First Quarter 2006 Results *May 10, 2006*

Finning Announces Record First Quarter Results

Highlights

- Record first quarter revenue and net income
- Basic earnings per share of $0.64 is up 52.4% from the first quarter of 2005
- Basic earnings per share includes $0.10 of gains on the sale of surplus properties and businesses
- Cash flow after working capital changes more than tripled in the quarter
- Record order backlog exceeds $1 billion

	Three months ended March 31		
C$ millions, except per share data	**2006**	**2005**	Change
Revenue	**1,244.2**	1,153.4	7.9%
Earnings before interest and taxes	**94.2**	69.4	35.7%
Net income	**56.9**	37.4	52.1%
Basic Earnings Per Share	**$ 0.64**	$ 0.42	52.4%
Diluted Earnings Per Share	**$ 0.63**	$ 0.42	50.0%
Cash flow after working capital changes	**136.0**	44.4	206.3%

Vancouver, Canada - Finning International Inc. (Finning) today reported revenue reaching record levels for a first quarter of $1,244.2 million, an increase of 7.9% over the first quarter of 2005. First quarter net income was $56.9 million or $0.64 per share, an increase of 52.4% in earnings per share compared with the first quarter of 2005. The results for the first quarter of 2006 included gains of $8.6 million after-tax or $0.10 per share on the sale of surplus properties and a portion of the Company's Canadian remanufacturing business. Excluding these gains, earnings per share would have been $0.54 and 28.6% higher than the first quarter of 2005.

"We had a very good first quarter", said Doug Whitehead, President and CEO of Finning. "Excellent results from our Canadian operations, reflecting strong demand for product and customer support services, were primarily responsible for the improved earnings, however our UK dealership and Hewden operations performed better as well. The continued improvement in our cash flow is the result of the ongoing focus on effective working capital management."

"We are extremely pleased with the strong results of the first quarter, which will directionally offset the expected continuing pressure for the remainder of the year from a strong Canadian dollar and very competitive market conditions for all of our businesses in the U.K.", said Michael Waites, Executive Vice President and CFO of Finning.

First Quarter Results

Finning's revenues in the first quarter were $1,244.2 million, up 7.9% from the first quarter of 2005 reflecting continued strength in equipment spending by resource-based businesses in Canada, growth in customer support services in Canada and South America and higher equipment sales to general construction markets. Strong commodity prices and good overall economic conditions are supporting these businesses and management believes these conditions are likely to continue. Finning (Canada)'s first quarter revenues were also higher due to the delivery of equipment that was delayed as a result of the strike in the fourth quarter of 2005. Quarterly revenues at the Company's Finning (UK) operations improved 10.6% in local currency year over year.

Finning's global order book (the retail value of equipment units ordered by customers for future deliveries) continued to build and achieved a record level of $1,019 million at the end of the first quarter of 2006, up 5.3% from the December 2005 level of $968 million.

Finning's EBIT for the quarter was $94.2 million, compared with $69.4 million in the first quarter of 2005, an increase of 35.7%.

First quarter EBIT in the Canadian reporting segment increased from $38.2 million in 2005 to $56.7 million in 2006. The increase in 2006 was primarily the result of strong volumes and pre-tax gains of $10.4 million on the sale of surplus property at Finning (Canada) and the sale by OEM Remanufacturing of its railroad and non-Cat engine component remanufacturing business.

EBIT for Finning's South American operations in the first quarter of 2006 of $25.9 million was relatively unchanged from the 2005 first quarter. Finning South America's EBIT in the first quarter of 2006 reflects higher margins due to a shift from equipment sales to customer support services offset by higher costs related to the resulting increased headcount and the negative foreign exchange translation impact of a stronger Canadian dollar.

For Finning (UK), EBIT almost doubled in the first quarter of 2006 and was higher by $3.8 million compared to 2005 reflecting a higher contribution from the Materials Handling, Power Systems and Construction Equipment divisions, partially offset by the unfavourable foreign exchange translation impact of a stronger Canadian dollar.

First quarter EBIT for Hewden of $10.4 million increased 57.6% over 2005 levels primarily due to higher volumes resulting from more business days in the first quarter of 2006, higher property gains and lower project costs, partially offset by higher credit and collection costs and the unfavourable foreign exchange translation impact of a stronger Canadian dollar.

Finning's net income for the quarter was $56.9 million compared with $37.4 million in 2005. Basic Earnings Per Share (EPS) for the quarter was $0.64 in 2006 compared with $0.42 in the first quarter of 2005. 2006 results were higher than in 2005 due to gains totalling $0.10 per share on disposals noted above, as well as very strong quarterly performance from the Company's Canadian operations and improved results from the Company's UK operations.

Cash flow after working capital changes was $136.0 million for the first quarter of 2006, compared with $44.4 million for the same period last year. This was due to higher operating results and management's focus on working capital requirements, improving cash cycle times and operating efficiencies.

Important New Contracts

Subsequent to the first quarter of 2006, Finning secured the following important new contracts:

- *Minera Escondida* – the sale of 20 Caterpillar 797B mining trucks to Minera Escondida in Antofagasta, Chile. This transaction is structured under a long-term strategic alliance between BHP Billiton and Caterpillar Inc. (Caterpillar). The trucks will go into service at Minera Escondida, the largest copper mine in the world. The new trucks will be delivered starting August 2006, with all trucks in operation by the end of 2007.

Other

- Michael Waites was appointed Executive Vice President and Chief Financial Officer of Finning International Inc. effective May 1, 2006. For the past six years, Mr. Waites has been Chief Financial Officer at Canadian Pacific Railway. Concurrently with accepting the role of Chief Financial Officer of Finning, Mr. Waites resigned from his position on the Finning Board of Directors.
- In March 2006, OEM Remanufacturing Company Inc. (OEM), a subsidiary of Finning, sold its railroad and non-Cat engine component remanufacturing business, together with related work-in-progress and inventory to Caterpillar. In addition, Caterpillar and OEM entered into an initial two-year agreement under which OEM will provide remanufacturing services to Caterpillar for these lines of business. Caterpillar will provide all sales and marketing functions and OEM will perform the remanufacturing work for the initial term of the agreement.

  The transaction does not affect the remanufacturing services that OEM currently provides to Finning (Canada) on Cat branded equipment, which will continue under a long-term contract for Finning (Canada) in support of their customers in western Canada.
- Finning (Canada) and the International Association of Machinists and Aerospace Workers – Local Lodge 692, covering approximately 800 unionized employees located in British Columbia and the Yukon, reached agreement on a three-year collective agreement which expires April 14, 2009. The new agreement provides for a wage increase of 4.5% in year one, and 4% in each of years two and three, retroactive to April 15 2006. The settlement also provides improvements in shift premiums, allowances, benefits and staffing processes.

<u>For more information</u>

Please call Tom Merinsky, Vice President, Investor Relations
Phone: (604) 331-4950
Email: investor_relations@finning.ca

First Quarter Conference Call
Management will hold an investor conference call on Wednesday, May 10, 2006 at 4:00 pm Eastern Time. Dial-in numbers:

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

The call will be webcast live at www.finning.com/investor_relations and www.newswire.ca/webcast, and subsequently archived on the Finning website. Playback recording will be available at **1-888-509-0081** from 7:00 pm Eastern Time on May 10, 2006 until the end of business day on May 17, 2006.

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 and the Yukon Territory and a portion of Nunavut), the U.K. and South America (Argentina, Bolivia, Chile and Uruguay). Headquartered in Vancouver, B.C., Canada, Finning International Inc. (www.finning.com) is a widely held, publicly traded corporation, listed on the Toronto Stock Exchange (symbol FTT). Complete financial statements and Management's Discussion and Analysis can be accessed at www.finning.com.

Forward-Looking Disclaimer

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

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

Next Quarterly Results August 8, 2006

Finning International's second quarter results for 2006 will be released and an investor conference call will be held on August 8 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

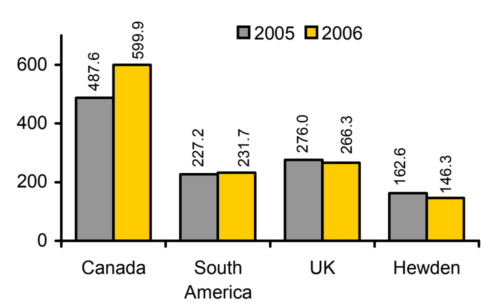
This discussion and analysis of Finning International Inc. (Finning or the Company) should be read in conjunction with the interim consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles (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 2005 annual report.

Results of Operations

First Quarter Overview

($ millions)	**Q1 2006**	Q1 2005	**Q1 2006** (% of revenue)	Q1 2005 (% of revenue)
Revenue	**$ 1,244.2**	$ 1,153.4		
Gross profit	**356.8**	327.9	**28.7%**	28.4%
Selling, general & administrative expenses	**272.0**	258.4	**21.9%**	22.4%
Other expenses (income)	**(9.4)**	0.1	**(0.8)%**	0.0%
Earnings before interest and taxes (EBIT)	**94.2**	69.4	**7.6%**	6.0%
Finance costs	**18.3**	20.6	**1.5%**	1.8%
Provision for income taxes	**19.0**	11.4	**1.5%**	1.0%
Net income	**$ 56.9**	$ 37.4	**4.6%**	3.2%

Revenue by operation
($ millions)
Three months ended March 31



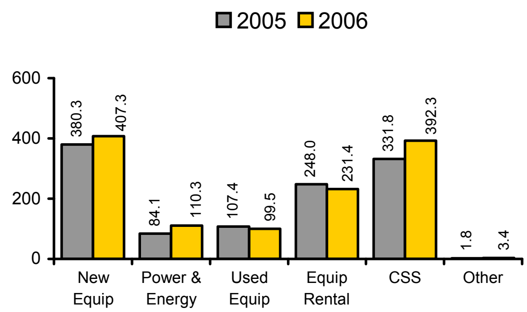
The Company achieved record first quarter revenues driven by continued strong equipment sales and demand for customer support services. Consolidated revenues increased 7.9% to $1,244.2 million, EBIT increased 35.7% to $94.2 million and consolidated net income increased by 52.1% to $56.9 million. Basic Earnings Per Share (EPS) for the quarter was $0.64 compared with $0.42 in the same period last year.

Revenue increased in local currency in all operations, year over year. Continued strength in commodity prices, infrastructure spending in the regions in which the Company operates, price increases, and strong customer support services activities contributed to higher revenues.

Revenue was higher in 2006 particularly in the Company's Canadian operations as a result of strong equipment and service related spending by customers.

The growth in revenues occurred in spite of the negative foreign exchange translation impact of approximately $88 million on revenues due to a stronger Canadian dollar in the quarter relative to the U.K. pound sterling (12.7% strengthening) and the U.S. dollar (5.9% strengthening), year over year.

Revenue by Line of Business
($ millions)
Three months ended March 31



From a line of business perspective, strong demand for new equipment and customer support services in the first quarter of 2006 was partially offset by lower rental revenues from the UK Materials Handling business and lower used equipment revenues in Canada.

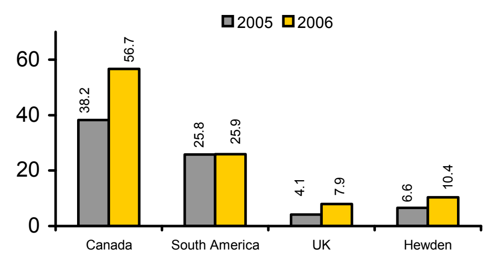
Finning's business is geographically diversified and the Company conducts business in multiple currencies, the most significant of which are the U.S. dollar, the Canadian dollar and the U.K. pound sterling. The most significant foreign exchange impact on the Company's net income is the translation of foreign currency based earnings into Canadian dollars. Excluding the impact of foreign exchange when translating results, revenues in local currency increased by 8.3% in South America, 10.6% in the UK operations and 3.1% in Hewden when compared to last year's quarter.

Finning's global order book or backlog (the retail value of equipment units ordered by customers for future deliveries) continued to build and achieved a record level of $1,019 million at the end of the first quarter of 2006, up 5.3% from the December 2005 level of $968 million.

Notwithstanding the strong backlog levels, the Company is dependent on Caterpillar for the timely supply of parts and equipment to fulfill its deliveries and meet the requirements of the Company's service maintenance contracts. Caterpillar continues to place certain of their models under managed distribution and the Company continues to work closely with Caterpillar and customers to ensure that demand for parts and equipment can be met. Where supply constraints occur, the Company has been supplementing its new equipment inventory by utilizing its rental assets and used equipment to meet demand.

Gross profit of $356.8 million in the quarter increased 8.8% over the same period last year. As a percentage of revenue, gross profit increased slightly over last year primarily due to a change in the product mix. Strong overall demand led to improved margins for equipment sales and the higher number of business days in the first quarter of 2006 at Hewden improved rental margins. Although customer support services revenues increased in the first quarter of 2006, gross margin decreased slightly due to the higher contribution from the Shell Alliance business in Canada which generates lower margins. Gross margins were also reduced by higher costs incurred to manage product availability issues and rapid growth related costs throughout the dealership operations.

EBIT by operation
($ millions)
Three months ended March 31

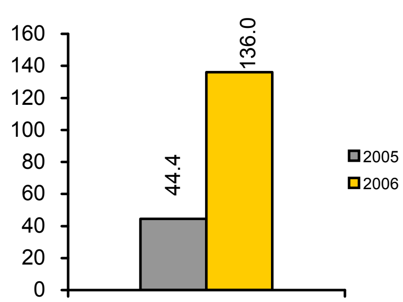


EBIT increased $24.8 million, year over year, with the strong performance in the Company's Canadian operations combined with gains recorded on the disposal of surplus properties and a portion of OEM Remanufacturing's business. Higher returns were also experienced in Hewden and Finning (UK) in the first quarter of 2006. The Company's South American operations contributed EBIT at a similar level to that of the first quarter of 2005.

EBIT for the first quarter was reduced by approximately $8.3 million compared to the first quarter of 2005 as a result of the stronger Canadian dollar relative to both the U.S. dollar and the U.K. pound sterling.

Net income improved 52.1% in the first quarter of 2006 reflecting the strong first quarter activity noted above as well as the gains from property and business dispositions. Excluding the gains from these dispositions, net income would have been $48.3 million and 29.1% higher than the prior year.

Cash Flow (after working capital changes)
($ millions)
Three months ended March 31



Cash flow after changes in working capital for the quarter was $136.0 million, a significant improvement from cash flow of $44.4 million generated in the same period last year. While cash flow strengthened from the higher operating results in the quarter, the increase was primarily due to stabilizing working capital requirements to meet customer demand and continued management focus on improving cash cycle times and operating efficiencies. In the first quarter of 2006, the Company continued to invest in inventories to support strong customer demand and manage product availability issues, although at a lower amount than the prior year.

The Company made a net investment in rental assets of $80.6 million during the first quarter of 2006, an increase of $11.2 million from the same period in 2005. Rental fleets were being replenished in the first quarter of 2006, particularly in Canada, as rental assets decreased in 2005 to support customer demand and offset product availability issues. Continuing the 2005 trend, fewer rental assets were purchased in 2006 by the UK Materials Handling division due to lower demand and an increase in external customer financing.

As a result of these items, cash flow from operating activities was $51.8 million in the first quarter of 2006 compared to a use of cash of $25.0 million in the first quarter of 2005.

Results by Business Segment

The Company and its subsidiaries operate primarily in one principal business, that being the selling, servicing, renting and financing of heavy equipment and related products in various markets worldwide as noted below.

Operating units are as follows:

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

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

($ millions) **Three months ended March 31 2006**	**Canada**	**South America**	**UK**	**Hewden**	**Consolidated**	**Revenue percentage**
New mobile equipment	**$ 228.5**	**$ 87.2**	**$ 88.5**	**$ 3.1**	**$ 407.3**	**32.7%**
New power & energy systems	**53.2**	**14.5**	**42.6**	**—**	**110.3**	**8.9%**
Used equipment	**48.9**	**15.9**	**30.6**	**4.1**	**99.5**	**8.0%**
Equipment rental	**54.2**	**9.3**	**39.1**	**128.8**	**231.4**	**18.6%**
Customer support services	**212.2**	**104.3**	**65.5**	**10.3**	**392.3**	**31.5%**
Other	**2.9**	**0.5**	**—**	**—**	**3.4**	**0.3%**
Total	**$ 599.9**	**$ 231.7**	**$ 266.3**	**$ 146.3**	**$ 1,244.2**	**100.0%**
Revenue percentage by operations	**48.2%**	**18.6%**	**21.4%**	**11.8%**	**100.0%**	

Three months ended March 31 2005	Canada	South America	UK	Hewden	Consolidated	Revenue percentage
New mobile equipment	$ 178.9	$ 97.2	$ 100.9	$ 3.3	$ 380.3	33.0%
New power & energy systems	32.6	20.3	31.2	—	84.1	7.3%
Used equipment	67.8	7.0	26.9	5.7	107.4	9.3%
Equipment rental	45.1	10.0	49.9	143.0	248.0	21.5%
Customer support services	161.7	92.4	67.1	10.6	331.8	28.7%
Other	1.5	0.3	—	—	1.8	0.2%
Total	$ 487.6	$ 227.2	$ 276.0	$ 162.6	$ 1,153.4	100.0%
Revenue percentage by operations	42.3%	19.7%	23.9%	14.1%	100.0%	

The table below provides details of EBIT contribution by operations:

($ millions) **Three months ended March 31 2006**	**Canada**	**South America**	**UK**	**Hewden**	**Other**	**Consolidated**
Revenue from external sources	**$ 599.9**	**$ 231.7**	**$ 266.3**	**$ 146.3**	**$ —**	**$ 1,244.2**
Operating costs	**520.6**	**199.4**	**240.8**	**105.2**	**6.7**	**1,072.7**
Depreciation and amortization	**32.6**	**6.4**	**16.6**	**31.1**	**—**	**86.7**
Other expenses (income)	**(10.0)**	**—**	**1.0**	**(0.4)**	**—**	**(9.4)**
Earnings before interest and taxes	**$ 56.7**	**$ 25.9**	**$ 7.9**	**$ 10.4**	**$ (6.7)**	**$ 94.2**
Earnings before interest and taxes						
- percentage of revenue	**9.5%**	**11.2%**	**3.0%**	**7.1%**	**—**	**7.6%**
- percentage by operations	**60.2%**	**27.5%**	**8.4%**	**11.1%**	**(7.2)%**	**100.0 %**

Three months ended March 31 2005	Canada	South America	UK	Hewden	Other	Consolidated
Revenue from external sources	$ 487.6	$ 227.2	$ 276.0	$ 162.6	$ —	$ 1,153.4
Operating costs	421.5	195.8	251.2	119.5	7.1	995.1
Depreciation and amortization	27.4	5.6	20.8	35.0	—	88.8
Other expenses (income)	0.5	—	(0.1)	1.5	(1.8)	0.1
Earnings before interest and taxes	$ 38.2	$ 25.8	$ 4.1	$ 6.6	$ (5.3)	$ 69.4
Earnings before interest and taxes						
- percentage of revenue	7.8%	11.3%	1.5%	4.0%	—	6.0%
- percentage by operations	55.1%	37.1%	5.9%	9.4%	(7.5)%	100.0 %

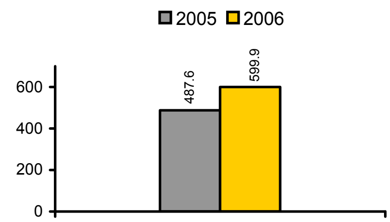
Canadian Operations

The Canadian operating segment primarily reflects the results of the Company's operating division, Finning (Canada). This reporting segment also includes the Company's interest in OEM Remanufacturing Company Inc. (OEM), which became fully operational late in the second quarter of 2005. OEM is a component rebuild facility based in Edmonton, Alberta.

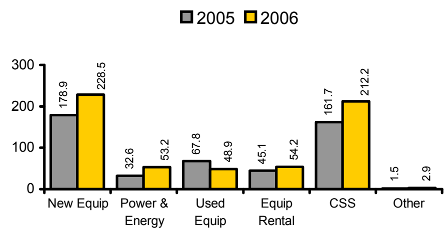
The table below provides details of the results from the Canadian operating segment:

($ millions) **Three months ended March 31**		**2006**		2005
Revenue from external sources	**$**	**599.9**	$	487.6
Operating costs		**520.6**		421.5
Depreciation and amortization		**32.6**		27.4
Other expenses (income)		**(10.0)**		0.5
Earnings before interest and taxes	**$**	**56.7**	$	38.2
Earnings before interest and taxes - as a percentage of revenue		**9.5%**		7.8%
- as a percentage of consolidated earnings before interest and taxes		**60.2%**		55.1%

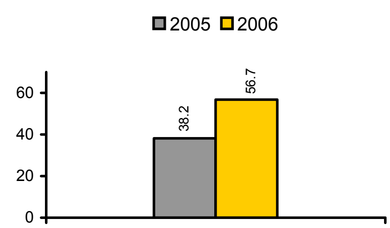
Canada – Revenue ($ millions)
Three months ended March 31



Canada – Revenue by Line of Business
($ millions)
Three months ended March 31



Canada – EBIT ($ millions)
Three months ended March 31



Record results were achieved in the Company's Canadian operations in the first quarter of 2006. Revenues, which were the strongest quarterly revenues ever recorded, increased 23% over the 2005 levels to almost $600 million. This reflects continued strength in Alberta based operations combined with growth from British Columbian operations which contributed over 37% of revenues in the first quarter of 2006, an increase from 27% in 2005. The increase in revenues was attributable to significant strength in the mining, petroleum and construction sectors driven by strong commodity and energy prices as well as higher levels of infrastructure spending. Power and energy systems revenues were also strong in the quarter due to deliveries into major shipbuilding projects.

In the fourth quarter of 2005, Finning (Canada) experienced a six-week labour stoppage and as a result ended the year with a higher than normal backlog of equipment awaiting preparation and delivery to customers. To alleviate both the backlog of preparation work and meet the anticipated strong new sales demand, Finning (Canada) actively initiated additional recruitment strategies to meet the new business demands. This has resulted in the addition of approximately 250 qualified mechanics, technicians and support personnel in the first quarter of 2006.

A 5.9% strengthening of the Canadian dollar relative to the U.S. dollar, year over year, had a negative impact on Finning (Canada)'s U.S. dollar based earnings of approximately $22 million on revenues. In spite of this, revenues from all lines of business in Canada increased over 2005 levels with the exception of used equipment revenues which vary depending on product availability, customer buying preferences and exchange rate considerations. Finning (Canada) experienced strong performance in customer support services mostly due to higher demand for parts, price realization and the incremental revenues related to fuel and lubricant sales from the Company's alliance with Shell. This alliance contributed approximately

31% of the 2006 increase in customer support service revenues, albeit at lower margins than that of the traditional dealership parts business. Rental revenues increased over the 2005 comparable period as a result of a higher investment in rental assets primarily due to the increased demand experienced by the Cat Rental Stores in 2006.

New equipment orders from customers continue to outpace prior year volumes. Backlog remains strong due to the record number of sales orders being processed. Backlog reflects the strong activity in the mining, petroleum, and construction sectors where the Canadian operations operate.

In Canada, higher gross profits were achieved due to strong customer demand and price realization. In addition, gross margin as a percentage of revenue increased in the first quarter of 2006 compared with the 2005 level. The Canadian operations experienced a modest change in the mix of revenues in 2006 away from equipment sales, which attract a lower margin than the customer support services business which made up more of the mix in 2006. This was partially offset by the lower margins contributed by the Shell alliance business. Customer service demand for the Canadian operations increased as a result of a higher number of service maintenance contracts and higher activity as equipment was prepared for delivery to customers. As a result of this increased demand, the Canadian operations added revenue-generating employees and support staff. In addition, Finning (Canada) experienced improved equipment margins due to strong demand and improved rental margins from the Cat Rental Store volumes.

The Canadian operations have implemented various projects to achieve cost efficiencies and reduce certain selling, general and administrative (SG&A) costs. Savings realized from these projects were offset by higher costs incurred as a result of record activity levels in the first quarter of 2006 compared to 2005 and higher variable costs to support the increased volumes and meeting customer demands. Other key factors affecting the SG&A increase in 2006 compared with 2005 include:

- Additional costs for recruitment, relocation and training of new technicians, and support staff. Headcount for Finning (Canada) increased by approximately 300 or 11% compared to March 2005 and as a result, higher salaries and benefit costs were incurred in the first quarter of 2006.
- Higher costs incurred by OEM which was not in full production until the second quarter of 2005 and is not yet operating at full capacity.
- Higher pension and long-term incentive plan (LTIP) costs.

Finning (Canada) and the International Association of Machinists and Aerospace Workers – Local Lodge 692, covering approximately 800 unionized employees located in British Columbia and the Yukon, reached agreement on a three-year collective agreement which expires April 14, 2009. The new agreement provides for a wage increase of 4.5% in year one, and 4% in each of years two and three, retroactive to April 15 2006. The settlement also provides improvements in shift premiums, allowances, benefits and staffing processes.

Other income for the first quarter of 2006 includes a $5.1 million pre-tax gain on the sale of surplus property at Finning (Canada) and a $5.3 million pre-tax gain recorded on the sale of a portion of OEM's remanufacturing business. OEM sold its railroad and non-Caterpillar engine component remanufacturing business to Caterpillar. Caterpillar and OEM have signed an initial two-year agreement under which OEM will provide remanufacturing services to Caterpillar for these lines of business. Caterpillar will provide all sales and marketing functions and OEM will perform the remanufacturing work for the initial term of the agreement. OEM continues to provide remanufacturing services under a long-term contract to Finning (Canada) in support of their customers in western Canada.

Record revenues due to strong demand and timing of deliveries in the Canadian operations and gains on sale of property and businesses, partially offset by higher SG&A costs, translated into a strong contribution by the Canadian operating segment to EBIT of $56.7 million in 2006 compared with $38.2 million in 2005.

South America

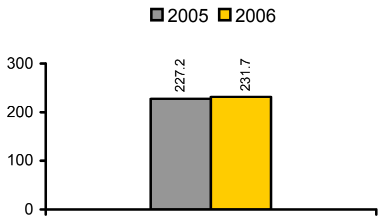
The Company's South American operations include the results of its Caterpillar dealerships in Chile, Argentina, Uruguay and Bolivia.

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

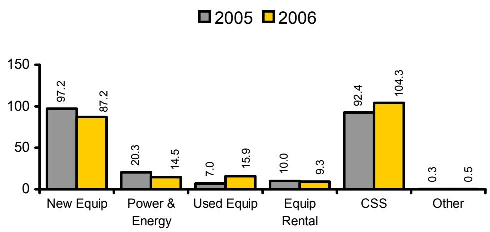
($ millions) **Three months ended March 31**		**2006**		2005
Revenue from external sources	**$**	**231.7**	$	227.2
Operating costs		**199.4**		195.8
Depreciation and amortization		**6.4**		5.6
Earnings before interest and taxes	**$**	**25.9**	$	25.8
Earnings before interest and taxes - as a percentage of revenue		**11.2%**		11.3%
- as a percentage of consolidated earnings before interest and taxes		**27.5%**		37.1%

Revenues for the first quarter of 2006 at $231.7 million exceeded the 2005 level by 2.0%, notwithstanding the negative impact of a 5.9% strengthening of the Canadian dollar relative to the U.S. dollar. In local currency (U.S. dollar), Finning South America revenues increased 8.3% reflecting stronger customer support services revenue and higher sales of used mining equipment. The strong commodity cycle and record high metal prices, together with strong economic growth in the countries in which Finning South America operates, continued to fuel the demand for most lines of business. Growth experienced in customer support services reflects higher activity from the numerous mining maintenance and repair contracts entered into over the past couple of years. New equipment order backlog continues to be strong and is higher than December 2005 levels, although down approximately 15% from the record levels set in March 2005.

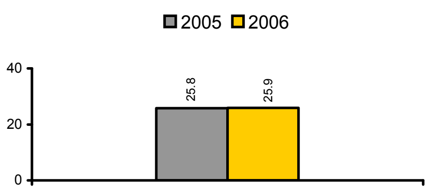
South America – Revenue ($ millions)
Three months ended March 31



South America – Revenue by Line of Business ($ millions)
Three months ended March 31



South America – EBIT ($ millions)
Three months ended March 31



In local currency, gross profit increased in the first quarter of 2006 in absolute terms although gross margin as a percentage of revenue was lower. This occurred in spite of the revenue mix shift towards customer support services, as higher costs were incurred to manage the long-term maintenance contracts and to meet customer demand as certain parts are in short supply. Management continues to work with customers and Caterpillar to mitigate these costs. Finning South America has numerous initiatives underway to reduce SG&A costs.

SG&A costs increased in the first quarter of 2006 compared with 2005 as variable selling costs were higher, year over year, supporting the incremental customer support services business volumes. In addition, costs increased to support a 10% higher headcount of approximately 400 technical and support employees.

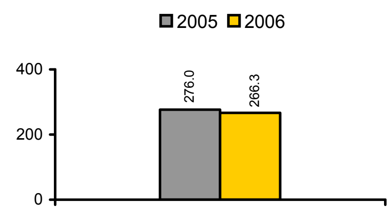
In local currency, EBIT improved 6.7% in the first quarter of 2006 compared to the prior year. When translated into Canadian dollars, EBIT of $25.9 million in 2006 was relatively unchanged from EBIT of $25.8 million in 2005. EBIT as a percentage of revenue for Finning South America at 11.2% was higher than the EBIT percentage of 9.5% experienced for the full year of 2005 and continued at the highest contribution rate of all operations.

United Kingdom ("UK") Group

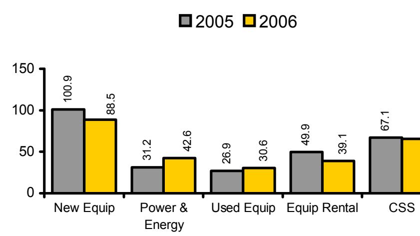
The UK Group includes the Company's UK Operations and Hewden Operations, described below.

UK Operations

UK – Revenue ($ millions)
Three months ended March 31



UK – Revenue by Line of Business ($ millions)
Three months ended March 31



UK – EBIT ($ millions)
Three months ended March 31

The Company's UK Operations include the results of Finning (UK) which operates the Caterpillar dealership in the U.K. (Construction Equipment and Power Systems divisions) and the UK Materials Handling business. Also included in the UK Operations is Diperk UK, sole distributor of Perkins engines in the U.K. marketplace.

The table below provides details of the results from the UK Operations:

($ millions) **Three months ended March 31**		**2006**		2005
Revenue from external sources	**$**	**266.3**	$	276.0
Operating costs		**240.8**		251.2
Depreciation and amortization		**16.6**		20.8
Other expenses (income)		**1.0**		(0.1)
Earnings before interest and taxes	**$**	**7.9**	$	4.1
Earnings before interest and taxes - as a percentage of revenue		**3.0%**		1.5%
- as a percentage of consolidated earnings before interest and taxes		**8.4%**		5.9%

Revenues in 2006 of $266.3 million were down by 3.5% from the prior year. Excluding the impact of foreign currency translation resulting from the 12.7% strengthening of the Canadian dollar relative to the U.K. pound sterling, revenues in the UK Operations increased 10.6% in local currency over the prior year. This reflected improvements in the Construction Equipment and Power Systems divisions. Activity was strong in the quarrying sector in the first quarter of 2006 matching the favourable performance experienced in the same period of 2005.

Activity in the mining sector continued to be strong with higher coal prices driving increased extraction activity in the U.K. and as a result, a higher number of machines were delivered to customers in the first quarter of 2006. Revenue for new power and energy systems benefited from the completion of power generation projects and an increase in the delivery of units to customers in the first quarter of 2006. New order backlog at March 2006 was higher than the December 2005 levels.

In local currency, customer service revenues increased 11.9%, year over year, reflecting stronger volumes in the Construction Equipment and Power Systems divisions. The restructuring of the customer support services in the UK Operations in 2005 to more of a regional structure to better serve customers increased activity, which also contributed to the 2006 improved revenue levels.

In local currency, revenue from the Materials Handling division of the UK Operations was slightly lower than the same period last year and reflects a revenue mix shift from rental revenues to equipment sales. Downward trends experienced in the materials handling rental activity in 2005 continued into 2006. Rental revenues were lower in both short term and long term rental contracts partially due to the reduced level of customer demand, resulting in a lower rental fleet size, and partially due to more customers obtaining external financing for lift trucks. The Materials Handling division records sales revenue for externally financed trucks as opposed to future rental revenues if financed internally. Sales revenue from rental fleet assets and new equipment sales exceeded the 2005 levels. This increase in the first quarter of 2006 was partially attributable to the special sales programs initiated in late 2005 providing customers with favourable financing terms and manufacturer supported pricing incentives. Revenue in the first quarter of 2006 also improved due to an increase in the Materials Handling's truck care customer support service reflecting management initiatives and focus on this business over recent months.

Gross profit in 2006 for the UK Operations was lower in absolute terms due to the stronger Canadian dollar. In local currency, gross profit increased 6.4% over last year although gross profit margin as a percentage of revenue was lower than 2005. This was partially due to a higher proportion of revenue from sales of equipment, which typically earn lower margins than other lines of business, and lower margin percentages achieved in a very competitive U.K. marketplace. Management at Finning (UK) continues to focus on improving margins in all areas, reducing costs and working with Caterpillar to increase market share.

In spite of the growth in local currency revenues, SG&A costs decreased in the first quarter of 2006 compared to the same period of 2005 as a result of various initiatives and management's focus on cost reduction projects. While variable selling costs rose in line with the revenue growth, other key factors affecting SG&A costs include:

- Lower costs in the Materials Handling division of approximately 15% reflecting headcount reductions taken in 2005
- Lower collection costs and information system charges
- Lower pension costs as changes to employee pensionable benefits announced in the fourth quarter of 2005 were implemented

Other expenses recorded in the first three months of 2006 include costs related to a branch relocation and restructuring costs which will result in future cost savings.

For the first quarter, the UK Operations contributed $7.9 million of EBIT in 2006, almost double the EBIT of $4.1 million recorded in 2005, reflecting an improvement in all divisions, particularly Power Systems and Materials Handling. EBIT as a percentage of revenue also doubled to 3.0% in the first quarter of 2006, from 1.5% in the comparative period last year, the highest return in the past five quarters.

Hewden Operations

Hewden is an equipment rental and associated services operation in the United Kingdom.

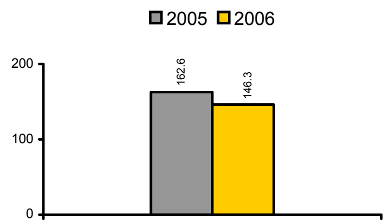
The table below provides details of the results from Hewden:

($ millions) **Three months ended March 31**		**2006**		2005
Revenue from external sources	**$**	**146.3**	$	162.6
Operating costs		**105.2**		119.5
Depreciation and amortization		**31.1**		35.0
Other expenses (income)		**(0.4)**		1.5
Earnings before interest and taxes	**$**	**10.4**	$	6.6
Earnings before interest and taxes				
- as a percentage of revenue		**7.1%**		4.0%
- as a percentage of consolidated earnings before interest and taxes		**11.1%**		9.4%

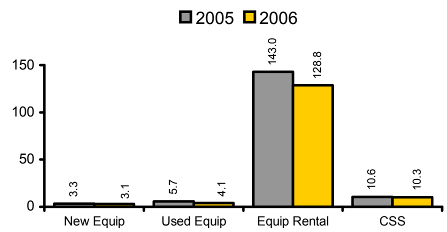
Hewden revenues decreased 10.0% to $146.3 million for the first quarter of 2006 compared with 2005, although in local currency, revenues increased 3.1%. In spite of continued competitive pressures in the UK marketplace, Hewden did benefit from moderate increases in rental prices. However, most of the increase in revenues is attributed to an additional three business days in 2006 compared to the prior year's quarter. The second quarter of 2006 will have fewer business days than the same period of the prior year.

Gross profit increased in absolute terms and as a percentage of revenue due to the increase in rental revenues as well as savings related to head count reductions and other cost savings initiatives. Partially offsetting the volume increase were higher fuel costs compared to the same period last year.

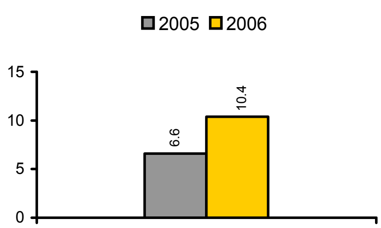
Hewden – Revenue ($ millions)
Three months ended March 31



Hewden – Revenue by Line of Business
($ millions)
Three months ended March 31



Hewden – EBIT ($ millions)
Three months ended March 31



In local currency, Hewden's SG&A costs increased 2.8% and were affected by:

- Inflationary impact on people costs
- Higher costs associated with credit and collection functions. Some of these costs are system driven and also reflect a higher level of business failures being experienced in the U.K. construction industry.
- Savings from employee headcount reductions as a result of cost-saving initiatives.

Other income in the first quarter of 2006 reflects a gain on the sale of surplus properties amounting to $1.3 million (2005: $0.6 million) offset partially by $0.9 million of project costs (2005: $2.1 million). To further improve revenues and operational results, Hewden continues to focus on various inter-related projects to improve financial performance and efficiencies in meeting the needs of a core customer base. These projects, in conjunction with Hewden's new information technology system, are expected to increase asset utilization and reduce costs. Project costs relating to these initiatives are expected to continue thoughout 2006 and 2007. Progress on projects continued in the quarter, albeit slower in some areas while focus was placed on the information technology project which will consolidate the current systems, simplify the business processes and provide a lower cost per transaction.

Hewden contributed $10.4 million of EBIT in the first quarter of 2006 compared with $6.6 million in 2005, a 57.6% increase, reflecting the impact on revenues, margins and SG&A and other items discussed above, offset by the adverse impact of a stronger Canadian dollar when translating Hewden's results from U.K. pound sterling. As a percentage of revenue, EBIT return increased from 4.0% last year to 7.1% in 2006.

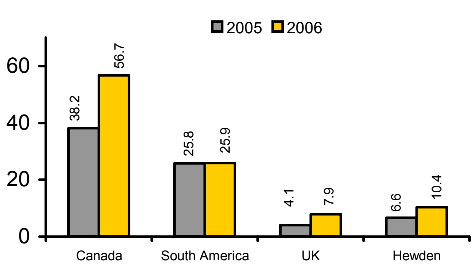
Corporate and Other Operations

Operating costs of $6.7 million in the first quarter of 2006 were down $0.4 million from 2005. In 2005, the Company reported a $1.8 million gain on sale of its investment in Maxim Power Corp.

Earnings Before Interest and Taxes (EBIT)

On a consolidated basis, EBIT increased by 35.7% to $94.2 million in the first quarter of 2006 partially due to the gains realized in 2006 in Canada. Excluding these gains, EBIT increased by $14.4 million or 20.7%. This growth was due to strong volumes experienced in Canada. The increase in gross profit of $28.9 million in the first quarter of 2006 compared with the same period in 2005 was somewhat offset by higher SG&A costs as headcount increased to meet business growth and customer service demand. EBIT was negatively impacted in 2006 due to the strengthening Canadian dollar relative to the U.S. dollar and U.K. pound sterling. The foreign exchange variance is mainly due to translating foreign sourced results from certain operations into Canadian dollars. EBIT as a percentage of revenue increased from 6.0% in the first quarter of 2005 to 7.6% in the first quarter of 2006.

EBIT by operation
($ millions)
Three months ended March 31



Major components of the quarterly EBIT variance were:

	($ millions)
2005 Q1 EBIT	69.4
Net growth in operations, primarily Canada	23.6
Foreign exchange impact	(8.3)
Gain on sale of surplus properties in Canada	5.1
Gain on sale of OEM's railroad and non-Cat remanufacturing business	5.3
Other net expenses	(0.9)
2006 Q1 EBIT	**94.2**

Finance Costs

Finance costs for the three months ended March 31, 2006 of $18.3 million were 11.2% lower than the comparable period last year primarily due to the following:

- Favourable foreign exchange impact of translating U.K. pound sterling and U.S. denominated finance costs in 2006 with a stronger Canadian dollar, and
- Lower average short-term debt levels.

These decreases were partially offset by higher short-term interest rates. Debt levels decreased in most operations in the first quarter of 2006 as cash was generated from operations and spending was deferred.

Provision for Income Taxes

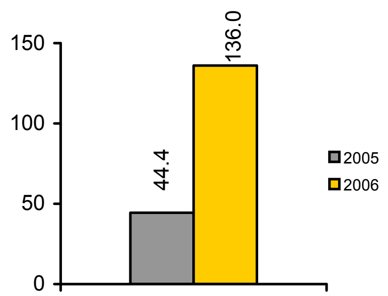
Income tax expense for the current quarter was $19.0 million (25.0% effective tax rate) compared with $11.4 million (23.4% effective tax rate) for the same period in 2005, primarily as a result of increased income and earnings originating in the higher Canadian tax jurisdiction relative to total earnings than in the first quarter of 2005.

Net Income

Net income increased 52.1% to $56.9 million in the first quarter of 2006 compared with $37.4 million in the comparative period in 2005 reflecting the strong contributions from the Canadian operation, lower finance costs, and the gain on sales of surplus properties and business divestitures in Canada. First quarter 2006 results were tempered by the unfavourable foreign exchange impact of approximately $5.2 million after-tax, primarily due to translating foreign sourced earnings with a stronger Canadian dollar. Basic earnings per share increased to $0.64 in the first quarter of 2006 compared with $0.42 in the comparative period last year. Excluding gains on the sale of surplus properties and a portion of the OEM remanufacturing business, earnings per share would have been $0.54 and 28.6% higher than the first quarter of 2005.

Liquidity and Capital Resources

Cash flow after working capital changes
($ millions)
Three months ended March 31



Cash Flow from Operating Activities

For the three months ended March 31 2006, cash flow after working capital changes was $136.0 million, a significant improvement from cash flow of $44.4 million generated in the same period last year. While cash flow strengthened from the higher operating results in the quarter, the increase was primarily due to stabilizing working capital requirements and continued management focus on improving cash cycle times and operating efficiencies.

In the first quarter of 2006, the Company continued to invest in inventories to support strong customer demand and manage product availability issues, although at a lower amount than the prior year. This was offset by higher tax instalment payments in 2006.

The Company made a net investment in rental assets of $80.6 million during the first quarter of 2006, an increase of $11.2 million from the same period in 2005. Rental fleets are being replenished in 2006, particularly in Canada, where rental assets were utilized in 2005 to support customer demand and help offset product availability issues. Continuing the 2005 trend, fewer rental assets were purchased by the UK Materials Handling business due to lower demand and higher external customer financing. As a result of these items, cash flow from operating activities was $51.8 million in the first quarter of 2006 compared to a use of cash of $25.0 million in the first quarter of 2005.

Cash Used For Investing Activities

Net cash invested in the first quarter of 2006 totalled $8.0 million compared with $2.7 million in the same period in 2005. Gross capital additions for the three months ended March 31, 2006 were $19.4 million (three months ended March 31, 2005: $18.0 million). The capital additions in the first quarter of 2006 reflect general capital spending to support operations and also included the capitalization of costs related to the development of Hewden's new information system. The capital additions in the first quarter of 2005 related primarily to cash invested in OEM's new component rebuild facility. The facility became fully operational late in the second quarter of 2005 at a cost of approximately $72.0 million incurred over 2004 and 2005.

In 2006, proceeds of $13.7 million were received on the settlement of foreign currency forwards that hedged foreign subsidiary investments and proceeds of $5.3 million were received on the divestiture of a portion of the OEM Remanufacturing business to Caterpillar Inc. In 2005, $16.0 million of proceeds were received on the sale of the Company's investment in Maxim Power Corp.

Financing Activities

The Company's short and long-term borrowings totalled $1,237.4 million, an increase of $5.7 million since December 31, 2005 primarily due to translating foreign denominated debt into Canadian dollars.

Dividends paid to shareholders were $11.6 million, $1.9 million higher than the first quarter of 2005 due to an increase in the quarterly dividend rate from $0.11 to $0.13 per share announced in early 2006.

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 (AIF) with key financial risks also included in the Company's Annual Management's Discussion & Analysis (MD&A). On a quarterly basis, the Company assesses all of its key risks and any changes to key financial or business risks are disclosed in the Company's quarterly MD&A. For further details on the management of liquidity and capital resources, financial derivatives and financial risks and uncertainties, please refer to the Company's AIF and MD&A for the year ended December 31, 2005.

There have been no significant changes or new key risks identified from the key risks as disclosed in the Company's AIF for the year ended December 31 2005, which can be found at www.sedar.com and www.finning.com.

Sensitivity to variances in foreign exchange rates

The Company is geographically diversified, with significant investments in several different countries. Finning transacts business in multiple currencies, the most significant of which are the U.S. 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 2005 annual MD&A.

The sensitivity of the Company's annual net earnings to fluctuations in average annual foreign exchange rates is summarized in the table below. The table assumes that the Canadian dollar strengthens 5% against the currency noted, for a full year relative to the March 2006 month end rates, without any change in local currency volumes or hedging activities.

Currency	March 31, 2006 month end rates	Increase (decrease) in annual net income $ millions
USD	1.1671	(13)
GBP	2.0299	(4)
EUR	1.4169	1
CHP	0.0022	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

$ millions, except for share and option data	2006	2005				2004			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue									
Canada	$ 599.9	$ 521.5	$ 531.1	$ 509.5	$ 487.6	$ 456.2	$ 381.5	$ 363.1	$ 361.8
South America	231.7	246.9	258.9	274.3	227.2	210.1	256.0	203.1	200.7
UK	266.3	268.3	264.9	313.3	276.0	244.4	268.4	290.7	240.0
Hewden	146.3	147.3	170.8	174.4	162.6	164.5	180.0	175.7	165.7
Total revenue	$1,244.2	$1,184.0	$1,225.7	$1,271.5	$1,153.4	$1,075.2	$1,085.9	$1,032.6	$ 968.2
Net income	$ 56.9	$ 36.2	$ 44.8	$ 45.6	$ 37.4	$ 20.1	$ 43.1	$ 27.8	$ 23.9
Earnings per common share									
Basic	$ 0.64	$ 0.41	$ 0.50	$ 0.52	$ 0.42	$ 0.23	$ 0.56	$ 0.35	$ 0.31
Diluted	$ 0.63	$ 0.40	$ 0.50	$ 0.51	$ 0.42	$ 0.23	$ 0.55	$ 0.35	$ 0.30
Total assets	$3,868.0	$3,736.4	$3,754.3	$3,916.8	$3,905.3	$3,804.0	$3,683.6	$3,744.2	$3,555.0
Long-term debt									
Current	$ 80.3	$ 80.3	$ 6.3	$ 4.1	$ 5.1	$ 6.5	$ 156.3	$ 158.7	$ 159.1
Non-current	848.9	844.6	843.0	866.6	885.3	889.6	738.9	767.3	765.9
Total long-term debt	$ 929.2	$ 924.9	$ 849.3	$ 870.7	$ 890.4	$ 896.1	$ 895.2	$ 926.0	$ 925.0
Cash dividends paid per common share	$ 0.13	$ 0.11	$ 0.11	$ 0.11	$ 0.11	$ 0.10	$ 0.10	$ 0.10	$ 0.10
Common shares outstanding (000's)	89,371	89,202	89,138	88,906	88,608	88,390	78,037	77,849	77,937
Options outstanding (000's)	1,305	1,474	1,545	1,810	1,812	2,016	2,359	2,546	2,564

Outstanding Share Data

As at May 5, 2006	
Common shares outstanding	**89,389,212**
Options outstanding	**1,287,495**

Market Outlook

The outlook for Finning's business in western Canada and South America continues to be strong. Resource based industries are prospering and general construction spending and government spending on infrastructure projects are at high levels.

Business conditions in the U.K. continue to be very competitive. Construction activity, the key business driver in the U.K. continues at moderate levels.

The company-wide plan to reduce costs by $60 million by the end of 2006 is on track and the Company expects to have its cost savings fully in place by January 1, 2007. To date, projects have been completed that will generate over $46.7 million of annual savings.

The Company is being challenged in some instances by a constrained supply for certain types of equipment and engines, as well as some parts. Finning is working closely with Caterpillar, the key supplier, to manage supply constraints and Caterpillar is working to improve availability.

The Company's results are negatively impacted by a stronger Canadian dollar compared to the U.S. dollar and the U.K. pound sterling in the translation of foreign currency earnings. The Company's remaining 2006 results will continue to be negatively impacted as a result of translating foreign currency based earnings should the strength of the Canadian dollar continue against the U.S. dollar and the U.K. pound sterling.

The Company's order backlog is currently at record levels and the key customers are, for the most part, profitable and growing. The current economic environment, commodity pricing and launched and pending cost efficiency initiatives, taken together, continue to provide a positive outlook for the Company's medium to long-term growth opportunities.

May 10, 2006

INTERIM CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Three months ended March 31 ($ thousands, except share and per share amounts)	**2006** **unaudited**	2005 unaudited
Revenue		
New mobile equipment	**$ 407,360**	$ 380,346
New power and energy systems	**110,221**	84,094
Used equipment	**99,583**	107,437
Equipment rental	**231,444**	247,977
Customer support services	**392,267**	331,793
Finance, operating leases and other	**3,341**	1,739
Total revenue	**1,244,216**	1,153,386
Cost of sales	**887,417**	825,413
Gross profit	**356,799**	327,973
Selling, general and administrative expenses	**272,016**	258,449
Other expenses (income) (Note 2)	**(9,466)**	137
Earnings before interest and taxes	**94,249**	69,387
Finance costs (Note 3)	**18,314**	20,625
Income before provision for income taxes	**75,935**	48,762
Provision for income taxes	**19,000**	11,402
Net income	**$ 56,935**	$ 37,360
Retained earnings, beginning of period	**$ 975,254**	$ 850,321
Net income	**56,935**	37,360
Dividends on common shares	**(11,599)**	(9,745)
Retained earnings, end of period	**$ 1,020,590**	$ 877,936
Earnings per share		
Basic	**$ 0.64**	$ 0.42
Diluted	**$ 0.63**	$ 0.42
Weighted average number of shares outstanding	**89,237,647**	88,529,090

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

INTERIM CONSOLIDATED BALANCE SHEETS

($ thousands)	March 31 2006 unaudited	December 31 2005 audited
ASSETS		
Current assets		
Cash and cash equivalents	**$ 78,114**	$ 27,683
Accounts receivable	**606,876**	569,098
Inventories		
On-hand equipment	**652,793**	648,853
Parts and supplies	**403,096**	382,963
Other assets	**180,541**	186,180
Total current assets	**1,921,420**	1,814,777
Finance assets	**21,803**	19,826
Rental equipment	**1,064,955**	1,050,490
Capital assets	**359,310**	348,905
Goodwill	**368,857**	364,827
Other assets	**131,661**	137,563
	$ 3,868,006	$ 3,736,388
LIABILITIES		
Current liabilities		
Short-term debt	**$ 308,225**	$ 306,792
Accounts payable and accruals	**991,802**	886,179
Income tax payable	**28,632**	50,758
Current portion of long-term debt	**80,294**	80,294
Total current liabilities	**1,408,953**	1,324,023
Long-term debt	**848,874**	844,638
Long-term obligations	**87,273**	98,083
Future income taxes	**55,418**	56,666
Total liabilities	**2,400,518**	2,323,410
SHAREHOLDERS' EQUITY		
Share capital	**570,731**	568,121
Contributed surplus	**3,147**	2,739
Cumulative currency translation adjustments	**(126,980)**	(133,136)
Retained earnings	**1,020,590**	975,254
Total shareholders' equity	**1,467,488**	1,412,978
	$ 3,868,006	$ 3,736,388

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

Three months ended March 31 ($ thousands)	2006 unaudited	2005 unaudited
OPERATING ACTIVITIES		
Net income	**$ 56,935**	$ 37,360
Add items not affecting cash		
Depreciation and amortization	**86,711**	88,741
Future income taxes	**(1,825)**	(2,019)
Stock-based compensation	**3,188**	2,702
Other	**(12,904)**	(2,362)
	132,105	124,422
Changes in working capital items		
Accounts receivable and other	**(39,525)**	(96,182)
Inventories – on-hand equipment	**(1,716)**	(24,776)
Inventories – parts and supplies	**(19,236)**	(23,615)
Instalment notes receivable	**550**	14,390
Accounts payable and accruals	**87,112**	41,033
Income taxes	**(23,300)**	9,091
Cash provided after changes in working capital items	**135,990**	44,363
Rental equipment, net of disposals	**(80,632)**	(69,412)
Equipment leased to customers, net of disposals	**(3,551)**	58
Cash flow provided by (used in) operating activities	**51,807**	(24,991)
INVESTING ACTIVITIES		
Net additions to capital assets	**(11,015)**	(13,344)
Net proceeds on sale of equity investment	**—**	16,000
Proceeds on sale of business	**5,331**	—
Proceeds on settlement of foreign currency forwards	**13,723**	—
Cash provided by investing activities	**8,039**	2,656
FINANCING ACTIVITIES		
Increase in short-term debt	**1,608**	31,710
Repayment of long-term debt	**(1,115)**	(1,367)
Issue of common shares on exercise of stock options	**2,512**	2,478
Dividends paid	**(11,599)**	(9,745)
Cash provided by (used in) financing activities	**(8,594)**	23,076
Currency translation adjustments	**(821)**	(111)
Increase in cash and cash equivalents	**50,431**	630
Cash and cash equivalents, beginning of period	**27,683**	15,843
Cash and cash equivalents, end of period	**$ 78,114**	$ 16,473
Cash flows include the following elements		
Interest paid	**$ (5,618)**	$ (7,350)
Income taxes paid	**$ (40,675)**	$ (4,080)

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

1. Significant 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, 2005 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 2006 presentation.

2. Other Expenses (Income)

Other expenses (income) include the following items:

Three months ended March 31 ($ thousands)	**2006**	2005
Gain on sale of surplus properties in Canada	**$ (5,088)**	$ —
Gain on sale of railroad and non-Cat remanufacturing business in Canada (a)	**(5,331)**	—
Restructuring and project costs	**2,240**	4,326
Gain on sale of other surplus properties	**(1,287)**	(2,362)
Gain on sale of equity investment (b)	**—**	(1,827)
	(9,466)	137
Tax recovery (expense) on net other expenses	**(1,464)**	448
Other expenses (income), net of tax	**$ (8,002)**	$ (311)

(a) In March 2006, the Company sold its railroad and non-Cat engine component remanufacturing business resulting in a pre-tax gain of approximately $5.3 million.

(b) In March 2005, the Company sold its 36% interest in Maxim Power Corporation for cash of $16.0 million, resulting in a pre-tax gain of approximately $1.8 million.

3. Short-Term and Long-Term Debt

Finance Expense

Finance costs as shown on the consolidated statement of income is comprised of the following elements:

Three months ended March 31 ($ thousands)	**2006**	2005
Interest on debt securities:		
Short-term debt	**$ 4,430**	$ 6,256
Long-term debt	**13,465**	13,216
	17,895	19,472
Interest on swap contracts	**(320)**	360
Amortization of deferred debt costs, other finance related expenses and sundry interest earned	**739**	793
	$ 18,314	$ 20,625

4. Share Capital

Common shares issued and outstanding are:

	Three months ended March 31 2006		Twelve months ended December 31 2005	
($ thousands, except share amounts)	**Shares**	**Amount**	Shares	Amount
Balance, beginning of period	**89,201,664**	**$ 568,121**	88,389,881	$ 557,740
Issued – stock option plans	**169,548**	**2,610**	811,783	10,381
Balance, end of period	**89,371,212**	**$ 570,731**	89,201,664	$ 568,121

5. Stock-Based Compensation Plans

The Company has a number of stock-based compensation plans, which are described below.

Other stock-based compensation plans

Deferred Share Unit Plans

The Company's Executive Deferred Share Unit Plan (DSU-B) vests at specified percentages if the Company's common share price exceeds specified levels, for ten consecutive days, the common share price at the date of grant. There was no vesting activity in the first quarter of 2006. In the first quarter of 2005, the Company's share price increased to levels that resulted in the vesting of two tranches of the DSU-B plan. Details of the deferred share unit plans, which reflect the vestings in the quarter as well as mark-to-market adjustments, for the three-month period ended March 31, as are follows:

Three months ended March 31	**2006**				2005			
Units	**DSU-A**	**DSU-B**	**DDSU**	**Total**	DSU-A	DSU-B	DDSU	Total
Outstanding, beginning of period	**51,783**	**755,086**	**158,479**	**965,348**	52,716	723,301	163,072	939,089
Additions during period	**170**	**1,983**	**2,000**	**4,153**	172	1,600	2,370	4,142
Exercised/cancelled during period	**—**	**(71,087)**	**—**	**(71,087)**	—	(25,323)	—	(25,323)
Outstanding, end of period	**51,953**	**685,982**	**160,479**	**898,414**	52,888	699,578	165,442	917,908
Vested, beginning of period	**51,783**	**668,761**	**158,479**	**879,023**	52,716	388,050	163,072	603,838
Vested during period	**170**	**1,983**	**2,000**	**4,153**	172	124,536	2,370	127,078
Exercised/cancelled during period	**—**	**(63,087)**	**—**	**(63,087)**	—	(21,466)	—	(21,466)
Vested, end of period	**51,953**	**607,657**	**160,479**	**820,089**	52,888	491,120	165,442	709,450
Liability ($ thousands)								
Balance, beginning of period	**$ 1,923**	**$24,838**	**$ 5,886**	**$32,647**	$ 1,844	$13,578	$ 5,706	$21,128
Expensed during period	**82**	**1,091**	**308**	**1,481**	(105)	3,323	(266)	2,952
Exercised/cancelled during period	—	**(2,473)**	—	**(2,473)**	—	(753)	—	(753)
Balance, end of period	**$ 2,005**	**$23,456**	**$ 6,194**	**$31,655**	$ 1,739	$16,148	$ 5,440	$23,327

Management Share Appreciation Rights Plan (SAR)

In the first quarter of 2006 and 2005, there were no additional SAR units issued. However, an expense of $1.2 million was recorded in 2006 (2005: $0.6 million income) as a result of the change in the market price of the Company's common shares compared to the exercise price of vested units. SAR units vest over a three-year period.

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.

Three months ended March 31 ($ thousands, except share and per share amounts)					
2006		Income	Shares		Per Share
Basic earnings per share: net income	**$**	**56,935**	**89,237,647**	**$**	**0.64**
Effect of dilutive securities: stock options		**—**	**638,401**		**—**
Diluted earnings per share: net income and assumed conversions	**$**	**56,935**	**89,876,048**	**$**	**0.63**
2005					
Basic earnings per share: net income	$	37,360	88,529,090	$	0.42
Effect of dilutive securities: stock options		—	1,001,714		—
Diluted earnings per share: net income and assumed conversions	$	37,360	89,530,804	$	0.42

7. Currency Rates

The Company operates in three functional currencies: Canadian dollars, U.K. pound sterling and U.S. dollars.

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

Exchange rate as at	**March 31 2006**	December 31 2005	March 31 2005
U.S. dollar	**1.1671**	1.1659	1.2096
U.K. pound sterling	**2.0299**	2.0036	2.2848
Average exchange rates three months ended March 31			
U.S. dollar	**1.1549**		1.2267
U.K. pound sterling	**2.0245**		2.3191

8. Employee Future Benefits

The expense for the Company's benefit plans, primarily for pension benefits, is as follows:

Three months ended March 31	**2006**				2005			
($ thousands)	**Canada**	**UK**	**Hewden**	**Total**	Canada	UK	Hewden	Total
Defined contribution plans	**$ 3,015**	**$ 245**	**$ 61**	**$ 3,321**	$ 2,418	$ 201	$ 70	$ 2,689
Defined benefit plans	**3,171**	**2,978**	**1,923**	**8,072**	2,172	4,773	1,818	8,763
Total benefit plan expense	**$ 6,186**	**$ 3,223**	**$ 1,984**	**$11,393**	$ 4,590	$ 4,974	$ 1,888	$11,452

9. Segmented Information

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

The reportable operating segments are:

Three months ended March 31 2006 ($ thousands)	**Canada**	**South America**	**UK**	**Hewden**	**Other**	**Consolidated**
Revenue from external sources	**$ 599,926**	**$ 231,667**	**$ 266,324**	**$ 146,298**	**$ 1**	**$ 1,244,216**
Operating costs	**520,555**	**199,390**	**240,797**	**105,209**	**6,771**	**1,072,722**
Depreciation and amortization	**32,643**	**6,364**	**16,628**	**31,076**	**—**	**86,711**
Other expenses (income)	**(10,019)**	**—**	**989**	**(436)**	**—**	**(9,466)**
Earnings before interest and taxes	**$ 56,747**	**$ 25,913**	**$ 7,910**	**$ 10,449**	**$ (6,770)**	**$ 94,249**
Finance costs						**18,314**
Provision for income taxes						**19,000**
Net income						**$ 56,935**
Identifiable assets	**$ 1,418,073**	**$ 643,559**	**$ 764,609**	**$ 977,764**	**$ 64,001**	**$ 3,868,006**
Gross capital expenditures	**$ 5,419**	**$ 4,935**	**$ 1,247**	**$ 7,797**	**$ —**	**$ 19,398**
Gross rental asset expenditures	**$ 66,348**	**$ 9,687**	**$ 17,334**	**$ 25,353**	**$ —**	**$ 118,722**

Three months ended March 31 2005 ($ thousands)	**Canada**	**South America**	**UK**	**Hewden**	**Other**	**Consolidated**
Revenue from external sources	$ 487,552	$ 227,177	$ 276,022	$ 162,617	$ 18	$ 1,153,386
Operating costs	421,514	195,826	251,247	119,458	7,076	995,121
Depreciation and amortization	27,372	5,584	20,741	35,044	—	88,741
Other expenses (income)	456	—	(45)	1,553	(1,827)	137
Earnings before interest and taxes	$ 38,210	$ 25,767	$ 4,079	$ 6,562	$ (5,231)	$ 69,387
Finance costs						20,625
Provision for income taxes						11,402
Net income						$ 37,360
Identifiable assets	$ 1,146,722	$ 683,831	$ 884,191	$ 1,074,950	$ 115,605	$ 3,905,299
Gross capital expenditures	$ 13,286	$ 1,292	$ 1,447	$ 1,858	$ 113	$ 17,996
Gross rental asset expenditures	$ 47,391	$ 11,531	$ 30,897	$ 44,520	$ —	$ 134,339