First Quarter 2007 Results *May 9, 2007*

Finning Announces Record First Quarter Results and Raises 2007 Earnings Guidance

Highlights from Continuing Operations

- Record quarterly revenues, up 21% from first quarter of 2006
- Record first quarter diluted earnings per share, up over 20% from 2006
- Record new equipment order backlog of $1.9 billion
- Quarterly dividend increase of 12.5% to $0.18 per share
- Revised annual earnings guidance increased to a range of $2.95 to $3.20 for 2007

	Three months ended March 31		
$ millions, except per share data	**2007**	2006	Change
Revenue	**1,426.4**	1,177.3	21.2%
Earnings from continuing operations before interest and income taxes (1)	**111.9**	91.6	22.2%
Net income (loss)			
from continuing operations	**69.9**	57.6	21.4%
from discontinued operations (2)	—	(0.7)	
Total net income	**69.9**	56.9	22.8%
Diluted Earnings (Loss) Per Share			
from continuing operations	**$ 0.77**	$ 0.64	20.3%
from discontinued operations (2)	—	(0.01)	
Total diluted earnings per share	**$ 0.77**	$ 0.63	22.2%
Cash flow after working capital changes	**63.1**	136.0	(53.6)%

(1) This amount does not have a standardized meaning under generally accepted accounting principles. For a reconciliation of this amount to net income from continuing operations, see the heading "Description of Non-GAAP Measure" in the Company's management discussion and analysis which accompanies the first quarter consolidated financial statements.

(2) In the third quarter of 2006, the Company's U.K. subsidiary, Finning (UK) Ltd., sold its Materials Handling Division. As a consequence, the results of operations of the Materials Handling Division have been reclassified as discontinued operations for all periods presented.

Vancouver, Canada - Finning International Inc. (Finning) today reported record quarterly revenue of $1,426.4 million for the first quarter of 2007, an increase of 21.2% over the first quarter of 2006. Earnings from continuing operations before interest and income taxes (EBIT) were $111.9 million in the first quarter of 2007, an increase of 22.2% compared with the same period last year. First quarter net income from continuing operations was $69.9 million or $0.77 diluted earnings per share, an increase of 20.3% compared with the first quarter of 2006 and the best ever first quarter results earned by the Company.

"We continue to generate excellent operating results, and break records for revenue and earnings", said Doug Whitehead, President and CEO of Finning International Inc. "This performance is driven by continued high equipment sales and growing demand for customer support services, especially in our Canadian and South American operations. The outlook beyond 2007 also looks very good as our order intake continues at attractive levels. The bright outlook is also supported by our order backlog, which is now at $1.9 billion, almost double this time last year, and up almost 23% from December 2006".

"Growth in our business continues at very strong rates", said Mike Waites, Executive Vice President and CFO of Finning International Inc. "Revenues from new equipment and power systems sales are up 29% and customer support services revenues are up 15%. I'm very pleased to note that we continue to improve our EBIT margins. We are expecting continued strong demand for the remainder of 2007 and as a result, we've increased our earnings guidance range for 2007 to $2.95 - $3.20 per share from our previous range of $2.80 - $2.95 per share."

First Quarter Results

Finning's revenues from continuing operations in the first quarter were $1,426.4 million, up 21.2% from the first quarter of 2006 driven by continued strong equipment sales and demand for customer support services. Strong commodity prices continue to drive demand in Canada and South America, and good overall economic conditions are supporting these businesses. Management believes these conditions are likely to continue throughout 2007. In the U.K., strong activity and cost efficiencies experienced at the Company's UK dealership have offset the lower rental activity in the Hewden rental business.

Finning's global order book (the retail value of new equipment units ordered by customers for future deliveries) of approximately $1.9 billion at the end of the first quarter of 2007 continues to grow and is at a new record level. This is the sixth consecutive quarter of record breaking backlog levels, which management believes are a good indicator of strong future revenues.

EBIT for the quarter was $111.9 million, compared with $91.6 million in the first quarter of 2006, an increase of 22.2%.

Adjusting for non-recurring pre-tax gains of $10.4 million recorded in the first quarter of 2006, EBIT from Finning's Canadian reporting segment would have been $46.3 million. EBIT from the Canadian reporting segment in the first quarter of 2007 of $64.6 million was 39.5% higher than the 2006 adjusted EBIT noted above. The increase was a result of exceptionally strong volumes in all lines of business.

EBIT for Finning's South American operations in the first quarter of 2007 of $38.6 million was 49.0% higher than the 2006 first quarter. Although customer support services revenues were higher in 2007, new equipment sales grew at a higher rate so that the Company's South American operations experienced a revenue mix shift to new equipment sales from customer support services.

For the UK Group, EBIT from continuing operations increased in the first quarter of 2007 to $17.3 million compared to $15.7 million in the first quarter of 2006, reflecting the positive impact of foreign currency translation due to a weaker Canadian dollar relative to the U.K. pound sterling. In local currency, EBIT for the first three months of 2007 was 3.0% lower than the same period in 2006.

Finning's net income from continuing operations for the quarter was $69.9 million compared with $57.6 million in 2006. Diluted Earnings Per Share (EPS) from continuing operations for the quarter was $0.77, and improved over the 2006 comparable diluted EPS of $0.64 reflecting the EBIT improvements noted above. The 2006 results included $0.10 of gains on the sale of surplus properties and businesses in Canada.

Cash flow after working capital changes was $63.1 million for the first quarter of 2007, compared with $136.0 million for the same period last year. This reduction was primarily due to funding working capital growth, particularly in inventories in the Company's Canadian and South American operations to meet strong customer demand and deliveries planned throughout 2007.

Outlook

With continued strength in all our markets and solid economic growth, the Company has revised its 2007 earnings guidance to a range of $2.95 to $3.20 per share. This is up from the previous guidance range of $2.80 - $2.95 per share.

Important New Contracts

Subsequent to the first quarter of 2007, Finning entered into the following noteworthy new contracts:

- Finning has secured additional exclusive distribution and service territories for MaK marine engines, which power ocean-going vessels. The distribution rights include new engine sales and delivery of parts and service. MaK Engines is a division of Caterpillar Marine Power Systems. While the existing revenue base for this new territory is modest, Finning believes there is considerable opportunity for growth. Finning's exclusive distribution territories for MaK products previously included the United Kingdom, the west coast of Canada, and Chile. Finning has now added the west coast of the United States (through a strategic alliance with NC Power Systems Co., the Caterpillar Power Systems dealer for Washington State and Alaska), all of Mexico and Central America, plus Ecuador, Peru, Argentina and Uruguay.
- Finning (Canada) has secured a major mining equipment sale of nineteen new Caterpillar 797B mining trucks valued at over $100 million to Albian Sands Energy Inc. for operation in the Alberta oil sands. Of the nineteen 400 ton trucks, sixteen will be placed into service at the new Jackpine Mine, part of Albian Sands Expansion 1, while three are being added to Albian Sands' existing fleet at the Muskeg River Mine. The trucks for the Muskeg River Mine were delivered during the first quarter of 2007 and those for the Jackpine Mine will be delivered beginning late 2007 and throughout 2008.

  A product support agreement for this equipment is currently under negotiation.

Other Developments

- In the first quarter of 2007, Finning announced its intention to initiate a normal course issuer bid. Under the issuer bid, Finning is entitled to purchase, if deemed appropriate, up to 8,929,263 common shares during the 12 month period commencing on March 30, 2007, and ending on March 29, 2008. The shares that may be repurchased under this issuer bid represent approximately 10% of Finning's public float. The actual number of shares to be purchased and the timing of these purchases will be determined by Finning.
- Finning's Board of Directors has recommended that shareholders approve a two-for-one division, or share split, of its issued and outstanding common shares. The required shareholder approval will be sought at Finning's annual meeting of shareholders scheduled today. If the proposed subdivision is approved by shareholders at the meeting and all the required regulatory approvals are obtained, it is expected that the record date for the subdivision would occur by the end of May 2007. Finning will make an advance announcement of the record date when that date has been determined.

Common Share Dividend

The Board of Directors increased the Company's quarterly dividend to $0.18 per common share, payable on June 7, 2007, to shareholders of record on May 23, 2007. This is the eighth increase in six years.

<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 9, 2007 at 4:00 pm Eastern Time. Dial-in numbers:

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

The call will be webcast live at http://www.finning.com/investors/investors.aspx 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 9, 2007 until the end of business day on May 16, 2007. The passcode to access the playback recording is 642758 followed by the number sign.

About Finning International Inc.

Finning International Inc. sells, rents 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 7, 2007

Finning International's second quarter results for 2007 will be released and an investor conference call will be held on August 7, 2007.

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 2006 annual report.

Results of Operations

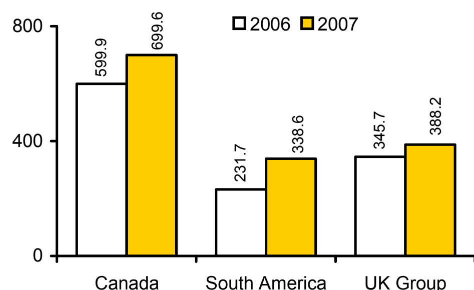
The results from continuing operations include the performance of acquired businesses from the date of their purchase and exclude results from operations that have been disposed or are classified as discontinued. Results from operations that qualify as discontinued operations have been reclassified to that category for all periods presented unless otherwise noted. Please see the section entitled "Discontinued Operations" for a discussion of these operations.

First Quarter Overview

($ millions)	**Q1 2007**	Q1 2006	**Q1 2007**	Q1 2006
			(% of revenue)	
Revenue	**$ 1,426.4**	$ 1,177.3		
Gross profit	**408.5**	337.1	**28.6%**	28.6%
Selling, general & administrative expenses	**294.0**	254.9	**20.6%**	21.6%
Other expenses (income)	**2.6**	(9.4)	**0.2%**	(0.8)%
Earnings from continuing operations before interest and income taxes [(1)]	**111.9**	91.6	**7.8%**	7.8%
Finance costs	**17.7**	14.7	**1.2%**	1.3%
Provision for income taxes	**24.3**	19.3	**1.7%**	1.6%
Net income from continuing operations	**69.9**	57.6	**4.9%**	4.9%
Loss from discontinued operations, net of tax	**—**	0.7	**—**	0.1%
Net income	**$ 69.9**	$ 56.9	**4.9%**	4.8%

(1) This amount does not have a standardized meaning under generally accepted accounting principles. For a reconciliation of this amount to net income from continuing operations, see the heading "Description of Non-GAAP Measure" in the Company's management discussion and analysis which accompanies the first quarter consolidated financial statements.

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



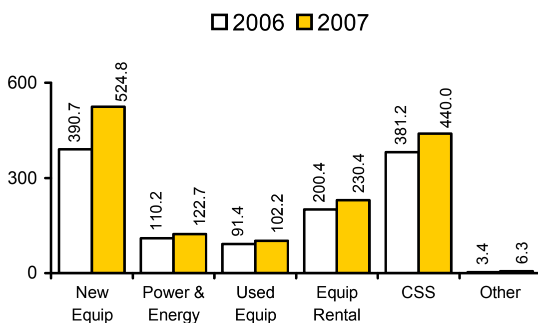
First quarter consolidated revenues from continuing operations of $1,426.4 million continued to be strong and were the highest quarterly revenues ever recorded, driven by continued strong equipment sales and demand for customer support services. Strong commodity prices continue to drive demand in Canada and South America. Consolidated revenues increased 21.2% from the first quarter of 2006. Earnings from continuing operations before interest and income taxes (EBIT) increased 22.2% to $111.9 million and consolidated net income from continuing operations increased by 21.4% to $69.9 million.

Revenue was 16.6% higher in the first quarter of 2007 compared with the same period last year in the Company's Canadian operations as a result of robust activity driven by high commodity prices and an increase in infrastructure spending. Revenue from the Company's operations in South America increased 46.1% in Canadian dollars compared with the first quarter of 2006 with strong new equipment sales. The Company's operations in the U.K. also experienced a 12.3% increase in revenue in Canadian dollars, year over year, due to the positive impact of translating the UK Group's foreign currency earnings with a weaker Canadian dollar.

Finning's business is geographically diversified and the Company conducts business in multiple currencies, the most significant of which are the Canadian dollar, the U.S. 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. Foreign exchange had a positive impact on consolidated revenues in the first quarter of 2007 compared to the prior year of approximately $40 million due to a 13.1% weaker Canadian dollar relative to the U.K. pound sterling and a 1.5% weaker Canadian dollar in the quarter relative to the U.S. dollar. This resulted in a positive impact on earnings of approximately $0.04 per share.

Excluding the impact of foreign exchange when translating results, revenues for the first quarter of 2007 in local currency increased by 44.1% in the Company's South American operations and decreased marginally in the UK Group when compared to last year's first quarter.

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



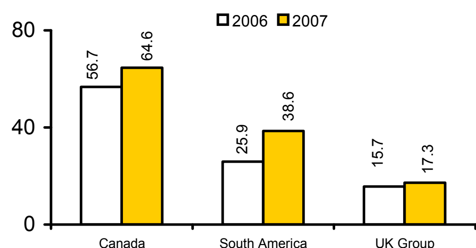
From a line of business perspective, strong demand continued in the first quarter of 2007 for both new equipment sales and customer support services. On a consolidated basis, all lines of business increased over the first quarter 2006 levels, with a shift in the revenue mix from the higher margined customer support services to new equipment sales as a result of extremely strong demand for equipment. Revenues from the Canadian operations continue to grow, most notably in new equipment and customer support services. The South American operations recorded a 70.8% increase in new equipment and power systems revenues as demand in mining continued to be strong. The UK Group experienced stronger revenues from new equipment and power and energy solutions in the first quarter of 2007 compared to the prior year, with higher unit deliveries.

Finning's global order book or backlog (the retail value of new equipment units ordered by customers for future deliveries) continues to grow and achieved another record level of approximately $1,901 million at the end of the first quarter of 2007. This is up in all dealership operations and in total, backlog has surpassed the previous record level experienced at December 2006 of approximately $1,547 million.

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. Although availability of certain models has improved, there continues to be certain equipment models, large engines, and parts under managed distribution. Finning 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 using its rental assets and used equipment as well as increasing inventory levels when possible to meet future customer demand.

Gross profit of $408.5 million in the quarter increased 21.2% over the same period last year. As a percentage of revenue, gross profit for the quarter was comparable with the same period last year at 28.6% of revenues. The higher margins achieved by the Canadian operations in most lines of business were partially offset by a lower gross profit margin in South America, primarily due to a revenue mix shift from customer support services to lower margined new equipment sales. The gross profit margin for the UK Group was comparable to the prior year's quarter.

EBIT by Operation – continuing operations
($ millions)
Three months ended March 31



Excluding other operations – corporate head office

EBIT from continuing operations of $111.9 million increased 22.2% year over year, primarily due to the strong performance of the Company's Canadian and South American operations and a continued improvement in the UK Group. EBIT in the first quarter of 2007 included higher variable operating costs to support the increased level of activity, higher employee costs, and higher long-term incentive plan (LTIP) charges. The LTIP charges in the first quarter of 2007 are higher by $5.8 million compared with the same period in 2006, primarily due to the mark-to-market impact on the valuation of certain stock-based compensation plans resulting from the appreciation of the Company's share price in the quarter.

The first quarter of 2006 results also included non-recurring pre-tax gains of $10.4 million ($0.10 per common share) from the disposal of surplus properties in Canada and the sale of OEM Remanufacturing's railroad and non-Caterpillar engine component remanufacturing business to Caterpillar.

Net income from continuing operations of $69.9 million improved 21.4% in the first quarter of 2007 reflecting the solid first quarter activity noted above.

Basic Earnings Per Share (EPS) from continuing operations for the quarter was $0.78 compared with $0.65 in the same period last year. 2006 results included $0.10 per share of non-recurring gains on disposals of surplus properties and a portion of the OEM remanufacturing business. Excluding these gains, basic EPS from continuing operations would have been $0.55 compared to $0.78 in the first quarter of 2007.

Cash flow after changes in working capital for the quarter was $63.1 million, compared with cash flow of $136.0 million generated in the same period last year. The Company's Canadian and South American operations continue to experience a significant increase in equipment inventories as a result of strong demand for product and in order to meet customer delivery requirements in 2007. Throughout all operations, management continues to focus on improving cash cycle times and operating efficiencies.

The Company made a net investment in rental assets of $156.2 million in the first quarter, which was $75.6 million higher than the same period in 2006, up in all operations but particularly Finning (Canada) with higher demand for all rental lines of business.

As a result of these items, cash flow used by operating activities was $96.0 million in the first quarter of 2007 compared to cash flow provided by operating activities of $51.8 million in the comparative period in 2006. Cash flow in the first quarter of 2007 reflected growth in assets to manage customer demand with strong deliveries and cash generation anticipated for the remainder of the year.

Discontinued Operations

Following an extensive strategic review of the Company's U.K. based businesses, it was determined that the Materials Handling Division in the U.K. no longer represented a core business for Finning. On September 29, 2006, the Materials Handling Division was sold and is classified as discontinued operations within the consolidated financial statements for all periods presented.

Net income after discontinued operations for the first quarter of 2006 was $56.9 million compared with net income of $69.9 million for the first quarter of 2007. Basic EPS after discontinued operations was $0.64 in the first quarter of 2006 compared with $0.78 in the first quarter of 2007.

Results by Business Segment

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

Finning's 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 Group operations*: England, Scotland, Wales, Falkland Islands, and the Channel Islands.
- *Other*: corporate head office.

The table below provides details of revenue by operations and lines of business for continuing operations. Comparative periods have been reclassified to conform to the 2007 presentation.

Three months ended March 31, 2007 ($ millions)	**Canada**	**South America**	**UK Group**	**Consolidated**	**Revenue percentage**
New mobile equipment	$ **276.7**	$ **151.9**	$ **96.2**	$ **524.8**	**36.8%**
New power & energy systems	**55.8**	**21.8**	**45.1**	**122.7**	**8.6%**
Used equipment	**63.1**	**15.5**	**23.6**	**102.2**	**7.2%**
Equipment rental	**65.5**	**11.5**	**153.4**	**230.4**	**16.2%**
Customer support services	**232.8**	**137.3**	**69.9**	**440.0**	**30.8%**
Other	**5.7**	**0.6**	**—**	**6.3**	**0.4%**
Total	$ **699.6**	$ **338.6**	$ **388.2**	$ **1,426.4**	**100.0%**
Revenue percentage by operations	**49.1%**	**23.7%**	**27.2%**	**100.0%**	

Three months ended March 31, 2006 ($ millions)	Canada	South America	UK Group	Consolidated	Revenue percentage
New mobile equipment	$ 228.5	$ 87.2	$ 75.0	$ 390.7	33.2%
New power & energy systems	53.2	14.5	42.5	110.2	9.3%
Used equipment	48.9	15.9	26.6	91.4	7.8%
Equipment rental	54.2	9.3	136.9	200.4	17.0%
Customer support services	212.2	104.3	64.7	381.2	32.4%
Other	2.9	0.5	—	3.4	0.3%
Total	$ 599.9	$ 231.7	$ 345.7	$ 1,177.3	100.0%
Revenue percentage by operations	50.9%	19.7%	29.4%	100.0%	

The table below provides details of EBIT contribution by business segment for continuing operations:

Three months ended March 31, 2007 ($ millions)	**Canada**	**South America**	**UK Group**	**Other**	**Consolidated**
Revenue from external sources	$ **699.6**	$ **338.6**	$ **388.2**	$ **—**	$ **1,426.4**
Operating costs	**595.8**	**293.6**	**325.5**	**8.6**	**1,223.5**
Depreciation and amortization	**38.9**	**6.4**	**43.1**	**—**	**88.4**
Other expenses	**0.3**	**—**	**2.3**	**—**	**2.6**
Earnings before interest and tax	$ **64.6**	$ **38.6**	$ **17.3**	$ **(8.6)**	$ **111.9**
Earnings before interest and tax					
- percentage of revenue	**9.2%**	**11.4%**	**4.5%**		**7.8%**
- percentage by operations	**57.7%**	**34.5%**	**15.5%**	**(7.7)%**	**100.0%**

Three months ended March 31, 2006 ($ millions)	Canada	South America	UK Group	Other	Consolidated
Revenue from external sources	$ 599.9	$ 231.7	$ 345.7	$ —	$ 1,177.3
Operating costs	520.6	199.4	292.4	6.7	1,019.1
Depreciation and amortization	32.6	6.4	37.0	—	76.0
Other expenses	(10.0)	—	0.6	—	(9.4)
Earnings before interest and tax	$ 56.7	$ 25.9	$ 15.7	$ (6.7)	$ 91.6
Earnings before interest and tax					
- percentage of revenue	9.5%	11.2%	4.5%		7.8%
- percentage by operations	61.9%	28.3%	17.1%	(7.3)%	100.0%

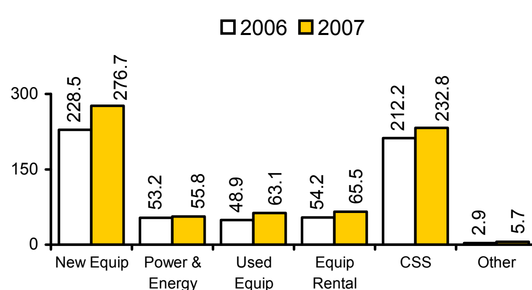
Canadian Operations

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 is separately managed from Finning (Canada). OEM is a component remanufacturing business based in Edmonton, Alberta.

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

Three months ended March 31 **($ millions)**	**2007**	2006
Revenue from external sources	**$ 699.6**	$ 599.9
Operating costs	**595.8**	520.6
Depreciation and amortization	**38.9**	32.6
Other expenses (income)	**0.3**	(10.0)
Earnings before interest and taxes	**$ 64.6**	$ 56.7
Earnings before interest and taxes		
- as a percentage of revenue	**9.2%**	9.5%
- as a percentage of consolidated earnings before interest and taxes	**57.7%**	61.9%

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



The results from the Company's Canadian operations continue to be strong. First quarter revenues increased 16.6% over the 2006 levels to $699.6 million, the highest first quarter revenues ever recorded. Revenues from all lines of business in Canada increased over 2006 levels, most notably in new equipment and customer support services, continuing the trend experienced in 2006. All rental categories, including the PipeLine Machinery Partnership (PLM), experienced strong year over year growth.

The increase in new equipment revenues was attributable to significant growth in the mining, construction, and governmental sectors driven by strong commodity and energy prices as well as higher levels of infrastructure spending.

Higher revenues from customer support services were a result of servicing the steadily increasing population of Caterpillar units and fleet in the Canadian dealership territory and the accompanying demand for Caterpillar parts. Finning (Canada) celebrated the delivery of its 100th 797 mining truck into its dealer territory in the quarter. Rental revenues in the first quarter of 2007 increased 20.8% over 2006 as a result of strong customer demand in this sector and a corresponding increase in the rental fleet. All rental categories continue to generate strong returns.

New equipment orders from customers continued to outpace prior year volumes reflecting the strong activity in the mining, petroleum, and construction sectors where the Canadian operations operate. Finning (Canada) is forecasting record unit deliveries in the second quarter of 2007.

In Canada, gross profit as a percentage of revenue was higher overall than the first quarter of 2006 due to strong market demands and price realization.

Selling, general, and administrative (SG&A) costs increased in the first quarter of 2007 largely due to costs associated with meeting customer demands. In order to support the strong demand in western Canada, headcount for Finning (Canada) increased by approximately 675 or 21% compared to March 2006. As a result, higher salaries, benefit, pension, recruitment, relocation, and training costs were

incurred in the first quarter of 2007. In addition, standard variable selling costs such as warranty and freight have also increased. SG&A costs were also affected in the first quarter of 2007 by higher LTIP costs due to the appreciation of the Company's share price.

Although SG&A costs have grown in absolute dollars to support the strong revenue growth and to meet customer demand, the Company's Canadian operations are realizing cost efficiencies as SG&A expenses expressed as a percentage of revenue are lower in the first quarter of 2007 compared with the same quarter last year.

Other income for the first quarter of 2006 included a $5.1 million pre-tax gain on the sale of surplus properties 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, and Caterpillar and OEM have signed an initial two-year agreement under which OEM will provide remanufacturing services to Caterpillar for these lines of business.

Strong revenues due to market activity and demand in the Canadian operations, as well as the ability to meet these demands without proportionally increasing its SG&A cost base, translated into a significant contribution by the Company's Canadian operating segment in the quarter. EBIT of $64.6 million in the first quarter of 2007 was achieved compared with $56.7 million in the same period in 2006. Not adjusting for the gains recorded in 2006 related to the property sale and OEM sale mentioned above, the Canadian operating segment experienced a slight decline in EBIT margin (EBIT divided by revenues) to 9.2% in the first quarter of 2007, down from 9.5% last year. Excluding the gains on the 2006 property sale and the OEM sale, the 2006 EBIT margin would have been 7.7% versus 9.2% achieved in the first quarter of 2007, a significant improvement.

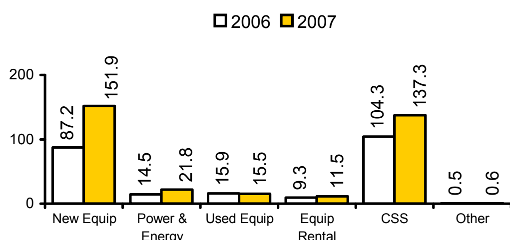
South America

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:

Three months ended March 31 ($ millions)	**2007**	2006
Revenue from external sources	**$ 338.6**	$ 231.7
Operating costs	**293.6**	199.4
Depreciation and amortization	**6.4**	6.4
Earnings before interest and taxes	**$ 38.6**	$ 25.9
Earnings before interest and taxes		
- as a percentage of revenue	**11.4%**	11.2%
- as a percentage of consolidated earnings before interest and taxes	**34.5%**	28.3%

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



Revenues for the first quarter of 2007 of $338.6 million achieved record levels, exceeding the first quarter 2006 level by 46.1%, reflecting higher revenues from new equipment sales and customer support services. The strong commodity cycle and continued high metal prices continue to fuel the increased demand for equipment in the countries in which Finning South America operates.

Although customer support services revenues were higher in 2007, new equipment sales grew at a faster rate for the same period so that the Company's South American operations experienced a shift in revenue mix to higher equipment sales from customer support services in the first quarter of 2007. Significant growth experienced in new equipment revenues is attributable to strength in mining and construction. Growth in customer support services is driven by the higher number of Caterpillar equipment operating in the field and reflects the increasing number of mining maintenance and repair contracts entered into over the past couple of years.

Gross profit increased in the first quarter of 2007 compared with the comparative period in 2006 in absolute terms, but decreased slightly as a percentage of revenue due to the shift in revenue mix towards new equipment sales which return lower margins than customer support services and rental revenues. Stronger margins were achieved in most lines of business partially through price realization in a robust market. However, margin returns from customer support services have decreased slightly from 2006 levels due to higher costs associated with labour rate escalations and the interim inefficiencies arising from a newly recruited skilled workforce. In order to meet strong customer service demand arising from the higher number of service maintenance contracts, approximately 700 additional revenue-generating employees and support staff have been hired, representing a 17% increase over March 2006 levels.

As a result of an increased headcount for support staff, SG&A expenses included higher salaries and benefit costs in the first quarter of 2007 compared with the same period in 2006. Parts availability constraints also increased costs to expedite delivery of product to customers. Other operating costs reflect the upward pressure of inflationary increases, especially from Argentina which continues to have a high rate of inflation. In spite of the increase in SG&A costs, which were mostly volume driven, SG&A as a percentage of revenue decreased in 2007 as a result of the strong equipment revenue growth. Management continues to undertake cost saving initiatives to drive efficiencies in work flow processes wherever possible but continues to be constrained by product availability issues and resourcing of skilled workforce to fulfill current demand levels.

EBIT of the Company's South American operations of $38.6 million for the first three months of 2007 was 49.0% higher than the first quarter of 2006. Despite the revenue mix shift to lower margin equipment sales, EBIT as a percentage of revenue for Finning South America improved to 11.4%, up from 11.2% in 2006.

United Kingdom ("UK") Group

During the fourth quarter of 2006, the UK Group business model was reorganized to combine the operations of Finning (UK) and Hewden into one organization creating four distinct lines of business to more effectively service customers, improve alignment with Caterpillar and to generate additional operating efficiencies. At this same time a new management team was appointed. These four business units will, over time, be supported by an integrated back office operation that will provide common head office services, generating additional synergies among the business units. As a result of this reorganization, the Finning UK Group will be reported as one operating segment beginning in 2007, with the four lines of business being: Heavy Construction, General Construction, Power Systems, and Hewden.

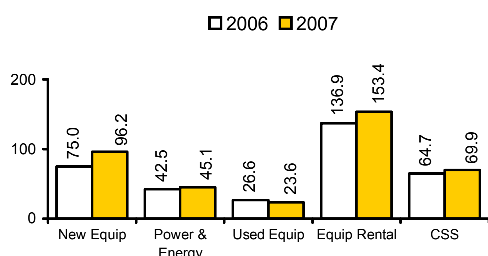
Prior to 2007, results from the UK Group were reported as two separate operating segments: Finning UK Operations, reflecting the results of Finning (UK), the UK Caterpillar dealership operation and Diperk UK, which distributes and services Perkins engines in the U.K; and Hewden Operations, an equipment rental and associated services operation in the U.K.

In September 2006, Finning (UK) sold its Materials Handling Division. The results from the Materials Handling Division are recorded as discontinued operations with prior period results restated accordingly.

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

Three months ended March 31 ($ millions)		**2007**		2006
Revenue from external sources	**$**	**388.2**	$	345.7
Operating costs		**325.5**		292.4
Depreciation and amortization		**43.1**		37.0
Other expenses (income)		**2.3**		0.6
Earnings before interest and taxes	**$**	**17.3**	$	15.7
Earnings before interest and taxes				
- as a percentage of revenue		**4.5%**		4.5%
- as a percentage of consolidated earnings before interest and taxes		**15.5%**		17.1%

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



The UK Group's revenues for the first three months of 2007 of $388.2 million were up 12.3% from the same period last year, primarily due to translating the UK Group's foreign sourced earnings to Canadian dollars with a 13.1% weaker Canadian dollar relative to the U.K. pound sterling. In local currency, revenues were comparable with the first quarter of 2006.

Revenues, in local currency, from new equipment and power and energy solutions were 6% higher in the first quarter of 2007 compared to the prior year, with higher unit deliveries in the construction sector. Other lines of business experienced slightly lower revenues in the first quarter of 2007. Rental revenue continues to be impacted by lower utilization rates and Hewden's inability to achieve price realization targets due to a competitive market in the U.K.

Although gross profit, in local currency, for the first three months of 2007 was 1.8% lower in absolute terms compared with the same period last year, gross profit margin as a percentage of revenue was comparable with the first three months of 2006. Higher margins were achieved in new and used equipment, offset by lower margins from rental revenues.

SG&A costs decreased in the first quarter of 2007 compared with 2006, in local currency, mainly as a result of various initiatives and management's focus on realizing cost efficiencies, partially offset by higher LTIP costs due to the appreciation of the Company's share price.

Other expenses incurred in the first quarter of 2007 are primarily project costs at Hewden relating to various initiatives underway to assess products, distribution network, and structure as well as efficiencies to ensure Hewden continues to meet its customers' needs. Progress continues on the implementation of Hewden's new information technology system, which is expected to simplify and standardize business processes and provide improved management and customer information to improve performance. Management continues to examine and assess our business model in the U.K. as we pursue our goal to build market share, grow the customer service business, improve returns on invested capital, and improve financial results.

In the first three months of 2007, the UK Group contributed $17.3 million of EBIT, a 10.2% increase compared with that achieved in the first quarter of 2006, primarily due to the impact of foreign currency translation. In local currency, EBIT for the first three months of 2007 was 3.0% lower than the same period in 2006 primarily due to lower returns generated by the Hewden rental channel, increased LTIP costs, and higher project costs, partially offset by continued management of operating costs and increased new equipment deliveries. Excluding project costs, EBIT earned by the UK Group, in local currency, increased 6.1%.

EBIT as a percentage of revenue for the UK Group of 4.5% in the first quarter of 2007 is comparable with the same period last year.

Discontinued Operations – Materials Handling Division

Following an extensive strategic review of the Company's U.K. based businesses, the Finning Board of Directors determined that the Materials Handling Division of Finning (UK) was no longer a core business for Finning. On September 29, 2006, this division was sold and is classified as discontinued operations within the consolidated income statements for all periods presented prior to the disposition.

The table below provides details of the discontinued operations of Finning (UK)'s Materials Handling Division for the first quarter of 2006:

Three months ended March 31 ($ millions)		2006
Revenue from external sources	$	66.9
Operating costs		53.6
Depreciation and amortization		10.7
Earnings before interest and taxes	$	2.6

Approximately 1,000 employees were transferred with the sale of the Materials Handling Division.

Corporate and Other Operations

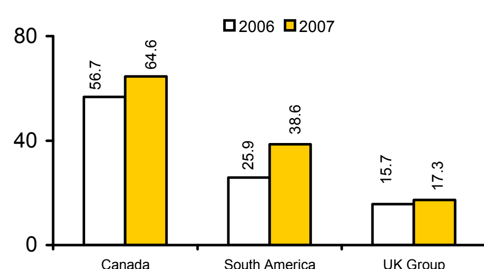
Three months ended March 31 ($ millions)		**2007**		2006
Operating costs	**$**	**8.6**	$	6.7
Earnings before interest and taxes	**$**	**(8.6)**	$	(6.7)

For the three months ended March 31, 2007, operating costs were $8.6 million, compared with $6.7 million for the same period in 2006 as a result of LTIP costs incurred at the Corporate level in the first quarter of 2007 which were $2.2 million higher than the same period in 2006.

Earnings Before Interest and Taxes (EBIT)

On a consolidated basis, EBIT from continuing operations in the first three months of 2007 increased by 22.2% over the same period in 2006 to $111.9 million, primarily due to the strong demand and activity at the Company's Canadian and South American operations. Gross profit increased $71.4 million to $408.5 million in the first quarter of 2007 compared with the first quarter of 2006. Although SG&A costs were higher in 2007 compared with 2006 reflecting higher costs incurred to meet customer demand and also higher LTIP charges, overall SG&A costs as a percentage of revenue were lower in the first quarter of 2007 as a result of global cost saving initiatives. EBIT was also positively impacted in 2007 due to the weaker Canadian dollar relative to the U.S. dollar and U.K. pound sterling. The foreign exchange variance is mainly due to translating foreign currency based results into Canadian dollars. Adjusting for non-recurring gains realized in the first quarter of 2006, EBIT as a percentage of revenue (EBIT margin) was 6.9%. Consolidated EBIT margin in the first quarter of 2007 of 7.8% compares favourably to the 2006 EBIT margin, adjusted for gains.

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



Excluding other operations – corporate head office

Major components of the annual EBIT variance were:

	($ millions)
2006 Q1 EBIT	91.6
Net growth in operations	33.8
Foreign exchange impact	4.3
Gain on sale of OEM's railroad and non-Cat remanufacturing business	(5.3)
Gain on sale of surplus properties in Canada	(5.1)
Higher LTIP costs	(5.8)
Other net expenses *(see Note 2 to the Consolidated Financial Statements)*	(1.6)
2007 Q1 EBIT	111.9

Finance Costs

Finance costs for the three months ended March 31, 2007, of $17.7 million were 20.4% higher than the comparable period last year primarily due to the following:

- Higher short-term interest rates;
- Higher average short-term debt levels at the Company's Canadian operations to support working capital requirements, partially offset by a lower long-term debt balance after repayment of a $75 million debenture late in 2006; and
- Unfavourable foreign exchange impact of translating U.S. and U.K. pound sterling denominated finance costs in 2007 resulting from a weaker Canadian dollar.

Provision for Income Taxes

The effective income tax rate for the first quarter of 2007 was 25.8% compared to 25.1% in the comparable period of the prior year.

Net Income

Finning's net income from continuing operations increased 21.4% to $69.9 million in the first quarter of 2007 compared with $57.6 million in the comparative period in 2006 reflecting improved contributions from all operations, particularly from the Company's operations in Canada and South America. The Company realized improved margins and controlled operational spending. This was partially offset by higher costs to meet customer demand and higher LTIP costs. First quarter 2007 results were also positively impacted by a favourable foreign exchange impact of approximately $3.3 million after-tax, primarily due to translating foreign currency based earnings with a weaker Canadian dollar. Basic earnings per share from continuing operations increased 20.0% to $0.78 in the first quarter of 2007 compared with $0.65 in the comparative period last year. Excluding gains on the sale of properties in Canada and a portion of the OEM remanufacturing business, basic earnings per share from continuing operations in the first quarter of 2006 would have been $0.55, 41.8% lower than the first quarter of 2007.

Liquidity and Capital Resources

Cash Flow from Operating Activities

For the three months ended March 31, 2007, cash flow generated after working capital changes was $63.1 million, a decrease from cash flow of $136.0 million generated during the same period in 2006. While cash flow increased from the improvement in operating results in the quarter, working capital requirements were higher in 2007 primarily due to strong demand for product at the Company's Canadian and South American operations. Investment in inventories was significantly higher in 2007 compared with 2006 in order to meet future customer demands and to deal with product availability issues and extended delivery-time constraints. Other items impacting cash flow from operations were reduced key supplier payable terms and the sale of the UK Materials Handling discontinued operations which generated approximately $15 million cash in the first quarter of 2006.

The Company made a net investment in rental assets of $156.2 million during the first quarter of 2007 compared to $80.6 million during the same period in 2006. Rental expenditures increased as the Company experienced higher demand for rental assets, particularly at the Company's Canadian operations through its dealership rental fleets, CAT rental stores, customer rental purchase agreements, and increased activity in our PLM partnership. Rental assets continued to be replenished where they have been utilized to help support customer demand and offset product availability issues. In addition, dispositions of rental assets in the first quarter of 2007 were lower than in 2006.

Overall, cash flow used by operating activities was $96.0 million in the first quarter of 2007 compared to cash flow provided by operating activities of $51.8 million in 2006.

Cash Used For Investing Activities

Net cash used in investing activities in the three months ended March 31, 2007, totalled $18.1 million compared with cash provided by investing activities of $8.0 million in the first quarter of 2006.

Gross capital additions for the three months ended March 31, 2007, including capital leases, were $18.1 million which is slightly lower than the $19.4 million invested in the three months ended March 31, 2006. The capital additions in 2007 and 2006 reflect general capital spending to support operations and also included the capitalization of certain costs related to the development of Hewden's new information system. In addition, in the first quarter of 2007, the Company's Canadian operations acquired its 30th Cat Rental Store for $2.7 million.

In 2006, proceeds of approximately $13.7 million were received on the settlement of foreign currency forwards that hedged foreign subsidiary investments, proceeds of $6.3 million were received on the sale of certain surplus properties in Canada, and proceeds of $5.3 million were received on the divestiture of a portion of the OEM Remanufacturing business.

Financing Activities

As at March 31, 2007, the Company's short and long-term borrowings totalled $1,264.0 million, an increase of $100.4 million or 8.6% since December 31, 2006, primarily to support the Canadian operation's higher invested working capital requirements.

Dividends paid to shareholders were $14.3 million, $2.7 million higher than the first quarter of 2006 due to the increase in the quarterly dividend rate from $0.13 to $0.16 per share.

Description of Non-GAAP Measure

EBIT is defined herein as earnings from continuing operations before interest expense, interest income, and income taxes and is a measure of performance utilized by management to measure and evaluate the financial performance of its operating segments. It is also a measure that is commonly reported and widely used in the industry to assist in understanding and comparing operating results. EBIT does not have any standardized meaning prescribed by generally accepted accounting principles (GAAP) and is therefore unlikely to be comparable to similar measures presented by other issuers. Accordingly, this measure should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with GAAP.

Reconciliation between EBIT and net income from continuing operations:

Three months ended March 31 ($ millions)		**2007**		2006
Earnings from continuing operations before interest and income taxes (EBIT)	**$**	**111.9**	$	91.6
Finance costs		**17.7**		14.7
Provision for income taxes		**24.3**		19.3
Net income from continuing operations	**$**	**69.9**	$	57.6

Risk Management

Finning and its subsidiaries are exposed to market, financial and other risks in the normal course of their business activities. The Company has adopted an Enterprise Risk Management (ERM) approach in identifying, prioritizing and evaluating risks. This ERM framework assists the Company in managing business activities and risks across the organization to assist the Company in achieving its strategic objectives.

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 and 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, 2006.

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, 2006, 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. The Company transacts business in multiple currencies, the most significant of which are the Canadian dollar, the U.S. dollar, the U.K. pound sterling, and the Chilean peso. 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 2006 annual MD&A.

The sensitivity of the Company's net earnings to fluctuations in average annual foreign exchange rates is summarized in the table below. The table assumes that the Canadian dollar strengthens 5% against the currency noted, for a full year relative to the March 2007 month end rates, without any change in local currency volumes or hedging activities.

Currency	March 31, 2007 month end rates	Increase (decrease) in annual net income $ millions
USD	1.1529	(19)
GBP	2.2697	(3)
CHP	0.0021	3

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.

Controls and Procedures Certification

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles.

There have been no changes in the Company's internal controls over financial reporting during the quarter ended March 31, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Outstanding Share Data

As at May 4, 2007	
Common shares outstanding	89,638,621
Options outstanding	1,786,110

Selected Quarterly Information

$ millions, except for share and option data	2007 Q1	2006 Q4	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3	2005 Q2	2005 Q1
Revenue (1)									
Canada	$ 699.6	$ 737.0	$ 594.7	$ 681.0	$ 599.9	$ 521.5	$ 531.1	$ 509.5	$ 487.6
South America	338.6	301.0	261.0	216.2	231.7	246.9	258.9	274.3	227.2
UK Group	388.2	375.4	361.0	342.7	345.7	349.5	371.4	404.5	360.1
Total revenue	$1,426.4	$1,413.4	$1,216.7	$1,239.9	$1,177.3	$1,117.9	$1,161.4	$1,188.3	$1,074.9
Net income (loss)									
from continuing operations	$ 69.9	$ 52.7	$ 72.8	$ 57.7	$ 57.6	$ 38.4	$ 46.1	$ 45.8	$ 39.2
from discontinued operations	—	—	(34.9)	(1.1)	(0.7)	(2.2)	(1.3)	(0.2)	(1.8)
Total net income	$ 69.9	$ 52.7	$ 37.9	$ 56.6	$ 56.9	$ 36.2	$ 44.8	$ 45.6	$ 37.4
Basic Earnings (Loss) Per Share (2)									
from continuing operations	$ 0.78	$ 0.59	$ 0.81	$ 0.64	$ 0.65	$ 0.43	$ 0.52	$ 0.52	$ 0.44
from discontinued operations	—	—	(0.39)	(0.01)	(0.01)	(0.02)	(0.02)	—	(0.02)
Total basic EPS	$ 0.78	$ 0.59	$ 0.42	$ 0.63	$ 0.64	$ 0.41	$ 0.50	$ 0.52	$ 0.42
Diluted Earnings (Loss) Per Share (2)									
from continuing operations	$ 0.77	$ 0.59	$ 0.81	$ 0.64	$ 0.64	$ 0.42	$ 0.52	$ 0.51	$ 0.44
from discontinued operations	—	—	(0.39)	(0.01)	(0.01)	(0.02)	(0.02)	—	(0.02)
Total diluted EPS	$ 0.77	$ 0.59	$ 0.42	$ 0.63	$ 0.63	$ 0.40	$ 0.50	$ 0.51	$ 0.42
Total assets (1)	$4,386.2	$4,200.8	$3,786.4	$3,900.2	$3,868.0	$3,736.4	$3,754.3	$3,916.8	$3,905.3
Long-term debt									
Current	$ 2.2	$ 2.2	$ 79.3	$ 79.1	$ 80.3	$ 80.3	$ 6.3	$ 4.1	$ 5.1
Non-current	753.8	735.9	710.7	851.5	848.9	844.6	843.0	866.6	885.3
Total long-term debt (3)	$ 756.0	$ 738.1	$ 790.0	$ 930.6	$ 929.2	$ 924.9	$ 849.3	$ 870.7	$ 890.4
Cash dividends paid per common share	$ 0.16	$ 0.16	$ 0.13	$ 0.13	$ 0.13	$ 0.11	$ 0.11	$ 0.11	$ 0.11
Common shares outstanding (000's)	89,636	89,545	89,404	89,389	89,371	89,202	89,138	88,906	88,608
Options outstanding (000's)	1,803	1,952	2,151	2,165	1,305	1,474	1,545	1,810	1,812

(1) On September 29, 2006, the Company's U.K. subsidiary, Finning (UK), sold its Materials Handling Division. Results from the Materials Handling Division qualify as discontinued operations and have been reclassified to that category for all periods presented. Included in the loss from discontinued operations in the third quarter of 2006 is the after-tax loss on the sale of the Materials Handling Division of $32.7 million or $0.37 per share. Revenues from the UK Materials Handling Division have been excluded from the revenue figures above. Assets from the Materials Handling Division have been included in the total assets figures for periods prior to its sale – see Note 6 to the Interim Consolidated Financial Statements.

(2) Earnings per share (EPS) for each quarter has been computed based on the weighted average number of shares issued and outstanding during the respective quarter; therefore, quarterly amounts may not add to the annual total.

(3) In the third quarter of 2006, the Company utilized funds from the sale of the UK Materials Handling Division to redeem £75 million of its £200 million Eurobond notes.

New Accounting Pronouncements

Change in Accounting Policies in 2007

Financial Instruments and Comprehensive Income

On January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants: Handbook Section 3855 *Financial Instruments – Recognition and Measurement*), Section 3865 *Hedges*, Section 1530 *Comprehensive Income*, Section 3251 *Equity*, and Section 3861 *Financial Instruments – Disclosure and Presentation.* These new standards require all derivatives to be recorded on the balance sheet at fair value and establish new accounting requirements for hedges. In addition, these standards provide guidance for reporting items in other comprehensive income, which is included on the Consolidated Balance Sheets as a separate component of shareholders' equity.

If a derivative qualifies as a hedge, depending on the nature of the hedge, the effective portion of changes in the fair value of the derivative will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. Any ineffective portion of designated hedges will be recognized immediately in income.

As at January 1, 2007, the impact on the consolidated balance sheet as a result of the adoption of these standards was a decrease in other long-term assets of $8.4 million; an increase in future income tax assets of $5.9 million; a decrease in accounts payable of $4.5 million; a decrease in long-term obligations of $13.1 million; a decrease of $0.8 million in long-term debt; an increase of $5.7 million in accumulated other comprehensive income; and an increase in retained earnings of $10.2 million.

The effect of these changes in accounting policies on net income for the first quarter of 2007 is not significant.

Details of the specific impact of these standards on the Company are disclosed in Note 1 to the Company's Consolidated Interim Financial Statements.

Market Outlook

The general outlook for Finning's business continues to be very good. The Company's order backlog is at record levels and attractive commodity prices and good economic growth in the Company's market areas underpins solid demand for equipment and parts and service.

Additional human resources are required to meet the projected growth in business in western Canada and South America. To date, Finning has been successful in attracting sufficient numbers of appropriate new employees and believes it will continue to be successful in attracting human resources as required to meet future growth.

Constrained supply from Caterpillar for certain large equipment types, large engines and some parts continues. The Company is working with Caterpillar to manage these supply constraints as effectively as possible to meet the needs of its customers. Finning continues to work closely with Caterpillar and customers to ensure that demand for parts and equipment are met and the Company anticipates that the supply of parts will improve over the next 12 months.

Overall the Company's outlook remains very positive for the medium and longer term.

May 9, 2007

INTERIM CONSOLIDATED STATEMENTS OF INCOME

Three months ended March 31 **($ thousands, except share and per share amounts)**	**2007** **unaudited**	2006 unaudited
Revenue		
New mobile equipment	**$ 524,718**	$ 390,724
New power and energy systems	**122,739**	110,221
Used equipment	**102,212**	91,384
Equipment rental	**230,458**	200,479
Customer support services	**440,017**	381,134
Other	**6,287**	3,341
Total revenue	**1,426,431**	1,177,283
Cost of sales	**1,017,978**	840,241
Gross profit	**408,453**	337,042
Selling, general, and administrative expenses	**293,994**	254,892
Other expenses (income) (Note 2)	**2,576**	(9,466)
Earnings from continuing operations before interest and income taxes	**111,883**	91,616
Finance costs (Note 3)	**17,681**	14,776
Income from continuing operations before provision for income taxes	**94,202**	76,840
Provision for income taxes	**24,312**	19,273
Net income from continuing operations	**69,890**	57,567
Loss from discontinued operations, net of tax (Note 6)	**—**	(632)
Net income	**$ 69,890**	$ 56,935
Earnings (loss) per share – basic		
From continuing operations	**$ 0.78**	$ 0.65
From discontinued operations	**—**	(0.01)
	$ 0.78	$ 0.64
Earnings (loss) per share – diluted		
From continuing operations	**$ 0.77**	$ 0.64
From discontinued operations	**—**	(0.01)
	$ 0.77	$ 0.63
Weighted average number of shares outstanding		
Basic	**89,607,317**	89,237,647
Diluted	**90,381,965**	89,876,048

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

INTERIM CONSOLIDATED BALANCE SHEETS

($ thousands)	March 31 2007 unaudited	December 31 2006 audited
ASSETS		
Current assets		
Cash and cash equivalents	**$ 55,252**	$ 78,485
Accounts receivable	**704,273**	666,602
Inventories		
On-hand equipment	**900,228**	839,819
Parts and supplies	**492,884**	450,612
Other assets	**180,178**	196,509
Total current assets	**2,332,815**	2,232,027
Finance assets	**33,989**	34,046
Rental equipment	**1,115,435**	1,038,640
Land, building and equipment	**364,433**	365,656
Intangible assets	**28,390**	24,931
Goodwill	**380,299**	381,870
Other assets	**130,828**	123,583
	$ 4,386,189	$ 4,200,753
LIABILITIES		
Current liabilities		
Short-term debt	**$ 507,910**	$ 425,423
Accounts payable and accruals	**1,212,358**	1,176,531
Income tax payable	**32,899**	33,554
Current portion of long-term debt	**2,224**	2,224
Total current liabilities	**1,755,391**	1,637,732
Long-term debt	**753,842**	735,926
Long-term obligations	**120,878**	131,294
Future income taxes	**62,279**	71,395
Total liabilities	**2,692,390**	2,576,347
SHAREHOLDERS' EQUITY		
Share capital	**575,175**	573,482
Contributed surplus	**8,554**	7,791
Accumulated other comprehensive income	**(85,894)**	(87,038)
Retained earnings	**1,195,964**	1,130,171
Total shareholders' equity	**1,693,799**	1,624,406
	$ 4,386,189	$ 4,200,753

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

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Share Capital			Accumulated Other Comprehensive Income			
($ thousands, except share amounts)	Shares	Amount	Contributed Surplus	Foreign Currency Translation and Gains / (Losses) on Net Investment Hedges	Gains / (Losses) on Cash Flow Hedges	Retained Earnings	Total
Balance, December 31, 2005	89,201,664	$ 568,121	$ 2,739	$ (133,136)	$ —	$ 975,254	$1,412,978
Net income	—	—	—	—	—	56,935	56,935
Other Comprehensive Income							
Currency translation adjustments	—	—	—	6,156	—	—	6,156
Total comprehensive income							63,091
Issued – stock options	169,548	2,512	—	—	—	—	2,512
Stock option expense recognized	—	—	506	—	—	—	506
Charged to share capital upon exercise of stock options	—	98	(98)	—	—	—	—
Dividends on common shares	—	—	—	—	—	(11,599)	(11,599)
Balance, March 31, 2006	89,371,212	$ 570,731	$ 3,147	$ (126,980)	$ —	$1,020,590	$1,467,488
Balance, December 31, 2006	**89,545,369**	**$ 573,482**	**$ 7,791**	**$ (87,038)**	**$ —**	**$1,130,171**	**$1,624,406**
Transition adjustment (Note 1)	**—**	**—**	**—**	**9,992**	**(4,303)**	**10,244**	**15,933**
Balance, January 1, 2007	**89,545,369**	**573,482**	**7,791**	**(77,046)**	**(4,303)**	**1,140,415**	**1,640,339**
Net income	**—**	**—**	**—**	**—**	**—**	**69,890**	**69,890**
Other Comprehensive Income							
Currency translation adjustments	**—**	**—**	**—**	**(10,161)**	**—**	**—**	**(10,161)**
Unrealized gains (losses), net of tax of $1.7 million	**—**	**—**	**—**	**5,810**	**78**	**—**	**5,888**
Realized gains (losses) reclassified to earnings, net of tax of $0.2 million	**—**	**—**	**—**	**—**	**(272)**	**—**	**(272)**
Total comprehensive income							**65,345**
Issued – stock options	**90,752**	**1,535**	**—**	**—**	**—**	**—**	**1,535**
Stock option expense recognized	**—**	**—**	**921**	**—**	**—**	**—**	**921**
Charged to share capital upon exercise of stock options	**—**	**158**	**(158)**	**—**	**—**	**—**	**—**
Dividends on common shares	**—**	**—**	**—**	**—**	**—**	**(14,341)**	**(14,341)**
Balance, March 31, 2007	**89,636,121**	**$ 575,175**	**$ 8,554**	**$ (81,397)**	**$ (4,497)**	**$1,195,964**	**$1,693,799**

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

Three months ended March 31 ($ thousands)	**2007 unaudited**	2006 unaudited
OPERATING ACTIVITIES		
Net income	**$ 69,890**	$ 56,935
Add items not affecting cash		
Depreciation and amortization	**88,776**	86,711
Future income taxes	**(4,678)**	(1,825)
Stock-based compensation	**8,962**	3,188
Gain on disposal of capital assets	**(910)**	(11,707)
Other	**(473)**	(1,197)
	161,567	132,105
Changes in working capital items (Note 8)	**(98,439)**	3,885
Cash provided after changes in working capital items	**63,128**	135,990
Rental equipment, net of disposals	**(156,238)**	(80,632)
Equipment leased to customers, net of disposals	**(2,905)**	(3,551)
Cash flow provided by (used in) operating activities	**(96,015)**	51,807
INVESTING ACTIVITIES		
Additions to capital assets	**(18,113)**	(19,398)
Acquisition of business	**(2,670)**	—
Proceeds on sale of business	**—**	5,331
Proceeds on disposal of capital assets	**2,651**	8,383
Proceeds on settlement of foreign currency forwards	**—**	13,723
Cash provided by (used in) investing activities	**(18,132)**	8,039
FINANCING ACTIVITIES		
Increase in short-term debt	**83,353**	1,608
Increase (repayment) of long-term debt	**21,225**	(1,115)
Issue of common shares on exercise of stock options	**1,535**	2,512
Dividends paid	**(14,341)**	(11,599)
Cash provided by (used in) financing activities	**91,772**	(8,594)
Currency translation adjustments	**(858)**	(821)
Increase (decrease) in cash and cash equivalents	**(23,233)**	50,431
Cash and cash equivalents, beginning of period	**78,485**	27,683
Cash and cash equivalents, end of period	**$ 55,252**	$ 78,114

See supplemental cash flow information, Note 8

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, 2006 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, except for the impact of the change in accounting policies disclosed below:

Change in Accounting Policies

On January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1530, *Comprehensive Income,* Section 3855, *Financial Instruments – Recognition and Measurement,* Section 3865, *Hedges*, Section 3251, *Equity*, and Section 3861, *Financial Instruments – Disclosure and Presentation* (the New Standards). The principal changes related to these standards are described below.

(a) Comprehensive Income

Comprehensive income comprises the Company's net income and other comprehensive income. Other comprehensive income represents changes in shareholders' equity during a period arising from non-owner sources and, for the Company, includes currency translation adjustments on its net investment in self-sustaining foreign operations and related hedging gains and losses, unrealized gains and losses on available-for-sale securities, and hedging gains and losses on cash flow hedges. The Company's comprehensive income, components of other comprehensive income, and accumulated other comprehensive income are presented in the Statement of Shareholders' Equity and Comprehensive Income. Prior financial statements retroactively reflect the classification of the currency translation adjustments on the Company's net investment in self-sustaining operations and related hedging gains and losses as components of other comprehensive income.

(b) Financial Assets and Financial Liabilities

Classification

The Company has implemented the following classification of its financial assets and financial liabilities:

- Accounts and notes receivable are classified as "Loans and Receivables". After their initial fair value assessment, they are measured at amortized cost using the effective interest rate method. At January 1 and March 31, 2007, the measured amount approximates cost.
- Short-term and long-term debt, accounts payable, and obligations under capital leases are classified as "Other Financial Liabilities". After their initial fair value assessment, they are measured at amortized cost using the effective interest rate method. At January 1 and March 31, 2007, the measured amount approximates cost, with the exception of long-term debt. The estimated fair value of the Company's long-term debt as at March 31, 2007, is $760.2 million (December 31, 2006: $745.7 million).

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability will be added to the carrying amount of the financial asset or financial liability, and will be amortized to income using the effective interest rate method. Upon transition, previously deferred debt issue costs and discounts of $3.5 million were reclassified from other long-term assets, resulting in a reduction of long-term debt of $3.5 million.

Derivatives

Upon adoption of the new standards, all derivative instruments were recorded on the balance sheet at fair value.

Embedded Derivatives

Derivatives may be embedded in other financial instruments (host instruments). Prior to the adoption of the New Standards, such embedded derivatives were not accounted for separately from their host instruments. Under the New Standards, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not classified as held for trading. These embedded derivatives are measured at fair value on the balance sheet with subsequent changes in fair value recognized in income. Upon transition, the Company did not identify any embedded derivatives that require to be accounted for separately from the host contract.

(c) Hedges

The Company utilizes derivative financial instruments and foreign currency debt in order to manage its foreign currency and interest rate exposures. The Company uses derivative financial instruments only in connection with managing related risk positions and does not use them for trading or speculative purposes.

The Company determines whether or not to formally designate, for accounting purposes, eligible hedging relationships between hedging instruments and hedged items. This process includes linking derivatives to specific hedged risks from assets or liabilities on the balance sheet or specific firm commitments or forecasted transactions. For hedges designated as such for accounting purposes, the Company formally assesses, both at inception and on an ongoing basis, whether the hedging item is highly effective in offsetting changes in fair value or cash flows associated with the identified hedged items. When derivative instruments have been designated as a hedge and are highly effective in offsetting the identified hedged risk, hedge accounting is applied to the derivative instruments. Under the new standard, the ineffective portion of hedging gains and losses of highly effective hedges is reported in income. The accounting treatment for the types of hedges used by the Company is described below.

Cash Flow Hedges

The Company uses foreign exchange forward contracts to hedge the currency risk associated with certain foreign currency purchase commitments, payroll and associated accounts payable and accounts receivable. The effective portion of hedging gains and losses associated with these cash flow hedges is recorded in other comprehensive income and is released from accumulated other comprehensive income and recorded in income when the hedged item affects income.

When a hedging instrument expires or is sold, or when a hedge is discontinued or no longer meets the criteria for hedge accounting, any cumulative gain or loss recorded in other comprehensive income at that time remains in other comprehensive income until the forecasted transaction is recorded. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately recorded in the income statement.

The Company discontinued hedge accounting for existing hedges of foreign currency purchase commitments at the time of adoption of the new standards. As such, upon adoption, the carrying value of the forward foreign exchange contracts was adjusted to fair value and the previously unrecognized after-tax gain of $2.5 million was recorded as an increase to accumulated other comprehensive income, with a corresponding decrease in accounts payable of $3.3 million, an increase in future income tax liability of $1.0 million and a decrease in retained earnings of $0.2 million. These gains will be recognized in cost of sales at the time the hedged inventory is sold. Gains and losses of forward foreign exchange contracts that

are not designated as hedges for accounting purposes are recorded in selling, general, and administrative expenses.

From time to time, the Company has also used derivative financial instruments to hedge interest rate risk associated with future proceeds of debt. In accordance with the Company's policy, previously deferred losses of $6.8 million associated with prior cash flow hedges of debt proceeds recorded in other long-term assets were reclassified as a reduction to accumulated other comprehensive income.

As at March 31, 2007, approximately $1 million of deferred net gains (net of tax) included in accumulated other comprehensive income are expected to be reclassified to current earnings over the next twelve months when earnings are affected by the hedged transactions.

Fair Value Hedges

The Company uses interest rate swaps as fair value hedges of long-term debt. Changes in the fair value of derivatives designated and qualifying as fair value hedging instruments are recorded in income along with changes in the fair value of the hedged item attributable to the hedged risk.

Generally, if a hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortized to income based on a recalculated effective interest rate over the remaining expected life of the hedged item, unless the hedged item has been derecognized in which case the cumulative adjustment is also recorded immediately to income.

Upon transition, the Company had no interest rate swaps, but reclassified a $2.7 million deferred gain from a previous fair value hedge recorded in other long-term assets as an adjustment to the carrying value of the hedged debt.

Net Investment Hedges

The Company uses forward contracts, cross-currency interest rate swaps, and foreign currency debt to hedge foreign currency gains and losses on its long-term net investments in self-sustaining foreign operations. The effective portion of the gain or loss of such instruments associated with the hedged risk is recorded in other comprehensive income each period. These gains or losses will be recorded in income in the same period during which corresponding exchange gains or losses arising from the translation of the financial statements of self-sustaining foreign operations are recognized in net income.

Prior to adoption of the new accounting standards, the Company valued its derivative instruments hedging net investments in self-sustaining foreign operations using spot exchange rates. Upon transition, the carrying value of the hedging derivative instruments was adjusted to their fair value and the effective portion of the gains and losses, net of associated income taxes, including amounts previously reported in cumulative currency translation adjustments, were recorded in accumulated other comprehensive income based on the previously designated hedged risk. As a result, accounts payable decreased by $1.2 million, long-term other assets decreased by $0.8 million, long-term obligations decreased by $13.1 million, future income tax assets increased by $6.9 million, accumulated other comprehensive income increased by $10.0 million, and retained earnings increased by 10.4 million. Upon adoption, the Company adopted the forward rate method on a prospective basis for net investment hedges where derivative financial instruments are used. The Company continues to use the spot method, as required, when the Company uses debt to hedge foreign currency net investments.

Comparative Figures

Certain comparative figures have been reclassified to conform to the 2007 presentation. The consolidated income statement has been restated for discontinued operations (see Note 6).

2. Other Expenses (Income)

Other expenses (income) include the following items:

Three months ended March 31 ($ thousands)	2007	2006
Gain on sale of properties in Canada (a)	**$ —**	$ (5,088)
Gain on sale of railroad and non-Cat remanufacturing business in Canada (a)	**—**	(5,331)
Restructuring and project costs	**3,515**	2,240
Gain on sale of other surplus properties	**(939)**	(1,287)
	2,576	(9,466)

The tax recovery on other expenses for the three months ended March 31, 2007 was $0.3 million (2006: tax expense of $1.5 million on other income).

(a) In the first quarter of 2006, the Company sold certain surplus properties at Finning (Canada) for cash proceeds of $6.3 million, resulting in a pre-tax gain of $5.1 million. The Company also sold its railroad and non-Cat engine component remanufacturing business for cash proceeds of $5.3 million, resulting in a pre-tax gain of approximately $5.3 million.

3. Short-Term and Long-Term Debt

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

Three months ended March 31 ($ thousands)	2007	2006
Interest on debt securities:		
Short-term debt	**$ 6,102**	$ 3,587
Long-term debt	**10,833**	13,465
	16,935	17,052
Interest on swap contracts	**(205)**	(320)
Other finance related expenses and sundry interest earned	**951**	1,582
	17,681	18,314
Interest expense related to discontinued operations	**—**	3,538
Finance costs from continuing operations	**$ 17,681**	$ 14,776

4. Stock-Based Compensation Plans

The Company has a number of stock-based compensation plans in the form of stock options and other stock-based compensations plans noted below.

Other Stock-Based Compensation Plans

The Company has other stock-based compensation plans in the form of deferred share units and stock appreciation rights plans that use notional common share units. There have been no significant changes to the plans subsequent to December 31, 2006.

Details of the deferred share unit plans, which reflect the vestings in the period as well as mark-to-market adjustments, are as follows:

Three months ended March 31	**2007**				2006			
Units	**DSU-A**	**DSU-B**	**DDSU**	**Total**	DSU-A	DSU-B	DDSU	Total
Outstanding, beginning of year	**52,482**	**676,748**	**179,140**	**908,370**	51,783	755,086	158,479	965,348
Additions	**114**	**1,968**	**1,769**	**3,851**	170	1,983	2,000	4,153
Exercised/cancelled	**(16,159)**	**(52,352)**	**—**	**(68,511)**	—	(71,087)	—	(71,087)
Outstanding, end of period	**36,437**	**626,364**	**180,909**	**843,710**	51,953	685,982	160,479	898,414
Vested, beginning of year	**52,482**	**676,748**	**179,140**	**908,370**	51,783	668,761	158,479	879,023
Vested	**114**	**1,968**	**1,769**	**3,851**	170	1,983	2,000	4,153
Exercised/cancelled	**(16,159)**	**(52,352)**	**—**	**(68,511)**	—	(63,087)	—	(63,087)
Vested, end of period	**36,437**	**626,364**	**180,909**	**843,710**	51,953	607,657	160,479	820,089
Liability ($ thousands)								
Balance, beginning of year	**$ 2,508**	**$ 32,342**	**$ 8,561**	**$ 43,411**	$ 1,923	$ 24,838	$ 5,886	$ 32,647
Expensed	**206**	**3,523**	**1,074**	**4,803**	82	1,091	308	1,481
Exercised/cancelled	**(773)**	**(2,505)**	**—**	**(3,278)**	—	(2,473)	—	(2,473)
Balance, end of period	**$ 1,941**	**$ 33,360**	**$ 9,635**	**$ 44,936**	$ 2,005	$ 23,456	$ 6,194	$ 31,655

Summary – Impact of Stock Based Compensation Plans

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, was an expense of $9.0 million in the first quarter of 2007 (2006: $3.2 million).

5. Earnings Per Share

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

Earnings used in determining earnings per share from continuing operations are presented below. Earnings used in determining earnings per share from discontinued operations are the earnings from discontinued operations as reported within the consolidated statements of income and retained earnings.

Three months ended March 31 **($ thousands, except share and per share amounts)** **2007**	**Income**	**Shares**	**Per Share**
Basic EPS from continuing operations:			
Net income from continuing operations	**$ 69,890**	**89,607,317**	**$ 0.78**
Effect of dilutive securities: stock options	**—**	**774,648**	**—**
Diluted EPS from continuing operations:			
Net income from continuing operations and assumed conversions	**$ 69,890**	**90,381,965**	**$ 0.77**
2006			
Basic EPS from continuing operations:			
Net income from continuing operations	$ 57,567	89,237,647	$ 0.65
Effect of dilutive securities: stock options	—	638,401	—
Diluted EPS from continuing operations:			
Net income from continuing operations and assumed conversions	$ 57,567	89,876,048	$ 0.64

6. Disposition of Discontinued Operation

Finning's Board of Directors approved the sale of the Materials Handling Division of the Company's UK subsidiary, Finning (UK), following an extensive strategic review of the Company's U.K. based businesses and determining that this division no longer represented a core business for Finning. On September 29, 2006, the Company sold its Materials Handling Division for cash proceeds of approximately $170.6 million (approximately £81.7 million), net of costs.

The sale of this business resulted in a one-time after-tax loss of approximately $32.7 million (approximately £15.5 million) in the third quarter of 2006, which included the write-off of the goodwill and intangible assets associated with this business.

The results of operations of the Materials Handling Division have been included in the consolidated statements of cash flow up to the date of disposition and as discontinued operations in the consolidated statements of income up to the date of disposition. The results of the Materials Handling Division had previously been reported in the UK Group segment.

Loss from the Materials Handling Division is summarized as follows:

Three months ended March 31 2006 ($ thousands)		
Revenue	$	66,933
Loss before provision for income taxes		(905)
Provision for income taxes – recovery		273
Loss from discontinued operations	$	(632)

The significant net cash flows from the Materials Handling Division are as follows:

Three months ended March 31 2006 ($ thousands)		
Cash flows provided by operating activities	$	15,279

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	**March 31 2007**	December 31 2006	March 31 2006
U.S. dollar	1.1529	1.1653	1.1671
U.K. pound sterling	2.2697	2.2824	2.0299

Three months ended March 31 **Average exchange rates**	**2007**	2006
U.S. dollar	1.1717	1.1549
U.K. pound sterling	2.2906	2.0245

8. Supplemental Cash Flow Information

Changes in working capital

Three months ended March 31 ($ thousands)		2007		2006
Accounts receivable and other	**$**	**(32,052)**	$	(38,975)
Inventories – on-hand equipment		**(63,669)**		(1,716)
Inventories – parts and supplies		**(44,567)**		(19,236)
Accounts payable and accruals		**47,786**		87,112
Income taxes		**(5,937)**		(23,300)
Changes in working capital items		**(98,439)**		3,885

Components of cash and cash equivalents

Three months ended March 31 ($ thousands)		2007		2006
Cash	**$**	**40,483**	$	35,287
Short-term investments		**14,769**		42,827
Cash and cash equivalents	**$**	**55,252**	$	78,114

Interest and tax payments

Three months ended March 31 ($ thousands)		2007		2006
Interest paid	**$**	**(7,148)**	$	(5,618)
Income taxes paid	**$**	**(24,201)**	$	(40,675)

9. Employee Future Benefits

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

Three months ended March 31			2007					2006		
($ thousands)		**Canada**		**UK Group**		**Total**		Canada		UK Group		Total

10. SEGMENTED INFORMATION

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

During the fourth quarter of 2006, the UK Group business model was reorganized to combine the operations of Finning (UK) and Hewden into one organization creating four distinct lines of business to more effectively service customers, improve alignment with Caterpillar and to generate additional operating efficiencies. At this same time a new management team was appointed. These four business units will, over time, be supported by an integrated back office operation that will provide common head office services, generating additional synergies among the business units. As a result of this reorganization, the Finning UK Group will be reported as one operating segment beginning in 2007, with the four lines of business being: Heavy Construction, General Construction, Power Systems, and Hewden.

Prior to 2007, results from the UK Group were reported as two separate operating segments: Finning UK Operations, reflecting the results of Finning (UK), the UK Caterpillar dealership operation and Diperk UK, which distributes and services Perkins engines in the U.K; and Hewden Operations, an equipment rental and associated services operation in the U.K. The reportable operating segments are:

Three months ended March 31 2007 ($ thousands)	**Canada**	**South America**	**UK Group**	**Other**	**Consolidated**
Revenue from external sources	**$ 699,647**	**$ 338,602**	**$ 388,181**	**$ 1**	**$ 1,426,431**
Operating costs	**595,442**	**293,558**	**325,551**	**8,645**	**1,223,196**
Depreciation and amortization	**39,283**	**6,410**	**43,083**	**—**	**88,776**
Other expenses (income)	**285**	**—**	**2,291**	**—**	**2,576**
Earnings from continuing operations before interest and taxes	**$ 64,637**	**$ 38,634**	**$ 17,256**	**$ (8,644)**	**$ 111,883**
Finance costs					**17,681**
Provision for income taxes					**24,312**
Net income from continuing operations					**69,890**
Loss from discontinued operations, net of tax					**—**
Net income					**$ 69,890**
Identifiable assets	**$ 1,812,465**	**$ 829,241**	**$ 1,710,672**	**$ 33,811**	**$ 4,386,189**
Gross capital expenditures	**$ 5,923**	**$ 3,126**	**$ 10,085**	**$ —**	**$ 19,134**
Gross rental asset expenditures	**$ 88,923**	**$ 14,160**	**$ 68,894**	**$ —**	**$ 171,977**

Three months ended March 31 2006 ($ thousands)	**Canada**	**South America**	**UK Group**	**Other**	**Consolidated**
Revenue from external sources	$ 599,926	$ 231,667	$ 345,689	$ 1	$ 1,177,283
Operating costs	520,555	199,390	292,352	6,771	1,019,068
Depreciation and amortization	32,643	6,364	37,058	—	76,065
Other expenses (income)	(10,019)	—	553	—	(9,466)
Earnings from continuing operations before interest and taxes	$ 56,747	$ 25,913	$ 15,726	$ (6,770)	$ 91,616
Finance costs					14,776
Provision for income taxes					19,273
Net income from continuing operations					57,567
Loss from discontinued operations, net of tax					(632)
Net income					$ 56,935
Identifiable assets	$ 1,418,073	$ 643,559	$ 1,742,373	$ 64,001	$ 3,868,006
Gross capital expenditures	$ 5,419	$ 4,935	$ 9,044	$ —	$ 19,398
Gross rental asset expenditures	$ 66,348	$ 9,687	$ 42,687	$ —	$ 118,722