

**FINNING.****Third Quarter 2005 Results****November 14, 2005**

## Finning Announces Record Third Quarter Revenue and Net Income

**Highlights**

- Record third quarter revenue which is up by 13%
- Robust order backlog of \$928 million, signals buoyant conditions continuing
- Record third quarter net income, up 4% compared to last year despite the unfavourable foreign exchange impact of the strengthening Canadian dollar and high quarterly costs for long-term incentive plans, pensions and start-up businesses
- Continuing strength in commodity based economies in Canada and South America
- Cash flow after working capital changes of \$181.8 million is up by 123%

| <i>C\$ millions, except EPS data</i>            | <b>Three months ended September 30</b> |         |         | <b>Nine months ended September 30</b> |         |        |
|---|--|---------|---------|---------------------------------------|---------|--------|
|   | <b>2005</b>                            | 2004    | Change  | <b>2005</b>                           | 2004    | Change |
| <b>Revenue</b>                                  | <b>1,225.7</b>                         | 1,085.9 | 12.9%   | <b>3,650.6</b>                        | 3,086.7 | 18.3%  |
| <b>EBIT</b>                                     | <b>73.7</b>                            | 85.2    | (13.5)% | <b>223.6</b>                          | 205.0   | 9.1%   |
| <b>Net Income</b>                               | <b>44.8</b>                            | 43.1    | 3.9%    | <b>127.8</b>                          | 94.8    | 34.8%  |
| <b>Basic EPS</b>                                | <b>\$ 0.50</b>                         | \$ 0.56 | (10.7)% | <b>\$ 1.44</b>                        | \$ 1.22 | 18.0%  |
| <b>Diluted EPS</b>                              | <b>\$ 0.50</b>                         | \$ 0.55 | (9.1)%  | <b>\$ 1.43</b>                        | \$ 1.20 | 19.2%  |
| <b>Normalized Basic EPS <sup>1</sup></b>        | <b>\$ 0.50</b>                         | \$ 0.56 | (10.7)% | <b>\$ 1.45</b>                        | \$ 1.33 | 9.0%   |
| <b>Cash Flow, after working capital changes</b> | <b>181.8</b>                           | 81.4    | 123.3%  | <b>343.6</b>                          | 246.0   | 39.7%  |

**Vancouver, Canada** – Finning International Inc. today reported record third quarter net income of \$44.8 million or \$0.50 per share, compared with \$43.1 million or \$0.56 per share in the third quarter of 2004, reflecting an increase in net income of 3.9% over the comparative period in 2004. Revenues of \$1,225.7 million are the highest in the Company’s history for a third quarter and increased 12.9% over the third quarter of 2004. Third quarter results continue to reflect strong sales in equipment as well as growing parts and service revenues as the Company continues to meet growth in customer demand.

Results in the third quarter of 2005 compared to 2004, were negatively impacted by the strengthening of the Canadian dollar relative to the US dollar and the pound sterling (approximately \$0.08 earnings per share). Also in the quarter, unusually high after-tax costs of \$10.8 million (\$0.12 earnings per share) were incurred due to the strength in the Company’s common share price, which triggered multiple vestings of its long-term incentive plans and higher charges in the mark-to-market valuation for these plans. Other higher operating costs were incurred for pension expenses and start-up operations (\$0.03 earnings per share).

<sup>1</sup>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 third quarter operating results are extremely positive and continue on the strong performance we experienced in the second 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 fourth quarter of 2005 and a strong start for 2006. Bolstered by high commodity prices, our Canadian operations returned outstanding results. Our South American operations continue to meet strong customer demand, while building its infrastructure to support its ongoing commitments. In the U.K. amid a very competitive marketplace, disappointing results were, once again, reported by our Materials Handling business. Management continues to focus on the business model for our U.K. businesses together with Caterpillar. Plans will be implemented starting in the fourth quarter which we are confident will improve results into the future."

"Our third quarter results reflect continuing top line growth and strengthening cash flow from operations. Third quarter Basic EPS of \$0.50 has been achieved after the negative impact related to long-term incentive plan (LTIP) costs and foreign exchange of approximately \$0.20 per share," said Wayne Bingham, Executive Vice President and CFO of Finning International Inc. "With management focus on balance sheet efficiencies and other financial performance metrics, our cash flow after working capital changes for the quarter is strong and more than double that of the prior year."

### **Quarterly Results**

Finning International Inc. (Finning) achieved record third quarter revenues of \$1,225.7 million, up 12.9% from the third quarter of 2004. The improvement in revenues was primarily the result of strength in all lines of business in Canada. Strong commodity prices and good overall economic conditions are supporting 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 \$928 million, comparable to the June 2005 level and up from the December 2004 levels of \$835 million. Order book, or backlog, represents the retail value of equipment ordered by customers for future deliveries.

Earnings Before Interest and Taxes (EBIT) for the quarter was \$73.7 million compared with \$85.2 million in the third quarter of 2004. Normalized EBIT, further described in Attachment 1 to Management's Discussion and Analysis, was \$72.5 million, a decrease of 15.6% over the same period last year. Third quarter EBIT in 2005 included higher LTIP costs of \$16.3 million and the negative impact of foreign exchange of \$12.8 million.

Net income for the third quarter of 2005 was \$44.8 million, 3.9% higher than the comparative period of 2004, and reflected lower financing costs and the refinancing of the non-controlling interests in November 2004. Normalized Net Income was \$44.1 million (2004: \$43.4 million). Basic Earnings Per Share (EPS) and Normalized Basic Earnings Per Share for the third quarter was \$0.50 in 2005, a decrease of 10.7% over the same period last year (2004: \$0.56).

Cash flow after working capital changes has increased significantly to \$181.8 million for the third quarter, compared with \$81.4 million for the same period last year. The improvement in cash flow is due to stabilizing working capital demands in the third quarter of 2005 combined with our balance sheet initiatives.

### **Year-to-Date Results**

On a year-to-date basis, consolidated revenues increased by 18.3% to \$3,650.6 million and EBIT levels increased 9.1% from the same nine-month period in 2004. Net income was \$127.8 million (2004: \$94.8 million) while Basic EPS was \$1.44 (2004: \$1.22). Reported results include items that do not reflect the underlying financial performance of the Company's ongoing operations. When these items are excluded, Normalized EBIT for the nine-month period was \$225.0 million, up 3.0% from 2004, while Normalized Net Income was \$128.5 million (2004: \$103.6 million) and Normalized Basic EPS was \$1.45 (2004: \$1.33).

## Other

- In the third quarter of 2005, Finning secured an important new contract to sell 83 pieces of Caterpillar equipment to ATH Resources, one of the U.K.'s largest coal producers. The equipment package, valued at approximately \$56 million, consists of 29 CAT 777 dump trucks, 17 hydraulic excavators, 17 coal loading shovels, 11 D9 track type tractors and other CAT equipment. The equipment will replace some of the company's existing fleet and provide new equipment for the mines recently acquired by ATH Resources. The equipment will be delivered over the next 18 months.
- Progress was made in the quarter on Hewden's initiatives by embarking on a £13.8 million investment in a new information system that will significantly improve the quality of its customer information and services and reduce transaction costs. This investment will support business changes focused on giving Hewden's customers the most convenient and cost effective one-stop shop for all their rental and related service requirements. Also in the quarter, a realignment of certain back office functions at Hewden occurred as a result of an 18-month re-evaluation of its support services. This has been a critical stage in the delivery of the strategy to become more efficient and effective in overall processes.
- On October 27, Caterpillar announced that it had signed an agreement to enter into a global alliance with JLG Industries, Inc. to produce a full line up of Caterpillar branded telehandler products which will be available late 2006. This will provide Caterpillar dealers and customers with greater access to a quality range of such products which are integral to the U.K. marketplace.

This announcement by Caterpillar is part of the implementation of the market plan that Finning and Caterpillar have developed for the U.K. market, a result of an intensive process that Finning has undertaken with Caterpillar to get a more competitive product line in the U.K. In addition to the telehandler changes, Caterpillar has also implemented selected price changes on certain other equipment lines in order to make these products more competitive in the market. Increased market coverage, service enhancements, and targeted offerings also form part of the U.K. market plan.

- Strike action by the International Association of Machinists and Aerospace Workers - Local Lodge 99 ("IAMAW") at the Finning (Canada) operations in Alberta and the Northwest Territories commenced on Oct. 20, 2005. Finning (Canada) has implemented a contingency plan to minimize the impact of the labour dispute on its customers. Equipment sales and rentals as well as parts sales will continue to be made to customers. Shop and field services will be restricted during the course of the labour action. Local 99 of the IAMAW represents approximately 1,070 hourly employees who work for Finning (Canada) in Alberta and the Northwest Territories, out of a total hourly and salaried western Canadian workforce of more than 3,200. The current three-year labour agreement for the Alberta and the Northwest Territories workforce expired April 30, 2005. Finning (Canada) operations in BC and the Yukon operate under a separate collective agreement with the IAMAW and are not affected by this action. Finning (Canada) is committed to the collective bargaining process and to concluding a fair and balanced contract that is equitable for its employees and for Finning.

### **Third Quarter Conference Call**

Management will hold an investor conference call on Monday, November 14, 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](http://www.finning.com/investor_relations) and [www.newswire.ca/webcast](http://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 November 14, 2005 until the end of business day on November 21, 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](http://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](http://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](http://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 and Year-End Results – February 15, 2006**

Finning International's fourth quarter and year-end results for 2005 will be released and an investor conference call will be held on February 15, 2006.

#### For more information

Please call Tom Merinsky, Vice President, Investor Relations

Phone: (604) 331-4950

Email: [investor\\_relations@finning.ca](mailto: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

#### **Third quarter overview**

The Company achieved record third quarter revenues driven by significantly higher new equipment sales and customer support services. Consolidated revenues increased 12.9% to \$1,225.7 million, earnings before interest and taxes (EBIT) decreased 13.5% to \$73.7 million and consolidated net income increased 3.9% to \$44.8 million. Basic Earnings Per Share (EPS) for the quarter of \$0.50 was 10.7% lower than the same period last year (2004: \$0.56).

EBIT decreased \$11.5 million, year over year, partially due to higher costs relating to long-term incentive plans (LTIP) of \$16.3 million. LTIP costs are directly related to providing shareholder value by achieving a higher share price. The costs relate to the vesting of certain awards as share price hurdles are achieved and the related mark-to-market impact of the valuation of vested awards. In addition, EBIT returns from operations are lower year over year due to the strength of the Canadian dollar relative to both the United States dollar and the pound sterling currencies. EBIT for the third quarter is approximately \$12.8 million lower than last year as a result of these foreign currency movements. In local currencies and before any LTIP costs, EBIT reflects stronger performances from the Company's Canadian and South American operations year over year, partially offset by a weaker performance from the Company's UK Materials Handling business. Net income improved 3.9% in the third quarter of 2005 reflecting lower financing costs and the refinancing of the non-controlling interests in November 2004.

Excluding items that do not reflect the Company's ongoing operations, Normalized EBIT for the quarter decreased by 15.6% to \$72.5 million, compared to the third quarter of 2004. Normalized Net Income was \$44.1 million (2004: \$43.4 million), a 1.6% improvement while Normalized Basic EPS was \$0.50, a decrease of 10.7% compared to the third quarter of 2004 (\$0.56 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 \$181.8 million, up \$100.4 million from the same quarter last year primarily due to stabilizing working capital requirements in the third quarter of 2005 as management continues to focus on improving cash cycle times and operating efficiencies. In the third quarter of 2005 the Company continued to invest in parts and service inventories to support strong customer demand and product availability issues. The Company's net investment in rental assets was \$70.6 million during the third quarter of 2005, a decrease of \$70.9 million from the same period in 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 18.3% to \$3,650.6 million.

EBIT increased 9.1% to \$223.6 million and consolidated net income increased 34.8% to \$127.8 million despite the higher LTIP costs and foreign exchange impacts in 2005 noted in the quarterly overview above. Basic EPS was \$1.44 compared with \$1.22 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 \$12.1 million in 2005 partially due to the \$7.9 million pre-tax settlement of a legal claim in 2004. Adjusting for items not reflective of the Company's ongoing operations as outlined in Attachment 1, Normalized EBIT was \$225.0 million, compared to \$218.5 million in 2004. Normalized Net Income was \$128.5 million (2004: \$103.6 million) and Normalized Basic EPS was \$1.45 (2004: \$1.33).

For the nine-months ended September 30, 2005 cash flow after working capital items was \$97.6 million higher than the same period in 2004. The Company decreased net spending on rental assets by 24.3% with a net investment of \$281.4 million in 2005 (2004: \$371.7 million). Cash flow from operating activities was \$59.6 million compared to a \$101.0 million use of cash in the same period of 2004.

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

|  | Q3 2005        | Q3 2004 | Q3 2005        | Q3 2004 |
|--|----------------|---------|----------------|---------|
|  | C\$ millions   |         | (% of revenue) |         |
| Revenue  | <b>1,225.7</b> | 1,085.9 |                |         |
| Gross profit                                     | <b>361.6</b>   | 324.9   | <b>29.5</b>    | 29.9    |
| Selling, general and administrative expenses     | <b>289.1</b>   | 239.0   | <b>23.6</b>    | 22.0    |
| Normalized EBIT                                  | <b>72.5</b>    | 85.9    | <b>5.9</b>     | 7.9     |
| Other (income) expenses                          | <b>(1.2)</b>   | 0.7     | <b>(0.1)</b>   | 0.1     |
| EBIT   | <b>73.7</b>    | 85.2    | <b>6.0</b>     | 7.8     |
| Finance costs and interest on other indebtedness | <b>17.0</b>    | 24.1    | <b>1.4</b>     | 2.2     |
| Provision for income taxes                       | <b>11.9</b>    | 14.0    | <b>0.9</b>     | 1.2     |
| Non-controlling interests                        | —              | 4.0     | —              | 0.4     |
| Net income                                       | <b>44.8</b>    | 43.1    | <b>3.7</b>     | 4.0     |
| Normalized Net income                            | <b>44.1</b>    | 43.4    | <b>3.6</b>     | 4.0     |

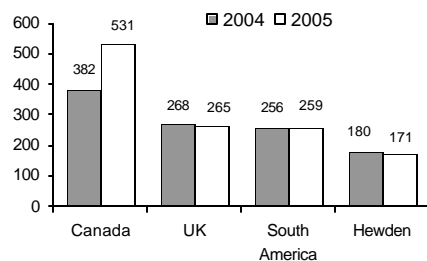
|  | YTD 2005       | YTD 2004 | YTD 2005       | YTD 2004 |
|--|----------------|----------|----------------|----------|
|  | C\$ millions   |          | (% of revenue) |          |
| Revenue  | <b>3,650.6</b> | 3,086.7  |                |          |
| Gross profit                                     | <b>1,053.8</b> | 932.6    | <b>28.9</b>    | 30.2     |
| Selling, general and administrative expenses     | <b>828.8</b>   | 714.1    | <b>22.7</b>    | 23.1     |
| Normalized EBIT                                  | <b>225.0</b>   | 218.5    | <b>6.2</b>     | 7.1      |
| Other expenses                                   | <b>1.4</b>     | 13.5     | <b>0.1</b>     | 0.4      |
| EBIT   | <b>223.6</b>   | 205.0    | <b>6.1</b>     | 6.7      |
| Finance costs and interest on other indebtedness | <b>59.1</b>    | 72.8     | <b>1.6</b>     | 2.4      |
| Provision for income taxes                       | <b>36.7</b>    | 24.9     | <b>1.0</b>     | 0.8      |
| Non-controlling interests                        | —              | 12.5     | —              | 0.4      |
| Net income                                       | <b>127.8</b>   | 94.8     | <b>3.5</b>     | 3.1      |
| Normalized Net income                            | <b>128.5</b>   | 103.6    | <b>3.5</b>     | 3.4      |

## Revenues

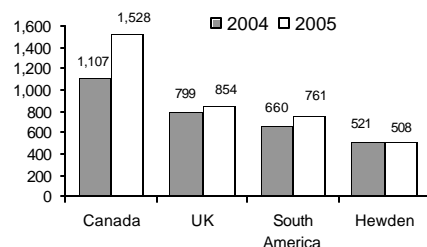
### Revenue by operation

*C\$ millions*

Three months ended September 30



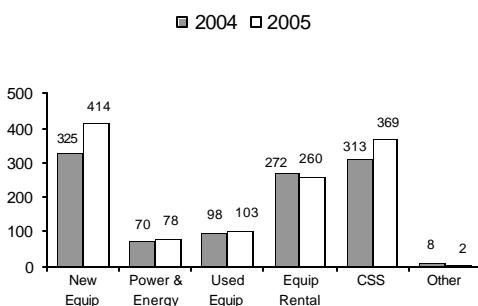
Nine months ended September 30



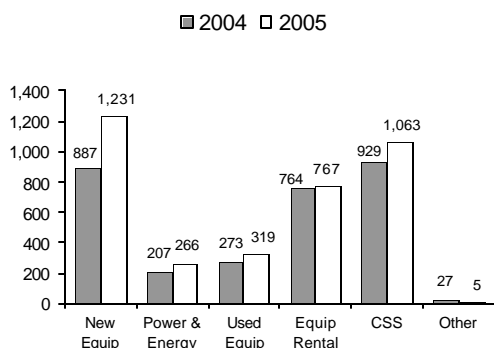
### Revenue by line of business

*C\$ millions*

Three months ended September 30



Nine months ended September 30



Record revenues in the third quarter of 2005 increased 12.9% from the prior year to \$1,225.7 million, the sixth consecutive quarter that the Company has reported quarterly revenues in excess of one billion dollars. The increase was almost entirely due to the contribution from the Company's Canadian operations with continued strong equipment sales and customer support services in the third 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 (10% strengthening) and the US dollar (8% strengthening), year over year.

Finning's order book of \$928 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 and continues to face material worldwide availability issues for large mining products, thereby increasing the time necessary to deliver these products when ordered. Caterpillar is focusing on its production processes to improve order fulfillment and supply chain efficiencies. 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, excluding the unfavourable foreign exchange translation impact, all components of revenue increased in the third quarter of 2005 except finance and operating lease 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 18.3% to \$3,650.6 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.

The results from the Canadian operations showed continued strength in the third quarter of 2005. Revenues in this period increased by 39.2% to \$531.1 million compared with the same period in 2004. The increase in the third quarter of 2005 is attributable to significant strength in the mining, petroleum and government sectors. Finning (Canada) delivered more than double the number of equipment units to customers in these sectors compared to the same period last year. Strong commodity prices and infrastructure spending supported the increased demand for the Company's products particularly in its Alberta-based operations, which contributed over 68% of customer revenue in the third quarter of 2005. These improvements more than offset the shortfall in revenues due to the sale of leased assets in the third quarter of 2004 and the absence of the associated leasing revenues in 2005.

Revenues in the third quarter from all lines of business in Canada increased over 2004 levels with the exception of the operating lease revenue. 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. This alliance contributed a major portion of the overall improvement in customer support services revenues of 34.7% compared to the third quarter of 2004. Deliveries of power systems units to the petroleum sector were higher in the third quarter of 2005 as compared to the same period in 2004 and used equipment markets improved both domestically and internationally. Rental revenues increased over the 2004 comparable period with a higher rental fleet supporting the increased demand for 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, petroleum, construction and government sectors.

On a year-to-date basis, revenues increased 38.1% to \$1,528.2 million.

## **United Kingdom**

Revenues in the third quarter for the Company's UK operations decreased slightly, by 1.3%, to \$264.9 million compared to the prior year, reflecting the 10% strengthening of the Canadian dollar relative to the pound sterling. In local currency, revenues rose by 9.4% due to improvements in the dealership's construction and power businesses. New equipment revenues increased 5.8% in the third quarter of 2005 compared to the prior year. Activity was strong in the mining sector with higher coal prices driving increased extraction activity in the U.K. Power Systems sales revenues increased by \$7.1 million or 27.5%, compared to the same period last year with improvements in the marine sector, and included the Company's new Perkins' distribution business (Diperk) in the U.K. with a total contribution to revenues of \$7.3 million. New order backlog showed strength, and is higher than the December 2004 levels. These improvements were offset by the results of the Materials Handling business which experienced another disappointing quarter in a very competitive marketplace. Fewer units were delivered to customers in the third quarter of 2005 compared to the similar period of 2004. Rental revenues decreased in the quarter partially due to a slowing demand for short-term rental of Materials Handling fleet units. As a result, the short-term rental fleet for Materials Handling has been reduced to 2,600 units at the end of the September 2005 compared to 2,700 at the end of the second quarter of 2005 and 3,050 at September 2004. Similarly, the long-term rental fleet was also reduced by approximately 6%. Customer service revenues increased, quarter over quarter, reflecting stronger volumes in the construction division of the Company's UK operation and incremental volume from Diperk.



Year-to-date, revenues increased 6.9% to \$854.2 million. Excluding the foreign currency translation impact, revenues increased 14.5% in local currency.

### **South America**

Revenues for the third quarter of 2005 increased 1.1% to \$258.9 million and reflected the unfavourable impact of an 8% strengthening of the Canadian dollar relative to the US dollar. In local currency, revenues increased 10.2% reflecting the strong commodity cycle driven by global demand and stronger economic growth in the countries in which Finning South America operates. Even with the robust third quarter of last year, Finning South America experienced growth in most lines of business in 2005, particularly in customer services to support the increasing number of new mining maintenance and repair contracts and higher construction rental activity supported by a larger rental fleet. New equipment order backlog shows ongoing strength as significant new mining contracts continue to be secured offsetting orders being delivered to customers.

Year-to-date, revenues increased 15.2% to \$760.4 million. Excluding the foreign currency translation impact, revenues increased 25.0% in local currency reflecting similar trends noted in the third quarter as well as very strong machine deliveries to mining customers.

### **Hewden**

Hewden revenues decreased marginally to \$170.8 million in the third quarter of 2005 compared with the same period in 2004, although in local currency, revenues increased 5.3%. Despite early indications of a softening economic environment, the rental business benefited from modest price realization and higher used equipment revenues generated from auction proceeds in the third quarter of 2005 compared with 2004. Hewden continues to show quarter over quarter improvements.

Year-to-date, revenues decreased 2.6% to \$507.8 million. In local currency, revenues increased 4.6% over the same period in 2004 with the same trends as experienced in the third quarter.

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

| <i>C\$ millions</i><br><b>Q3 2005</b>    | <b>Canada</b>  | <b>UK</b>    | <b>South America</b> | <b>Hewden</b> | <b>Consolidated</b> | <b>Revenue percentage</b> |
|--|----------------|--------------|----------------------|---------------|---------------------|---------------------------|
| New mobile equipment                     | 192.1          | 99.7         | 120.2                | 1.9           | 413.9               | 33.8%                     |
| New power & energy systems               | 32.4           | 32.9         | 12.1                 | —             | 77.4                | 6.3%                      |
| Used equipment                           | 60.3           | 24.4         | 7.6                  | 10.8          | 103.1               | 8.4%                      |
| Equipment rental                         | 54.7           | 45.3         | 12.5                 | 147.8         | 260.3               | 21.2%                     |
| Customer support services                | 190.1          | 62.6         | 105.9                | 10.3          | 368.9               | 30.1%                     |
| Finance income, operating leases & other | 1.5            | —            | 0.6                  | —             | 2.1                 | 0.2%                      |
| <b>Total</b>                             | <b>531.1</b>   | <b>264.9</b> | <b>258.9</b>         | <b>170.8</b>  | <b>1,225.7</b>      | <b>100.0%</b>             |
| Revenue percentage by operations         | 43.3%          | 21.6%        | 21.1%                | 14.0%         | 100.0%              |                           |
| <b>Q3 2004</b>                           |                |              |                      |               |                     |                           |
| New mobile equipment                     | 108.5          | 94.2         | 120.0                | 2.3           | 325.0               | 29.9%                     |
| New power & energy systems               | 27.9           | 25.8         | 16.4                 | —             | 70.1                | 6.5%                      |
| Used equipment                           | 51.0           | 31.2         | 9.6                  | 6.0           | 97.8                | 9.0%                      |
| Equipment rental                         | 45.3           | 56.6         | 8.9                  | 161.0         | 271.8               | 25.0%                     |
| Customer support services                | 141.1          | 60.6         | 100.8                | 10.7          | 313.2               | 28.8%                     |
| Finance income, operating leases & other | 7.7            | —            | 0.3                  | —             | 8.0                 | 0.8%                      |
| <b>Total</b>                             | <b>381.5</b>   | <b>268.4</b> | <b>256.0</b>         | <b>180.0</b>  | <b>1,085.9</b>      | <b>100.0%</b>             |
| Revenue percentage by operations         | 35.1%          | 24.7%        | 23.6%                | 16.6%         | 100.0%              |                           |
| <i>C\$ millions</i><br><b>YTD 2005</b>   | <b>Canada</b>  | <b>UK</b>    | <b>South America</b> | <b>Hewden</b> | <b>Consolidated</b> | <b>Revenue percentage</b> |
| New mobile equipment                     | 559.5          | 318.6        | 342.0                | 10.3          | 1,230.4             | 33.7%                     |
| New power & energy systems               | 106.5          | 99.6         | 59.8                 | —             | 265.9               | 7.3%                      |
| Used equipment                           | 184.1          | 89.3         | 23.1                 | 22.5          | 319.0               | 8.7%                      |
| Equipment rental                         | 143.1          | 145.6        | 34.8                 | 443.3         | 766.8               | 21.0%                     |
| Customer support services                | 531.4          | 201.1        | 299.1                | 31.7          | 1,063.3             | 29.1%                     |
| Finance income, operating leases & other | 3.6            | —            | 1.6                  | —             | 5.2                 | 0.2%                      |
| <b>Total</b>                             | <b>1,528.2</b> | <b>854.2</b> | <b>760.4</b>         | <b>507.8</b>  | <b>3,650.6</b>      | <b>100.0%</b>             |
| Revenue percentage by operations         | 41.9%          | 23.4%        | 20.8%                | 13.9%         | 100.0%              |                           |
| <b>YTD 2004</b>                          |                |              |                      |               |                     |                           |
| New mobile equipment                     | 336.4          | 266.8        | 276.5                | 7.0           | 886.7               | 28.7%                     |
| New power & energy systems               | 84.2           | 79.3         | 43.3                 | —             | 206.8               | 6.7%                      |
| Used equipment                           | 128.3          | 97.0         | 25.0                 | 22.5          | 272.8               | 8.8%                      |
| Equipment rental                         | 109.1          | 168.0        | 28.0                 | 458.4         | 763.5               | 24.7%                     |
| Customer support services                | 421.7          | 188.0        | 286.2                | 33.5          | 929.4               | 30.1%                     |
| Finance income, operating leases & other | 26.7           | —            | 0.8                  | —             | 27.5                | 1.0%                      |
| <b>Total</b>                             | <b>1,106.4</b> | <b>799.1</b> | <b>659.8</b>         | <b>521.4</b>  | <b>3,086.7</b>      | <b>100.0%</b>             |
| Revenue percentage by operations         | 35.8%          | 25.9%        | 21.4%                | 16.9%         | 100.0%              |                           |

## **Gross profit**

Gross profit of \$361.6 million in the third quarter of 2005 was 11.3% higher than the corresponding period in 2004 despite the stronger Canadian dollar. As a percentage of revenue, gross profit in the third quarter was 29.5% compared to 29.9% in the same period last year. This percentage decrease is primarily due to a change in the revenue mix from 45% to over 48% in 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 36.8% due to strong customer demand and price realization, but decreased as a percentage of revenue. This was mainly due to a slight change in the mix of revenues in the third quarter of 2005 to more equipment sales, lower margins contributed by the ancillary Shell alliance business and the absence of the higher margins achieved by the leasing business. This reduction was partially offset by improved equipment margins with strong demand and rental margins in 2005 as a result of the Cat Rental Store growth.
- In the UK operation, gross profit was lower in both absolute dollars and as a percentage of revenue, as in the second quarter of 2005. This was primarily due to lower rental fleet revenues from the Materials Handling business and lower margins achieved by the new Diperk business. In the third 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, cost control and working with Caterpillar to improve market share.
- In South America, gross profit increased 7.4%, reflecting the strong demand for the Company's products, higher margins on equipment and price realization. In addition, favourable margins were achieved on used equipment sales of units that had been previously rented.
- In Hewden, price competitiveness in the U.K. rental market continued in the third quarter of 2005. However, rental margins in the third quarter showed a modest improvement with an increase in volumes which improves margins due to the relatively fixed costs associated with the rental business.

Strong volumes in equipment, customer support services and rentals have increased the year-to-date gross profit by 13.0% to \$1,053.8 million when compared to the same period last year. Margins have decreased as a percentage of revenue from 30.2% in 2004 to 28.9% in 2005 for similar reasons as noted above.

## **Selling, general and administrative expenses**

Selling, general and administrative (SG&A) expenses increased \$50.1 million to \$289.1 million in the third quarter of 2005 compared to the same period in the prior year. As a percentage of revenue, these expenses were higher at 23.6% in the third quarter of 2005 compared to 22.0% in the third quarter of 2004. The Company has numerous initiatives underway to reduce SG&A costs and has implemented various 6-Sigma projects to facilitate further cost efficiencies.

Variable selling costs were higher, year over year, to support the incremental business volumes experienced in 2005. Other key factors affecting the SG&A increase in the quarter compared to the same period last year include:

- Long-term incentive plan (LTIP) costs of \$15.6 million in the quarter were \$16.3 million higher than in the same period last year (pre-tax income amount in 2004 of \$0.7 million due to mark to market valuations). 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 third quarter of 2005 are primarily due to the vesting of five tranches of deferred share units and the mark-to-market impact on the valuation of LTIP resulting from the appreciation of the Company's share price in the quarter.

- Higher costs to support increased volumes and to meet customer demands. Customer service demand has increased due to new maintenance contracts entered into in the last year. As a result, the Company added revenue-generating employees and staff to support the higher level of demand in South America and Canada and headcount in these operations increased by approximately 570 or 8.6% from one year ago.
- Higher pension costs in Canada and the U.K. of \$2.6 million.
- Higher governance and compliance costs in 2005.
- Higher costs of approximately \$11.5 million incurred in the start-up businesses of Diperk in the U.K. and OEM in Canada.

The increase in SG&A costs in the third 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.

Year-to-date, SG&A expenses increased year over year by \$114.7 million to \$828.8 million. As a percentage of revenue, SG&A decreased to 22.7% in 2005 from 23.1% 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 of the International Association of Machinists and Aerospace Workers - Local Lodge 99, representing approximately 1,070 employees in Alberta and the Northwest Territories (Union) expired April 30, 2005. Negotiations for a new collective agreement have been suspended and on October 20<sup>th</sup>, the Union, commenced strike action. Finning (Canada), has implemented a contingency plan to minimize the impact of the labour dispute on its customers. Equipment sales and rentals as well as parts sales will continue to be available to customers. Shop and field services will be restricted during the course of the labour action.

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 decision which is pending), 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 (income) expenses**

Other (income) 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 pre-tax income of \$1.2 million in the third quarter of 2005 (year-to-date 2005: \$1.4 million expense) compared to a pre-tax expense of \$0.7 million for the corresponding period in 2004 (year-to-date 2004: \$13.5 million expense). See Attachment 1 for a complete listing of these items.

The major pre-tax items incurred for the nine-month period ending September 30th 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, subject to volumes handled, represents commitments 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 \$5.8 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 \$11.6 million primarily due to:
  - Costs related to 3 key initiatives at Hewden.
  - 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. In addition, a restructuring charge was taken 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 its component rebuild centre also resulted in a redundancy charge.
- Recognition of the \$3.8 million unamortized portion of the deferred gain from the sale of the Canadian Materials Handling business in 2001.
- Gain on sale of surplus properties in Canada and the U.K. of \$2.4 million.

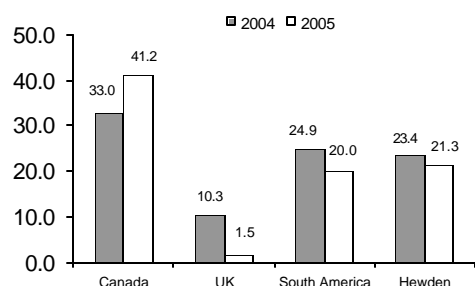
## **Earnings before interest and taxes (EBIT)**

EBIT decreased by 13.5% to \$73.7 million in the quarter reflecting the negative impact of foreign exchange translation on a year over year basis, and the higher LTIP expense. EBIT as a percentage of revenue decreased from 7.8% in the third 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 September 30



\* see Attachment 1: Description of Non-GAAP Measures

Major components of the EBIT variance for the quarter were:

*C\$ millions*

|   |        |
|---|--------|
| 2004 Q3 EBIT  | 85.2   |
| Net growth in operations, particularly Canada and South America | 23.4   |
| Start-up businesses   | (1.5)  |
| Pension expense increase  | (2.6)  |
| Lower UK Materials Handling contribution                        | (3.6)  |
| Foreign exchange  | (12.8) |
| Higher long-term incentive plan costs                           | (16.3) |

Net change in normalizing items (*see note 2 to the Interim Consolidated Financial Statements*)

1.9

2005 Q3 EBIT

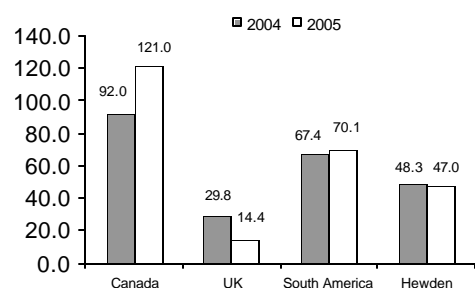
73.7

Year-to-date EBIT increased by 9.1% to \$223.6 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 sales volumes 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 nine-month period, year over year.

### **Normalized EBIT by operation\***

*C\$ millions*

Nine months ended September 30



\* see Attachment 1: Description of Non-GAAP Measures

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

*C\$ millions*

|   |        |
|---|--------|
| 2004 YTD EBIT   | 205.0  |
| Net growth in operations, particularly Canada and South America | 62.4   |
| Higher UK DBSi implementation costs in 2004                     | 2.6    |
| Start-up businesses   | (4.8)  |
| Pension expense increase  | (6.8)  |
| Lower UK Materials Handling contribution                        | (11.5) |
| Foreign exchange  | (19.7) |
| Higher long-term incentive plan costs                           | (15.7) |

Net change in normalizing items (*see note 2 to the Interim Consolidated Financial Statements*)

12.1

2005 YTD EBIT

223.6

### **Finance costs and interest on other indebtedness**

Finance costs and interest on other indebtedness for the three months ended September 30, 2005 of \$17.0 million were 29.5% lower than the comparable period last year, primarily due to the following:

- Lower average long-term borrowing rates in 2005 as term debt matured in 2004 and was refinanced at lower rates.
- Interest received from income tax refund payments in the amount of \$2.9 million reduced interest expense in the 2005 period.
- Favourable foreign exchange impact of translating sterling and US denominated finance costs in 2005 with a stronger Canadian dollar.

These decreases were partially offset by higher short-term interest rates and 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 \$13.7 million to \$59.1 million.

### **Provision for income taxes**

Income tax expense for the current quarter amounted to \$11.9 million (21.0% effective tax rate) compared with \$14.0 million (24.5% effective tax rate) for the same period last year, reflecting favourable adjustments recorded in the quarter on the settlement of prior year's tax returns, partially offset by 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 \$36.7 million (22.3% effective tax rate) compared with \$24.9 million (20.8% 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 22.6% year-to-date 2005 compared with 22.3% 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 third quarter of 2004 was \$4.0 million (2004 year-to-date: \$12.5 million), representing a yield of 3.8% (2004 year-to-date: 3.9%).

### **Net income**

Net income increased by \$1.7 million to \$44.8 million in the third quarter of 2005 including the unfavourable foreign exchange impact of approximately \$6.9 million after-tax and the higher LTIP costs of approximately \$11.2 million after-tax. Basic earnings per share for the quarter decreased to \$0.50 in 2005 compared to \$0.56 in the comparative period of the prior year with higher common shares outstanding in 2005 as a result of the equity issue late in the fourth quarter of 2004. Normalized Net Income was \$44.1 million (2004: \$43.4 million) and Normalized Basic EPS was \$0.50 (2004: \$0.56).

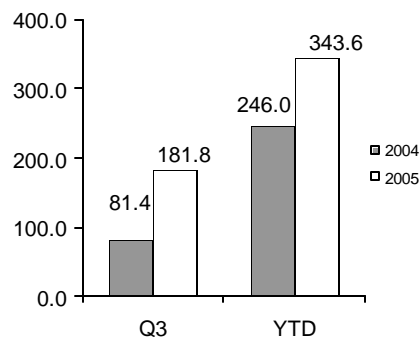
Year-to-date, net income increased by \$33.0 million to \$127.8 million and basic earnings per share increased to \$1.44 in 2005 from \$1.22 of the same period last year. On a normalized basis, net income was \$128.5 million (2004: \$103.6 million) and Normalized Basic EPS was \$1.45 (2004: \$1.33).

## 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 \$136.1 million for the third quarter of 2005, down from \$144.2 million in the comparative period of 2004 but cash flow after changes in working capital was \$181.8 million, up \$100.4 million from the same quarter last year. Working capital requirements have stabilized in the third quarter of 2005 and with management's focus on working capital efficiencies and the benefit of a Canadian income tax refund received in the quarter, cash flow has improved as evidenced in the current quarter. Also as a result of management focus, the Company's net investment in rental assets was \$70.6 million in the third quarter of 2005, compared with \$141.5 million for the same period of 2004. In 2004, cash flow benefited from the sale of a portion of the Company's leased assets to Caterpillar Financial Services.

For the nine months ended September 30, 2005 cash flow before working capital items was \$10.0 million higher than in the same period of 2004, and \$97.6 million higher after working capital changes. Working capital at the end of September 2005 increased from the December balances to support the increase in customer demand and the revenue growth year over year and to manage the longer lead times required for delivery of product. In addition to the third quarter progress on working capital efficiencies, further improvements to cash flow are anticipated through the increased focus on credit collections and reduction of inventory levels. 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 third quarter of 2005 totalled \$14.6 million (2004: \$24.3 million) and year-to-date cash invested was \$42.2 million (2004: \$45.9 million). In 2005, a further \$31.4 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 decreased \$50.6 million to \$1,317.3 million at September 30, 2005 compared to the December 31, 2004 level. This reflects higher overall debt in local currency (\$10.7 million) offset by the impact of translating foreign denominated debt into Canadian dollars (\$61.3 million).

Dividends paid to shareholders were \$9.8 million, \$2.0 million higher than the third 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 third quarter of 2004, \$15.0 million cash was generated from the additional securitization of accounts receivable by Finning (Canada) offset partially by \$4.0 million non-controlling interest distributions that were made. 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 second quarter of 2005. Subsequent to the quarter end, the Company's long-term debt rating was reconfirmed at BBB+ by S&P in November. Since the short-term rating upgrade by DBRS, the Company has utilized the Canadian commercial paper market as its principal source of short-term funding. The Company's commercial paper program has a maximum authorization limit of \$500 million. Management is currently finalizing negotiations on a 5-year \$800 million global syndicated bank credit facility to replace its existing bilateral Canadian bank lines. It is expected that this new facility will be in place in the fourth quarter of 2005.

## 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](http://www.sedar.com) and [www.finning.com](http://www.finning.com).

### **Sensitivity to variances in foreign exchange rates**

The Company is geographically diversified, with significant investments in several different countries. 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 September 2005 month end rates, without any change in local currency volumes or hedging activities.

| <b>Currency</b> | <b>September 30, 2005 month end rates</b> | <b>Increase (decrease) in annual net income</b> |
|-----------------|---|---|
|                 |   | <b>C\$ millions</b>                             |
| USD             | 1.1611                                    | (12)  |
| GBP             | 2.0546                                    | (3)   |
| EUR             | 1.4003                                    | 3   |
| CHP             | 0.002194                                  | 1   |

The sensitivities noted above ignore the impact of exchange rate movements on other macroeconomic variables, including overall levels of demand and relative competitive advantages. If it were possible to quantify these impacts, the results would likely be different from the sensitivities shown above.

## Selected Quarterly Information

| <i>C\$ millions,<br/>except for share<br/>and option data</i> | 2005           |                |                | 2004           |                |                |                | 2003           |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | Q3             | Q2             | Q1             | Q4             | Q3             | Q2             | Q1             | Q4             | Q3             |
| Revenue   |                |                |                |                |                |                |                |                |                |
| Canada  | 531.1          | 509.5          | 487.6          | 456.2          | 381.5          | 363.1          | 361.8          | 378.4          | 373.2          |
| UK  | 264.9          | 313.3          | 276.0          | 244.4          | 268.4          | 290.7          | 240.0          | 220.5          | 242.0          |
| South America   | 258.9          | 274.3          | 227.2          | 210.1          | 256.0          | 203.1          | 200.7          | 187.7          | 143.6          |
| Hewden  | 170.8          | 174.4          | 162.6          | 164.5          | 180.0          | 175.7          | 165.7          | 146.4          | 166.2          |
| <b>Total revenue</b>  | <b>1,225.7</b> | <b>1,271.5</b> | <b>1,153.4</b> | <b>1,075.2</b> | <b>1,085.9</b> | <b>1,032.6</b> | <b>968.2</b>   | <b>933.0</b>   | <b>925.0</b>   |
| <b>Net income</b>   | <b>44.8</b>    | <b>45.6</b>    | <b>37.4</b>    | <b>20.1</b>    | <b>43.1</b>    | <b>27.8</b>    | <b>23.9</b>    | <b>28.1</b>    | <b>36.6</b>    |
| Earnings per<br>common share                                  |                |                |                |                |                |                |                |                |                |
| Basic   | 0.50           | 0.52           | 0.42           | 0.23           | 0.56           | 0.35           | 0.31           | 0.36           | 0.48           |
| Diluted   | 0.50           | 0.51           | 0.42           | 0.23           | 0.55           | 0.35           | 0.30           | 0.36           | 0.47           |
| Normalized  | 0.50           | 0.53           | 0.42           | 0.42           | 0.56           | 0.40           | 0.37           | 0.42           | 0.51           |
| <b>Total assets</b>   | <b>3,754.3</b> | <b>3,916.8</b> | <b>3,905.3</b> | <b>3,804.0</b> | <b>3,683.6</b> | <b>3,744.2</b> | <b>3,555.0</b> | <b>3,440.6</b> | <b>3,204.5</b> |
| Long-term debt  |                |                |                |                |                |                |                |                |                |
| Current   | 6.3            | 4.1            | 5.1            | 6.5            | 156.3          | 158.7          | 159.1          | 235.2          | 82.6           |
| Non-current   | 843.0          | 866.6          | 885.3          | 889.6          | 738.9          | 767.3          | 765.9          | 748.2          | 882.0          |
| <b>Total long-term<br/>debt</b>                               | <b>849.3</b>   | <b>870.7</b>   | <b>890.4</b>   | <b>896.1</b>   | <b>895.2</b>   | <b>926.0</b>   | <b>925.0</b>   | <b>983.4</b>   | <b>964.6</b>   |
| Cash dividends<br>paid per<br>common share                    | 0.11           | 0.11           | 0.11           | 0.10           | 0.10           | 0.10           | 0.10           | 0.09           | 0.09           |
| Common shares<br>outstanding<br>(000's)                       | 89,138         | 88,906         | 88,608         | 88,390         | 78,037         | 77,849         | 77,937         | 77,755         | 77,779         |
| Options<br>outstanding<br>(000's)                             | 1,545          | 1,810          | 1,812          | 2,016          | 2,359          | 2,546          | 2,564          | 2,746          | 2,825          |

## Outstanding share data

**As at November 3, 2005**  
**(000's)**

|                           |               |
|---------------------------|---------------|
| Common shares outstanding | <b>89,179</b> |
| Options outstanding       | <b>1,504</b>  |

## 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.

Market conditions in western Canada continue to be very strong and the outlook for Finning (Canada)'s business is positive. Commodity prices, especially oil and gas, remain at very attractive levels and Finning (Canada)'s resource based customers are prospering. General construction spending is at very high levels and government spending on infrastructure projects is increasing. Finning (Canada)'s positive outlook is reflected in the record level of sales and earnings and the strong order backlog.

Similarly, in South America the strong commodity markets, in particular the strong copper prices, are also leading to very good financial results by the Company's customers in South America. Capital spending at mining customers continues at a strong pace, and general construction markets are also strong. The outlook for Finning's business in South America is also very good. In Argentina, the economy is experiencing upward pressure on wage rates, however to date the Company has been able to adjust its salary structure with minimal impact on its results.

A slowdown in the economy is occurring in the United Kingdom and the Bank of England now expects the U.K. economy to grow by 2% this year compared to the previous forecast of 3.0-3.5%. A slow-down in economic growth will have a moderating effect on construction activity which may impact operations at Finning (UK) and Hewden. To date, construction activity remains at adequate levels. Management believes that the current order backlog, and projects and initiatives underway in the U.K. should offset any impact of a slowing economy in the near term.

Initiatives are underway at Hewden that are expected to improve the financial performance of the operation and simplify Hewden's organizational structure. Progress has been made in the quarter with a realignment of certain back office functions at Hewden and the selection of a new information system that will significantly enhance the quality of its customer information and services and reduce transaction costs.

However, competitive pressures continue to impact the Company's operations in the U.K. In the dealership operations, management is working with Caterpillar on an extensive project to increase the dealership's profitability while increasing Caterpillar's market share in the UK. Finning (UK) has delayed its system integration of Lex Harvey and as a result, it continues to experience inefficiencies in its materials handling business. Discussions continue with the supplier of the materials handling equipment to negotiate more competitive pricing. Finning (UK) management is focusing on improving margins in all areas, achieving efficiencies and controlling costs.

The company-wide plan to reduce costs by \$60 million by the end of 2006 continues and the Company expects to have its cost savings fully in place by January 1, 2007. Although there have been some delays in certain U.K. initiatives, this has been offset by the acceleration of other plans so that progress to achieve \$60 million of savings is on track. To date, the Company has completed 46 projects that will generate over \$19 million of annual savings.

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. In Canada, the outlook remains generally positive based on continuing high customer demand. Current management contingency plans in place are expected to offset any significant adverse impacts in the near term due to the current labour action in Alberta and the NWT.

November 14, 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.

| <b>Reconciliation between reported EBIT and Normalized EBIT</b>                              |                                    |         |                                   |         |
|--|------------------------------------|---------|-----------------------------------|---------|
|  | Three months ended<br>September 30 |         | Nine months ended<br>September 30 |         |
| <i>C\$ thousands</i>   | 2005                               | 2004    | 2005                              | 2004    |
| Reported EBIT (GAAP measure)   | <b>73,741</b>                      | 85,230  | <b>223,655</b>                    | 205,061 |
| Gain on sale of surplus properties in Canada and the U.K.                                    | <b>(2,690)</b>                     | (1,619) | <b>(5,787)</b>                    | (2,405) |
| Restructuring charges in Canada and project costs in the U.K.                                | <b>1,450</b>                       | 2,749   | <b>9,000</b>                      | 11,615  |
| Recognition of deferred gain on the 2001 sale of the Canadian<br>Materials Handling business | —                                  | —       | —                                 | (3,800) |
| Loss (income) from equity investment in Maxim  | —                                  | (403)   | <b>(1,827)</b>                    | 230     |
| Canary Wharf legal settlement  | —                                  | —       | —                                 | 7,863   |
| Normalized EBIT (reflects non-GAAP measure)  | <b>72,501</b>                      | 85,957  | <b>225,041</b>                    | 218,564 |

| <b>Reconciliation between reported net income and Basic EPS and Normalized Net Income and Normalized Basic EPS</b> |                                    |         |                                   |         |
|--|------------------------------------|---------|-----------------------------------|---------|
|  | Three months ended<br>September 30 |         | Nine months ended<br>September 30 |         |
| <i>C\$ thousands, except EPS data</i>  | 2005                               | 2004    | 2005                              | 2004    |
| Basic EPS (GAAP measure)   | <b>\$0.50</b>                      | \$0.56  | <b>\$1.44</b>                     | \$1.22  |
| Reported net income (GAAP measure)   | <b>44,841</b>                      | 43,115  | <b>127,846</b>                    | 94,765  |
| Gain on sale of surplus properties in Canada and the U.K.  | <b>(1,833)</b>                     | (1,253) | <b>(3,997)</b>                    | (1,846) |
| Restructuring charges in Canada and project costs in the U.K.  | <b>1,016</b>                       | 2,104   | <b>6,267</b>                      | 7,878   |
| Recognition of deferred gain on the 2001 sale of the Canadian<br>Materials Handling business                       | —                                  | —       | —                                 | (3,000) |
| Loss (income) from equity investment in Maxim  | —                                  | (403)   | <b>(1,653)</b>                    | 230     |
| Canary Wharf legal settlement  | —                                  | —       | —                                 | 5,504   |
| Market value adjustment: interest rate swap not eligible for<br>hedge accounting                                   | —                                  | (97)    | —                                 | 97      |
| Normalized Net Income (reflects non-GAAP measure)  | <b>44,024</b>                      | 43,466  | <b>128,463</b>                    | 103,628 |
| Normalized Basic EPS (reflects non-GAAP measure)   | <b>\$0.50</b>                      | \$0.56  | <b>\$1.45</b>                     | \$1.33  |

## INTERIM CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

*C\$ thousands except per share amounts*

|  | Three months ended<br>September 30 |                   | Nine months ended<br>September 30 |                   |
|--|------------------------------------|-------------------|-----------------------------------|-------------------|
|  | 2005<br><b>unaudited</b>           | 2004<br>unaudited | 2005<br><b>unaudited</b>          | 2004<br>unaudited |
| Revenue  |                                    |                   |                                   |                   |
| New mobile equipment   | <b>413,877</b>                     | 325,009           | <b>1,230,368</b>                  | 886,726           |
| New power and energy systems   | <b>77,339</b>                      | 70,149            | <b>265,850</b>                    | 206,843           |
| Used equipment   | <b>103,141</b>                     | 97,839            | <b>319,035</b>                    | 272,835           |
| Equipment rental   | <b>260,342</b>                     | 271,766           | <b>766,828</b>                    | 763,492           |
| Customer support services  | <b>368,876</b>                     | 313,151           | <b>1,063,320</b>                  | 929,355           |
| Finance, operating leases and other                                    | <b>2,095</b>                       | 7,951             | <b>5,188</b>                      | 27,456            |
| Total revenue  | <b>1,225,670</b>                   | 1,085,865         | <b>3,650,589</b>                  | 3,086,707         |
| Cost of sales  | <b>864,029</b>                     | 760,954           | <b>2,596,730</b>                  | 2,154,042         |
| Gross profit   | <b>361,641</b>                     | 324,911           | <b>1,053,859</b>                  | 932,665           |
| Selling, general and administrative expenses                           | <b>289,140</b>                     | 238,954           | <b>828,818</b>                    | 714,101           |
| Other (income) expenses (Note 2)                                       | <b>(1,240)</b>                     | 727               | <b>1,386</b>                      | 13,503            |
| Earnings before interest, taxes and non-controlling interests          | <b>73,741</b>                      | 85,230            | <b>223,655</b>                    | 205,061           |
| Finance costs and interest on other indebtedness (Note 3)              | <b>16,976</b>                      | 24,147            | <b>59,092</b>                     | 72,862            |
| Income before provision for income taxes and non-controlling interests | <b>56,765</b>                      | 61,083            | <b>164,563</b>                    | 132,199           |
| Provision for income taxes   | <b>11,924</b>                      | 13,959            | <b>36,717</b>                     | 24,914            |
| Non-controlling interests  | —                                  | 4,009             | —                                 | 12,520            |
| Net income   | <b>44,841</b>                      | 43,115            | <b>127,846</b>                    | 94,765            |
| Retained earnings, beginning of period                                 | <b>913,827</b>                     | 802,649           | <b>850,321</b>                    | 775,113           |
| Net income   | <b>44,841</b>                      | 43,115            | <b>127,846</b>                    | 94,765            |
| Dividends on common shares   | <b>(9,788)</b>                     | (7,794)           | <b>(29,287)</b>                   | (23,351)          |
| Premium on repurchase of common shares                                 | —                                  | —                 | —                                 | (8,557)           |
| Retained earnings, end of period                                       | <b>948,880</b>                     | 837,970           | <b>948,880</b>                    | 837,970           |
| Earnings per share (EPS)   |                                    |                   |                                   |                   |
| Basic  | <b>\$0.50</b>                      | \$0.56            | <b>\$1.44</b>                     | \$1.22            |
| Diluted  | <b>\$0.50</b>                      | \$0.55            | <b>\$1.43</b>                     | \$1.20            |
| Weighted average number of shares outstanding                          |                                    |                   | <b>88,740,269</b>                 | 77,856,598        |

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

## INTERIM CONSOLIDATED BALANCE SHEETS

*C\$ thousands*

|  | September 30<br>2005<br>unaudited | December 31<br>2004<br>audited |
|--|-----------------------------------|--------------------------------|
| <b>ASSETS</b>                                  |                                   |                                |
| <b>Current assets</b>                          |                                   |                                |
| Cash and short-term investments                | 28,412                            | 15,843                         |
| Accounts receivable                            | 583,965                           | 578,350                        |
| Inventories                                    |                                   |                                |
| On-hand equipment                              | 600,024                           | 641,366                        |
| Parts and supplies                             | 382,383                           | 346,490                        |
| Other assets                                   | 146,214                           | 115,295                        |
| Income taxes recoverable                       | 13,059                            | 12,435                         |
| Future income taxes                            | 24,769                            | 24,820                         |
| Current portion of instalment notes receivable | 20,929                            | 24,355                         |
| <b>Total current assets</b>                    | <b>1,799,755</b>                  | <b>1,758,954</b>               |
| Finance assets                                 |                                   |                                |
| Instalment notes receivable                    | 10,899                            | 12,879                         |
| Equipment leased to customers                  | 5,333                             | 3,357                          |
| <b>Total finance assets</b>                    | <b>16,232</b>                     | <b>16,236</b>                  |
| Rental equipment                               | 1,112,301                         | 1,163,976                      |
| Land, buildings and equipment                  | 339,493                           | 330,430                        |
| Future income taxes                            | 24,288                            | 31,091                         |
| Goodwill                                       | 347,829                           | 386,257                        |
| Intangible assets                              | 10,976                            | 12,042                         |
| Other assets                                   | 103,380                           | 105,025                        |
|  | <b>3,754,254</b>                  | <b>3,804,011</b>               |
| <b>LIABILITIES</b>                             |                                   |                                |
| <b>Current liabilities</b>                     |                                   |                                |
| Short-term debt                                | 468,038                           | 471,811                        |
| Accounts payable and accruals                  | 880,641                           | 1,006,539                      |
| Income tax payable                             | 53,155                            | 4,354                          |
| Future income taxes                            | 2,819                             | 2,773                          |
| Current portion of long-term debt              | 6,293                             | 6,460                          |
| <b>Total current liabilities</b>               | <b>1,410,946</b>                  | <b>1,491,937</b>               |
| Long-term debt                                 | 842,999                           | 889,623                        |
| Long-term obligations (Note 7)                 | 36,632                            | 21,128                         |
| Future income taxes                            | 63,667                            | 75,118                         |
| <b>Total liabilities</b>                       | <b>2,354,244</b>                  | <b>2,477,806</b>               |
| <b>SHAREHOLDERS' EQUITY</b>                    |                                   |                                |
| Share capital                                  | 567,302                           | 557,740                        |
| Retained earnings                              | 948,880                           | 850,321                        |
| Contributed surplus                            | 2,206                             | 878                            |
| Cumulative currency translation adjustments    | (118,378)                         | (82,734)                       |
| <b>Total shareholders' equity</b>              | <b>1,400,010</b>                  | <b>1,326,205</b>               |
|  | <b>3,754,254</b>                  | <b>3,804,011</b>               |

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<br>September 30 |                   | Nine months ended<br>September 30 |                   |
|---|------------------------------------|-------------------|-----------------------------------|-------------------|
|   | 2005<br>unaudited                  | 2004<br>unaudited | 2005<br>unaudited                 | 2004<br>unaudited |
| <b>OPERATING ACTIVITIES</b>                                   |                                    |                   |                                   |                   |
| Net income  | 44,841                             | 43,115            | 127,846                           | 94,765            |
| Add   |                                    |                   |                                   |                   |
| Depreciation and amortization                                 | 91,520                             | 98,501            | 269,169                           | 276,644           |
| Future income taxes   | (7,701)                            | 1,064             | (4,434)                           | 4,882             |
| Deferred compensation   | 11,908                             | (357)             | 16,832                            | 5,338             |
| Other items   | (4,517)                            | (2,110)           | (7,614)                           | (2,330)           |
| Non-controlling interests distribution                        | —                                  | 4,009             | —                                 | 12,520            |
|   | 136,051                            | 144,222           | 401,799                           | 391,819           |
| Changes in working capital items                              |                                    |                   |                                   |                   |
| Accounts receivable and other                                 | 2,289                              | (36,074)          | (82,025)                          | (122,495)         |
| Inventories – on-hand equipment                               | 52,741                             | (10,898)          | 12,647                            | (37,006)          |
| Inventories – parts and supplies                              | (15,945)                           | (26,881)          | (46,354)                          | (73,812)          |
| Instalment notes receivable                                   | (2,968)                            | 95                | 3,962                             | (3,390)           |
| Accounts payable and accruals                                 | (27,255)                           | 8,337             | 8,201                             | 94,006            |
| Income taxes  | 36,912                             | 2,584             | 45,386                            | (3,115)           |
| Cash provided after changes in working capital items          | 181,825                            | 81,385            | 343,616                           | 246,007           |
| Rental equipment, net of disposals                            | (70,615)                           | (141,460)         | (281,383)                         | (371,663)         |
| Equipment leased to customers, net of disposals               | (4,477)                            | 31,964            | (2,664)                           | 24,640            |
| Cash flow provided (used) by operating activities             | 106,733                            | (28,111)          | 59,569                            | (101,016)         |
| <b>INVESTING ACTIVITIES</b>                                   |                                    |                   |                                   |                   |
| Net cash invested in land, buildings and equipment            | (14,618)                           | (24,312)          | (48,696)                          | (45,866)          |
| Net cash (invested in) received on sale of equity investments | —                                  | —                 | 6,521                             | —                 |
| Cash used by investing activities                             | (14,618)                           | (24,312)          | (42,175)                          | (45,866)          |
| <b>FINANCING ACTIVITIES</b>                                   |                                    |                   |                                   |                   |
| (Decrease) increase in short-term debt                        | (82,181)                           | 56,837            | 7,207                             | 221,846           |
| Increase (repayment) of long-term debt                        | 7,095                              | (2,323)           | 3,529                             | (84,587)          |
| Securitization of accounts receivable                         | —                                  | 15,000            | —                                 | 15,000            |
| Non-controlling interests distribution                        | —                                  | (4,009)           | —                                 | (12,520)          |
| Issue of common shares on exercise of stock options           | 3,055                              | 2,814             | 9,562                             | 8,218             |
| Repurchase of common shares                                   | —                                  | —                 | —                                 | (9,617)           |
| Dividends paid  | (9,788)                            | (7,794)           | (29,287)                          | (23,351)          |
| Cash (used) provided by financing activities                  | (81,819)                           | 60,525            | (8,989)                           | 114,989           |
| Currency translation adjustments                              | 5,545                              | 1,357             | 4,164                             | 2,920             |
| Increase (decrease) in cash and short-term investments        | 15,841                             | 9,459             | 12,569                            | (28,973)          |
| Cash and short-term investments, beginning of period          | 12,571                             | 27,953            | 15,843                            | 66,385            |
| Cash and short-term investments, end of period                | 28,412                             | 37,412            | 28,412                            | 37,412            |
| Cash flows include the following elements                     |                                    |                   |                                   |                   |
| Interest paid   | (5,186)                            | (11,758)          | (58,479)                          | (71,275)          |
| Income taxes received (paid)                                  | 16,442                             | (12,348)          | 13,568                            | (20,736)          |

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<br>September 30 |         | Nine months ended<br>September 30 |         |
|--|------------------------------------|---------|-----------------------------------|---------|
|  | 2005                               | 2004    | 2005                              | 2004    |
| Gain on sale of surplus properties in Canada and the U.K.                                    | (2,690)                            | (1,619) | (5,787)                           | (2,405) |
| Restructuring charges in Canada and project costs in the U.K.                                | 1,450                              | 2,749   | 9,000                             | 11,615  |
| (Gain on sale of) loss from equity investment (a)  | —                                  | (403)   | (1,827)                           | 230     |
| Canary Wharf legal settlement  | —                                  | —       | —                                 | 7,863   |
| Recognition of deferred gain on the 2001 sale of the<br>Canadian Materials Handling business | —                                  | —       | —                                 | (3,800) |
|  | (1,240)                            | 727     | 1,386                             | 13,503  |
| Tax (expense) recovery on net other expenses   | (423)                              | 279     | 769                               | 4,737   |
| Other expenses (income), net of tax  | (817)                              | 448     | 617                               | 8,766   |

(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<br>September 30 |        | Nine months ended<br>September 30 |        |
|---|------------------------------------|--------|-----------------------------------|--------|
|   | 2005                               | 2004   | 2005                              | 2004   |
| Interest on debt securities   | 19,834                             | 21,081 | 59,718                            | 56,363 |
| Interest on swap contracts  | (660)                              | 3,884  | (359)                             | 13,264 |
| Mark-to-market valuation changes on interest rate swaps not<br>eligible for hedge accounting (a)  | —                                  | (150)  | —                                 | 150    |
| Amortization of deferred debt costs, other finance related<br>expenses and sundry interest earned | (2,198)                            | (668)  | (267)                             | 3,085  |
|   | 16,976                             | 24,147 | 59,092                            | 72,862 |

(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<br>September 30, 2005                      | Canada    | UK      | South<br>America | Hewden  | Other    | Consolidated |
|---|-----------|---------|------------------|---------|----------|--------------|
| Revenue from external sources                                 | 531,117   | 264,849 | 258,918          | 170,786 | —        | 1,225,670    |
| Operating costs   | 457,069   | 244,410 | 232,188          | 116,505 | 11,477   | 1,061,649    |
| Depreciation and amortization                                 | 32,889    | 18,994  | 6,694            | 32,943  | —        | 91,520       |
| Other (income) expenses                                       | —         | —       | —                | —       | (1,240)  | (1,240)      |
| Earnings before interest and tax                              | 41,159    | 1,445   | 20,036           | 21,338  | (10,237) | 73,741       |
| Finance costs and interest on other<br>indebtedness           |           |         |                  |         |          | 16,976       |
| Provision for income taxes                                    |           |         |                  |         |          | 11,924       |
| Non-controlling interests                                     |           |         |                  |         |          | —            |
| Net income  |           |         |                  |         |          | 44,841       |
| Earnings before interest and tax -<br>- percentage of revenue | 7.7%      | 0.5%    | 7.7%             | 12.5%   | —        | 6.0%         |
| - percentage by operations                                    | 55.8%     | 2.0%    | 27.2%            | 28.9%   | (13.9)%  | 100.0%       |
| Identifiable assets   | 1,251,731 | 803,528 | 659,346          | 997,685 | 41,964   | 3,754,254    |
| Gross capital expenditures                                    | 13,046    | 1,470   | 4,438            | 3,134   | 61       | 22,149       |
| Gross rental fleet asset expenditures                         | 77,633    | 17,781  | 12,347           | 28,064  | —        | 135,825      |

| Three months ended<br>September 30, 2004                      | Canada    | UK      | South<br>America | Hewden    | Other   | Consolidated |
|---|-----------|---------|------------------|-----------|---------|--------------|
| Revenue from external sources                                 | 381,443   | 268,381 | 256,025          | 180,014   | 2       | 1,085,865    |
| Operating costs   | 314,339   | 235,875 | 225,221          | 120,310   | 5,662   | 901,407      |
| Depreciation and amortization                                 | 34,116    | 22,173  | 5,914            | 36,298    | —       | 98,501       |
| Other expenses  | —         | —       | —                | —         | 727     | 727          |
| Earnings before interest and tax                              | 32,988    | 10,333  | 24,890           | 23,406    | (6,387) | 85,230       |
| Finance costs and interest on other<br>indebtedness           |           |         |                  |           |         | 24,147       |
| Provision for income taxes                                    |           |         |                  |           |         | 13,959       |
| Non-controlling interests                                     |           |         |                  |           |         | 4,009        |
| Net income  |           |         |                  |           |         | 43,115       |
| Earnings before interest and tax -<br>- percentage of revenue | 8.6%      | 3.9%    | 9.7%             | 13.0%     | —       | 7.8%         |
| - percentage by operations                                    | 38.7%     | 12.1%   | 29.2%            | 27.5%     | (7.5)%  | 100.0%       |
| Identifiable assets   | 1,036,456 | 818,827 | 614,285          | 1,097,982 | 116,070 | 3,683,620    |
| Gross capital expenditures                                    | 14,452    | 3,902   | 4,616            | 3,339     | —       | 26,309       |
| Gross rental fleet asset expenditures                         | 59,238    | 44,968  | 13,303           | 50,089    | —       | 167,598      |

| <b>Nine months ended<br/>September 30, 2005</b>  | <b>Canada</b>    | <b>UK</b>      | <b>South<br/>America</b> | <b>Hewden</b>  | <b>Other</b>    | <b>Consolidate d</b> |
|--|------------------|----------------|--------------------------|----------------|-----------------|----------------------|
| Revenue from external sources                    | <b>1,528,198</b> | <b>854,201</b> | <b>760,383</b>           | <b>507,807</b> | —               | <b>3,650,589</b>     |
| Operating costs                                  | <b>1,320,892</b> | <b>779,847</b> | <b>671,129</b>           | <b>357,081</b> | <b>27,430</b>   | <b>3,156,379</b>     |
| Depreciation and amortization                    | <b>86,299</b>    | <b>59,975</b>  | <b>19,146</b>            | <b>103,749</b> | —               | <b>269,169</b>       |
| Other expenses                                   | —                | —              | —                        | —              | <b>1,386</b>    | <b>1,386</b>         |
| Earnings before interest and tax                 | <b>121,007</b>   | <b>14,379</b>  | <b>70,108</b>            | <b>46,977</b>  | <b>(28,816)</b> | <b>223,655</b>       |
| Finance costs and interest on other indebtedness |                  |                |                          |                |                 | <b>59,092</b>        |
| Provision for income taxes                       |                  |                |                          |                |                 | <b>36,717</b>        |
| Non-controlling interests                        |                  |                |                          |                |                 | —                    |
| <b>Net income</b>                                |                  |                |                          |                |                 | <b>127,846</b>       |
| Earnings before interest and tax -               |                  |                |                          |                |                 |                      |
| - percentage of revenue                          | <b>7.9%</b>      | <b>1.7%</b>    | <b>9.2%</b>              | <b>9.3%</b>    | —               | <b>6.1%</b>          |
| - percentage by operations                       | <b>54.1%</b>     | <b>6.4%</b>    | <b>31.4%</b>             | <b>21.0%</b>   | <b>(12.9)%</b>  | <b>100.0%</b>        |
| Identifiable assets                              | <b>1,251,731</b> | <b>803,528</b> | <b>659,346</b>           | <b>997,685</b> | <b>41,964</b>   | <b>3,754,254</b>     |
| Gross capital expenditures                       | <b>41,258</b>    | <b>4,748</b>   | <b>8,359</b>             | <b>8,987</b>   | <b>278</b>      | <b>63,630</b>        |
| Gross rental fleet asset expenditures            | <b>177,653</b>   | <b>73,335</b>  | <b>40,031</b>            | <b>133,384</b> | —               | <b>424,403</b>       |

| <b>Nine months ended<br/>September 30, 2004</b>  | <b>Canada</b> | <b>UK</b> | <b>South<br/>America</b> | <b>Hewden</b> | <b>Other</b> | <b>Consolidated</b> |
|--|---------------|-----------|--------------------------|---------------|--------------|---------------------|
| Revenue from external sources                    | 1,106,367     | 799,088   | 659,798                  | 521,447       | 7            | 3,086,707           |
| Operating costs                                  | 928,529       | 704,146   | 575,068                  | 364,794       | 18,962       | 2,591,499           |
| Depreciation and amortization                    | 85,849        | 65,110    | 17,308                   | 108,377       | —            | 276,644             |
| Other expenses                                   | —             | —         | —                        | —             | 13,503       | 13,503              |
| Earnings before interest and tax                 | 91,989        | 29,832    | 67,422                   | 48,276        | (32,458)     | 205,061             |
| Finance costs and interest on other indebtedness |               |           |                          |               |              | 72,862              |
| Provision for income taxes                       |               |           |                          |               |              | 24,914              |
| Non-controlling interests                        |               |           |                          |               |              | 12,520              |
| <b>Net income</b>                                |               |           |                          |               |              | <b>94,765</b>       |
| Earnings before interest and tax -               |               |           |                          |               |              |                     |
| - percentage of revenue                          | 8.3%          | 3.7%      | 10.2%                    | 9.3%          | —            | 6.7%                |
| - percentage by operations                       | 44.9%         | 14.5%     | 32.9%                    | 23.5%         | (15.8)%      | 100.0%              |
| Identifiable assets                              | 1,036,456     | 818,827   | 614,285                  | 1,097,982     | 116,070      | 3,683,620           |
| Gross capital expenditures                       | 32,117        | 10,431    | 12,688                   | 10,339        | —            | 65,575              |
| Gross rental fleet asset expenditures            | 163,198       | 101,423   | 28,100                   | 150,560       | —            | 443,281             |

## 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 September 30 |       |        |        | Nine months ended September 30 |        |        |        |
|----------------------------|---------------------------------|-------|--------|--------|--------------------------------|--------|--------|--------|
|                            | Canada                          | UK    | Hewden | Total  | Canada                         | UK     | Hewden | Total  |
| Defined contribution plans | 2,204                           | 235   | 25     | 2,464  | 7,143                          | 663    | 199    | 8,005  |
| Defined benefit plans      | 2,414                           | 4,349 | 2,792  | 9,555  | 6,905                          | 13,737 | 6,373  | 27,015 |
| Total benefit plan expense | 4,618                           | 4,584 | 2,817  | 12,019 | 14,048                         | 14,400 | 6,572  | 35,020 |
| 2004                       |                                 |       |        |        |                                |        |        |        |
| Defined contribution plans | 2,329                           | 157   | 67     | 2,553  | 5,651                          | 386    | 201    | 6,238  |
| Defined benefit plans      | 1,350                           | 3,852 | 1,696  | 6,898  | 3,809                          | 12,060 | 6,164  | 22,033 |
| Total benefit plan expense | 3,679                           | 4,009 | 1,763  | 9,451  | 9,460                          | 12,446 | 6,365  | 28,271 |

## 6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated to reflect the dilutive effect of exercising outstanding stock options by applying the treasury stock method.

| 2005   | Nine months ended September 30 |                         |                  |
|--|--------------------------------|-------------------------|------------------|
|  | Income<br>(Numerator)          | Shares<br>(Denominator) | Per Share Amount |
| Basic earnings per share: net income                           | \$127,846                      | 88,740,269              | \$1.44           |
| Effect of dilutive securities: stock options                   | —                              | 700,842                 | —                |
| Diluted earnings per share: net income and assumed conversions | \$127,846                      | 89,441,111              | \$1.43           |
| 2004   |                                |                         |                  |
| Basic earnings per share: net income                           | \$94,765                       | 77,856,598              | \$1.22           |
| Effect of dilutive securities: stock options                   | —                              | 1,210,589               | —                |
| Diluted earnings per share: net income and assumed conversions | \$94,765                       | 79,067,187              | \$1.20           |

## 7. SHARE CAPITAL

Common shares issued and outstanding are:

|                              | Nine months ended<br>September 30, 2005 |         | Twelve months ended<br>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    | 748,350                                 | 9,562   | 964,796                                  | 13,095  |
| Repurchase of common shares  | —                                       | —       | (329,900)                                | (1,063) |
| Balance, end of period       | 89,138,231                              | 567,302 | 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 as a result of granting the 2005 stock options was \$384 in the third quarter (2005 year-to-date: \$639). Total stock option expense in the third quarter was \$533 (2004: \$328) and for the nine-month period was \$1,328 (2004: \$549).

## **Other stock-based compensation plans**

### *Deferred Share Unit Plans*

#### 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 31<sup>st</sup> 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 2005 calendar 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 30<sup>th</sup> of the year following the year of retirement, death or disability 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. Vested deferred share units are redeemable for a period of 30 days after termination, or by December 31<sup>st</sup> 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.

Executives of the Company were awarded 125,400 deferred share units in the second quarter of 2005.

The specified levels and respective vesting percentages are as follows:

|                 | Vesting % | Common Share Price |               |           |           |
|-----------------|-----------|--------------------|---------------|-----------|-----------|
|                 |           | 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        | <b>42.17*</b>      | 38.19         | 35.04     | 33.87     |
| 40% improvement | 100       | <b>45.42*</b>      | <b>41.13*</b> | 37.73     | 36.47     |

\*Unvested as at September 30, 2005

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

| Units                             | DSU-A         |          | DSU-B           |          | DDSU            |         |
|-----------------------------------|---------------|----------|-----------------|----------|-----------------|---------|
|                                   | 2005          | 2004     | 2005            | 2004     | 2005            | 2004    |
| Outstanding, beginning of year    | <b>52,716</b> | 67,607   | <b>723,301</b>  | 685,766  | <b>163,072</b>  | 132,390 |
| Additions during period           | <b>489</b>    | 554      | <b>128,300</b>  | 135,919  | <b>17,545</b>   | 22,994  |
| Exercised/cancelled during period | —             | (15,604) | <b>(52,662)</b> | (23,587) | <b>(28,104)</b> | —       |
| Outstanding, end of period        | <b>53,205</b> | 52,557   | <b>798,939</b>  | 798,098  | <b>152,513</b>  | 155,384 |
| Vested, beginning of period       | <b>52,716</b> | 67,607   | <b>388,050</b>  | 258,498  | <b>163,072</b>  | 132,390 |
| Vested during period              | <b>489</b>    | 554      | <b>364,772</b>  | 148,661  | <b>17,545</b>   | 22,994  |
| Exercised/cancelled during period | —             | (15,604) | <b>(43,658)</b> | (23,587) | <b>(28,104)</b> | —       |
| Vested, end of period             | <b>53,205</b> | 52,557   | <b>709,164</b>  | 383,572  | <b>152,513</b>  | 155,384 |

| Liability (C\$ thousands)         | DSU-A        |       | DSU-B          |        | DDSU           |       |
|-----------------------------------|--------------|-------|----------------|--------|----------------|-------|
|                                   | 2005         | 2004  | 2005           | 2004   | 2005           | 2004  |
| Balance, beginning of year        | <b>1,844</b> | 2,028 | <b>13,578</b>  | 7,755  | <b>5,706</b>   | 3,972 |
| Expensed during period            | <b>286</b>   | 115   | <b>16,348</b>  | 5,028  | <b>1,416</b>   | 900   |
| Exercised/cancelled during period | —            | (495) | <b>(1,531)</b> | (759)  | <b>(1,015)</b> | —     |
| Balance, end of period            | <b>2,130</b> | 1,648 | <b>28,395</b>  | 12,024 | <b>6,107</b>   | 4,872 |

The DSU liability of \$36,632 as at September 30, 2005 (December 31, 2004: \$21,128), is included in long-term obligations on the balance sheet. The 2004 balance has been reclassified to conform to the 2005 presentation.

### **Management Share Appreciation Rights Plan (SAR)**

In 2005, under the Management Share Appreciation Rights Plan (SAR), 255,872 awards were granted to management in the U.K. and Canada at a grant price \$32.44. Details of the SAR plans for the nine-month period ended September 30 are as follows:

| <b>Units</b>                      | <b>2005</b>      | <b>2004</b> |
|-----------------------------------|------------------|-------------|
| Outstanding, beginning of year    | <b>649,367</b>   | 541,121     |
| Additions during period           | <b>255,872</b>   | 237,129     |
| Exercised/cancelled during period | <b>(153,013)</b> | (104,297)   |
| Outstanding, end of period        | <b>752,226</b>   | 673,953     |
| Vested, beginning of year         | <b>205,073</b>   | 163,708     |
| Vested during period              | <b>232,766</b>   | 139,496     |
| Exercised/cancelled during period | <b>(123,082)</b> | (81,714)    |
| Vested, end of period             | <b>314,757</b>   | 221,490     |
| <b>Liability (C\$ thousands)</b>  |                  |             |
| Balance, beginning of year        | <b>3,520</b>     | 1,226       |
| Expensed during period            | <b>4,007</b>     | 1,071       |
| Exercised/cancelled during period | <b>(1,356)</b>   | (472)       |
| Balance, end of period            | <b>6,171</b>     | 1,825       |

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 was an expense of \$15,573 (2004: income of \$727) and during the nine-month period was an expense of \$23,384 (2004: \$7,663). This amount was recognized in selling, general and administrative expenses on the consolidated statement of income.

### **8. CURRENCY RATES**

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

|  | <b>September 30, 2005</b> | <b>December 31, 2004</b> | <b>September 30, 2004</b> |
|--|---------------------------|--------------------------|---------------------------|
| <b>Exchange rate as at</b>                                 |                           |                          |                           |
| United States dollar                                       | <b>1.1611</b>             | 1.2036                   | 1.2639                    |
| British pound Sterling                                     | <b>2.0546</b>             | 2.3062                   | 2.2878                    |
| <b>Average exchange rates for three-month period ended</b> |                           |                          |                           |
| United States dollar                                       | <b>1.2012</b>             |                          | 1.3072                    |
| British pound Sterling                                     | <b>2.1433</b>             |                          | 2.3786                    |
| <b>Average exchange rates for nine-month period ended</b>  |                           |                          |                           |
| United States dollar                                       | <b>1.2240</b>             |                          | 1.3280                    |
| British pound Sterling                                     | <b>2.2568</b>             |                          | 2.4191                    |

## **9. 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 \$9,500 (EUR 6,000). As a result of this transaction, the Company's equity interest in Energyst increased to 24.4% from 15.17%.

## **10. COMMITMENTS AND CONTINGENCIES**

In January 2003, the Company completed its acquisition of 100% of the voting shares of Macroasa Del Plata S.A. and Servicios Mineros S.A., the Caterpillar dealerships in Argentina and General Machinery Co S.A., the Caterpillar dealership in Uruguay. As part of this agreement, the sellers are entitled to additional future consideration, to a maximum of US\$20,000 based on the realization of certain performance criteria over a six-year period ending December 31, 2008 for the Argentina operations. Any additional consideration is payable only if certain performance criteria are achieved and maintained to December 31, 2008. This additional consideration will be accrued as a cost of the acquisition and recorded in goodwill if and when the performance criteria is achieved. With the strong performance of the dealership in Argentina since acquisition to date, management believes that the performance criteria will likely be met in 2005 which would trigger a payment of US\$20,000 plus accrued interest in early 2006. No additional consideration has been recorded in the accounts at the end of September 30, 2005.