FINNING INTERNATIONAL INC.

ANNUAL INFORMATION FORM

2008

FEBRUARY 18, 2009

Finning International Inc.
Suite 1000, Park Place
666 Burrard Street
Vancouver, British Columbia
V6C 2X8

(Copies of the Annual Information Form, as well as copies of the Company's Consolidated Financial Statements, may be obtained upon request from the Corporate Secretary, through the Company's internet site- www. finning.com, or at www. sedar.com)

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In this Annual Information Form, the terms the "Company" and "Corporation" mean Finning International Inc. and "Finning" means Finning International Inc. together with its subsidiaries and operating divisions. All dollar amounts are Canadian dollars unless otherwise indicated. All information in this Annual Information Form is presented as at December 31, 2008 unless otherwise specified herein.

FORWARD LOOKING INFORMATION

This Annual Information Form and Management's Discussion and Analysis incorporated by reference hereto, may contain forward-looking information, which reflect the current view of Finning with respect to future events and financial performance. Any such forward-looking information is subject to risks and uncertainties and Finning's actual results of operations could differ materially from historical results or current expectations. Except as required by law, Finning assumes no obligation to publicly update or revise its forward-looking information even if experience or future changes make it clear that any projected results expressed or implied therein do not materialize.

1. CORPORATE STRUCTURE

1.1 NAME, ADDRESS AND INCORPORATION

Finning was incorporated as Finning Tractor & Equipment Company Limited on January 4, 1933 under the *Company Act* (British Columbia). On September 2, 1969 the Company became a public corporation. The Company was continued under the Canada Business Corporations Act on October 8, 1986 and changed its name to Finning Ltd. on April 23, 1987 and to Finning International Inc. on April 25, 1997.

Finning International Inc. is a widely held, publicly traded corporation, listed on the Toronto Stock Exchange (symbol FTT). The registered and head office of the Company is located at Suite 1000, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8 (telephone 604. 691.6444; fax 604. 691.6440; website: www.finning.com).

1.2 INTERCORPORATE RELATIONSHIPS

The following outlines the Company's principal operating subsidiaries and divisions and the geographic areas they serve. As at December 31, 2008 there were no other subsidiaries of the Company whose total assets represented more than 10% of the consolidated assets of the Company or whose total revenues for the year then ended represented more than 10% of the consolidated revenue of the Company.

Finning International Inc.

- Canada – Operating Segment
    - **Finning (Canada)** a division of Finning International Inc., servicing Western Canada with dealer territories in British Columbia, Alberta, the Yukon territory, the Northwest Territories and a portion of Nunavut
    - **OEM Remanufacturing Company Inc.** a joint venture company, incorporated in Alberta, Canada with 100% of the common shares owned by Finning International Inc.
    - a 25% interest in **PipeLine Machinery International ULC and a related limited partnership (together referred to as "PLM").** PLM was formed by four Caterpillar dealers for the purpose of focusing on servicing the global pipeline construction industry.
- South America – Operating Segment
    - **Finning Argentina S.A.** and **Finning Soluciones Mineras S.A.** both incorporated in Argentina, 100% owned subsidiaries, servicing Argentina
    - **Finning Bolivia S.A.** incorporated in Bolivia, a 100% owned subsidiary, servicing Bolivia
    - **Finning Chile S.A.** incorporated in Chile, a 99.99% owned subsidiary, servicing Chile
    - **Finning Uruguay S.A.** incorporated in Uruguay, a 100% owned subsidiary, servicing Uruguay
- UK Group – Operating Segment
    - **Finning (UK) Ltd.** incorporated in the United Kingdom, a 100% owned subsidiary, servicing the U.K. with dealer territories in England, Scotland, Wales, the Falkland Islands and the Channel Islands
    - **Hewden Stuart PLC** incorporated in the United Kingdom, a 100% owned subsidiary, supplying rental equipment and services in England, Scotland, Wales and Jersey

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 OVERVIEW OF OPERATIONS

Finning is a Canadian-based international company which provides sales, rental, and customer support services for Caterpillar Inc. ("Caterpillar"or "CAT") equipment and engines and complementary equipment on three continents. In terms of sales volume, Finning is one of the largest distributors of Caterpillar products in the world and is the authorized dealer of Caterpillar products in its Western Canada territories, the United Kingdom, and the southern cone of South America (defined as the countries of Argentina, Bolivia, Chile and Uruguay). At December 31, 2008, Finning had approximately 13,600 employees serving within its territories.

Canada

The Company has been the authorized dealer for Caterpillar products since 1933 in British Columbia and since 1977 in the Yukon Territory. In December 1989, the Company acquired all of the shares of R. Angus Alberta Limited, the Caterpillar dealer for Alberta and a portion of the Northwest Territories. By 1995, additional territory was added to the existing area within the Northwest Territories and Nunavut, making the Company the Caterpillar dealer for an area covering all of the Northwest Territories and the portion of Nunavut that is west of 110 degrees west longitude. The Company services its Canadian dealership territory through its division, Finning (Canada).

In 2004, Finning International Inc. made an investment in OEM Remanufacturing Company Inc. ("OEM"), a component remanufacturing business located in Edmonton, Alberta providing customers with remanufactured components. OEM provides remanufacturing services to Finning (Canada) on parts and components for CAT branded equipment under a long-term contract.

In 2005, Finning (Canada) was selected by Caterpillar to be one of four Caterpillar dealers to form a new global Caterpillar dealership, PLM. PLM serves the global pipeline construction industry as the sole supplier of new Caterpillar pipelaying equipment to customers who specialize in constructing large diameter pipeline projects.

In January 2008, Finning (Canada) acquired all of the issued and outstanding shares of Collicutt Energy Services Ltd. ("Collicutt"), a Canadian oilfield services company. Finning (Canada) has since relocated its Edmonton-based new equipment preparation to this new heavy equipment centre of excellence in Red Deer, Alberta. The acquisition provides Finning (Canada) with the opportunity to expand its capacity of regional branches to enable Finning to undertake more higher-margin customer service work, accelerate throughput of new equipment prepared for delivery to customers, and increase the ability to undertake machine overhaul and rebuild work.

South America

In August 1993, the Company acquired its first Caterpillar dealership territory in South America through the acquisition of Gildemeister S.A.C., the authorized Caterpillar dealer for Chile (subsequently renamed Finning Chile S.A. in 1997). In January 2003, the Company expanded its Caterpillar dealership territories in South America by becoming the authorized Caterpillar dealer in both Argentina, through the acquisition of Macrosa Del Plata S.A., and Servicios Mineras S.A. (subsequently renamed Finning Argentina S.A. and Finning Soluciones Mineras S.A., respectively, in 2005), and in Uruguay through the acquisition of General Machinery Co. S.A. (subsequently renamed Finning Uruguay S.A. in 2005). Later in April 2003, the Company completed the acquisition of Matreq Ferreyros S.A. (subsequently renamed Finning Bolivia S.A. in 2005), the authorized Caterpillar dealer for Bolivia. In March 2004 the Company acquired a free trade zone company in Uruguay – Finning South America S.A. (subsequently renamed Moncouver S.A. in 2006) and developed a shared services centre for its South American operations. By the end of 2007, Moncouver was also the centralized purchasing entity of Caterpillar equipment and engines for its South American operations.

UK Group

UK

In 1983, the Company acquired two Caterpillar dealerships in Great Britain. The acquisition of the remaining U.K. dealer, H. Leverton Limited, was completed on October 1, 1997. The Company now operates in the U.K. under the name of Finning (UK) Ltd. ("Finning (UK)"), and is an authorized Caterpillar dealer in Great Britain.

Hewden

On January 26, 2001, Finning acquired Hewden Stuart Plc ("Hewden"). Hewden is a large national equipment rental business in the U.K., operating throughout England, Scotland, Wales and Jersey.

During the fourth quarter of 2006, Finning implemented a new organizational structure for its operations in the United Kingdom and appointed a new management team responsible for the combined operations of Finning (UK) and Hewden, now the Finning UK Group. As part of the restructuring of the Company's operations in the U.K., Finning divested what it deemed to be non-core businesses. Hewden's Hoists business was sold in January 2008, and its Tool Hire Division was sold in July 2007. Finning (UK)'s Materials Handling Division was sold in September 2006.

In 2008, Finning announced that it would centralize most of the business support services of its Finning UK Group into a single location at Cannock, England. As a result in 2008, Hewden closed its administration offices in Tannochside, near Glasgow. In late 2008, Hewden announced the restructuring of its business model moving from five to three geographic regions with the depots being responsible for all products. As a result of this restructuring, Hewden will close or merge 22 depots.

2.2 THREE YEAR HISTORY

The following is a summary of significant developments in the strategy of the Company and in each of the Company's core operating segments over the past three years.

2. 2.1 Strategic Plan

During 2006, in order to leverage Finning's core capabilities and establish a platform for sustainable growth and enhanced business performance, the Company completed an extensive review and update of its strategic plan. The Company's updated strategic plan, which is intended to guide the business through to the end of 2010, is based on the progress made under previous plans, reviewed annually by both management and the Board of Directors, and builds upon the Company's strengths and vision for enhanced growth and business performance.

Finning is part of Caterpillar's global dealer network and both Finning and Caterpillar benefit from this strong strategic alliance. The Company's vision is two-fold: to be Caterpillar's best global business partner and to provide unrivalled services that earn customer loyalty. In January 2009, the Company celebrated the 76th anniversary of its highly successful partnership with Caterpillar.

The Company's mission statement to achieve this vision is "Great people. Great solutions. Great results." Management believes that this mission statement has meaning for all the Company's stakeholders: investors, employees, customers, and Caterpillar.

In June 2008, during the annual review process, management further refined the Company's strategic plan to focus on key initiatives that will drive the Company towards achieving its strategy. Although not an exhaustive list, some of the key initiatives include taking steps to dominate mining within its territories, further investment in the product support business as well as continued focus and support in its heavy and core construction business.

To accomplish these goals, the Company has identified three distinct but very interrelated critical success factors:

- Customer Solutions: continue development of a customer solutions culture driven by the Company's core values. Making its customers more successful is a corner stone to this portion of the Company's strategy. Service excellence and service quality continue to be key areas of focus.
- People: attract and retain talented, skilful people who are quality focused, take initiative and solve problems quickly.
- Information Technology ("IT"): continue to develop technology and systems solutions and processes that are user friendly and drive the "best in class" customer solutions.

2. 2.2 Current Developments in the Company's Operating Segments

Canada

- In 2005, Finning (Canada) was selected by Caterpillar to be one of four Caterpillar dealers to form a new global Caterpillar dealership, PLM. PLM serves the global pipeline construction industry as the sole supplier of new Caterpillar pipelaying equipment to customers who specialize in constructing large diameter pipeline projects.
- The number of CAT Rental Store locations increased from 27 at the end of 2005 to its current level of 37 locations.
- In November 2007, Finning (Canada) and Shell Canada terminated their alliance agreement originally signed in June 2003 relating to the distribution of Shell's lubricant and light oil products.
- In January 2008, Finning (Canada) purchased Collicutt, a Canadian oilfield services company. The acquisition provides Finning (Canada) with the opportunity to expand its infrastructure and ability to service a growing customer base as well as access to highly skilled and experienced workforce in strategic areas within the Finning dealership territory. Finning (Canada) relocated its Edmonton-based new equipment preparation to these newly acquired facilities in Red Deer, Alberta. This heavy equipment centre of excellence is expected to free up existing branch service facility capacity and give the Company the opportunity to develop a mining/heavy equipment overhaul rebuild capability in Red Deer.
- After a period of significant growth from 2006 to the third quarter of 2008, headcount in Finning Canada grew by over 25%. In November/December 2008, in light of the speed and severity of the economic downturn in 2008, Finning (Canada) restructured portions of its operations resulting in a reduction of 225 employees, or approximately 5% of its workforce.

South America

- In 2005 and 2006, the Company consolidated its South American operations into a single business operating segment, aligned by core business lines (mining, construction and forestry, and power systems). This organizational structure enhanced customer contact, provided improved services to key industries and aided in capturing an even larger portion of the product support market.
- In order to meet strong customer service demand and the increasing number of service maintenance contracts, over 1,200 additional revenue-generating technicians and support staff were hired in 2007 and 2008, representing a 27% increase over December 2006 levels. Service delivery is strategic to our success in South America, and considerable resources have been spent on recruiting, developing and retaining employees.
- Operations now benefit from a centralized shared services centre in Uruguay which provides back office and call centre services to all of the South American operations. As a result, Finning has been able to centralize purchasing, improve customer service and marketing and generate synergies within its South American operations.
- To benefit from the business opportunity generated by the commodity upcycle that boosted copper price and production between 2005 and 2008, Finning invested U$14.7 million in the La Negra

Equipment Services facility outside Antofagasta, Chile. These installations now allow Finning to assemble, test and deliver over 200 mining trucks and support equipment per year, and offer complete equipment rebuild services. This investment is strategic as it allows Finning to provide significant capacity to its mining customers. In spite of the rapid decline in copper prices in the latter half of 2008, production for these mining customers is expected to continue to be active. These companies are among the lowest cost producers of copper in the world, and parts and service revenues are expected to continue to grow over time reflecting the impact of the large volume of new equipment sales to the industry in the recent past.

UK Group

Execution of Finning's strategic plans focused on a restructuring of the UK business model resulting in a significant reduction of costs and the divestment of certain non-core businesses over the past three years:

- Divestment of Hewden's the Hoists business on January 31, 2008
- Divestment of Hewden's Tool Hire Division on July 31, 2007
- Divestment of the Finning (UK)'s Materials Handling Division on September 29, 2006.

For further information, refer to *Section 2.2.3 - Divestitures*.

To support the strategic growth of operations within the U.K., the Company implemented a new organizational structure in late 2006 and appointed a new management team. Finning UK Group, through various initiatives throughout this three year period, is now organized along three core market units: Construction, Power Systems and Rental (Hewden). The three business units are supported by an integrated back office operation located in Cannock, England, that provides common head office services, and are expected to generate additional synergies among the three UK market units throughout 2009. In 2008, as part of this new organizational structure, Finning closed the Hewden Tannochside office located near Glasgow in Scotland and the management structures of General Construction and Heavy Construction were brought together into one division for Construction.

UK dealership (defined as Construction and Power Systems)

- To support its effort to grow market share in all sectors and improve profitability in the U.K., Finning (UK) has partnered with Caterpillar in a plan to increase its machine market share in the U.K. and to improve the profitability of the Company's dealership. Caterpillar, for its part, has increased focus on providing an effective value proposition to the market while Finning (UK) is increasing its focus on excelling at customer support solutions. One example of Finning's commitment is the 2007/2008 action of moving the centralized service support structures closer to the customer by regionalizing such activities.

Hewden rental operations

- Over the past three years, various initiatives have been undertaken to simplify the organizational structure of the Hewden rental business. In the fourth quarter of 2008, Hewden announced an organizational restructuring of its business moving from five geographic regions and five specialist divisions to three geographic regions with the depots within the regions being responsible for all products. As part of this restructuring, Hewden's nationwide depot network, will close or merge 22 depots. These changes will improve financial performance, support operating efficiencies, and will better meet the needs of the core customer base with a streamlined product offering and a more strategically structured distribution channel.

- Following the July 2007 sale of Hewden's Tools business to Speedy Hire plc, 65 ex-Tools properties were identified for sale; 61 of these properties were sold in 2008.

- In July 2007, Hewden implemented a new information system in order to enhance the quality of Hewden's customer services and improve management information while reducing overall transaction costs. The cost to implement the new system was approximately $27.0 million (£13.5 million) and was incurred in the period from 2005 to 2007. Approximately $6.0 million (£2.8 million) of the total costs were expensed and $21.0 million (£10.7 million) were capitalized and will be amortized over a five year period.

General

- To complement the large growth in business experienced by the Company over the past three years, Finning has undertaken several initiatives designed to improve profit margins and generate significant cost savings throughout all areas of the organization. Finning believes there are substantial benefits to be realized from these initiatives and, therefore, Finning management has made the successful implementation of these initiatives its top priority. For example: In 2004 Finning launched its "60 by 06" cost savings program to generate $60 million in savings. At the end of December 2006 Finning exceeded its goal and generated an estimated annualized savings going forward of $64 million across its global operations through a combination of reducing selling, general and administration costs, debt refinancing, tax initiatives, and working capital improvements. In the fourth quarter of 2008, in response to the worldwide economic downturn, global initiatives were initiated to further enhance cost efficiencies and focus on customer support services.

- Finning initiated a project to assess the Company's future global IT strategy, which ran through 2007, and resulted in a software selection in late 2007. The project is estimated to cost over $85 million, of which the Company has paid approximately $28 million in 2008 and estimates a further $30 million in 2009 for the software licenses and implementation support. The target "Go Live" date is expected to be the fourth quarter of 2009 for the Canadian operations. Subsequently, implementation will commence for the Company's South American operations and the UK Group and is expected to occur through 2010 and 2011.

- In the fourth quarter of 2008, the Company performed its annual goodwill impairment review and determined that the carrying value of goodwill established on the acquisition of Hewden in 2001 exceeded its respective fair value. Consequently, the Company recorded in other expenses a full goodwill impairment charge of $151.4 million. The Company expects no income tax deduction from this non-cash goodwill impairment charge. The determination that the fair value of goodwill was less than its carrying value resulted from a decline in market valuation multiples. It was also due to a reduction of fair value as determined using the discounted cash flow methodology, primarily due to a change in market assumptions principally from the increasing economic uncertainty in the global market. The goodwill impairment charge is non-cash in nature and does not affect the Company's liquidity, cash flows from operating activities, or debt covenants and is not expected to have any adverse impact on future operations.

- The Company holds an equity investment in Energyst B.V. ("Energyst"), a rental business that provides Caterpillar power generation solutions throughout Europe and other locations. In April 2005, the Company increased its equity interest in Energyst to 24.4% from 15.2% and further increased its equity interest to 25.4% in 2008 for a total investment of $35 million.
- During 2008, the Company issued a total of $600 million of Medium Term Notes ("MTN"). Of these MTNs, $350 million matures June 1, 2018 with a coupon of 6.02% and $250 million matures September 3, 2013 with a coupon of 5.16%. Proceeds from these issuances were used for debt repayment including the repayment of the Company's $200 million 7.4% MTN which matured in June 2008 as well as outstanding commercial paper borrowings.
- In 2007, the Company had an active share repurchase program in effect until March 29, 2008. During 2007, the Company repurchased 3,691,400 common shares at an average price of $27.82 for an aggregate amount of $102.7 million. In 2008, the Company renewed its normal course issuer bid, which will be in effect until July 8, 2009. During 2008, the Company repurchased 5,901,842 common shares at an average price of $24.99 for an aggregate amount of $147.5 million.
- The regular dividend rate has increased several times over the past three years. Dividends paid in 2006 increased 25% over the previous year, in 2007 increased a further 31%, and in 2008 increased a further 19% to a current quarterly dividend of $0.11 per share.
- On May 9, 2007, the Company's shareholders approved a split of the Company's outstanding common shares on a two-for-one basis. Each shareholder of record at the close of business on May 30, 2007, received one additional share for every outstanding share held on the record date. All stock-based compensation plans, share, and per-share data have been adjusted to reflect the stock split.
- A shareholders' rights plan is in place which is intended to provide all holders of common shares with the opportunity to receive full and fair value for all of their shares in the event a third party attempts to acquire a significant interest in the Company. The Company's dealership agreements with subsidiaries of Caterpillar are fundamental to its business and any change in control of Finning must be approved by Caterpillar.
- In 2006, the Company utilized funds from the sale of the UK Materials Handling Division to redeem £75 million of the original £200 million Eurobond.
- During 2005, the Company negotiated a global, five year committed revolving credit facility for $800 million with an international syndicate of banks. The maturity of the facility was subsequently extended 1 year to December 2011. This credit facility will be a source of financing for all global operations.

2. 2.3 Divestitures

Following an extensive strategic review of the Company's U.K. based business, it was determined that certain operating divisions were no longer core businesses. On September 29, 2006, the Materials Handling Division was sold for an after-tax loss of $32.7 million which included the write off of intangible assets and goodwill associated with the business. On July 31, 2007, the Tool Hire Division was sold which resulted in an after-tax gain on disposal of $0.1 million. On January 31, 2008, Hewden sold its Hoists business; this sale was smaller in nature than the previous divestures. As a result of these divestitures, headcount was reduced by approximately 1,200 employees in Hewden, and 1,000 in the Finning (UK).

In the first quarter of 2006, OEM sold its railroad and non-Caterpillar engine component remanufacturing business to Caterpillar, resulting in a pre-tax gain of $5.3 million. Caterpillar and OEM initially signed a two-year agreement for OEM to provide remanufacturing services to Caterpillar for these lines of businesses, with minimal impact on reported results thus far. The initial supply agreement expired March 2008 but has been extended to March 2009.

2. 2.4 Growth by Acquisitions

Finning regularly examines opportunities to acquire complementary businesses in regions where it currently operates. Finning also evaluates opportunities to expand into new geographies where both Caterpillar and the Company can benefit from developing market opportunities. Finning generally targets regions where it can provide substantial value to customers through its extensive expertise in its principal markets of mining and quarrying, construction (including pipeline & oil field development), and power generation.

Acquisitions in existing and adjacent territories enable Finning to lever industry expertise in those markets and local knowledge, such as language, regulatory environment and business practices. As an example, following its 1993 acquisition of the Chilean Caterpillar dealership, Finning took advantage of its presence in the southern cone of South America and its strong relationship with Caterpillar to purchase dealerships in the neighbouring countries of Argentina, Bolivia and Uruguay in 2003. By transferring expertise from its Chilean operations to the newly acquired dealerships, Finning was able to significantly improve the financial and operating performance of these dealerships.

In 2004 and 2005, Finning invested in a new component remanufacturing centre that was built by OEM and established a 10-year customer services agreement between OEM and Finning (Canada) to remanufacture Caterpillar components. The facility was completed in 2005 and is now fully operational, providing Finning with what management believes is a competitive advantage over other North American equipment distributors.

The Cat Rental segment provides Finning (Canada) with the opportunity to expand its business through start-ups or acquisitions. In 2006, Cat Rental Stores acquired Wirtanen Electric Ltd. and expanded its product offering to include temporary power distribution, transformers and instrumentation which complement both existing Finning Power Systems and Cat Rental Store product lines.

In January 2008, Finning (Canada) purchased Collicutt, a Canadian oilfield service company, for an aggregate purchase price of $136.4 million. This acquisition provides Finning (Canada) with the opportunity to expand its capacity of regional branches to enable Finning to undertake more customer service work, accelerate throughput of new equipment prepared for delivery to customers, and increase the ability to undertake machine overhaul and rebuild work. Finning (Canada) has relocated its Edmonton-based new equipment preparation to its new facilities in Red Deer, Alberta. This heavy equipment centre of excellence is expected to free up existing service facility capacity and give the Company the opportunity to develop a mining/heavy equipment overhaul rebuild capability in Red Deer.

Acquisition growth opportunities also arise in the form of global equity investments in businesses involving Caterpillar products such as the Company's investment in Energyst (a 25.4% investment in a company offering power generating rental services to international customers across Europe) and in PLM (a 25% investment in a company serving the global pipeline construction industry).

Finning plans to continue to review similar opportunities and will consider additional acquisitions that meet the Company's economic and strategic criteria.

2. 2.5 Organic Growth Opportunities

Finning has identified a number of organic growth opportunities in each of its existing territories. Management believes that opportunities exist in several different markets, and some of these are the result of Finning's ability to provide customer solutions. As the size of the Caterpillar fleet in Finning's geographic regions grows, a larger opportunity arises for the Company's business to be driven by more stable, higher-margin parts and service revenue. This revenue stream is less sensitive to changes in commodity prices and in some instances is countercyclical as equipment owners will keep their equipment longer in less buoyant economic times and as a result, require more parts and service on the older equipment. Customer support solutions such as long-term service contracts offer an important organic growth opportunity for the Company.

Canada:

Despite the economic slowdown, there are still growth opportunities in Western Canada. While some new projects have been delayed or deferred and capital expenditure plans have been scaled back pending a return to higher commodity prices, existing operations in the oil sands continue to operate at high levels in order to maximize cash flow and achieve the lowest cost per ton economics. High equipment operating levels supports Finning's parts and service business. Construction spending continues on infrastructure projects, especially by Governments and engine sales to gas compression packagers, for international sales, continues at good levels.

Global demand for pipeline construction remains strong at the beginning of 2009, but is expected to be affected by some uncertainty until the market conditions for financing some projects are clarified. Major projects have not been significantly affected, but smaller projects are at risk with some cancellations.

In 2008, Finning's proportionate share of revenues from PLM, of $111 million, increased by 32% over 2007. PLM currently expects a reduction in revenue in 2009, but there remains a strong projection for activity in 2010 in North America. In addition, Finning's interest in PLM provides an opportunity to participate in growth outside Canada. International activity for PLM includes growth opportunities into China, South America, Europe, Africa, India and Australia.

South America:

Heavy equipment markets in Chile remain active and demand for the Company's products and services is at good levels, considering the current economic environment. Demand for equipment and support services for the Chilean construction and mining markets remain stable. Although copper prices are currently lower than those experienced in early 2008, forecasts for 2009 with copper at a range of U$1.50 to U$1.80 per pound would support economic operations at the majority of Finning's large South American mining customers in 2009. These companies are among the lowest cost producers of copper in the world, and parts and service revenues are expected to continue to grow over time reflecting the impact of the large volume of new equipment sales in the recent past. If copper prices remain below U$1.50 range for an extended period of time, certain mine operations may reduce usage of their equipment fleets and decrease output in an effort to balance cost/supply/demand. Any such steps would negatively impact revenues from South American operations.

Copper is expected to continue to drive infrastructure projects in South America and should provide Finning with an opportunity to moderately increase its revenues both from equipment sales and customer support services over the long-term.

In Argentina demand remains at a similar level as 2008, since the country has been in a slow business mode during most of 2008. Liquidity and customer financing is the most relevant issue impacting new equipment deliveries while increasing rental demand. The parts and service business remains stable in Argentina.

Over the past few years Finning has experienced significant growth in its maintenance support agreements supplied to major mining customers in the South America territories, in which Finning conducts business. As a result of this growth, the Company has invested heavily in the hiring and training of technicians to better position itself for sustaining this growth opportunity. Finning is considered to be the most solid and best equipped supplier to the mining industry in all territories we serve.

Finning has experienced strong demand for energy solutions in South America, which presents a growth opportunity with Caterpillar products in all four countries. Due to the current economic environment, some of the demand has decreased. Nevertheless there remain selected opportunities where Finning can lever its expertise with finished products and services to supply global energy solution to all industries such as petroleum, mining, peak shaving and energy production companies.

UK Group:

The U.K. has experienced growth opportunities in coal mining and the energy sector. Other markets include quarrying, waste, recycling, ports, demolition, agriculture and house building. A number of these segments continue to develop; however, house building is in decline. Infrastructure spending continues due to government support. Competitive pressures and global economic uncertainties continue to impact the Company's operations in the U.K., which have led to a realignment of the U.K. business model and Finning will continue to take action to reduce the cost base and improve operating results.

Finning's new organizational structure in the U.K. with three core market units, being Construction, Power and Energy Systems, and Rental (Hewden), is expected to enhance the ability of operations to meet customer demands, empower employees and improve operational performance. These changes better align and focus the UK dealership with Caterpillar and increase our ability to offer tailored solutions to all customers. UK management continues its efforts to improve margins in all areas, to contain and control costs and to grow the customer support business.

3. DESCRIPTION OF FINNING'S BUSINESS

3.1 PRINCIPAL BUSINESS UNITS

Finning has diversified its business through operating segments in different geographical areas, through different lines of business based on the product or service supplied and through different end use customers or markets. As a result of this diversification, earnings and cash flow are more stable and predictable. The table below provides details of revenue by operating segment and lines of business for continuing operations:

For year ended December 31, 2008 ($ millions)	**Canada**	**South America**	**UK Group**	**Consolidated**
New mobile equipment	$1,464.9	$575.9	$336.1	**$2,376.9**
Customer support services	$981.8	$664.4	$253.3	**$1,899.5**
Equipment rental	$296.6	$58.8	$357.4	**$712.8**
New power & energy systems	$205.7	$161.7	$184.3	**$551.7**
Used equipment	$252.8	$37.2	$141.8	**$431.8**
Other	$15.1	$3.6	-	**$18.7**
Total	**$3,216.9**	**$1,501.6**	**$1,272.9**	**$5,991.4**
Revenue percentage by operations	**53.7%**	**25.1%**	**21.2%**	**100.0%**

- *Canada*: Revenue from the Canadian segment was $3,216.9 million in 2008 compared with $2,936.2 million in 2007. Finning (Canada) serves customers operating in a number of principal markets including mining, construction, pipeline/oil field development, forestry, and government.
- *South America*: Revenue from the South American operating segment was $1,501.6 million (US$1,398.1 million) in 2008 compared with $1,325.6 million (US$1,240.3 million) in 2007. Finning (South America) serves customers operating in a number of principal markets including mining, energy, construction, and forestry.
- *UK Group:* Revenue from the UK Group operating segment was $1,272.9 million (£647.9 million) in 2008 compared with $1,400.4 million (£654.7 million) in 2007. Finning (UK) serves customers operating in several principal markets which include mining and quarrying, construction, waste and recycling. Finning (UK) also serves other specialized markets such as demolition, waste management, landfill, and paving equipment. Hewden principally provides plant type products and services to customers operating in a number of markets including construction, civil engineering, petro-chemical, manufacturing, telecommunications, utilities, governmental and other industries.

The total business revenues contributed by the Company's Power Systems Division (''Power Systems'') are locally managed and reported within the country operation in which the revenues are generated and as such, are not disclosed separately in the Consolidated Financial Statements. The Power

Systems Divisions of the Company sell, rent, service and supply parts for engines and power generation solutions. In order to maximize sales and service opportunities in this fast-growing segment of business, Finning Power Systems' business is not restricted to its geographical dealership territories.

3.2 PRODUCTS & SERVICES

Finning dealership operations in Canada, South America, and UK offer products and services through five principal lines of business: New mobile equipment sales, customer support services, equipment rental, new power & energy systems sales, and used equipment sales. Hewden's principal line of business is equipment rental. The following table summarizes the Company's revenue from continuing operations by principal lines of business:

REVENUE BY PRINCIPAL LINES OF BUSINESS

Revenues:

($ MILLIONS)

	2008		2007		CHANGE
New mobile equipment sales	$ 2,376.9	39.7%	$ 2,233.5	39.4%	$ 143.4
Customer support services	1,899.5	31.7%	1,701.2	30.0%	198.3
Equipment rental	712.8	11.9%	781.2	13.8%	(68.4)
New power & energy systems	551.7	9.2%	503.0	8.9%	48.7
Used equipment	431.8	7.2%	417.6	7.4%	14.2
Other	18.7	0.3%	25.7	0.5%	(7.0)
	$ 5,991.4	100.0%	$ 5,662.2	100.0%	$ 329.2

Below is a brief description of the Company's products and services offered through the principal lines of business:

3. 2.1 New Mobile Equipment

Finning distributes Caterpillar products, including tractors, loaders, log loaders, tree harvesters, skidders, off-highway trucks, backhoe loaders, excavators, articulated trucks, motor graders, paving products, compactors, wheel tractor-scrapers and pipe layers.

3. 2.2 Customer Support Services

Finning provides replacement parts and repair services for the products it sells. Finning believes that a high level of customer service is essential to its success. A continuing emphasis on customer support promotes customized solutions to customers' needs. These solutions are often provided under long-term contracts entered into at the time the equipment is sold and, as such, increase the stability and predictability of Finning's future revenues and cash flow.

Finning maintains parts inventory at over 100 locations in Western Canada, South America, and the U.K to provide customers with convenient access to a supply of parts. All major Finning dealership centres within each geographic area are connected through computer systems, which provide immediate information on both Finning and Caterpillar parts inventories.

Over half of the employees and facilities in the dealership operations are dedicated to customer support services. Finning employs approximately 2,573 qualified mechanics, welders, technicians, parts persons and other specialized tradespersons in Canada; approximately 744 in the U.K.; and approximately 2,733 in South America.

In addition to the in-shop capability at Finning locations, Finning provides service at customer locations with specialized personnel and equipment. Many of Finning´s customer sites are located at very high altitudes or experience severe climatic conditions. Finning has consistently demonstrated its ability to successfully maintain and service equipment under these conditions, enhancing its reputation as a full service provider to its customers. Finning offers its customers maintenance and repair contracts for preventive maintenance, planned component replacement and guaranteed cost per hour contracts.

To meet the continuing demand for component replacement arising from the modular design of Caterpillar's products, Finning extensively uses remanufactured components sourced from Caterpillar. In addition, Finning has invested in centralized component remanufacturing centres in Edmonton, Alberta; in Leeds, England; in Antofagasta, Chile; and in Buenos Aires, Argentina. Trained technicians dismantle, test, repair and replace worn components. This centralization, through specialization and volume, creates economies of scale, resulting in lower prices for customers. The remanufactured components are used in repairs and in an exchange program whereby the customer replaces a worn component with a repaired or remanufactured component at specified intervals before failure, maximizing machine availability at an attractive cost compared to new replacement components.

3. 2.3 Equipment Rental

Finning owns fleets of equipment for short-term rental (Hewden and Cat Rental Stores) and long-term rental to meet customer needs. Finning also offers equipment under a Rental Purchase Option ("RPO"). These are term rental agreements with customers that include an option to purchase the equipment. Rental agreements range from short-term arrangements which provide customers with the flexibility to utilize reliable equipment on a "needs-only" basis, to longer term arrangements which provide customers with the ability to effectively outsource their need to have reliable equipment available at all times.

The equipment rental business offers Finning enhanced stability and predictability in revenues and cash flow. During peak periods, the rental fleet can be used to satisfy heavy customer demand, particularly during periods of longer lead times for product supply. When commodity markets are weaker, customers may use the rental fleets to defer capital expenditures on equipment fleets. Hewden and Cat Rental Stores focus on the smaller end of the product range. Revenues in these rental businesses are driven more by general economic conditions than by the cyclicality of the commodity markets.

Canada: maintains a rental fleet consisting of Caterpillar earthmoving equipment primarily for the construction industry. Also included in the fleet are power systems for electrical generation. Finning (Canada) also provides a full line of products from hand tools to smaller Caterpillar products (generally less than 120 horsepower) through its network of 37 Cat Rental Store locations.

South America: maintains a rental fleet consisting of large mining vehicles, motor graders, compactors, excavators, backhoe loaders, tractors, compressors, power generators, lift and light towers. The rental business mainly serves customers in the construction and mining industries. Tractors, rented by construction companies who are involved in highway construction and pre-mining activities, dominate the fleet. The South American operations also offer the smaller Caterpillar products through their twelve Cat Rental Stores.

UK Group:

UK Dealership: maintains fleets of rental equipment mainly consisting of backhoe loaders, hydraulic excavators, articulated and rigid dump trucks. Customers served include construction and mining companies.

Hewden: has a large number of rental equipment locations in the U.K. (130 depots in 97 locations) Hewden provides a comprehensive product line of smaller Caterpillar products complemented by non-Caterpillar products including powered access, mobile cranes, modular accommodation, power and other construction products.

3. 2.4 New Power and Energy

Finning's Power Systems division sells products and systems for use in electric power generation, oil and gas, marine, on-highway trucking and industrial applications. The Company distributes other Caterpillar brands, including engines branded as MaK and Perkins. In South America, Caterpillar generators branded as F.G. Wilson are also distributed. Finning also uses components manufactured by Caterpillar and its subsidiaries in customized solutions to meet the special requirements of its customers and to pursue new market opportunities. Electric power solutions for applications from landfill-gas-to-energy and stand-by power for data centres can be as much as 75% non-Caterpillar (or subsidiary) content through the supply of radiators, silencers, switchgear, transformers, controls systems and other related equipment.

3. 2.5 Used Equipment

In addition to sales of new equipment, Finning buys and sells used equipment domestically and internationally. Machines are accepted in trade, received from the rental fleet, returned from lease and purchased from customers and others on the open market. Most of this equipment is reconditioned in Finning's service shops and resold under a short-term warranty program. Finning also purchases and sells entire fleets of used equipment and sells used equipment on consignment. Used equipment demand will vary depending on product availability, customer buying preferences, and exchange rate considerations. The used equipment business is generally focused on the products and types of equipment for which Finning is a dealer. Finning has developed expertise in the used equipment market which has earned Finning a reputation as one of the world's largest used equipment dealers. It also enables the Company to earn an attractive margin on the dispositions from its rental fleet.

3. 2.6 Other Products & Services

Other products and services revenues include revenues generated by providing financing and operating leases to customers and providing insurance coverage. In previous years, Finning (Canada) extended financing to its customers through leases and select conditional sales contracts. In 2004, the Company sold the majority of its outstanding finance portfolio to Caterpillar Financial Services Ltd. ("CFSL") and, as a result, revenues from this business have since been minimal. Despite the smaller finance portfolio that has been retained, Finning (Canada) continues to maintain a high level of service to its customers by working in conjunction with CFSL (and other financial institutions) for their customers' financing needs.

Finning (Canada) operates a licensed insurance agency, with licensed brokers located in Surrey and Williams Lake, British Columbia and Edmonton, Alberta to provide various commercial insurance products to its customers. Types of insurance offered include but are not limited to the following: Physical

Damage Insurance for equipment, Commercial General Liability Insurance, Cargo Insurance, Auto Fleet Insurance (Alberta), Construction Bonding, and Marine.

Customer financing of equipment from Finning (UK) is provided by Caterpillar Financial Services (UK) Limited and other external finance companies. In South America, the majority of the equipment financing is provided by Caterpillar Leasing Company, although external finance companies, mainly local banks, also provide financing to customers.

3.3 PRINCIPAL MARKETS

Finning serves customers operating in a diverse range of end markets, including those involved in mining and quarrying, construction (including pipeline and oil field development), forestry, power generation, and agriculture. Customers include private enterprise and government. Finning has established industry and product specialists for the major markets in the geographic regions in which they operate.

Canada

Finning's Canadian operations are based in British Columbia, the Yukon territory, Alberta, the Northwest Territories and a portion of Nunavut. In these regions, Finning (Canada) serves diverse markets, including mining, forestry, construction, pipeline/oil field construction, government sector, marine transportation, fisheries, and commercial transport. The most significant markets served by Finning (Canada) are as follows:

Mining Industry: provides products and services for use in the mining of coal, copper, molybdenum, gold, diamonds, silver, lead, zinc and other metals and minerals as well as the development of the Alberta oil sands. Most of the mining is done by the open pit method that lends itself to the application of large off-highway trucks, shovels, tractors, loaders and graders. Operations in remote areas also require electric power generation sets. High hour usage of equipment creates substantial demand for parts and repair services from this market sector.

Construction Industry: provides products and services for use in the building and maintenance of highways, railway extensions, site development, residential and commercial construction, installation of utility services, and similar projects.

Pipeline/Oil Field Development Industry: provides products and services including mobile earthmoving equipment for use in exploration and drill site preparation; excavators and pipe layers for use in gathering and delivery systems; diesel and natural gas engines in the operation of drill rigs, pumps and compressors; and electric sets for camp power generation. In addition to its Western Canadian market exposure, through its 25% investment in PLM, Finning (Canada) has access to supply both purpose built pipeline and traditional Caterpillar products to the global pipeline construction market.

Forestry Industry: provides products and services for use in road building, harvesting and processing trees, silviculture, log transport to mills, and the handling of logs, lumber and finished products in mill yards.

South America

Finning's South American operations serve diverse markets in Chile, Argentina, Uruguay and Bolivia including mining, construction, forestry, oil and gas, marine and electric power generation, the most significant of which are:

Mining: provides products and services to large open pit copper and gold mines. These mine sites require fleets of off-highway trucks, loaders, tractors and other support equipment and often include long-term agreements for maintenance of the equipment.

Construction: provides products and services to the construction industry involving road construction and maintenance projects, and other infrastructure projects as well as residential and commercial construction.

Forestry: provides products and services in the southern half of Chile, the northeast of Argentina and in Uruguay required for road building, logging, log transportation, and the handling of logs, lumber and finished products in yards and mills and at port facilities.

UK Group

Finning's operations in the UK also serve diverse markets, with the principal contributors to revenue being the mining and quarrying, waste and construction sectors.

Mining and Quarrying Industry: provides products and services for use in open pit coal mining and reclamation of open pit mine sites, quarrying of limestone, granite and clay, and extraction of sand and gravel.

Construction Industry: provides products and services for use in highway construction and maintenance, residential and industrial development, and the installation of sewer, water and other utility services. Backhoe loaders, hydraulic excavators and articulated dump trucks are the most common types of Caterpillar machines for these applications.

Waste and Recycling: provides products and services to landfill sites, recycling centres and transfer stations. A wide range of core and large products are sold to this sector with the majority covered by contracts for parts and service.

Hewden's operations serve a variety of customers in industries such as general construction, civil engineering, petro-chemical, telecommunications, utilities, manufacturing, governmental and events management. The core customer base of Hewden is in the construction industry. Hewden provides products and a variety of services for use in the housing market and building maintenance and repair of primary infrastructure including hospitals, schools, highways and building projects.

Power Systems

Finning Power Systems delivers comprehensive power solutions to customers utilizing products manufactured by Caterpillar and its subsidiaries, including Perkins, MaK and F.G. Wilson to customers in the energy, marine, petroleum and industrial sectors.

Canada:

Power Systems' primary markets are oil & gas, electric power generation and on-highway trucking. Modest revenue growth was delivered in 2008 despite a slight downturn in on-highway trucking and challenging conditions in the oil & gas industry. Throughout Finning (Canada)'s territory, projects related to electrical prime power generation in remote locations, local specialized electric power projects, and electrical power rental opportunities, provided stable growth. Sales of engines to gas compression packagers continued to be robust.

Power Systems has continued to focus on providing equipment management contracts and customer support solutions to end-users including gas compression packagers and producers of electrical power in order to increase customer satisfaction and provide sustainable growth to the business. Through its Diperk subsidiary, Finning distributes Perkins engines to dealers and end user customers in Western Canada.

South America:

Power Systems' primary markets are electric power generation, oil & gas and marine power. Growth occurred in all three markets in 2008. In particular, Power Systems delivered strong growth in electric power generation, through sales of engines, generator sets and custom engineered power solutions for primary, stand by or turnkey applications for customers engaged in various dry-land markets, including mining, oil & gas, telecommunications, utilities and general construction. Finning also provided marine propulsion systems to the fishing industry and the Chilean Navy. Finning also operates in Chile and Argentina, through its subsidiaries Distribuidora Perkins Chilena S.A.C. and Diperk Argentina S.A., which distribute Perkins engines and F.G. Wilson generator sets in a wide variety of commercial and industrial applications.

UK:

Power Systems' primary markets are electric power generation, marine power, industrial and oil & gas. In 2008, Power Systems enjoyed solid growth in all sectors. Electric power generation orders continued to be strong in such markets as landfill-gas-to-energy and stand-by power for commercial applications such as hospitals and data centres. Additional business was realized in the Pleasurecraft marine industry (which purchases engines for vessels manufactured in the U.K. and sold around the world), certain industrial sectors (such as rock crushing), and in the shipping industry. Through its subsidiary, Diperk (UK) Ltd., Finning distributes Perkins engines to a number of dealers and end user customers throughout the U.K.

Other:

Energyst was formed in Europe in 2003 by Caterpillar, Finning and nine European Caterpillar dealers, and provides rental of Caterpillar power generation solutions throughout Europe. Through this investment, the Company's power rental business scope has expanded from the U.K. to continental Europe. Energyst also transacts international project business outside of continental Europe.

3.4 DISTRIBUTION METHODS

Finning's dealerships operate through an extensive network of: (a) branches, which have sales, parts and repair services; (b) depots, which have repair facilities and limited, fast-moving parts inventories; and (c) residences, where one or more field service representatives provide customer support services in communities not otherwise serviced by branches or depots. The Finning dealership operations are represented across their dealer territories by approximately 260 locations, of which approximately 20% are owned, with the balance held under lease.

The Company places a strong focus on providing customer support solutions to end-users. An efficient parts distribution network assists in achieving this objective. The distribution network operated by each dealership operating segment can be summarized as follows:

Canada:

During 2005 the primary parts distribution centre in Edmonton was outsourced to Tracker Logistics, an unrelated company, in Nisku, Alberta and a wholly owned subsidiary of Excel Logistics Inc. The outsourcing and transition to Tracker Logistics was completed in 2006. Under an arrangement with an independent contractor, a fleet of dedicated trucks and trailers makes daily deliveries of new and remanufactured parts, components, attachments and small equipment to Finning (Canada)'s major locations. The routes run from the Tracker Logistics warehouse in Nisku, Alberta; from Caterpillar's parts warehouses in Denver, Colorado and Spokane, Washington; and from various branch locations to other branches throughout the territory.

The performance of Tracker Logistics as a supplier to Finning (Canada) has shown continuous improvement with each year of operation. Key benchmarks used by Finning (Canada) to assess the Tracker operation have been exceeded and therefore have assisted Finning (Canada) to improve overall service to its customers and branches.

South America:

Parts are primarily sourced from the Caterpillar parts distribution centres in Miami, Florida and Piracicaba, Brazil. Parts order shipments from Caterpillar are shipped by ocean and air to Finning parts distribution centres in Antofagasta, Chile and Buenos Aires, Argentina and warehouses in Santa Cruz and LaPaz, Bolivia and Montevideo, Uruguay. Through independent sub-contractors, a dedicated fleet of trucks makes daily deliveries of new parts and remanufactured components to all branches.

UK Dealership:

Parts are sourced from the Caterpillar parts distribution centre in Grimbergen, Belgium. These parts are then redistributed to UK dealership branches either directly by trucks enroute from Grimbergen, or by the dealership's interbranch transport network and an independent contractor.

The Hewden rental business operates through an extensive network of 130 depots throughout the U.K and is represented in 97 locations. Each depot varies in size and product offering with some large multi-discipline depots offering a broad range of equipment for hire, from mobile cranes to small plant tools. Hewden owns approximately 35% of its properties.

3.5 EMPLOYEE DEVELOPMENT

Finning employs highly qualified and professional individuals and encourages training and career development for all of its employees. Approximately 54% of Finning's total employees from dealership operations are skilled mechanics, technicians, parts persons and apprentices. To enhance skill levels and expertise, the Company offers the following:

- Finning dealership operations, in partnership with Caterpillar, support Caterpillar's ThinkBIG equipment technician program. In this program, Finning and Caterpillar combine to provide tools, instructors and machinery, and provide job opportunities to graduates. The Finning UK group is a leader in technician development in its sector and is the first European dealer to deploy Caterpillar's ThinkBIG in-house apprentice development program.
- Formalized sales and operations intern programs to provide learning and development opportunities in the sales and operations areas of the Company in Canada. South America has launched an innovative program called "Finning University" which defines career progression opportunities in service, sales, parts & logistics among others. Finning UK Group remains committed to the development and external accreditation of the sales force and technicians through the adoption of the CAT Sales Effectiveness program, and the CAT Accredited Technician Career Development program deployed in 2008.
- Structured programmes for management are currently in place with a focus on leadership development. Supervisor and management leadership development programs are offered to supervisors, new management and existing management of all levels with the emphasis on employee development to meet current and future business needs. To support employees in leadership roles they are promoted with the appropriate tools and training to deliver ongoing coaching and leadership to have an engaged and skilled pool of employees, who are well prepared to meet our business needs.

Finning believes that employee engagement forms an integral part of achieving the Company's strategic goals. Employee opinion surveys, an employee performance appraisal system, and career development planning are used to assess the level of employee engagement.

3.6 EMPLOYEE RELATIONS

Finning had 13,620 employees at the end of 2008: 4,639 in Finning (Canada); 422 in OEM; 4,988 in South America; 3,506 in Finning UK Group, and 65 at corporate headquarters.

Canada:

At Finning (Canada), the International Association of Machinists and Aerospace Workers ("IAM") represents hourly paid parts and service employees in British Columbia and the Yukon Territory. In its history, Finning (Canada) has never experienced a work stoppage in British Columbia or the Yukon Territory. In 2006, a three-year collective agreement was negotiated with the BC/Yukon local, which will expire on April 14, 2009.

A separate local of the IAM represents hourly paid parts and service employees in Alberta and the Northwest Territories. Finning (Canada)'s current three-year collective bargaining agreement with this local of the IAM signed in Dec 2005, after a six week labour strike, was to expire on April 30, 2008. In the second quarter of 2007, Finning (Canada) and the IAM, agreed to a two year extension of the existing collective agreement with an enhanced wage settlement. This extends the agreement to April 2010. All other terms and conditions of the existing collective agreement continue in effect.

OEM employees are represented by the Transport Warehousemen and Allied Trades (CLAC Local 56), which is affiliated with the Christian Labour Association of Canada. The current collective agreement for OEM employees will expire on December 31, 2011.

Finning, Finning (Canada), and OEM have been involved in legal proceedings for the past three years with the Alberta division of the IAM– Local Lodge 99 (IAM 99) relating to Finning (Canada)'s outsourcing of component repair and rebuilding services to OEM in 2005. On October 17, 2007, the Alberta Court of Appeal overturned previous decisions in favour of Finning and OEM made by the Court of Queens Bench and by a Reconsideration Panel of the Alberta Labour Relations Board (ALRB), and reinstated a finding of the original ALRB panel. The original ALRB panel had found that OEM was a successor employer to Finning (Canada) in respect of the component repair and rebuilding activities being carried out by OEM as a service provider to Finning (Canada). The result of the Court of Appeal finding is that IAM may now have the right to assert that it is the authorized bargaining agent for some or all of the non-management employees of OEM. These OEM employees are currently represented by another union, the Christian Labour Association of Canada. The Court of Appeal did not overturn other aspects of the previous decisions in Finning's and OEM's favour. Finning, Finning (Canada), and OEM filed for leave to appeal this Court of Appeal decision to the Supreme Court of Canada but the application was denied. The full operational and legal implications of the Court's decision are still to be determined as further proceedings are currently taking place before the ALRB. At this time, Finning, Finning (Canada), and OEM are confident that they can manage the operational impacts of these ALRB proceedings.

South America

There are six unions (sindicatos) that represent the Company's employees in Chile. Historically, the relationship between the Company and the unions has been positive. The collective agreements with the three unions that represent 85% of the Chilean employees were renewed successfully in August and October 2008. The new collective agreements have a four year term, which include an enhanced wage settlement.

The collective agreement with the Cat Rental Store union, which represents 3% of the Chilean employees, was renewed in July 2008. In November 2006, Finning Servicios Especializados ("FSE") (Machine Shop) in Antofagasta negotiated successfully a collective agreement with the FSE union; the agreement will expire November 2010. In March 2007, Diperk negotiated successfully a collective agreement with the Diperk union; the agreement will expire February 2011.

A national union represents Finning mechanics in Argentina pursuant to a country wide agreement. This national agreement was signed in 1975 with no end date. A good working relationship with this union is maintained with both Finning Argentina S.A. and Finning Soluciones Mineras S.A. In 2008, wage increases of 28% were awarded to all employees in Argentina and 4.5% in Uruguay in accordance with national agreements. The Company also awarded employees in Bolivia a 10% increase to match inflation.

UK Group

At Finning (UK), there have been no serious labour disruptions since the business was acquired in 1983. The Finning (UK) service group is covered by trade union representation.

The only section of the Hewden rental business covered by trade union representation for the purposes of collective bargaining is the Cranes Division. Crane operators in the Cranes division (approximately 224 employees) are covered by a labour agreement with the Amicus trade union. Since the Company's purchase of Hewden no labour disruptions have taken place. The current agreement expired on February 1, 2009. While discussions are continuing, there remains some risk of industrial action by this group of employees in 2009. Due to the number of employees covered by this agreement and the size of the business involved, management does not believe this risk could materially impact the Company's financial results.

In December 2008 the Finning (UK) and Hewden announced that they would be delaying contract negotiations until after the end of the first quarter of 2009 due to the challenging market conditions. This decision has been accepted by trade union representatives in both the service group and the Cranes division of Hewden. The date for contract renewal in Finning (UK) was Jan 1, 2009 and for Hewden Feb 1, 2009.

3.7 COMPETITIVE CONDITIONS

Finning is part of Caterpillar's global dealer network. This network allows users of Caterpillar products and services in specific markets to deal with people with whom they are familiar, and who have an intimate knowledge of the local market and the Caterpillar product. As such, both Finning and Caterpillar benefit from their strong strategic alliance.

Finning primarily competes with a large number of worldwide equipment vendors who sell equipment manufactured by companies other than Caterpillar. The competitive environment for Caterpillar's machinery and engine business consists of global, regional and specialized local competition. Historically, superior product quality, wide scale service capability, remanufactured components and customization, distribution capabilities, the number of locations, proximity of locations to customers, financial services and the wide product range offered by Caterpillar have enhanced Finning's ability to compete throughout its market areas.

Caterpillar manufactures a broad range of products. In addition, Caterpillar has expanded its product line through the distribution of products manufactured by other companies and distributed under the Caterpillar brand name. Caterpillar's competitors generally provide a more limited range of products, and in many cases these are specific to particular industries and to applications within particular industries. Most of Finning's competitors, worldwide, also specialize in more limited and specific lines of equipment and services. Consequently, Finning's share of industry-wide sales varies significantly across product lines and industries.

The rental market in the United Kingdom is quite fragmented. As a result, Hewden has a wide variety of competitors throughout its territory with several being of equal size or larger than Hewden but the majority of the market is dominated by competitors that are significantly smaller, both in terms of geographic coverage and product offering.

3.8 DEALERSHIP AND DISTRIBUTOR AGREEMENTS

Finning has dealership and distributor agreements with several equipment manufacturers and distributors, the most significant being Caterpillar. Under the terms of these agreements, Finning is responsible for marketing and servicing the manufacturer's products in its areas of primary responsibility.

Finning has several dealership agreements with Caterpillar, including companies owned by Caterpillar such as Perkins, MaK and F.G Wilson. The principal agreements can be terminated on 90 days notice in Canada and South America and six months notice in the U.K. Other agreements can be terminated on three to six months notice. In the event of termination of an agreement by Caterpillar, Caterpillar will purchase substantially all related inventories of new equipment and new parts inventory from Finning at cost. Finning started as a Caterpillar dealer in 1933 and has developed a strong relationship with Caterpillar. Finning's management is not aware of any matter that could result in termination of any of the dealership agreements with Caterpillar.

Over 90% of Finning's dealership business involves Caterpillar products. As such, Finning's business is dependent on the market acceptance of Caterpillar products. From time to time, during periods of intense demand, Caterpillar finds it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not in the past proven to be a significant impediment to Finning in conducting its business.

In addition, to Caterpillar dealer relationships and dealer relationships with companies owned directly by Caterpillar such as Perkins, MaK and F.G.Wilson, the Company has developed dealer relationships for other complementary product lines in order to create new marketing opportunities and to expand its customer support services. In Canada, relationships exist with Waratah, Risley, and Allied Systems in Forestry; and others such as Kress. In South America, dealer relationships exist with Genie Industries IMT, Link Belt, O&K, Sullair and Waratah.

3.9 INTANGIBLE PROPERTIES (GOODWILL)

As at December 31 2008, Finning's goodwill had a net book value of approximately $99.3 million. Goodwill represents the excess of cost of an acquired business over the fair value attributed to the net identifiable assets. The Company performs impairment tests on its goodwill balances on at least an annual basis or as warranted by events or circumstances throughout the year. During the year, the Company performed its assessment of goodwill by estimating the fair value of operations to which the goodwill relates using the present value of expected discounted future cash flows. The Company determined that the fair value of Hewden was less than its book value, which included goodwill recorded on acquisition. This determination resulted from a decline in market valuation multiples and a reduction of fair value as determined using a discounted cash flow methodology due to a change in assumptions in order to reflect current market conditions. As a result, the Company recorded a full goodwill impairment charge of $151.4 million on its Hewden investment. The Company expects no income tax deduction from this non-cash goodwill impairment charge.

3.10 Business Cycles

Many of the Company's customers operate in industries that are cyclical in nature. As a result, customer demand for the Company's products and services may be affected by economic conditions on both a global or local level. Changes in interest rates, inflation, economic growth, levels of taxation, foreign exchange, commodity prices, and the level of government infrastructure spending may influence capital expenditure decisions, and ultimately the Company's sales. Through diversification by geography and by the services offered by the Company, Finning mitigates some of this cyclical impact.

3.11 Business Processes & Systems

The Finning dealership operations utilize computer systems supplied by Caterpillar. Caterpillar provides its dealers with software to manage parts, service and product support, finance, sales and merchandising, and marketing. The Caterpillar core dealer based system (DBS) was further enhanced with a commercial software solution. The revised "DBSi" application was created to address several tactical areas in the enterprise supply chain and to provide integrated financial software, and improved customer relationship management and service. DBS and DBSi are used by a majority of Caterpillar's dealers throughout the world, along with a variety of other personal computer-based Caterpillar software applications that expand and support DBS and DBSi.

Finning's dealership operations in Canada, Chile, Uruguay, and Bolivia continue to run the previous DBS version of Caterpillar software, while DBSi is being used in the dealership operations in the UK (since 2004) and Argentina (since 2003). Finning's DBSi computer systems have been supported by the Caterpillar Solution Centre located in Peoria, Illinois.

Caterpillar has announced its intention to move out of the dealer management software business, and the application hosting business for dealers. The current products will be supported through 2012 at a minimum and potentially by alternate providers after that date. Finning has sourced alternate hosting and support services and is in the process of planning the migration for DBSi hosting for Finning UK and Finning Argentina in 2009.

Finning initiated a project to evaluate alternative commercial offerings that will support the Company's strategic goals of "best in class" customer solutions. This project ran through 2007, and resulted in the selection of the Lawson ESM&R (formerly M3) solution in late 2007. A project was approved and initiated to implement the Lawson solution in all Finning dealership operations, commencing in early 2008. Implementation is expected to run through 2009. The target "Go Live" date is expected to be in the fourth quarter of 2009 for the Canadian operations. Subsequently, implementation will commence for the South American operations and the UK Group, and is expected to run through the remainder of 2010 and 2011.

In line with the 2010 Strategic Plan the implementation of the new software platform will integrate several data sources and processes into a unified system and provide data that is more reliable, accessible and easily shareable between departments and across country operations.

Hewden implemented the Lawson M3 solution for its rental operations in 2007, replacing legacy software systems and IT processes. This new system is designed to improve customer information and also enable Hewden to focus on reducing its transaction costs.

Where appropriate, Finning, in all of its operations, has outsourced support for personal computers and printers, and its wide area and local area networks.

3.12 FOREIGN OPERATIONS

In 2008, Finning generated approximately 54% (2007: 52%) of its revenue from operations in Canada; 25% (2007: 23%) from South America; and 21% (2007: 25%) from the UK Group. Revenue from operations outside of Canada contributed 46% of consolidated revenue compared to 48% in 2007.

3.13 ETHICS

The Company's Code of Conduct ("the Code") forms the cornerstone of how Finning conducts business and how its employees' actions contribute to Finning's collective goals. Finning's Code sets out the Company's expectations for the ethical behaviour of all its directors, officers and employees. The Code is reviewed annually by the Company's senior management and Board of Directors and all directors, officers and key employees are required to sign an acknowledgement of their compliance with the Code. The Code encompasses member ambassadorship and accountability, privacy, ethical conduct, confidentiality, health and safety and the environment, financial accuracy and accountability including fair and full disclosure of the Company's financial results, and how to deal with breaches to the Code. The Company also has a Whistleblower Policy in place to enable any issues which may arise to be resolved within the Company, rather than outside it, without fear of retaliation. Under the Whistleblower Policy, an employee may contact the Human Resources Department, other members of management, or the Finning Compliance Office directly by phone or e-mail. A confidential compliance Ethics Hotline or Website can be also utilized by employees to report any suspected breach of the Code of Conduct. For more information on the Company's Code of Conduct and other policies please refer to the investor's section of the Company's website www.finning.com.

3.14 ENVIRONMENT, HEALTH, AND SAFETY

Finning is committed to conducting our business activities to the highest health and safety standards while eliminating all job related injuries and illnesses and minimizing the impact on the environment. Finning's commitment to the environment, health and safety is further underpinned by Finning's Code of Conduct, which guides the actions of our employees. The Code of Conduct emphasizes collective accountability for upholding our company's values and standards. Finning has programs in place throughout its operations to monitor and satisfy legal environmental protection requirements. Through an environmental audit program, Finning monitors compliance. Key employees are educated on changes to relevant environmental laws and regulations. Regular reports are made to the Environment Health and Safety ("EH&S") Committee of the Board of Directors. Finning management is not aware of any environmental protection requirements that are likely to have a material adverse effect on the capital expenditures, earnings or competitive position of the Company.

The Company adheres to the Canadian Association of Petroleum Producers (CAPP) Guidelines for reporting its safety statistics. Additional EH&S highlights for 2008 included the following:

- Through the commitment of all managers and employees Finning (UK) and Hewden businesses and sites completed certification to OHSAS 18001, ISO 14001 (environment) and ISO 9001 (quality). OHSAS 18001 is the top International Occupations Health and Safety Management Standard. In addition, Hewden was presented with the Rental Environment Award at the first ever European Rental Awards.
- Finning (UK) and Hewden won a prestigious Silver RoSPA (Royal Society for the Prevention of Accidents) Occupational Health & Safety Award in 2008.
- The Health, Safety and Environment Management System in Finning South America complies with ISO 14001 and OHSAS 18001 guidelines. The system includes all activities carried out in and on behalf of Finning South America, in operating and administrative areas, as well as work undertaken by contractors, external services and trainees. The system provides a formal, organized process whereby people plan, perform, assess and improve activities that enhance a preventive culture where business is conducted.
- A full external audit of the Finning (Canada) safety program was performed in August 2008. An overall score of 86% was obtained, which represents an improvement over the previous score of 80% which was obtained by undergoing the same audit less than one year ago.
- In 2008, Finning reported an average Lost Time Frequency Rate of 0.38 accidents per 200,000 man hours worked, which is a 27% improvement from 0.52 in 2007. This achievement is a testament to the dedicated focus on safety within all Finning operations. Finning is a leader amongst the industry.

Operation	Canada	OEM	South America	UK Group	Consolidated
LTI frequency	0.52	0.26	0.33	0.28	0.38

In 2008, despite the high standards and emphasis on safety, three employee fatalities occurred in Finning operations. Two of the fatalities occurred in Finning (Canada) (one at an oil sands customer worksite and one en route to a field assignment via a customer chartered flight). The third fatality occurred in Finning South America at a customer work site. There were no work-related fatalities during 2007 and 2006.

Finning works closely with Caterpillar and with its customers to develop products that are more fuel efficient and produce lower emissions. In addition, Finning has been a key contributor to technology enhancements that have allowed the use of alternate fuels to power certain engine applications, particularly for electric power generation. These include methane gas from landfill sites, old coal mine sites and sewage as well as combined heat and power installations. Finning maintains and provides operational services, on behalf of customers, for installations generating over 70 MW of power from renewable energy sources.

4. KEY BUSINESS RISKS

4.1 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 in order to achieve the Company's 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 financial and business risks herein. 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 Management's Discussion and Analysis (MD&A). Also on a quarterly basis, the Audit Committee reviews the Company's process with respect to risk assessment and management of key risks, including the Company's major financial risks and exposures and the steps taken to monitor and control such exposures. Changes to the key risks are also reviewed by the Audit Committee.

4.2 CONTROLS AND PROCEDURES CERTIFICATION

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities.

The Company has a Disclosure Policy and a Disclosure Committee in place to mitigate risks associated with the disclosure of inaccurate or incomplete information, or failure to disclose required information.

- The Disclosure Policy sets out accountabilities, authorized spokespersons, and Finning's approach to the determination, preparation, and dissemination of material information. The policy also defines restrictions on insider trading and the handling of confidential information.
- A Disclosure Committee, consisting of senior management and external legal counsel, review all financial information prepared for communication to the public to ensure it meets all regulatory requirements and is responsible for raising all outstanding issues it believes require the attention of the Audit Committee prior to recommending disclosure for that Committee's approval.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles (GAAP). There has been no change in the design of the Company's internal control over financial reporting during the quarter ended December 31, 2008, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Evaluation of Effectiveness

As required by National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109) issued by the Canadian Securities regulatory authorities, an evaluation and testing of the effectiveness of the design and operation of the Company's disclosure controls and procedures and internal control over financial reporting were conducted as of December 31, 2008, by and under the supervision of management, including the CEO and CFO. In making the assessment of the effectiveness of the Company's internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework.* The evaluation included documentation review, enquiries, and other procedures considered by management to be appropriate in the circumstances.

Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and internal control over financial reporting were effective as of December 31, 2008.

Regular involvement of internal audit and quarterly reporting to the Audit Committee and the Company's external auditors assists in providing reasonable assurance that the objectives of the control system are met. While the officers of the Company have designed the Company's disclosure controls and procedures and internal control over financial reporting, they expect that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

4.3 FINANCIAL DERIVATIVES

The Company uses various financial instruments such as interest rate swaps, forward foreign exchange contracts and collars, as well as foreign currency debt to manage its foreign exchange exposures, interest rate exposures and stock-based compensation expenses which fluctuate with share price movements (see notes 3 and 4 of the Notes to the Company's Consolidated Financial Statements for the year ended December 31, 2008). 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 continually evaluates and manages risks associated with financial derivatives, which includes counterparty credit exposure.

4.4 FINANCIAL RISKS AND UNCERTAINTIES

4. 4.1 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. The Company also maintains certain credit facilities which can be drawn upon as needed.

Financing arrangements

The Company will require capital to finance its future growth and to refinance its outstanding debt obligations as they come due for repayment. If the cash generated from the Company's business, together with the credit available under available bank facilities, is not sufficient to fund future capital requirements, the Company will require additional debt or equity financing in the capital markets. The Company's ability to access capital markets on terms that are acceptable will be dependent upon prevailing market conditions, as well as the Company's future financial condition. Further, the Company's ability to increase its debt financing may be limited by its financial covenants or its credit rating objectives. Although the Company does not anticipate any difficulties in raising necessary funds in the future, there can be no assurance that capital will be available on suitable terms and conditions, or that borrowing costs and credit ratings will not be adversely affected. In addition, the Company's current financing arrangements contain certain restrictive covenants that may impact the Company's future operating and financial flexibility.

4. 4.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, instalment notes receivables, and derivative counterparties. The Company has a large diversified customer base, and is not dependent on any single customer or group of customers. Credit risk is minimized because of the diversification of the Company's operations as well as its large customer base and its geographical dispersion. Although there is usually no significant concentration of credit risk related to the Company's position in trade accounts or notes receivable, the Company does have a certain degree of credit exposure arising from its derivative contracts and investments. There is a risk that counterparties to these derivative contracts and investments may default on their obligations. However, the Company minimizes this risk by ensuring there is no excessive concentration of credit risk with any single counterparty, by active credit management and monitoring, and by dealing only with financial institutions that have a credit rating of at least A- from Standard and Poor's and A (low) from Dominion Bond Rating Service Limited.

4. 4.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Company's Global Hedging Policy approved by the Audit Committee.

Currency Risk

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 U.S. dollar (USD), the Canadian dollar (CAD), the U.K. pound sterling (GBP), and the Chilean peso (CLP). As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies. The three main types of foreign exchange risk of the Company can be categorized as follows:

Investment in Foreign Operations

All of the Company's foreign operations are considered self-sustaining. Accordingly, assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the balance sheet dates. Any unrealized translation gains and losses are recorded as an item of comprehensive income and accumulated other comprehensive income.

It is the Company's objective to manage its exposure to currency fluctuations arising from its foreign investments. The Company has hedged a portion of its foreign investments through foreign currency denominated loans and other derivative contracts. Any exchange gains or losses arising from the translation of the hedging instruments are recorded, net of tax, as an item of comprehensive income and accumulated other comprehensive income. Cumulative currency translation adjustments, net of gains or losses of the associated hedging instruments, are recognized in net income when there is a reduction in the Company's net investment in the self-sustaining foreign operations. A 5% hypothetical strengthening of the Canadian dollar relative to all other currencies from the December 2008 month end rates, assuming the same current level of hedging instruments, would result in an after-tax deferred unrealized loss of approximately $29 million.

Transaction Exposure

Many of the Company's operations purchase, sell, rent, and lease products as well as incur costs throughout the world using different currencies. This mismatch of currencies creates transactional exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. It may also impact the Company's competitive position as relative currency movements affect the business practices and/or pricing strategies of the Company's competitors.

It is the Company's objective to manage the impact of exchange rate movements and volatility in results. Each operation manages the majority of its transactional exposure through sales pricing policies and practices. The Company also enters into forward exchange contracts to manage residual mismatches in foreign currency cash flows. As a result, the foreign exchange impact on earnings with respect to transactional activity is not significant.

Translation Exposure

The most significant foreign exchange impact on the Company's net income is the translation of foreign currency based earnings into Canadian dollars each reporting period. All of the Company's foreign subsidiaries report their operating results in currencies other than the Canadian dollar. Therefore, exchange rate movements in the U.S. dollar and U.K. pound sterling relative to the Canadian dollar will impact the consolidated results of the South American and U.K operations in Canadian dollar terms. In addition, the Company's Canadian results are impacted by the translation of their U.S. dollar based earnings. Some of the Company's earnings translation exposure is offset by interest on foreign currency denominated loans and derivative contracts associated with the net investment hedges.

Sensitivity to Variances in Foreign Exchange Rates

The sensitivity of the Company's net earnings to fluctuations in average annual foreign exchange rates is summarized in the table below. A 5% strengthening of the Canadian dollar against the following currencies for a full year relative to the December 31, 2008 month end rates would increase (decrease) annual net income by the amounts shown below. This analysis assumes that all other variables, in particular volumes, relative pricing, interest rates, and hedging activities are unchanged.

Currency	December 31, 2008 month end rates	Increase (decrease) in annual net income *(C$ millions)*
USD	1.2246	(22)
GBP	1.7896	(2)
CLP	0.0019	1

The sensitivities noted above ignore the impact of exchange rate movements on other macro-economic 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.

Interest Rate Risk

The Company's interest bearing financial assets comprise instalment note receivables, which bear interest at a fixed rate. The Company's debt portfolio comprises both fixed and floating rate debt instruments, with terms to maturity ranging up to ten years. In relation to its debt financing, the Company is exposed to potential changes in interest rates, which may cause the Company's borrowing costs to fluctuate. Floating rate debt exposes the Company to fluctuations in short-term interest rates, while fixed rate debt exposes the Company to future interest rate movements upon refinancing the debt at maturity. Fluctuations in current or future interest rates could result in a material adverse impact on the Company's financial results, by causing related finance expense to rise. Further, the fair value of the Company's fixed rate debt obligations and the mark-to-market on the cross currency interest rate swaps may be negatively affected by changes in interest rates, thereby exposing the Company to potential losses on early settlements or refinancing. The Company minimizes its interest rate risk by balancing its portfolio of fixed and floating rate debt, as well as managing the term to maturity of its debt portfolio. At certain times the Company utilizes derivative instruments such as interest rate swaps to adjust the balance of fixed and floating rate debt to appropriately determined levels.

Commodity Prices

The Company's revenues can be indirectly affected by fluctuations in commodity prices; in particular, changes in views on long-term commodity prices. In Canada, commodity price movements in the forestry, metals, coal, and petroleum sectors can have an impact on customers' demands for equipment and customer service. In Chile and Argentina, significant fluctuations in the price of copper and gold can have similar effects, as customers base their capital expenditure decisions on the long-term outlook for metals. In the U.K., changes to prices for thermal coal may impact equipment demand in that sector. Significant fluctuations in commodity prices could result in a material adverse impact on the Company's financial results. With significantly lower commodity prices, demand is reduced as development of new projects is slowed or stopped and production from existing projects can be curtailed, both leading to less demand for equipment. However, product support growth has been, and will continue to be, important in mitigating the effects of downturns in the business cycle. Finning's customer support services revenues typically contribute higher gross margins than new equipment sales.

4. 4.4 Stock-Based Compensation Risk

Stock-based compensation is an integral part of the Company's compensation program, and can be in the form of the Company's common shares or cash payments that reflect the value of the shares. Since Canadian GAAP require certain stock-based compensation which is accounted for as liability-based awards to be recorded on a mark-to-market basis, compensation cost can vary significantly as the price of the Company's common shares changes. The Company has entered into a derivative contract to manage this potential exposure, called a Variable Rate Share Forward (VRSF).

A 5% strengthening or weakening in the Company's share price as at December 31, 2008, all other variables remaining constant, would have increased or decreased net income by approximately $0.9 million as a result of revaluing certain of the Company's stock-based compensation. As the Company's share price changes, the mark-to-market impact related to the stock-based compensation liability is effectively offset by the mark-to-market impact related to the VRSF.

4.5 OTHER KEY BUSINESS RISKS

4. 5.1 Reliance on Key Supplier

The majority of the Company's business involves the distribution and servicing of Caterpillar products. As such, the Company's business is highly dependent on the continued market acceptance of Caterpillar's products. The Company believes that Caterpillar has a solid reputation as a manufacturer, with excellent brand recognition and customer support and has high market shares in many of the markets it serves. However, there can be no assurance that Caterpillar will be able to maintain its reputation and market position in the future. If Caterpillar is unsuccessful in developing and enhancing its product lines to meet evolving and sophisticated customer needs, is unable to maintain the quality of its products, or if it is unable to provide its products at competitive prices, the market acceptance for Caterpillar products may deteriorate over time. Any resulting decrease in the demand for Caterpillar products could have a material adverse impact on the Company's business, results of operations and future prospects.

The Company is also dependent on Caterpillar for the timely supply of parts and equipment to fulfil its deliveries to customers and meet the requirements of the Company's service maintenance contracts. From time to time, during periods of intense demand, Caterpillar finds it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not in the past proven to be a significant impediment to the Company in the conduct of its business. However, there can be no assurance that Caterpillar will continue to supply its products in the quantities and timeframes required by the Company's customers. When supply constraints have occurred in the past, the Company has been successful in utilizing its rental assets and used equipment to meet demand. Finally, the Company's product supply could also be disrupted by potential labour disputes or strike action at Caterpillar. Any prolonged delays in product supply may adversely affect the Company's business, results of operations and financial condition.

The Company has also been reliant on Caterpillar to supply financing to its customers. In periods of global market credit disruption, Caterpillar may tighten sources or terms of financing to for our customers. When credit constraints have occurred, the Company and our customers have been successful by finding alternate sources of financing or arranged alternate terms of purchase to facilitate delivery of our products to our customers. Any prolonged disruption in Caterpillar's and our customers' access to liquidity markets could have a material impact on the Company's business, results of operations and financial condition.

4. 5.2 Competition

The Company competes with a large number of equipment vendors worldwide that sell equipment manufactured by companies other than Caterpillar. In addition, the Company operates in a very competitive market in the U.K. Although price competition between the Company and other equipment vendors can be intense, there are a number of factors that have enhanced the Company's ability to compete throughout its market areas, including: the range and quality of Caterpillar products; the range and quality of the Company's services and solutions; the Company's ability to meet sophisticated customer requirements; the Company's extensive distribution capabilities; the number of sales and service locations; the Company's proximity to its customers; and the extent of financial services offered by the Company and its suppliers. The Company may encounter increased competition in the future, which may put pressure on sales prices. Further, foreign currency movements could provide relative pricing advantages to competitors who transact their business in different currencies than the Company. Increased competitive pressures or the inability of the Company to maintain the factors which have enhanced its competitive position to date could adversely affect the Company's business, results of operations, and financial condition.

4. 5.3 Information Systems and Technology

The integrity, reliability, and availability of technology and the data processed by that technology is an integral part of the Company's business processes, including marketing of equipment and support services, inventory and logistics, and finance. Some of these systems are integrated with Caterpillar's core processes and systems. In addition, Caterpillar supplies the basic dealer business system used by the Company in all of its dealership operations. The Company is dependent on Caterpillar for future support of these systems and for hosting its DBSi applications.

Finning initiated a project to evaluate future Caterpillar systems as well as alternative commercial products which resulted in the selection of the Lawson ESM&R (formerly M3) solution. The implementation of the Lawson solution in all of Finning's dealership operations ran throughout 2008, and will continue in 2009, and 2010, with staggered "Go Live" dates in various Finning regions, beginning in 2009. The implementation of any large IT system involves significant process change and organization change which carries the risk of business disruption, failure to achieve expected business benefits, and cost overruns. Change management and training have been identified as critical success factors in the successful implementation of the new systems.

In addition, Caterpillar will no longer support the current version of DBSi operating in Finning's dealerships in the UK and Argentina beyond 2009. As the Company's operations in the UK and Argentina will not have migrated to the new Lawson system prior to the loss of Caterpillar's system support, Finning will move to a new hosting and support provider in 2009. With this change, there will be a risk of system instability and business disruption. Any disruptions to these systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely impact the Company's operating results by limiting the ability to effectively monitor and control the Company's operations. A rigorous management process is being followed to manage these risks.

4. 5.4 Economic Conditions / Business Cyclicality

Many of the Company's customers operate in industries that are cyclical in nature. As a result, customer demand for the Company's products and services may be affected by economic conditions on both a global or local level. Changes in interest rates, inflation, economic growth, levels of taxation, foreign exchange, commodity prices, and the level of government infrastructure spending may influence capital expenditure decisions, and ultimately the Company's sales. The Company has mitigated some of its exposure to variable business cycles by diversifying its business across a broad range of business activities, industry sectors, and geographic locations. Approximately 70% of the Company's gross margin was generated from parts, service, and rental activities in 2008, which are significantly less sensitive to swings in commodity prices than are equipment sales. In spite of the Company's geographic and business diversification, an economic downturn in one or more markets or regions may adversely impact the Company's operating results, particularly at a regional level.

4. 5.5 Key Personnel

The success of the Company in achieving its goals is largely dependent on the abilities and experience of its senior management team and other key personnel. The Company's future performance will also depend on its ability to attract, develop, and retain highly qualified employees in all areas of its business. Competition for highly skilled management, sales, and technical personnel is intense, particularly in certain geographic areas where the Company operates. In order to address this risk, the Company has implemented a number of human resource initiatives, including: training and career development programs, succession plans, engagement surveys, performance appraisal systems, and recruiting strategies. Although the Company actively manages its human resource risks, there can be no assurance the Company will be successful in its efforts. The loss of certain key employees, or failure to attract and retain new talent as needed, may have an adverse impact on the Company's business, results of operations, and future prospects.

4. 5.6 Maintenance and Repair Contracts

The Company enters into long-term maintenance and repair contracts with some of its customers. Under these contracts, the Company agrees to maintain certain fleets of customer equipment at negotiated performance levels. The lengths of these contracts vary, often ranging up to five or more years. The contracts are generally a fixed price over the term, although many contracts have additional provisions for inflationary or currency adjustments.

The Company has developed processes and has controls in place to ensure contracts are bid appropriately but due to the long-term nature of these contracts, there is a risk that significant cost overruns may be incurred. If the Company has miscalculated the extent of maintenance work required, or if actual parts and service costs increase beyond the agreed adjustments, contract profitability may be adversely affected. In order to mitigate this risk, the Company performs regular reviews of all significant contracts. All maintenance and repair contracts are validated against historic Finning and Caterpillar data based on conservative component change out periods and usually include an escalation clause to cover inflationary increases in relation to where appropriate in the contract. The Company closely monitors the contracts for early warning signs of cost overruns. Preventative measures such as scheduled oil sampling helps to identify problems early on and reduces the risk of costly repair work.

The manufacturer may, in certain circumstances, share in the cost overruns if profitability falls below a certain threshold. Any failure by the Company to effectively price and manage these contracts could have a material adverse impact on the Company's business, results of operations and financial condition.

4. 5.7 Growth Initiatives / Integration of Acquisitions / Project Execution

As part of its long-term corporate strategy, the Company intends to grow its business through a combination of organic growth and strategic acquisitions as well as focusing on its core business. The Company's ability to successfully grow its business will be dependent on a number of factors including: identification of accretive new business or acquisition opportunities; negotiation of purchase agreements on satisfactory terms and prices; prior approval of acquisitions by Caterpillar or other parties, including regulatory authorities; securing attractive financing arrangements; and integration of newly acquired operations into the existing business. All of these activities may be more difficult to implement or may take longer to execute than management anticipates. Further, any significant expansion of the business may increase the operating complexity of the Company, and divert management attention away from regular business activities. Any failure of the Company to manage its acquisition strategy successfully could have a material adverse impact on the Company's business, results of operations, and financial condition.

The Company believes that a significant opportunity for growth exists in its Power Systems business. To be successful in this area requires strong project management and control procedures.

The Company has many initiatives underway, such as improving customer segmentation, facility throughput, and improving its forecasting capability to focus on its parts and service revenue growth strategy for all of its dealership operations. A greater focus will be placed on meeting customer expectations and numerous actions have been taken to achieve ever improving employee engagement.

Although the Company makes every effort to integrate new operations, there can be no assurance that the Company will fully realize the anticipated revenues, synergies, or other intended benefits associated with potential acquisitions. To date, the Company has been successful in profitably managing its expansion, particularly in South America. In the U.K., efforts to combine very different business models, such as Finning Materials Handling with Lex Harvey (acquired in 2003), proved to be a challenging and costly process. Following an extensive review it was determined that the Materials Handling Division of Finning (UK) was not core to the Company and this division was sold in 2006.

The Company currently has several inter-related projects and strategic initiatives underway for its operations in the U.K. These projects are intended to improve financial performance and realize operational synergies within and between Hewden and Finning (UK) while still providing superior service to customers. As a result, a new organizational structure was implemented for the UK Group along three core market units to be supported by a single back office operation that will provide integrated head office services, improve customer relationships and better support customer requirements, and identification of opportunities for further synergies within and between the two operations. The Company has adopted and implemented a project management process and is expanding its capabilities in this area in order to manage risks associated with the complexity of the numerous cost initiatives and projects underway.

4. 5.8 Future Warranty Claims

The Company provides warranties for most of the equipment, parts and services supplied. In many cases, the warranty claim risk is shared jointly with the equipment manufacturer. Accordingly, the Company's liability is generally limited to the service component of the warranty claim, while the manufacturer is responsible for providing the required parts. There is a risk that product quality erosion or lack of skilled workforce could increase warranty claims in the future, or may be greater than management anticipates. If the Company's liability in respect of such claims is greater than anticipated, it may have a material adverse impact on the Company's business, results of operations, and financial condition. To mitigate this risk, the Company reviews every warranty offering by product at least annually to assess the experience with the product and ensure that the appropriate cost factors to service the product over its warranty period are adequate. Insurance may at times be obtained on equipment to further mitigate any warranty exposure. Additionally, the Company works closely with Caterpillar on all product quality issues and has extensive product improvement, product support and pre delivery inspection programs in place.

4. 5.9 Defined Benefit Pension Plans

In addition to having defined contribution plans, the Company has a number of defined benefit plans covering certain employee groups in the U.K. and Canada. The Company is responsible for funding its defined benefit plans to ensure accrued benefit obligations will continue to be met by plan assets in the future. The Company's funding requirements are dependent upon many factors, including the rate of return earned on plan assets, the discount rate used to calculate accrued benefit obligations, and several other actuarial assumptions and experiences. Changes in any of these factors may cause the Company's pension contributions and related pension expense to fluctuate. As investment markets can be variable, there is a risk that asset returns and discount rates may fall below management's current estimates.

The decreases in security values in global financial markets in the latter part of 2008 will have an impact on the pension funding and expense levels of Finning's defined benefit pension plans going forward. The predominant pension arrangement in Canada going forward is a defined contribution plan, with the existing defined benefit plan having been closed to new members (other than executives) since 2004. The Company's South American employees do not participate in a Company pension plan. As such, the more significant impact on pension funding and pension expense would relate to the UK operations although the UK defined benefit plans are also essentially closed to new entrants (new hires now participate in a defined contribution arrangement, if any), a significant liability still exists. At present, management anticipates that the changes to the funded level and related pension expense of its defined benefit pension plans will be manageable.

4. 5.10 Income Taxes

The Company exercises judgment in estimating its provision for income taxes. Provisions for federal, provincial and foreign taxes are based on the respective laws and regulations in each jurisdiction within which the Company operates. These complex laws and regulations are potentially subject to different interpretation between the Company and the respective tax authority. Due to the number of variables associated with the differing tax laws and regulations across the multiple jurisdictions, the precision and reliability of the resulting estimates are subject to uncertainties and may change as additional information becomes known.

Future income tax assets and liabilities comprise the tax effect of temporary differences between the carrying amount and tax basis of assets and liabilities as well as the tax effect of undeducted tax losses, and are measured according to the income tax law that is expected to apply when the asset is realized or liability settled. Assumptions underlying the composition of future income tax assets and liabilities include estimates of future results of operations and the timing of reversal of temporary differences as well as the tax rates and laws in each respective jurisdiction at the time of the expected reversal. The composition of future income tax assets and liabilities is reasonably likely to change from period to period due to the uncertainties surrounding these assumptions.

4. 5.11 International Operations

The Company has operations outside of Canada, including the U.K., Chile, Argentina, Uruguay, and Bolivia. The Company's international subsidiaries are subject to risks normally associated with the conduct of any business in foreign jurisdictions, including: uncertain political and economic environments; war, insurrection, and other civil disturbances; changes in laws, regulations, and taxation; foreign currency exchange controls; and limitations on the repatriation of earnings. These risks may limit or disrupt operations, increase costs, restrict the movement of funds, or result in the loss of property. Although the Company closely monitors its foreign investment risks, there can be no assurance that the Company will not be adversely affected by political and other events beyond its control.

4. 5.12 Employee Relations

Many of the Company's employees are represented by unions and are covered by collective bargaining agreements. The Company is party to a number of collective bargaining agreements worldwide, which are subject to expiration at various dates in the future. Although, in 2008, there were no labour disruptions and all negotiations were successfully concluded, there can be no assurance regarding future negotiations. The renegotiation process could result in future work stoppages or higher wages and benefits paid to union members. The Company is committed to the collective bargaining process and to concluding a fair contract for its employees and for Finning. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on the Company's business, results of operations, or financial condition.

4. 5.13 Accounting, Valuation and Reporting

Changes in the rules or standards governing accounting can impact Finning's financial reporting. The Company employs professionally qualified accountants throughout its finance group and all operating unit financial officers have a reporting relationship to the CFO. Senior financial representatives are assigned to all significant projects that impact financial accounting and reporting systems. Policies are in place to ensure completeness and accuracy of reported transactions. Key transaction controls are in place, and there is a segregation of duties between transaction initiation, processing and cash receipt or disbursement, and there is restricted physical access to the treasury and cash settlements area. Accounting, measurement, valuation, and reporting of accounts, which involve estimates and / or valuations, are reviewed quarterly by the CFO and the Audit Committee of the Board of Directors. Significant accounting and financial topics and issues are presented to and discussed with the Audit Committee.

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by public companies, will be converged with International Financial Reporting Standards (IFRS) effective

January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement, and disclosures. The Company commenced its IFRS conversion project in late 2007. The project consists of four phases: raise awareness; assessment; design; and implementation. With the assistance of an external expert advisor, the Company has completed a high level review of the major differences between Canadian GAAP and IFRS as applicable to the Company.

While a number of differences have been identified, the areas of highest potential impact include property, plant and equipment, certain aspects of revenue recognition, income taxes, foreign currency, employee future benefits, stock-based compensation, presentation and disclosure, as well as the initial adoption of IFRS under the provisions of IFRS 1 *First Time Adoption*. The Company expects the transition to IFRS to impact financial reporting, business processes, internal controls, and information systems. The Company will initiate the design phase in 2009 which will involve establishing issue-specific work teams to focus on generating options and making recommendations in the identified risk areas. The Company will also establish a communications plan, begin to develop staff training programs, and evaluate the impact of the IFRS transition on other business activities.

Management's discussion and analysis of the Company's financial condition and results of operations are based on the Company's Consolidated Financial Statements, which have been prepared in accordance with Canadian GAAP. The Company's significant accounting policies are contained in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2008. Certain of these policies require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosure of contingent assets and liabilities. These policies may require particularly subjective and complex judgments to be made as they relate to matters that are inherently uncertain and because the likelihood that materially different amounts could be reported under different conditions or using different assumptions. The Company has discussed the development, selection, and application of its key accounting policies and the critical accounting estimates and assumptions they involve, with the Audit Committee. The more significant estimates include: fair values for goodwill impairment tests, allowance for doubtful accounts, reserves for warranty, provisions for income tax, the determination of employee future benefits, provisions for inventory obsolescence, the useful lives of the rental fleet and related residual values, costs associated with maintenance and repair contracts and provisions for restructuring costs.

A significant portion of goodwill recorded on the consolidated balance sheets related to the Company's investment in Hewden, acquired in 2001. The Company performs impairment tests on its goodwill balances on at least an annual basis or as warranted by events or circumstances. During the year, the Company performed its assessment of goodwill by estimating the fair value of operations to which the goodwill relates using the present value of expected discounted future cash flows. The Company determined that the fair value of Hewden was less than its book value, primarily due to the higher cost of capital assumptions in the valuation methodology, reflecting year-end market conditions. As a result, the Company recorded a full goodwill impairment charge of $151.4 million. The goodwill impairment charge is non-cash in nature and does not affect the Company’s liquidity, cash flows from operating activities, or debt covenants and will not have an impact on future operations.

Due to the size, complexity, and nature of the Company’s operations, various legal and tax matters are pending. In the opinion of management, none of these matters will have a material effect on the Company’s consolidated financial position or results of operations.

4. 5.14 Caterpillar Dealership Agreements

The Company has a long-standing relationship with Caterpillar that dates back to 1933, when it was awarded its first dealer territory in Canada. For the past 76 years, the Company has continued to develop its relationship with Caterpillar, expanding its dealer territories to the U.K. and South America. The Company enjoys an excellent relationship with Caterpillar, which management is confident will continue to be very strong in the future. However, as is customary in dealership arrangements of this type, the sales and service agreements with Caterpillar are terminable by either party upon 90 days notice in most regions, and upon 180 days notice in the U.K. In the event Caterpillar terminates an agreement, it must repurchase substantially all inventories of new equipment and parts from the Company at cost. Any such termination could have a material adverse impact on the Company’s business, results of operations, and future prospects.

4. 5.15 Government Regulation

The Company's business is subject to evolving laws and government regulations, particularly in the areas of environment, health, and safety. Changes to such laws and regulations may impose additional costs on the Company and may affect its business in other ways, including the requirement to comply with various operating procedures and guidelines that may impact the Company's operations. The Company has in place, in each of its business units, programs of monitoring and compliance to ensure that it meets or exceeds applicable laws and regulatory requirements. In addition, the Board of Directors of the Company has established and maintains an Environmental, Health and Safety Committee. The mandate of the Committee is to encourage, assist and counsel management of the Company in its drive towards attaining and maintaining the highest level of performance in areas relating to the environment, health, and safety. Ensuring a healthy and safe workplace minimizes injuries and other risks employees may face in carrying out their duties, improves productivity and avoids penalties or other liabilities.

4. 5.16 Insurance

The Company maintains a program of insurance coverage that is ordinarily maintained by similar businesses, including property insurance and general liability insurance. Although the limits and deductibles of such insurance have been established through risk analysis and the recommendation of professional advisors, there can be no assurance that such insurance will remain available to the Company at commercially reasonable rates or that the amount of such coverage will be adequate to cover all liability incurred by the Company. If the Company is held liable for amounts exceeding the limits of its insurance coverage or for claims outside the scope of that coverage, its business, results of operations and financial condition could be adversely affected.

4. 5.17 Repurchase Guarantees

In certain circumstances, the Company enters into rights of return for the repurchase of equipment sold to customers, whereby the Company offers to repurchase equipment at a guaranteed price at the end of a specified term. The guaranteed repurchase price is set at an amount lower than the estimated future value of the equipment at the exercise date. The right of return is dependent upon a number of factors, including the condition of the equipment. Historically, the fair market value of the equipment at the exercise date has usually been greater than the guaranteed repurchase price. Although the Company believes it has been very successful in estimating equipment values to date, there can be no assurance that the Company will not incur a loss on such arrangements in the future. To mitigate this risk all guarantees are reviewed on a quarterly basis and where deemed, a provision is made at that time to record a potential loss.

5. SUMMARY OF FINANCIAL INFORMATION

5.1 THREE YEAR SUMMARY

Years Ended December 31

($ millions except per share amounts)

	2008	2007	2006
Revenue from external sources			
Canada [1]	$ 3,216.9	$ 2,936.2	$ 2,612.6
South America	1,501.6	1,325.6	1,009.9
UK Group [2]	1,272.9	1,400.4	1,230.7
Total	**$ 5,991.4**	**$ 5,662.2**	**$ 4,853.2**
Earnings before interest and income tax [5]			
Canada	$ 234.5	$ 286.3	$ 233.3
South America	148.2	127.4	108.9
UK Group [2]	53.6	73.0	65.0
Other [3]	(48.2)	(30.9)	(33.5)
Goodwill Impairment [4]	(151.4)	-	-
Total	**$ 236.7**	**$ 455.8**	**$ 373.7**
Net income from continuing operations:			
before goodwill impairment	$ 247.4	$ 280.1	$ 236.2
goodwill impairment	(151.4)	-	-
after goodwill impairment	96.0	280.1	236.2
Loss from discontinued operations, net of tax	-	(2.0)	(32.1)
Net income	**$ 96.0**	**$ 278.1**	**$ 204.1**
Earnings (loss) per share from continuing operations - basic:			
before goodwill impairment	$ 1.44	$ 1.57	$ 1.32
goodwill impairment	(0.88)	-	-
after goodwill impairment	0.56	1.57	1.32
From discontinued operations	$ -	$ (0.01)	$ (0.18)
Earnings (loss) per share - basic [6]	**$ 0.56**	**$ 1.56**	**$ 1.14**
Earnings (loss) per share - diluted [6]			
From continuing operations	$ 0.55	$ 1.55	$ 1.31
From discontinued operations	-	(0.01)	(0.18)
	$ 0.55	**$ 1.54**	**$ 1.13**
Dividends paid			
Per common share	**$ 0.43**	**$ 0.36**	$ 0.275
Long-term debt [7] (includes current portion)	**$ 1,413.3**	**$ 806.1**	$ 738.1
Total assets	**$ 4,720.4**	**$ 4,134.2**	$ 4,200.8

1. In January 2008, Finning (Canada) purchased Collicutt Energy Services Ltd. The aggregate purchase price on the acquisition of Collicutt was $136.4 million. The purchase price was funded through $84.3 million in cash, and 15,403 common shares of the Company with a value of $0.4 million. Acquisition costs of $6.9 million were incurred and paid on the transaction. On the date of the acquisition, the Company repaid $44.8 million of Collicutt's existing bank debt resulting in aggregate consideration of $136.4 million.
2. In September 2006, the Company's U.K. subsidiary, Finning (UK), sold its Materials Handling Division. In July 2007, the Company's U.K. subsidiary, Hewden, sold its Tool Hire Division. Results of the Materials Handling and Tool Hire divisions have been reclassified to discontinued operations for all periods presented up to the date of sale.
3. The Company's Other segment refers mainly to corporate head office costs and mark-to-market costs associated with the Company's hedge of stock based compensation and is essentially non revenue generating.
4. The Company performed its annual goodwill impairment review in the fourth quarter of 2008 and determined that the fair value of Hewden was less than its book value, which included goodwill on acquisition. As a result, the Company recorded a full goodwill impairment charge of $151.4 million for Hewden in the fourth quarter of 2008. The goodwill impairment charge is non-cash in nature and does not affect the Company's liquidity, cash flows from operating activities, or debt covenants and is not expected to have any adverse impact on future operations. The Company expects no income tax deduction from this charge.
5. Earnings before Interest and Income Taxes (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 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.
6. On May 9, 2007, the Company's shareholders approved a split of the Company's outstanding common shares on a two-for-one basis. Each shareholder of record at the close of business on May 30, 2007, received one additional share for every outstanding share held on the record date. All share and per-share data have been adjusted to reflect the stock split. The Company repurchased 3,691,400 common shares at an average price of $27.82 during the last half of 2007 as part of a normal course issuer bid. The Company repurchased 5,901,842 common shares at an average price of $24.99 during 2008 as part of a normal course issuer bid.
7. In 2008, the Company issued two unsecured Medium Term Notes (MTN); a five year $250 million MTN and a 10 year $350 million MTN. Proceeds from these issuances were used for debt repayment, including the repayment of a $200 million MTN which expired in June 2008 as well as outstanding commercial paper borrowings. The Company's Canadian dollar denominated debenture and medium term notes are unsecured, and interest is payable semi-annually with principal due on maturity.

5.2 THREE YEAR SUMMARY BY QUARTER

(Unaudited)

Results from Continuing Operations:

Period	Qtr.	Revenue	Net Income	Basic EPS [1]	Diluted EPS [1]
		($millions)	($millions)	$	$
2008	**1**	1,430.2	70.8	0.41	0.40
	2	1,531.3	67.2	0.39	0.39
	3	1,463.2	64.8	0.38	0.37
	4 [2]	1,566.7	-106.8	-0.63	-0.62
	Total	5,991.4	96.0	0.56	0.55
2007	**1**	1,376.0	70.7	0.39	0.39
	2	1,497.6	75.3	0.42	0.42
	3	1,329.1	63.6	0.35	0.35
	4	1,459.5	70.5	0.40	0.39
	Total	5,662.2	280.1	1.57	1.55
2006	**1**	1,128.7	55.3	0.31	0.31
	2	1,191.7	56.0	0.31	0.31
	3	1,167.7	71.8	0.40	0.40
	4	1,365.1	53.1	0.30	0.29
	Total	4,853.2	236.2	1.32	1.31

(1) On May 9, 2007, the Company's shareholders approved a split of the Company's outstanding common shares on a two-for-one basis. Each shareholder of record at the close of business on May 30, 2007, received one additional share for every outstanding share held on the record date. All share and per-share data have been adjusted to reflect the stock split.

(2) Results in 2008 included the Hewden goodwill impairment charge that is considered non-recurring. In the fourth quarter of 2008, the Company performed its annual goodwill impairment test and determined that the fair value of Hewden was less than its book value. As a result, the Company recorded in other expenses a full goodwill impairment charge of $151.4 million.

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 EPS is calculated to reflect the dilutive effect of exercising outstanding stock options by applying the treasury stock method. 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 or year-to-date total.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis, relating to the Company's audited comparative Consolidated Financial Statements for the fiscal years ended December 31, 2008 and December 31, 2007 and the report of the auditors thereon, is contained in Finning International Inc.'s *2008 Audited Annual Financial Statements* and is incorporated by reference in this Annual Information Form.

7. DIVIDENDS

The Board of Directors, in determining whether to declare and pay dividends on the Company's common shares, considers the Company's recent and projected earnings, its capital investment requirements and its total return to shareholders. On May 9, 2007, the Company's shareholders approved a split of the Company's outstanding common shares on a two-for-one basis. Each shareholder of record at the close of business on May 30, 2007, received one additional share for every outstanding share held on the record date. All share and per-share data have been adjusted to reflect the stock split. Dividends on common shares were $74.0 million or $0.43 per share in 2008, compared with $64.5 million or $0.36 per share in 2007 (increased from $0.08 to $0.09 from Q1 2007 to Q2 2007), and $49.2 million or $0.275 per share in 2006. On November 13, 2007 the Company announced that its regular quarterly dividend would increase to 10 cents per share, payable December 12, 2007 to shareholders of record on November 27, 2007, and on May 6, 2008 the Company announced a further increase to 11 cents per share, payable June 6, 2008 to shareholders of record on May 23, 2008. The Company has targeted a dividend payout ratio between 25% and 30% of its Basic EPS.

The Company has declared and paid the following dividends, on the dates and at the rates shown, since February 15, 2006. Except as prescribed by law, Finning is not subject to any restrictions with respect to its ability to declare or pay dividends.

Declaration Date	Date Paid/Payable*	Rate Per Share**
February 15, 2006	March 15, 2006	$0.065
May 10, 2006	June 7, 2006	$0.065
August 8, 2006	September 5, 2006	$0.065
November 14, 2006	December 13, 2006	$0.080
February 13, 2007	March 15, 2007	$0.080
May 9, 2007	June 7, 2007	$0.090
August 7, 2007	September 6, 2007	$0.090
November 13, 2007	December 12, 2007	$0.100
February 19, 2008	March 18, 2008	$0.100
May 6, 2008	June 6, 2008	$0.110
August 12, 2008	September 12, 2008	$0.110
November 13, 2008	December 12, 2008	$0.110
February 18, 2009	March 18, 2009 *	$0.110

(*) Dividends Payable

(**) Adjusted to reflect two-for-one split May, 2007

8. DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of:

- Unlimited number of preferred shares without par value, of which 4,400,000 are designated as cumulative redeemable preferred shares. As of February 18, 2009, the Company had no preferred shares outstanding.
- Unlimited common shares. As of February 18 2009, the Company had 170,533,067 common shares issued and outstanding.

A shareholders' rights plan is in place which is intended to provide all holders of common shares with the opportunity to receive full and fair value for all of their shares in the event a third party attempts to acquire a significant interest in the Company. The plan provides that one share purchase right has been issued for each common share and will trade with the common shares until such time as any person or group, other than a "permitted bidder", bids to acquire or acquires 20% or more of the Company's common shares, at which time the plan rights become exercisable. The rights may also be triggered by a third party proposal for a merger, amalgamation or a similar transaction. In May 2008, the rights plan was extended for three years such that it will automatically terminate at the end of the Company's Annual Meeting of shareholders in 2011 unless further extended by shareholders prior to that time.

The plan will not be triggered if a bid meets certain criteria (a permitted bid). These criteria include that:

- the offer is made for all outstanding voting shares of the Company;
- more than 50% of the voting shares have been tendered by independent shareholders pursuant to the bid (voting shares tendered may be withdrawn until taken up and paid for); and
- the bid expires not less than 60 days after the date of the bid circular.

As well, it should be noted that the Company's dealership agreements with Caterpillar companies are fundamental to Finning's business and any change in control of Finning must be approved by Caterpillar Inc.

9. CREDIT RATINGS

The current credit ratings on the Company's securities are as follows:

	DBRS (1)	S&P (2)
Short-Term Debt. …...	R-1(low)	N/A
Medium Term Notes / Debentures............….................................	A (low)	BBB+
Eurobond ....…………….......	N/A	BBB+

Notes:
(1) Dominion Bond Rating Service Limited ("DBRS") maintains a positive outlook on the above securities.
(2) Standard and Poor's ("S&P") maintains a stable outlook on the above securities.

Credit Ratings Note: A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

9.1 LONG-TERM DEBT CREDIT RATINGS

In the first quarter of 2008, the Company's long term rating was upgraded to A (low) by DBRS. The A (low) rating for the Company is the lowest grade or standing within the A category of the DBRS rating scale. The A category is the 3rd highest of ten categories within the DBRS rating scale and reflects long-term debt that is of satisfactory credit quality. Protection of interest and principal is considered substantial, but is still susceptible to adverse changes in financial and economic conditions and has greater cyclical tendencies than higher-rated securities.

The BBB+ rating for the Company is the highest grade or standing within the BBB category of the S&P rating scale. The BBB category is the 4th highest of ten categories within the S&P rating scale and reflects long-term debt obligations that exhibit adequate protection measures. However, adverse economic conditions or changing circumstances may lead to a weakened capacity of the obligor to meet financial commitments on an obligation.

9.2 SHORT-TERM DEBT CREDIT RATINGS

The R-1 (low) rating for the Company is the 3rd highest of ten categories within the DBRS short-term debt rating scale and considered to be satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favorable as with higher rating categories in the R-1 rating level, but these considerations are still respectable. Any qualifying negative factors that exist are considered quite manageable, given entities rated R-1 (low) are normally of sufficient size to have some influence in their industry.

10. MARKETS FOR THE SECURITIES OF THE COMPANY

The common shares of the Company are listed on the Toronto Stock Exchange under the symbol FTT. The following table sets forth the high and low prices and the volume of common shares traded on the Toronto Stock Exchange during 2008.

Month	High $	Low $	Volume
January	28.40	24.66	11,676,700
February	29.75	26.19	9,460,000
March	29.07	27.02	7,205,500
April	31.15	28.80	7,955,100
May	30.95	28.14	9,266,700
June	28.50	25.44	10,121,400
July	27.35	23.13	9,026,000
August	27.16	24.16	11,664,000
September	24.50	20.00	10,287,800
October	20.18	12.65	9,630,500
November	15.82	12.10	17,562,300
December	14.25	12.09	11,439,600

10.1 TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's common shares is Computershare Investor Services Inc. which has offices in Montreal, Toronto, Calgary and Vancouver.

11. MATERIAL CONTRACTS

The following sets out a list of all of the Corporation's material contracts entered into either: (a) within the last financial year; or (b) before the last financial year but still in effect, other than (in either case) those contracts entered into before January 1, 2002:

- a global credit agreement (the "Credit Agreement"), dated as of December 6, 2005 among the Corporation and certain of its subsidiaries (as borrowers), Royal Bank of Canada (as administrative agent), Royal Bank of Canada Europe Limited (as European agent) and a syndicate of financial institutions, as lenders. The Credit Agreement provides an $800 million unsecured revolving credit facility, which matures in December 2011. The facility is available in multiple borrowing jurisdictions and may be drawn by a number of the Corporation's principal operating subsidiaries. Borrowings under this facility are available in multiple currencies and at various floating rates of interest. At December 31, 2008, $538.4 million (2007: $438.2 million) was drawn on this facility, including commercial paper issuances.
- an indenture (the "Indenture") dated March 22, 1994 between the Corporation and Computershare Trust Company of Canada (formerly Montreal Trust Company of Canada) ("Computershare") and a second supplemental indenture (the "Second Supplemental Indenture") dated September 23, 1998 between the Corporation and Computershare. The Indenture and the Second Supplemental Indenture relate to the Corporation's existing $750 million Medium Term Note program and the

terms of these agreements were fully described in the Corporation's final short form prospectus dated May 5, 2008 and pricing supplements No. 1 and No. 2, dated May 13, 2008.

- an amended and restated rights agreement (the "Rights Agreement") dated as of May 6, 2008 between the Corporation and Computershare. The Rights Agreement sets out the terms and conditions of the Corporation's shareholder rights plan and is described in more detail in the Corporation's 2008 management proxy circular dated March 28, 2008.

12. DIRECTORS AND OFFICERS

12.1 DIRECTORS AS OF FEBRUARY 18, 2009

The name, municipality of residence and principal occupation during the past five years of each director of the Company are described as follows.

Name and Municipality of Residence	Principal Occupation During the Past Five Years	Year First Became Director
Ricardo Bacarreza [1, 5] Santiago, Chile	President, Proinvest S.A.	1999
James E. C. Carter [1, 3] Edmonton, AB	Corporate Director, since 2007; President, Syncrude Canada Ltd., 1997 - 2007	2007
Honourable David L. Emerson, P.C. [1, 5] Vancouver, BC	Senior Advisor, Farris, Vaughan, Wills and Murphy, LLP, since 2008; Minister of Foreign Affairs, Government of Canada, 2008; Minister of International Trade with Responsibility for 2010 Winter Olympics and Asia Pacific Gateway Initiative, Government of Canada, 2006 - 2008; Minister of Industry, Government of Canada, 2004 - 2006; President and Chief Executive Officer, Canfor Corporation, 1998 - 2004	2008
Kathleen M. O'Neill [1, 2, 5(chair)] Toronto, ON	Corporate Director, since 2005; Executive Vice President, Personal & Commercial Development & Head of Small Business Banking, BMO Financial Group, 2002 - 2004	2007
Conrad A. Pinette [2, 4(chair), 5] Vancouver, BC	Corporate Director, since 2006; Executive Vice President, Tolko Industries Ltd., 2005; Executive Vice President, Riverside Forest Products Limited, 2004; President and Chief Operating Officer, Lignum Limited, 1990 - 2004	1992

Name and Municipality of Residence	Principal Occupation During the Past Five Years	Year First Became Director
John M. Reid [1(chair), 4] Vancouver, BC	Corporate Director, since 2005; President and Chief Executive Officer, Terasen Inc., 1997 - 2005	2006
Andrew H. Simon, OBE [1, 3] Bougy-Villars, Switzerland	Corporate Director	1999
Bruce L. Turner [2, 3(chair), 4] Santiago, Chile	President, Turner Minerals S.A., since 2005; Special Projects Advisor to BHP Billiton Ltd, 2004 - 2005; President, Minera Escondida Ltd. of BHP Billiton Ltd., 2000 - 2004	2006
Michael T. Waites [3] Vancouver, BC	President and Chief Executive Officer, Finning International Inc., since 2008; Executive Vice President and Chief Financial Officer, Finning International Inc., 2006 - 2008; Executive Vice President, Chief Financial Officer and Chief Executive Officer, U.S. Network, Canadian Pacific Railway, 2003 - 2006	2008[8]
Douglas W.G. Whitehead [7] North Vancouver, BC	Corporate Director, since 2008; President and Chief Executive Officer, Finning International Inc., 2000 - 2008	1999
John M. Willson [2 (chair), 4, 6] Vancouver, BC	Corporate Director	2000

[1] Member, Audit Committee
[2] Member, Human Resources Committee
[3] Member, Environment, Health and Safety Committee
[4] Member, Corporate Governance Committee
[5] Member, Pension Committee
[6] Lead Director
[7] Chairman of the Board
[8] Mr. Waites first became a director of the Company in 2004. This appointment ceased in 2006 when he was selected the Executive Vice President and Chief Financial Officer of the Company. He was subsequently reappointed to the Board of Directors for a second term in May 2008, upon appointment as the President and Chief Executive Officer of the Company

The Company currently has 5 committees of the Board of Directors: the Audit Committee, the Human Resources Committee, the Environment, Health and Safety Committee, the Corporate Governance Committee, and the Pension Committee. The members of each committee are indicated by footnote in the list of directors above.

The term of office for all current directors will end on the day of the next Annual Meeting of the Company's shareholders.

12.2 OFFICERS AS OF FEBRUARY 18, 2009

Each of the officers and other senior executives is listed in the table below with their principal occupations held for the past five years:

Officer's Name and Municipality of Residence	Principal Occupation During the Past Five Years
Andrew W. Bone Richmond, BC	President, Power Systems, Finning International Inc., since 2008; Senior Vice President, Customer Support Solutions, Finning International Inc., 2007 – 2008; Vice President of Branch Operations, Finning (Canada), 2005 – 2007; General Manager of Sales and Marketing, Finning (Canada), 2001 - 2005
Andrew S. Fraser Wolverhampton, UK	Managing Director, Finning Group, UK, since 2006; Group Vice President, Finning (Canada), 2005 – 2006; Vice President, Sales and Marketing, Finning (Canada), 2003 - 2005
Anna P. Marks North Vancouver, BC	Senior Vice President and Corporate Controller, Finning International Inc., since 2008; Vice President and Corporate Controller, Finning International Inc., 2003 - 2008
Thomas M. Merinsky North Vancouver, BC	Vice President, Investor Relations & Corporate Affairs, Finning International Inc., since 2004; Director, Investor Relations, Teck Cominco Limited, 2002 - 2004
David E. Parker St. Albert, AB	President, Finning (Canada), since 2008; Senior Vice President, Finning (Canada), 2006 – 2008; Group Vice President, Finning (Canada), 2005 – 2006; Vice President, Customer Support Services, Finning (Canada), 2001 - 2005
David F.N. Primrose West Vancouver, BC	Senior Vice President, Corporate Human Resources, Finning International Inc., since 2008; Vice President, Human Resources, Finning (Canada), 2006 – 2008; Divisional Director, Power Systems, Finning (UK), 2003 – 2006

Officer's Name and Municipality of Residence	Principal Occupation During the Past Five Years
J. Gail Sexsmith Aldergove, BC	Corporate Secretary, Finning International Inc., since 2009; Director, Corporate Reporting, Finning International Inc., 2003 – 2009
David S. Smith West Vancouver, BC	Executive Vice President and Chief Financial Officer, Finning International Inc., since 2009; Vice President and Chief Financial Officer, Ballard Power Systems Inc., 2002 – 2009
Juan Carlos Villegas Santiago, Chile	President, Finning South America, since 2006; Vice President, Power Systems, Finning (Canada), 2005 – 2006; Vice President, Mining, Finning South America, 2003 - 2006
Michael T. Waites Vancouver, BC	President and Chief Executive Officer, Finning International Inc., since 2008; Executive Vice President and Chief Financial Officer, Finning International Inc., 2006 – 2008; Executive Vice President, Chief Financial Officer and Chief Executive Officer, U.S. Network, Canadian Pacific Railway, 2003 – 2006
Douglas W.G. Whitehead North Vancouver, BC	Chairman of the Board, since 2008; President and Chief Executive Officer, Finning International Inc., 2000 – 2008

12.3 SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As of February 18, 2009, the directors and the officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over, approximately 0.26% of the Company's voting common shares.

12.4 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Company, in the last 10 years, no director or officer of the Company or a shareholder holding a significant number of securities of the Company to affect materially the control of the Company, is or has been a director or officer of any other issuer that, while that person was acting in that capacity:

(i) was the subject of a cease trade order or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days; or

(ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or

(iii) was subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, or after December 31, 2000 entered into a settlement agreement with a securities regulatory authority

13. INTERESTS OF EXPERTS

Deloitte & Touche LLP is the auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

14. AUDIT COMMITTEE

The Terms of Reference for the Audit Committee (a copy of which is attached as Appendix A to this Annual Information Form) require that it be comprised of at least three independent directors. The current members of the Committee are R. Bacarreza, J.E.C. Carter, D.L. Emerson, K.M. O'Neill, J.M Reid (Chair) and A.H. Simon and all are independent directors. In addition D.W.G. Whitehead attends meetings of the Audit Committee in his capacity as Chairman of the board. All Committee members are required to be independent and financially literate (as such terms are defined in National Instrument 52-110 – *Audit Committees*) and at least one member is required to have accounting or related financial management expertise. Ms. K.M. O'Neill is the designated "financial expert" member of the Audit Committee.

In addition to each member's general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of their responsibilities as a member of the Audit Committee is set forth below.

Ricardo Bacarreza is currently the President of Proinvest S.A., a financial services company based in Santiago, Chile. In his career, Mr. Bacarreza has been an Economist at the World Bank (Washington, D.C.), a Vice President of Banco Unido De Fomento (Chile) and Chief Executive Officer of Banco Del Trabajo (Chile), La Chilena Consolidada Insurance Company (Chile), Banco Sudamericano (Chile), and Banco BHIF (Chile). Mr. Bacarreza has been on the Board of Directors of a number of companies and has served as director and Chairman of the Chilean Management Institute. He holds a civil engineering degree from Catholic University of Chile and an M.A., M.Sc. and Ph.D. from Stanford University.

James E. C. Carter is a Corporate Director. Prior to 2007, Mr. Carter was the President and Chief Operating Officer of Syncrude Canada, a position that he held for a period of 10 years, and for the 18 years prior to that held the position of Operations Chief. Mr Carter currently serves on the Boards of Directors of EPCOR Utilities Inc., Clarke Builders, the Alberta Research Council and CAREERS: The Next Generation. He is former director and chair of the Mining Association of Canada where he championed development of the Toward Sustainable Mining initiative, which is designed to help improve the mining industry's environmental and social performance. Mr Carter was also a member, director and executive member of the Alberta Chamber of Resources. Mr. Carter holds a Bachelor of Engineering Degree in Mining Engineering (1973), Technical University of Nova Scotia (now Dalhousie Engineering), and is a graduate of the Advanced Management Program at Harvard Graduate School of Business Administration.

The Honourable **David L. Emerson**, P.C. is a Corporate Director and serves as a senior advisor to the law firms of Farris, Vaughn, Wills and Murphy and senior advisor to CAI Managers, a private equity fund. Nationally he has held senior positions that include Minister of Foreign Affairs, Minister of International Trade with responsibility for the Asia Pacific Gateway and the 2010 Vancouver-Whistler Olympics and Minister of Industry. In British Columbia, Mr. Emerson was the Province’s Deputy Minister of Finance, Deputy Minister to the Premier and Secretary to Treasury Board. He has also served in leadership roles in the private sector, including President and CEO of Canfor Corporation, President and CEO of the Vancouver International Airport Authority and Chairman and CEO of Canadian Western Bank. Mr. Emerson currently serves on the Board of Directors of Conair-Cascade Aerospace, Canada China Business Council, Timberwest Forest Corporation and British Columbia Transmission Corporation and is the current Chair of the BC Premier’s Economic Advisory Council. Mr. Emerson holds a Bachelor and Master Degree in Economics from the University of Alberta and Doctorate in Economics from Queen’s University.

Kathleen M. O’Neill is a Corporate Director. Prior to 2005, Ms O'Neill was an Executive Vice-President at BMO Financial Group where her most recent position was Executive Vice-President, Personal & Commercial Development and Head of Small Business Banking. Prior to joining BMO Financial Group in 1994, Ms. O'Neill was with PriceWaterhouseCoopers LLP for 19 years including eight years as a tax partner. Ms O’Neill currently serves on the Board of Directors of the TSX Group Inc., MDS Inc., and Canadian Tire Bank, a subsidiary of Canadian Tire Corporation. Ms O'Neill is Chair of St. Joseph’s Health Centre Foundation and a past Chair of St. Josephs Health Centre in Toronto, and is active on several non-profit boards. In 2005, she was accredited through the Institute of Corporate Directors / Rotman School of Management Directors Education Program. She holds a Bachelor of Commerce Degree (with Honours) from the University of Toronto and is a Fellow of the Institute of Chartered Accountants.

John M. Reid is a Corporate Director. From November 1997 to November 2005 he was President and Chief Executive Officer of Terasen Inc. (formerly BC Gas Inc.). Mr. Reid joined Terasen Inc. in May 1995 as Executive Vice President, Finance and Chief Financial Officer. Formerly, Mr. Reid worked with Scott Paper Limited for 15 years in a number of senior financial positions and as President and Chief Executive Officer. Mr. Reid currently serves on the board of Methanex Corporation. Over the years, he has served on many boards including MacDonald Dettwiler & Associates Ltd., the University of British Columbia, Lester B. Pearson College, St. Paul’s Hospital Foundation, Vancouver Board of Trade, Junior Achievement of British Columbia and the Financial Executives Institute. Mr. Reid is a Fellow of the British Columbia and England and Wales Institutes of Chartered Accountants.

Andrew H. Simon, OBE, is a Corporate Director who serves on the Boards of Directors of a number of companies including CDR Tabasco Parentco Limited, SGL Carbon AG Supervisory Board, Dalkia Plc, Travis Perkins Plc, and Management Consulting Group Plc. For most of his career, Mr. Simon worked for the Evode Group, an international specialty chemicals and materials company. At Evode, he held various positions including Managing Director and Chairman and

Chief Executive Officer. Mr. Simon holds a Bachelor of Science degree from Southampton University and an MBA from the Wharton School of Finance.

The Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders with respect to the Company's: (a) financial statements; (b) financial reporting process; (c) systems of internal and disclosure controls; (d) internal audit function; (e) external audit function; (f) financial arrangements and liquidity and (g) risk identification, assessment and management program. It is the responsibility of the Committee to maintain an open avenue of communication between itself, the external auditors, the internal auditors and the management of the Company. In performing its role, the Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Company. It is also empowered to retain outside counsel or other experts as required.

The Committee met **4** times in 2008 in conjunction with regularly scheduled Board meetings.

14.1 AUDIT FEES

Fees paid or accrued by the Company and its major business units or subsidiaries for audit and other services provided by Deloitte & Touche LLP (the Company's external auditors) during 2007 and 2008 were as follows:

Type of Service	2008*	2007*
Audit Services	$2,325,075	$2,100,729
Audit-Related Services (1)	209,144	308,911
Tax Services (2)	70,624	184,329
Other Services (3)	Nil	Nil
Total:	**$2,604,843**	**$2,593,969**

* amounts were billed in various currencies and converted to Canadian dollars using the exchange rates in existence at the time of billing

Notes:

(1) Audit related services include assurance and related services, such as audits of the Company's pension plans, that were reasonably related to the performance of the audit or review of the Company's financial statements not reported as Audit Services.
(2) Tax services include tax compliance reviews, review of the tax impact of specific transactions, assistance with inquiries from tax authorities, and international employee relocation advice.
(3) Other services would include any non audit-related or non tax services.

Pre-approval Policies and Procedures

The Audit Committee has adopted a formal policy requiring the pre-approval of non-audit services to be provided by its external auditors, Deloitte & Touche LLP, prior to the commencement of the engagement. On an annual basis, the Audit Committee pre-approves non-audit and tax related services to be provided by the Company's external auditors. Between regularly scheduled Audit Committee meetings, the Committee has delegated to the Chair of the Audit Committee the authority to approve individual non-audit service engagements that have not been pre-approved. All engagements where such approval was granted will be reported at the next Audit Committee meeting. Under no circumstances will the Company's management engage the external auditors to perform services that have not been approved by the Audit Committee. Management and the external auditor are required to report quarterly to the Audit Committee all services provided by the external auditor and fees paid or accrued for the fiscal year-to-date period.

The Committee determined that the provision of the audit-related and tax services described above did not compromise the independence of Deloitte & Touche LLP for purposes of performing audit services for the Company. In addition, as the Company's external auditors, Deloitte & Touche LLP are required to comply with the terms of the Company's "Terms of Reference for External Auditors".

Recent Regulatory Developments

During 2006, 2007 and 2008, there were a number of regulatory instruments issued by the Canadian Securities Administrators (the "CSA") which impacted the Audit Committee and its mandate. These instruments include:

(a) National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* (effective December 15, 2008), which replaces Multilateral Instrument 52-109, requires management's assessment of the effectiveness and design of the Company's disclosure controls and procedures and internal control over financial reporting. Internal and disclosure controls over financial reporting are necessary in order for the Company to provide reliable financial reports, to effectively reduce the risk of fraud and error, and to operate successfully as a public company.

(b) National Instrument 52-110, *Audit Committees* which contains rules relating to the composition and obligations of audit committees; and

(c) National Instrument 51-102, *Continuous Disclosure Obligations* which details the continuous disclosure obligations of public companies and indicates what approvals are required in respect of annual and interim financial information filed with regulatory agencies.

In response to these developments, the Audit Committee, both directly and through oversight and direction of management, has taken steps and implemented processes to ensure that the Company complies with its obligations under each of these instruments. These steps include:

- ensuring the appropriate level of internal controls, analysis and reporting systems are in place to permit the certifying officers to provide all necessary certifications of the Company's interim and annual filings.
- monitoring the Company's progress on its process related to management's first report on their assessment of the effectiveness of internal control over financial reporting at December 31, 2008 as required under National Instrument 52-109.
- ensuring the composition of the Audit Committee and its mandate satisfy all requirements of National Instrument 52-110. In this regard, the Audit Committee and the Board are satisfied that all members of the Audit Committee are independent and financially literate. In addition, the Audit Committee's Terms of Reference and the Terms of Reference for External Auditors are designed to ensure that the Audit Committee satisfies all of its obligations under the Instrument including: recommending to the Board both the firm to serve as external auditor and the compensation to be paid to that firm; overseeing the work of the external auditor; approving all non-audit services to be provided by the external auditor; reviewing the Company's interim and annual filings and financial press releases; reviewing the accuracy and adequacy of the Company's public disclosure of financial information; establishing procedures to deal with internal complaints or issues relating to the Company's accounting, internal controls or audit matters; and approving the Company's hiring

policy with respect to present or former partners and employees of the Company's external auditors.

Enterprise Risk Management

The Company has adopted an Enterprise Risk Management approach to identifying and evaluating risks in order to protect and enhance shareholder value. On a quarterly basis, the Audit Committee reviews the Company's process with respect to risk assessment and management of key risks, including the Company's major financial risks and exposures and the steps taken to monitor and control such exposures. The Enterprise Risk Management Process involves the identification, by each of the Company's significant operations, of key risks that could impact the achievement of the Company's strategic plan. The management of each of these key risks is monitored closely and disclosed annually in the Company's Annual Information Form. Any changes to the key risks are reviewed by the Audit Committee and disclosed on a quarterly basis in the Company's interim financial filings.

15. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, indebtedness, options to purchase securities and interests of insiders in material transactions is contained in the Company's Management Proxy Circular for its most recent annual meeting of shareholders, a copy of which may be obtained upon request to the Corporate Secretary of the Company. Additional financial information is provided in the Company's Consolidated Financial Statements for its year ended December 31, 2008 and its accompanying management discussion and analysis.

Copies of documents noted above and other disclosure documents may also be examined and/or obtained through the internet by accessing the Company's website at www.finning.com or by accessing the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

Appendix A

Terms of Reference for the Audit Committee

I. PURPOSE

A. The primary purpose of the Audit Committee (the "Committee") is to assist the Board in fulfilling its oversight responsibilities to the shareholders, potential shareholders, the investment community, and others with respect to:

i) the integrity of annual and quarterly financial statements that will be provided to the shareholders and others;

ii) audits of the financial statements;

iii) the systems of internal and disclosure controls established by management and the Board;

iv) all audit, accounting and financial reporting processes;

v) risk management processes;

vi) compliance with accounting and finance based legal and regulatory requirements, relevant laws, regulations and policies;

vii) the External Auditors' qualifications and independence;

viii) performance of the internal and external audit process and of the independent auditor; and

ix) implementation and effectiveness of the Ethics Program Charter and the compliance program under the Ethics Program Charter.

B. Primary responsibility for the financial reporting, information systems, risk management and internal and disclosure controls of the Corporation is vested in management and is overseen by the Board.

C. It is the Committee's responsibility to maintain an open avenue of communication between the Committee, the External Auditors, the Internal Auditors and management of the Corporation. At each meeting, the Committee may meet separately with management and will meet in separate closed sessions with:

a) The External Auditor
b) The Internal Auditor
c) Audit Committee members only.

D. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Corporation and the power to retain outside counsel, or other experts for this purpose.

II. COMPOSITION AND OPERATIONS

A. This charter governs the operations of the Committee.

B. Committee members are appointed and removed by the Board and the Committee shall consist of at least three directors, all of whom shall be independent as defined in the Guidelines for the Board of Directors.

C. The Committee Chair is appointed by the Board.

D. An Audit Committee member may not serve on the audit committees of more than two additional public companies without the approval of the Board.

E. All Committee members are financially literate, (or will become financially literate within a reasonable period of time after appointment to the Committee), and at least one member shall be designated as an "Audit Committee Financial Expert"[1].

F. The Committee shall meet not less than four times per year.

G. A majority of Committee members constitute a quorum.

H. The function of the Committee is oversight. It is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements fairly present the Corporation's financial position and results of operation and are in accordance with generally accepted accounting principles. Such duties remain the responsibility of management and the External Auditor.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will perform the following duties:

A. *Financial Statements and Other Financial Information*

The Committee shall:

i) review and discuss with management and the External Auditor before public disclosure:

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1 Definition in the United States Sarbanes-Oxley Act of 2002: An Audit Committee Financial Expert has, through education and experience as a public accountant or auditor or a principal financial officer, comptroller, or principal accounting officer of an issuer, or from a position involving the performance of similar functions:

1) an understanding of generally accepted accounting principles and financial statements;
2) experience in— (A) the preparation or auditing of financial statements of generally comparable issuers; and (B) the application of such principles in connection with the accounting for estimates, accruals, and reserves;
3) experience with internal accounting controls; and
4) an understanding of audit committee functions.

a) Consolidated Financial Statements of the Corporation, including related footnotes;

b) Management's Discussion and Analysis (MD&A); and

c) Interim earnings press releases of the Corporation;

ii) recommend to the Board for approval and for public disclosure the interim earnings press releases of the Corporation including the Consolidated Financial Statements of the Corporation and MD&A;

iii) satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures;

iv) receive quarterly updates and reports on the Corporation's credit status with banks and credit rating agencies;

v) discuss with management and the External Auditor the quality of reporting and adherence to generally accepted accounting principles ("GAAP");

vi) review significant reporting principles, practices and procedures applied by the Corporation in preparing its financial statements, including any newly adopted accounting policies and the reasons for their adoption. Review changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies; and

vii) review analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and accounting judgments and estimates made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

B. ***External Auditors***

i) The Committee has the authority and responsibility to select, evaluate, determine compensation for and, where appropriate, replace the External Auditor, subject to shareholder approval. In that respect, the Committee shall:

a) review and recommend to the Board the selection of the Corporation's External Auditors;

b) The Committee has the authority and responsibility to select, evaluate, determine compensation for and, where appropriate, replace the External Auditor, subject to shareholder approval;

c) require the External Auditors to report directly to the Committee;

d) communicate directly with the External Auditors, including the ability to meet independently with the External Auditors;

e) annually obtain and review a report by the External Auditor describing:

1. recommendations resulting from their review of internal control and accounting systems. Management to provide a quarterly follow-up report on actions taken concerning recommendations made by the External Auditor;

2. any material issues, defects, restrictions or sanctions raised or imposed by the most recent internal quality-control review, or peer review, of the External Auditor, or by any inquiry or investigation by governmental or professional authorities or board, within the preceding five years, respecting one or more independent audits carried out by the External Auditor or otherwise arising, and any steps taken to deal with any such issues, defects, restrictions or sanctions;

f) review and approve the Corporation's policies regarding the hiring of partners, employees and former partners and employees of the External Auditor; and

g) review with the External Auditor any audit problems or difficulties with respect to the audit and management's response.

ii) The Committee is responsible for pre-approving all audit and non-audit services performed by the External Auditor that are permitted under applicable law;

iii) The Committee shall be responsible for ensuring that the External Auditors submit on a periodic basis to the Committee a formal written statement delineating all relationships between the External Auditors and the Corporation; actively engaging in a dialogue with the External Auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditors; and for recommending that the Board take appropriate action in response to the External Auditors' report to satisfy itself of the External Auditors' independence; and

iv) The Committee shall review and approve the scope and plans relating to the External Auditors' annual audit including the adequacy of resources. The Committee shall meet separately with the External Auditors, with and without management present, to discuss the results of their examinations.

C. *Internal Auditors*

The Committee will:

i) review the activities, resources and organization structure of the internal audit function and ensure no unjustified restrictions or limitations are made;

ii) participate in the appointment, promotion or dismissal of the lead Internal Auditor; and discuss with the External Auditor the standard of work of the Internal Auditors;

iii) review the effectiveness and independence of the internal audit function;

iv) meet separately with the Internal Auditors to discuss any matters the Committee or the Internal Auditors believe should be discussed privately;

v) ensure the internal audit's significant findings and recommendations are received, discussed and appropriately acted on by management;

vi) review and approve the scope and proposed annual internal audit plan and ensure it addresses key areas of risk and ensure there is appropriate coordination with the Committee and the External Auditor; and

vii) review periodic reports from internal audit addressing

a) Progress on the Audit Plan, including any significant changes to it;

b) Significant internal audit findings, including issues as to the adequacy of internal control over financial reporting and any procedures implemented in light of significant control deficiencies; and

c) Any significant internal fraud issues.

D. ***Risk Management, Internal Control and Information Systems***

The Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

i) discussion with management and Internal Audit of the guidelines and policies with respect to risk assessment and risk management, including the processes management used to assess and manage the Corporation's risk. Discuss major financial risk exposures and steps management has taken to monitor and control such exposures;

ii) discussion with management, the Internal Auditors and the External Auditors of the adequacy and effectiveness of the internal controls, including financial controls and the Corporation's system to monitor and manage business risk and produce reliable financial statements; and

iii) obtaining reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management, the Internal Auditor and External Auditor.

E. *Compliance*

The Committee shall:

i) assist with Board oversight of the Corporation's compliance with legal and regulatory requirements by receiving a report from the Corporation's corporate secretary concerning legal and regulatory matters that may have a material impact on the financial statements;

ii) review the process for the certification of the interim and annual financial statements by the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), and the certifications made by the CEO and CFO;

iii) review with Management, Internal Audit and External Audit the Corporation's internal control over financial reporting, any significant deficiencies or material weaknesses in their design or operation, any proposed major changes to them and any fraud involving management or other employees who have a significant role in the Corporation's internal control over financial reporting.

iv) discuss the Corporation's compliance with tax laws, legal withholdings requirements, environmental protection laws[2], privacy laws, and any other area of compliance monitoring that the Committee considers appropriate;

v) ensure the External Auditor's fees are disclosed by category in the Annual Information Form in compliance with regulatory requirements and in such other documents the Committee may determine;

vi) disclose any specific policies or procedures adopted for pre-approving non-audit services by the External Auditor, including affirmation that they meet regulatory requirements;

vii) prepare a report of the Committee's activities to be included in the annual proxy statement; and

viii) assist the Corporate Governance Committee with preparing the Corporation's governance disclosure by ensuring it has current and accurate information with respect to:

  a) the independence of each Committee member relative to regulatory requirements for the Audit Committee;

  b) the state of financial literacy of each Committee member, including the name of any member(s) currently in the process of acquiring financial literacy and when they are expected to attain this status;

  c) the education and experience of each Committee member relevant to his or her responsibilities as Committee member; and

  d) disclose if the Corporation has relied upon any exemptions to the requirements for Audit Committees under regulatory requirements.

2 This function is reported by the Environment, Health and Safety Committee.

F. ***OTHER***

The Committee shall:

i) periodically review the Ethics Program Charter and recommend any amendments to the Governance Committee of the Board. The Ethics Program Charter includes procedures for:

a) the receipt, retention and anonymous treatment of complaints received by the Corporation regarding accounting, internal accounting and financial reporting controls, or auditing matters;

b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and

c) addressing a reporting attorney's report of a material breach of securities law, material breach of fiduciary duty or similar material violation.

ii) review expenses of the Board Chair and CEO;

iii) review and approve all related party transactions;

iv) review the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Company;

v) review the succession plan for the Corporation's financial and accounting management;

vi) conduct a self-assessment annually and discuss the results with the Board; and

vii) review and update its terms of reference at least annually.

IV. ACCOUNTABILITY

A. The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial matters relative to the Corporation.

B. The Committee shall report its discussions and activities to the Board by maintaining minutes of its meetings and providing an oral report at each regular Board meeting.

V. COMMITTEE TIMETABLE

The major annual activities of the Committee are outlined in the schedule on the following pages.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
A. Financial Statements and Other Financial Information												
i) Review and discuss with management and External Auditor:												
a) Consolidated Financial Statements and Notes to the Financial Statements		√			√			√			√	
b) Management discussion and analysis		√			√			√			√	
c) Interim earnings press releases		√			√			√			√	
ii) Recommend to the Board for approval and public disclosure the items in Section A. i) (a) – (c).		√			√			√			√	
iii) Procedures for disclosure of financial information		√			√			√			√	
iv) Review update and report on the Corporation's credit status with banks and credit rating agencies		√			√			√			√	
v) Quality of reporting and adherence to GAAP		√			√			√			√	
vi) Review significant reporting principles. Review significant changes in selection or application of accounting principles or changes adopted in light of material control deficiencies.		√			√			√			√	
vii) Significant reporting issues identified by management and/or the External Auditor		√			√			√			√	

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
B. External Auditors												
i) The Committee shall:												
a) Review and recommend selection of External Auditor to the Board					√							
b) Approve External Auditor compensation for current year								√				
c) Require External Auditors to report directly to the Committee		√			√			√			√	
d) Meet independently with External Auditor		√			√			√			√	
e) Review annual report by External Auditor describing												
1) Recommendations resulting from internal controls and accounting systems review,					√							
2) Management to provide quarterly updates on progress		√			√			√			√	
2) Material issues raised following an external review of the External Auditor for the preceding five years								√				
f) Review and approve the Corporation's policies regarding the hiring of partners, employees and former partners and employees of the present or former External Auditor					√							
g) Review with the External Auditor any audit issues or difficulties with respect to the audit and management's responses		√			√			√			√	

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ii) Pre-approve all audit and non-audit services performed by the External Auditor					√							
iii) Ensure External Auditors independence in form of formal written report from External Auditors		√			√			√			√	
iv) Approve scope and annual audit plan of the External Auditor								√				
C. Internal Auditor												
i) Review activities, resources and structure of the Internal Audit function		√			√			√			√	
ii) Participate in appointment, promotion or dismissal of Internal Auditor	ONGOING											
iii) Review effectiveness of the internal audit function	ONGOING											
iv) Meet separately with Internal Auditor		√			√			√			√	
v) Ensure the internal audit's significant findings and recommendations are acted on by management		√			√			√			√	
vi) Review and approve the scope and proposed internal audit plan.											√	

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
vii) Review internal audit reports on progress to Audit Plan; significant internal audit findings; any significant internal fraud issues		√			√			√			√	
D. Risk Management, Internal Control and Information Systems												
i) Review adequacy and effectiveness of internal controls, including financial controls and system to monitor business risk. Review major financial risk exposures and action plans.		√			√			√			√	
ii) Review internal controls to ensure properly designed to produce reliable financial statements		√			√			√			√	
iii) Review adequacy of information systems through discussions with management, internal and External Auditors		√			√			√			√	
E. Compliance												
i) Provide oversight with respect to compliance with legal and regulatory requirements	ONGOING											
ii) Review process for CEO/CFO certification of interim and annual financial statements		√			√			√			√	
iii) Review internal controls over financial reporting and any significant deficiencies or material weaknesses and proposed changes		√			√			√			√	
iv) Compliance with tax laws, legal withholdings requirements, environmental protection laws, privacy laws, and any other area of compliance monitoring	ONGOING											

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
v) Ensure External Auditor's fees are disclosed in Annual Information Form		√										
vi) Disclose any policies or procedures adopted for pre-approving non-audit services by External Auditor		√										
vii) Report of Committee's activities to be included in annual proxy statements		√										
viii) Assist in preparation of governance disclosure with respect to:												
a) Independence of each Committee member		√										
b) Financial literacy of each Committee member		√										
c) Education and experience of each Committee member		√										
d) Disclose any exemptions		√										
F. Other												
i) Review the Ethics Program Charter and recommend any changes to the Governance Committee. Review:											√	
a) Receipt, retention and anonymous treatment of complaints		√			√			√			√	
b) Confidential, anonymous submission by employees of concerns regarding accounting or auditing matters		√			√			√			√	

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
c) Address any material breach or securities law, fiduciary duty or similar material violation		√			√			√			√	
ii) Review expenses of the Board Chair and CEO		√										
iii) Review and approve all related party transactions		√			√			√			√	
iv) Review the effect of regulatory and accounting initiatives as well as off balance sheet structures on financial statements		√			√			√			√	
v) Review succession plan for financial and accounting management											√	
vi) Conduct a self-assessment annually					√							
vii) Review and update terms of reference								√				