has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Dividend yield	1.17%
Expected volatility	24.15%
Risk-free interest rate	3.948%
Expected life	7 years

Stock option expense recognized in the second quarter of 2005 as a result of granting the 2005 stock options was $256. Total stock option expense in the second quarter was $466 (2004: $221) and for the six month period was $795 (2004: $221).

Other stock-based compensation plans

Deferred Share Unit Plans

Directors

Directors' Deferred Share Unit Plan A (DDSU)

Under the DDSU Plan, non-employee Directors of the Company may elect to allocate all or a portion of their cash compensation as deferred share units. These units are fully vested upon issuance. These units accumulate dividend equivalents in the form of additional units based on the dividends paid on the Company's common shares. Units are redeemable only following termination of service on the Board of Directors and must be redeemed by December 31st of the year following the year in which the termination occurred.

Non-employee Directors of the Company were allocated a total of 14,886 share units in May 2005, to be issued to the Directors and expensed equally over the 2005calendar year.

Deferred Share Unit Plan B (DSU-B)

Under the DSU-B Plan, executives of the Company may be awarded performance based deferred share units as approved by the Board of Directors. This plan utilizes notional units that become vested partially on December 30th of the year following the year of retirement, death or disability or at specified percentages if the Company's common share price exceeds, at specified levels, the common share price at the date of grant.

Executives of the Company were awarded 125,400 deferred share units in the second quarter of 2005. These deferred share units partially vest upon retirement or at specified percentages if the Company's common share price exceeds, for ten consecutive days, at specified levels, the common share price at the date of grant.

The specified levels and respective vesting percentages are as follows:

		Common Share Price			
	Vesting %	2005 Plan	2004 Plan	2003 Plan	2002 Plan
Grant Price	0	32.44	29.38	26.95	26.05
10% improvement	25	35.68	32.32	29.65	28.66
20% improvement	50	38.93	35.26	32.34	31.26
30% improvement	75	42.17	38.19	35.04	33.87
40% improvement	100	45.42	41.13	37.73	36.47

Vested deferred share units are redeemable for a period of 30 days after termination, or by December 31st of the year following the year of retirement, death or disability. The notional deferred share units that have not vested within five years from the date that they were granted expire. Only vested units accumulate dividend equivalents in the form of additional units based on the dividends paid on the Company's common shares.

Details of the deferred share unit plans for the six-month period ended June 30, are as follows:

	DSU-A		DSU-B		DDSU	
Units	**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	**336**	384	**128,503**	134,693	**12,104**	15,453
Exercised/cancelled during period	—	(15,604)	**(52,662)**	(23,587)	—	—
Outstanding, end of period	**53,052**	52,387	**799,142**	796,872	**175,176**	147,843
Vested, beginning of period	**52,716**	67,607	**388,050**	258,498	**163,072**	132,390
Vested during period	**336**	384	**126,039**	143,160	**12,104**	15,453
Exercised/cancelled during period	—	(15,604)	**(43,658)**	(23,587)	—	—
Vested, end of period	**53,052**	52,387	**470,431**	378,071	**175,176**	147,843

	DSU-A		DSU-B		DDSU	
Liability ***(C$ thousands)***	**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	**73**	209	**4,960**	5,575	**627**	944
Exercised/cancelled during period	—	(495)	**(1,531)**	(759)	—	—
Balance, end of period	**1,917**	1,742	**17,007**	12,571	**6,333**	4,916

Management Share Appreciation Rights Plan (SAR)

In the second quarter of 2005, under the Management Share Appreciation Rights Plan (SAR), 244,120 awards were granted to management in the U.K. and Canada at a grant price $32.44. Details of the SAR plans for the six-month period ended June 30 are as follows:

Units	**2005**	2004
Outstanding, beginning of year	**649,367**	541,121
Additions during year	**244,120**	257,223
Exercised/cancelled during year	**(35,998)**	(68,556)
Outstanding, end of year	**857,489**	729,788
Vested, beginning of year	**205,073**	163,708
Vested during year	**217,540**	135,914
Exercised/cancelled during year	**(33,164)**	(52,141)
Vested, end of year	**389,449**	247,481
Liability ***(C$ thousands)***		
Balance, beginning of year	**3,520**	1,226
Expensed during period	**1,357**	1,442
Exercised/cancelled during period	**(318)**	(125)
Balance, end of period	**4,559**	2,543

Strike price ranges: **$26.05 – $32.44**

Changes in the value of all deferred share units and share appreciation rights as a result of fluctuations in the Company's common share price and the impact of new issues, including stock options, during the current quarter totalled $5,109 (2004: $8,053) and during the six month period totalled $7,811 (2004: $8,170). This amount was recognized in selling, general and administrative expenses on the consolidated statement of income.

7. CURRENCY RATES

The Company operates in three functional currencies: Canadian dollars, British pound Sterling and US dollars. At June 30, 2005, December 31, 2004, and June 30, 2004, the exchange rates of the Canadian dollar against the following foreign currencies were as follows:

	June 30, 2005	December 31, 2004	June 30, 2004
Exchange rate as at			
United States dollar	**1.2256**	1.2036	1.3404
British pound Sterling	**2.1973**	2.3062	2.4297
Average exchange rates for three month period ended			
United States dollar	**1.2438**		1.3592
British pound Sterling	**2.3080**		2.4553
Average exchange rates for six month period ended			
United States dollar	**1.2354**		1.3384
British pound Sterling	**2.3135**		2.4391

8. INVESTMENTS

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%.