FINNING

Fourth Quarter and Annual 2009 Results *February 23, 2010*

Finning reports fourth quarter results and record annual free cash flow

- The Company generated a record $494 million in free cash flow in 2009, and strengthened its balance sheet significantly with net debt to capital down to 39% from 49% at the end of 2008.
- Order intake improved in all operations in the fourth quarter compared to the prior quarter driven by large equipment orders from the mining sector. Consolidated order backlog increased for the first time since 2008, up 15% from the third quarter of 2009 to $0.6 billion.
- Diluted earnings were $0.10 per share compared to $0.26[(1)] in the fourth quarter of 2008. Continued strong performance in South America partly offset weaker results in Canada and the UK. Annual diluted EPS was $0.77 compared to $1.43[(1)] in 2008.
- Selling, general and administrative expenses in the quarter decreased by $77 million from the fourth quarter of 2008. On an annual basis, SG&A costs were reduced by $183 million from the 2008 level, of which $110 million resulted from targeted initiatives to reduce the Company's cost structure. The Company remains on track to achieve over $200 million in annual cost savings in 2010 compared to 2008 levels.

Vancouver, Canada – Finning International Inc. (TSX:FTT) today reported fourth quarter 2009 results including revenues of $1.1 billion, earnings before interest and income taxes (EBIT) of $30 million and diluted earnings per share (EPS) of $0.10. Fourth quarter results included net non-operational charges of $0.02 per share ($0.07 per share in Q4 2008).

For the full year 2009, the Company reported revenues of $4.7 billion, EBIT of $207 million and diluted EPS of $0.77. As expected, new and used equipment sales and rental revenues were down from 2008 levels in all operations. Product support revenues were comparable to 2008 levels, as strong parts and service revenue growth continued in the mining sector.

"The quarterly results were consistent with expectations," said Mike Waites, president and chief executive officer of Finning International Inc. "Free cash flow continued to be very strong and totaled $494 million for the year. We are well on our way to our cost reduction goal of over $200 million, and combined, these accomplishments give us a great deal of flexibility and position us well for growth."

"Importantly, we are seeing signs of a recovery, led by mining. Quoting activity is strong, notably in South America, and our backlog has posted the first increase since 2008. More recently, we were very pleased to have secured the Kearl mining contract in Canada and the Letter of Intent from Codelco's Ministro Hales project in Chile, under which equipment deliveries will commence in 2011," concluded Mike Waites.

FINANCIAL HIGHLIGHTS

(unaudited)	**2009**	2008	% Change
Revenue	**1,135**	1,567	(28)
Earnings before interest and income taxes (EBIT) (1)(2)	**30**	67	(55)
Net income(1)	**16**	45	(64)
Diluted EPS(1)	**0.10**	0.26	(62)
Earnings before interest, income taxes, depreciation and amortization (EBITDA) (1)(2)	**89**	153	(42)
Free cash flow (2)(3)	**130**	152	(14)

- Revenues of $1.1 billion declined by 28% from the fourth quarter of 2008 as a result of significantly lower new and used equipment sales and rental revenues in all operations. Product support revenues decreased only modestly, by 7% from the fourth quarter of 2008. Strong product support revenues generated by the mining sectors were offset by weaker demand for parts and service from other sectors. The stronger Canadian dollar also negatively impacted revenues when compared to the fourth quarter of 2008.

- Gross profit decreased by $121 million or 29% over the prior year's quarter. Product support accounted for 42% of the total revenues compared to 32% in the fourth quarter of 2008. Despite the revenue mix shift to higher margin product support, gross profit margin of 26.5% was slightly below the 26.9% in the fourth quarter of 2008 due to the decline in gross profit margins on new and used equipment sales and rentals.

- Selling, general and administrative (SG&A) expenses decreased by $77 million or 23% from the fourth quarter of 2008. On an annual basis, SG&A costs were down $183 million or 14% from 2008 as a result of aggressive cost management, successful productivity improvement measures and lower sales volumes. The targeted cost reductions and productivity improvements taken by management resulted in $110 million of SG&A savings in 2009. The Company is implementing additional SG&A expense reduction measures announced in the third quarter of 2009, and is on track to achieve over $200 million in annual cost savings from 2008 levels going forward.

- EBIT of $30 million was down 55%(1) from the fourth quarter of 2008. Consolidated EBIT margin was 2.6% compared to 4.3%(1) in the fourth quarter of 2008 due to lower revenues and gross profit margin from the Canadian operations. EBIT margins in South American and UK Group operations improved from the fourth quarter of 2008.

- Net income decreased by 64%(1) to $16 million. Diluted EPS was $0.10 per share compared to $0.26(1) in the fourth quarter of 2008. Foreign exchange had a negative impact of $0.10 per share compared to the fourth quarter of 2008.

- Restructuring and IT system implementation costs, mainly in Canada, were $0.06 and $0.03 per share, respectively. These were partly offset by gains on property disposals of $0.07 per share. Comparatively, in the fourth quarter of 2008, restructuring and IT costs were $0.07 and $0.02 per share, respectively, partly offset by gains on property disposals of $0.02 per share.

- EBITDA, which is an indicator of a company's cash operating performance and generation of operating cash flow, was $89 million in the fourth quarter of 2009 compared to $153 million(1) in the fourth quarter of 2008.

- Free cash flow was $130 million, compared to $152 million in the fourth quarter of 2008. On an annual basis, the Company generated a record $494 million free cash flow, compared to $23 million in 2008. The Company expects to generate over $200 million of free cash flow in 2010.

- Net debt to capital was reduced to 39%, an improvement from 42% at September 30, 2009 and 49% at December 31, 2008.

- Backlog was $0.6 billion at December 31, 2009, up from $0.5 billion at September 30, 2009, and down from $1.5 billion at December 31, 2008. Driven by large equipment orders from the mining sector in Canada and South America, new order intake increased by 2% from the fourth quarter of 2008, and was up 55% from the third quarter of 2009.

HIGHLIGHTS BY OPERATIONS

Canada

- Fourth quarter revenues were 27% lower than last year mainly due to the 36% decline in new equipment sales. Used equipment sales and rental revenues were down by 37% and 41% respectively, reflecting continued weak demand in the quarter. SG&A costs were 22% lower than in the fourth quarter of 2008. Approximately one third of the decrease was due to headcount reductions, one third was a result of improved operating efficiencies and lower discretionary expenses, and the balance from lower sales volumes. As a percentage of revenue, SG&A costs were higher than in the fourth quarter of 2008 due to lower revenues and the fixed nature of certain costs.

- In 2009, the Company was successful in implementing cost reduction measures and restructuring initiatives in Canada to more closely align expense levels with revenues. On an annual basis, SG&A expenses were down 15% from 2008. Additional initiatives related to regional consolidation of branches and re-alignment of facilities are expected to drive a further $50 million in expenses out of the Canadian operations in 2010. The shift to a more variable cost structure is expected to improve profitability in 2010.

- EBIT was at break even compared to $47 million in the fourth quarter of 2008. The Canadian operations incurred restructuring costs of $11 million and IT system implementation costs of $6 million in the fourth quarter.

- Product support revenues were 5% lower than in the fourth quarter of 2008. A 19% increase in product support revenue in the mining sector was more than offset by the slowdown in other sectors, where some of the equipment remained idle or maintenance is deferred. For the full year 2009, product support revenues were down 5%. Adjusted for 2008 parts and service revenues from the discontinued Collicutt fabrication business, product support revenues in Canada declined by only 1% from 2008. Mining product support revenues were strong, increasing by 30% from 2008.

- Order intake improved further in the fourth quarter as the Canadian operations received orders for large equipment from mining customers, including in the oil sands. Backlog was down from the third quarter of 2009 as a result of strong mining deliveries at the end of 2009.

South America

- Fourth quarter revenues decreased by 27% from the fourth quarter of 2008. In functional currency (USD), revenues were down 17%. New equipment sales were down 44% (down 35% in functional currency) due to a pause in mining deliveries in the quarter and slower demand from the construction and power systems sectors. Product support revenues declined 7% compared to the fourth quarter of 2008. However, in functional currency, product support revenues were up 7%, mainly driven by strong mining activity.

- EBIT was $32 million, down 15% from the fourth quarter of 2008 (down 3% in functional currency). EBIT margin of 9.6% remained strong.

- Order intake was strong in the quarter driven by demand from mining customers, and new equipment backlog was higher compared to September 2009. The activity in the mining sector remained solid through 2009. For the full year, in the mining sector, new equipment sales achieved a new record and increased by 17%. Product support revenues in mining were up 9% in functional currency. Growth in product support revenues is expected to continue in 2010 driven by the larger number of mining maintenance and repair contracts.

United Kingdom

- The UK Group's revenues declined 29% from the fourth quarter last year as difficult market conditions continued to impact the UK operations. In local currency (GBP), quarterly revenues were down 22%. New equipment sales and rental revenues were down 34% and 20%, respectively, compared to the fourth quarter of 2008. Product support revenues were down 14%. The UK Group incurred an EBIT loss of $4 million, an improvement from a $10 million(1) EBIT loss in the fourth quarter of 2008. The dealership contributed a positive EBIT of $6 million in the quarter, which was offset by a $10 million EBIT loss at Hewden.

- Management has initiated a strategic review of Hewden in 2009 which is progressing according to plan. One option is to continue with the implementation of a recovery plan to drive operational improvement at Hewden which is progressing well. The second option is to dispose of the Hewden operation and, as a result of exploring alternatives, the Company has received expressions of interest from a number of parties. The Company continues to explore both options and anticipates a decision by the end of the second quarter of 2010 which will be driven by the need to optimize shareholder value.

- Market conditions in the U.K. remained soft in the fourth quarter, negatively impacting new and used equipment sales to the construction sector and rental revenues. Product support business was not affected to the same degree due to the active coal mining sector and power systems projects. On an annual basis, product support revenues were down 6% in local currency, a modest decline compared to other lines of business. Mining product support revenues were strong, growing by 10% in local currency from 2008.

- Throughout 2009, the UK Group implemented cost reduction initiatives and disposed of surplus rental fleet. SG&A costs decreased by 26% from the fourth quarter of 2008. For the full year, SG&A costs were down 20% over 2008.

CORPORATE AND BUSINESS DEVELOPMENTS

Kearl Oil Sands Project
On February 9, 2010, the Company announced that its Canadian division has secured a key mining equipment and product support agreement. Imperial Oil Limited has chosen Finning as a mining mobile equipment supplier for the Kearl oil sands project. The ten-year agreement includes the supply of Caterpillar equipment, parts, specialized maintenance labour and training.

Ministro Hales Mining Project
On February 18, 2010, the Company announced that its South American division has received a Letter of Intent from Codelco, Chile's state-owned mining company that includes the supply of 20 Caterpillar 797 mining trucks and 15 pieces of support equipment, plus a ten-year maintenance and repair contract (MARC). The approximate value of the deal, including the maintenance services, is US$400 million. The Letter of Intent is subject to final project approval by Codelco’s Board which is expected in mid 2010. The equipment will be delivered in the first half of 2011 to Codelco’s Ministro Hales mine.

Dividend
The Board of Directors approved the Company's quarterly dividend at $0.11 per common share, payable on March 24, 2010, to shareholders of record on March 10, 2010. This dividend will be considered an eligible dividend for Canadian income tax purposes.

SELECTED CONSOLIDATED FINANCIAL INFORMATION: FOURTH QUARTER AND ANNUAL 2009 UNAUDITED (C$ millions, except per share amounts)

	Three months ended December 31			Twelve months ended December 31		
Revenue	**2009**	2008	% Change	**2009**	2008	% Change
New equipment	**470.0**	759.3	(38)	**1,984.7**	2,928.6	(32)
Used equipment	**70.4**	123.5	(43)	**337.8**	431.8	(22)
Equipment rental	**119.8**	172.6	(31)	**510.4**	712.8	(28)
Product support	**471.4**	506.7	(7)	**1,892.6**	1,899.5	0
Other	**3.5**	4.6	(24)	**12.0**	18.7	(36)
Total revenue	**1,135.1**	1,566.7	(28)	**4,737.5**	5,991.4	(21)
Gross profit	**301.5**	422.0	(29)	**1,329.6**	1,672.9	(21)
Gross profit margin(4)	***26.5%***	*26.9%*		***28.1%***	*27.9%*	
SG&A	**(261.0)**	(338.5)	23	**(1,085.1)**	(1,268.0)	14
Other income (expenses)(1)	**(10.5)**	(16.6)		**(37.5)**	(16.8)	
EBIT(1)	**30.0**	66.9	(55)	**207.0**	388.1	(47)
EBIT margin(5)	***2.6%***	*4.3%*		**4.4%**	6.5%	
Net income(1)	**16.3**	44.6	(64)	**130.8**	247.4	(47)
Diluted EPS(1)	**0.10**	0.26	(62)	**0.77**	1.43	(46)
EBITDA(1)	**89.1**	152.8	(42)	**474.7**	712.5	(33)
Free cash flow	**130.4**	151.7	(14)	**493.9**	23.2	n/a
				Dec 31, 2009	Dec 31, 2008	
Total assets				**3,671.4**	4,720.4	
Total shareholders' equity				**1,515.7**	1,567.1	
Net debt to total capital(6)				**39%**	49%	

FOURTH QUARTER AND ANNUAL 2009 RESULTS INVESTOR CALL
Management will hold an investor conference call on Wednesday, February 24 at 1:00 pm Eastern Time. Dial-in numbers: 1-866-223-7781 (anywhere within Canada and the U.S.)
(416) 340-8018 (for participants dialing from Toronto and overseas)

The call will be webcast live and subsequently archived at www.finning.com. Playback recording will be available at 1-800-408-3053 from 3:00 pm Eastern Time on February 24 until March 4. The pass code to access the playback recording is 8252734 followed by the number sign.

NEXT QUARTERLY RESULTS – MAY 13, 2010
Finning International's first quarter 2010 results will be released on May 13, 2010 after market close. An investor conference call will be held on May 14, 2010.

ANNUAL GENERAL MEETING – MAY 13, 2010
Finning International's Annual General Meeting will be held at The Fairmont Hotel Vancouver (Saturna Island Room), 900 West Georgia Street, Vancouver, British Columbia on May 13, 2010.

About Finning
Finning International Inc. (TSX: FTT) is the world's largest Caterpillar equipment dealer delivering unrivalled service to customers since 1933. Finning sells, rents and services equipment and engines to help customers maximize productivity. Headquartered in Vancouver, B.C., the Company operates in western Canada, Chile, Argentina, Bolivia, Uruguay, and the United Kingdom.

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Footnotes

(1) Adjusted for goodwill impairment charge of $151 million (diluted EPS $0.88) in the fourth quarter of 2008.

(2) These amounts do not have a standardized meaning under generally accepted accounting principles. For a reconciliation of these amounts to net income and cash flow from operating activities, see the heading "Description of Non-GAAP Measures" in the Company's management discussion and analysis that accompanies the fourth quarter and annual consolidated financial statements.

(3) Free cash flow is defined as cash flow provided by (used in) operating activities less net capital expenditures.

(4) Gross profit margin is defined as gross profit as a percentage of total revenue.

(5) EBIT margin is defined as earnings before interest and income taxes as a percentage of total revenue.

(6) Net debt to total capital ratio is calculated as short-term debt and long-term debt, net of cash and cash equivalents (net debt) divided by total capitalization. Total capitalization is defined as the sum of net debt and all components of equity (share capital, contributed surplus, accumulated other comprehensive loss, and retained earnings).

Forward-Looking Disclaimer

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; the estimated annualized cost savings and anticipated restructuring charges related to actions taken by the Company in response to the economic downturn; the potential outcome of the Company's strategic review of Hewden; expected revenue levels and EBIT growth; anticipated effective tax rate; anticipated generation of free cash flow (including projected net capital and rental expenditures), and its expected use; anticipated defined benefit plan contributions; and expected target range of Debt Ratio. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this report describe our expectations at February 23, 2010. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by our forward-looking statements include: general economic and credit market conditions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our dependence on the continued market acceptance of Caterpillar's products and Caterpillar's timely supply of parts and equipment; our ability to continue to implement our cost reduction initiatives while continuing to maintain customer service; the intensity of competitive activity; our ability to raise the capital we need to implement our business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations outside Canada; with respect to Hewden, not being successful in generating the expected improvements in the underlying business performance or not being able to successfully negotiate and complete a transaction on terms acceptable to the Company or at all. Forward-looking statements are provided in this report for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of our operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this report are based on a number of assumptions that we believed were reasonable on the day we made the forward-looking statements. Refer in particular to the Market Outlook section of the MD&A. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in the Company's current Annual Information Form (AIF) in Section 4.

We caution readers that the risks described in the AIF are not the only ones that could impact us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition, or results of operations.

Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date hereof. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the financial results of Finning International Inc. (Finning or the Company) should be read in conjunction with the consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars unless otherwise stated. Additional information relating to the Company, including the Company's Annual Information Form, can be found on the SEDAR (System for Electronic Disclosure and Retrieval) website at www.sedar.com.

Results of Operations

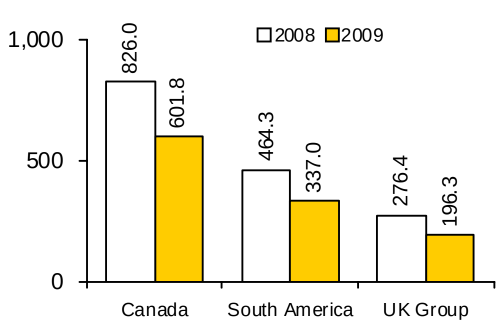
Fourth Quarter Overview

	Q4 2009	Q4 2008	**Q4 2009**	Q4 2008
	($ millions)		(% of revenue)	
Revenue	**$ 1,135.1**	$ 1,566.7		
Gross profit	**301.5**	422.0	**26.5%**	26.9%
Selling, general & administrative expenses	**(261.0)**	(338.5)	**(23.0)%**	(21.6)%
Other income (expenses)	**(10.5)**	(16.6)	**(0.9)%**	(1.0)%
	30.0	66.9	**2.6%**	4.3%
Goodwill impairment	**—**	(151.4)	**—**	(9.7)%
Earnings (loss) before interest and income taxes (EBIT) [1]	**30.0**	(84.5)	**2.6%**	(5.4)%
Finance costs	**(18.8)**	(21.7)	**(1.6)%**	(1.4)%
Provision for income taxes	**5.1**	(0.6)	**0.4%**	(0.0)%
Net income (loss)	**$ 16.3**	$ (106.8)	**1.4%**	(6.8)%
Basic earnings (loss) per share (EPS)	**$ 0.10**	$ (0.63)		
Earnings before interest, taxes, depreciation, and amortization (EBITDA) [1], excluding goodwill impairment	**$ 89.1**	$ 152.8	**7.8%**	9.8%
Free Cash Flow [1] [2]	**$ 130.4**	$ 151.7		

[1] These amounts do not have a standardized meaning under generally accepted accounting principles. For a reconciliation of these amounts to net income and cash flow from operating activities, see the heading "Description of Non-GAAP Measures" below.

[2] Free Cash Flow is defined as cash flow provided by operating activities less net capital expenditures.

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



Fourth quarter consolidated revenue of $1.1 billion decreased 27.5% from the fourth quarter of 2008, with lower revenues in all operations, although most significantly from the Company's Canadian operations.

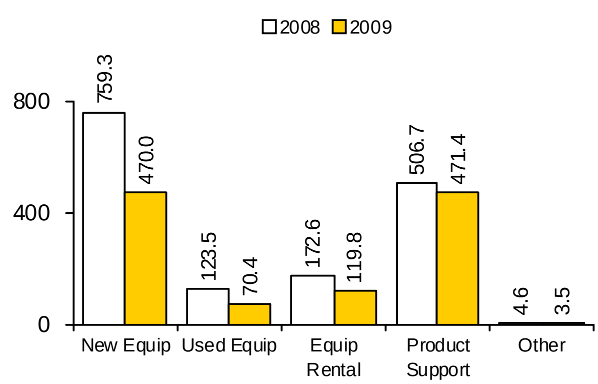
The decrease in revenues from the Company's Canadian operations was largely due to 35.7% lower new equipment sales as a result of the economic downturn. Product support revenues reflected a decline of 5.1% in the fourth quarter of 2009 compared to the same period last year. Although total product support revenues were down slightly in Canada, product support revenues from mining increased 19.2%, offset by a slowdown in other sectors.

Revenues from the Company's operations in South America decreased by 27.4% compared to the fourth quarter of 2008 (16.5% in functional currency, the U.S. dollar). This was primarily due to lower new equipment sales which were down 43.8% as a result of a pause in mining deliveries in the quarter, and weak demand from the construction and power systems sectors. Product support revenues declined 7.2% compared to the fourth quarter of 2008.

However, in functional currency (the U.S. dollar), product support revenues were up 6.6% supported by strong mining activity. Mining product support revenue, in functional currency, was 5.9% higher in the fourth quarter of 2009 compared with the same period last year.

In the U.K., revenues were down 29.0% over the fourth quarter of 2008 (21.8% in local currency). Market conditions in the U.K. remained soft in the fourth quarter, negatively impacting new and used equipment sales to the construction sector and rental revenues. Product support revenues were not affected to the same degree primarily due to an active coal mining sector and power system activity. The weaker economic conditions were reflected in lower new equipment sales (down 34.3%), rental revenues (down 20.2%) and, to a lesser extent, product support revenues (down 13.8%).

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



Overall, new equipment sales were down 38.1% compared with the fourth quarter of 2008, with lower volumes in all operations.

Product support revenues in the fourth quarter of 2009 were down 7.0% compared with the same quarter last year. Growth in product support revenues generated by the mining sectors in Canada and South America were offset by continued weak demand for parts and service from other sectors.

Used equipment revenues were down 43.0% compared to the prior year's fourth quarter. Apart from the impact of the economic downturn, used equipment sales typically vary depending on product availability, customer buying preferences, and exchange rate considerations.

Rental revenues were 30.6% lower, down in all operations in the fourth quarter of 2009, particularly in Canada and the UK rental business, Hewden. Activity in the construction market in the U.K. remains depressed and as a result rental revenues were low.

Finning's global order book or backlog (the retail value of new equipment units ordered by customers for future deliveries) was $0.6 billion at the end of the fourth quarter of 2009, up from the September 2009 level of $0.5 billion, and down from the December 2008 levels of $1.5 billion. New order intake increased by 2% compared to the fourth quarter of 2008, and was up 55% from the third quarter of 2009, driven by large equipment orders from the mining sector in Canada and South America. New equipment orders in the fourth quarter of 2009 were the highest since 2008 in all operations.

Earnings Before Interest and Taxes (EBIT)

On a consolidated basis, EBIT in the fourth quarter of 2009 was $30.0 million compared to an EBIT loss of $84.5 million in the same period in 2008 primarily due to a goodwill impairment charge of $151.4 million related to Hewden recorded in the fourth quarter of 2008. Excluding this goodwill impairment charge, discussed in more detail below, EBIT in the fourth quarter of 2009 was 55.2% lower than 2008.

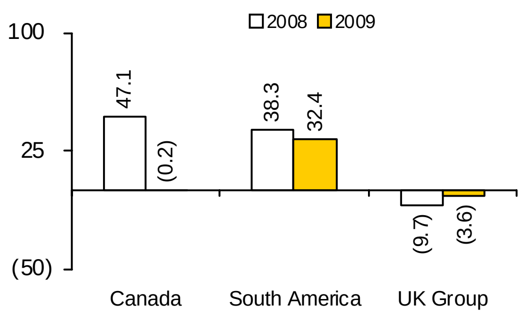
Gross profit decreased 28.6% to $301.5 million in the fourth quarter of 2009 compared with the fourth quarter of 2008, a result of 27.5% lower revenues due to weak economic conditions. Quarterly gross profit margin (gross profit as a percentage of revenue) of 26.5% was slightly down from the prior year. Although the Company experienced a shift in revenue mix to the higher margin product support business in all operations, this was more than offset by lower gross profit margins in new, used, and rental equipment revenues. Product support revenues made up 41.5% of total revenues in the fourth quarter of 2009, compared with 32.3% of total revenues in the same period last year.

Selling, general, and administrative (SG&A) costs were down $77.5 million or 22.9% in the fourth quarter of 2009 compared to the same quarter last year. Management has taken action to reduce the Company's costs in response to the economic downturn and continues to review its cost structure to ensure it is aligned with the level of business activity.

Fourth quarter results included restructuring and severance costs of $15.8 million and costs of $6.2 million related to the implementation of a new information technology (IT) system for the Company's global operations. Comparatively, fourth quarter 2008 results included restructuring and severance costs of $15.0 million and costs of $4.5 million related to the new IT system. Also included in the results for the fourth quarter of 2009 was a $11.5 million pre-tax gain on the sale of certain properties, primarily in Hewden and South America (Q4 2008: pre-tax gain of $2.9 million).

The Company's EBIT margin (EBIT divided by revenues) was 2.6% in the fourth quarter of 2009, down from 4.3% in the fourth quarter of 2008 (excluding the goodwill impairment charge noted below), primarily due to lower revenues and lower gross profit margin from the Company's Canadian operations, partially offset by higher gross profit margin contributed by the Company's South American and UK operations. SG&A costs declined significantly in the fourth quarter of 2009 compared with the same quarter last year, but the reduction was not as much as the decline in gross profit due to the fixed nature of certain costs.

EBIT by Operation
($ millions)
Three months ended December 31



Excluding other operations – corporate head office and goodwill impairment

Major components of the EBIT variance were:

	($ millions)
2008 Q4 EBIT	(84.5)
Net change in operations	(22.5)
Foreign exchange impact	(20.5)
Hewden goodwill impairment charge in 2008	151.4
Higher IT system implementation costs in 2009	(1.7)
Higher gains on sale of certain properties in 2009	8.6
Higher restructuring costs in 2009	(0.8)
2009 Q4 EBIT	**30.0**

The Company's Canadian operations experienced an EBIT loss of $0.2 million in the fourth quarter of 2009, compared with EBIT of $47.1 million in the comparable period last year, primarily as a result of higher restructuring and severance costs and lower revenues as noted above. In the fourth quarter of 2009, a plan was implemented which included a regional consolidation of branches across Finning (Canada)'s current 12 regions. The plan included a consolidation of branches into 5 regions which will result in a further rationalization of facilities and re-allocation of resources across these new regions. This plan, together with other productivity improvements, will be fully rolled out over the next few quarters and is expected to drive a further reduction of $50 million in expenses in the Canadian operations in 2010, to total over $200 million for the Company. As part of this plan, further headcount reductions were implemented in the fourth quarter. Restructuring costs and severance of $11.3 million were incurred in the fourth quarter of 2009, compared with $8.0 million in the fourth quarter of 2008.

EBIT from the Company's South American operations of $32.4 million was 15.4% lower than the fourth quarter of 2008, primarily as a result of lower revenues.

The UK operations experienced an EBIT loss of $3.6 million in the fourth quarter of 2009, an improvement of 62.9% from the comparable period in 2008. In the fourth quarter of 2009, the UK dealership contributed EBIT of $5.9 million (2008: $1.5 million), which was offset by a $9.5 million EBIT loss (2008: $11.2 million) from the UK's rental business, Hewden.

During the year, the Company performed its annual goodwill impairment tests and determined that goodwill was not impaired at December 31, 2009. In 2008, the Company determined that the fair value of Hewden Stuart Plc (Hewden) was less than its book value, which included goodwill recorded on acquisition. This determination resulted from a decline in market 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. This resulted in a full goodwill impairment charge of $151.4 million for Hewden in the fourth quarter of 2008. A further discussion regarding the non-cash goodwill impairment charge can be found in the Goodwill Impairment section below.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) and Free Cash Flow

EBITDA, which management views as an indicator of a Company's operating performance and generation of operating cash flow, was $89.1 million in the fourth quarter of 2009 compared to $152.8 million in the fourth quarter of 2008 after excluding the 2008 goodwill impairment charge noted above.

Free Cash Flow is defined as cash flow provided by (used in) operating activities less net capital expenditures. The Company's Free Cash Flow generated in the fourth quarter of 2009 was $130.4 million compared to $151.7 million in the comparable quarter last year.

Finance Costs

Finance costs for the three months ended December 31, 2009 were $18.8 million compared with $21.7 million in the fourth quarter of 2008. The lower finance costs in the fourth quarter of 2009 were primarily the result of lower interest rates on both short term and long term debt.

Provision for Income Taxes

The effective income tax rate for the fourth quarter of 2009 was (45.1)% compared to (0.6)% in the comparable period in 2008. The effective tax rate for the fourth quarter of 2009 reflected losses incurred in high tax jurisdictions and lower capital gains tax rates applied to the sale of properties in the U.K. and South America, as well as higher income earned in lower tax jurisdictions. The effective tax rate for the fourth quarter of 2008 was impacted by the goodwill impairment charge, which was not deductible for tax purposes. In addition, the Company benefited from lower capital gains tax rates applied to the sale of properties in the U.K. in the fourth quarter of 2008.

Net Income

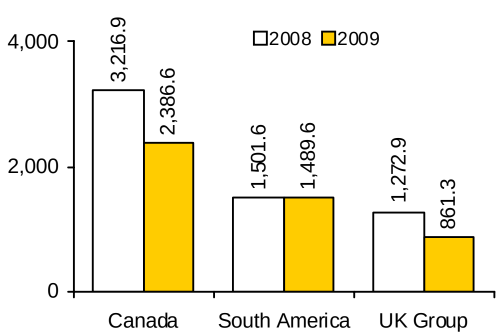
Finning's net income was $16.3 million in the fourth quarter of 2009 compared with a net loss of $106.8 million in the comparative period in 2008. Excluding the goodwill impairment noted above, net income would have been $44.6 million in the fourth quarter of 2008.

Basic EPS was $0.10 per share in the fourth quarter of 2009 compared with the basic loss per share of $0.63 in the fourth quarter of 2008. Excluding the goodwill impairment charge, basic EPS in the fourth quarter of 2008 was $0.26. Lower revenues and gross profit from all lines of business contributed to the decline, partially offset by lower SG&A costs.

Annual Overview

	2009	2008	2009	2008
	($ millions)		(% of revenue)	
Revenue	**$ 4,737.5**	$ 5,991.4		
Gross profit	**1,329.6**	1,672.9	**28.1%**	27.9%
Selling, general & administrative expenses	**(1,085.1)**	(1,268.0)	**(22.9)%**	(21.1)%
Other income (expenses)	**(37.5)**	(16.8)	**(0.8)%**	(0.3)%
	207.0	388.1	**4.4%**	6.5%
Goodwill impairment	**—**	(151.4)	**—**	(2.5)%
EBIT	**207.0**	236.7	**4.4%**	4.0%
Finance costs	**(67.6)**	(83.6)	**(1.4)%**	(1.4)%
Provision for income taxes	**(8.6)**	(57.1)	**(0.2)%**	(1.0)%
Net income	**$ 130.8**	$ 96.0	**2.8%**	1.6%
Basic EPS	**$ 0.77**	$ 0.56		
EBITDA, excluding goodwill impairment	**$ 474.7**	$ 712.5	**10.0%**	11.9%
Free Cash Flow	**$ 493.9**	$ 23.2		

Revenue by Operation
($ millions)
Twelve months ended December 31



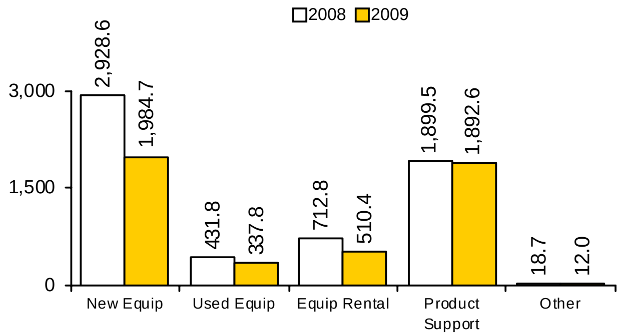
For the year ended December 31, 2009, revenues of $4.7 billion decreased 20.9% compared with 2008, with lower revenues from all operations.

Revenues from the Company's Canadian operations decreased 25.8% in 2009 compared with 2008, when record annual revenues were achieved. The decline was largely due to lower new equipment sales as a result of the economic downturn. Product support revenues from the Canadian operations in 2009 were slightly lower (4.7%) compared with 2008, although this was partly due to the discontinued Collicutt fabrication business which contributed $37.4 million of product support revenue in 2008. Product support revenues from the mining sector continued to be strong and increased 30.2% over the prior year.

The global economic downturn had only a modest negative impact on the results from Finning South America and revenues were only slightly lower compared with 2008. In U.S. dollar functional currency, revenues decreased 6.6%, primarily in new equipment revenues. Product support revenues were up 5.0% in functional currency. New equipment and product support revenues contributed by the South American operations continued to reflect solid equipment sales and good product support activity, mainly with mining customers. In fact, the South American operations achieved record new equipment sales to the mining sector in 2009.

Challenging economic conditions continued throughout 2009 in the U.K. market. The Company's UK Group's revenues for 2009 were $861.3 million, down 32.3% from the prior year. This was partially due to translating the UK Group's pound sterling results into Canadian dollars with a 9.2% stronger Canadian dollar in 2009. In local currency, total revenues were 25.4% lower compared to those reported in 2008. Revenues were lower in all lines of business compared with 2008, primarily new and used equipment sales, and rental revenues. This reflected a continued decline in the strength of the underlying U.K. economy, particularly in the construction sector.

Revenue by Line of Business
($ millions)
Twelve months ended December 31



On a consolidated basis, new equipment sales were 32.2% lower than in 2008, and down in all operations in functional currency. Product support revenues were comparable with annual 2008 revenues, with lower service revenue offset by higher parts revenue.

Used equipment revenues were down 21.8% in 2009 compared with last year, and rental revenues were 28.4% lower in 2009 which primarily reflected lower activity in the UK rental business.

The positive impact on Company revenues due to the weaker Canadian dollar relative to the U.S. dollar in 2009 compared with 2008 was approximately $110 million or 2%.

Earnings Before Interest and Taxes (EBIT)

EBIT for the year ended December 31, 2009 was $207.0 million, compared to $388.1 million in 2008 (excluding the goodwill impairment charge of $151.4 million recorded in the fourth quarter of 2008). Lower EBIT in 2009 compared with 2008 was primarily due to lower revenues as a result of weak economic conditions and higher restructuring costs in 2009.

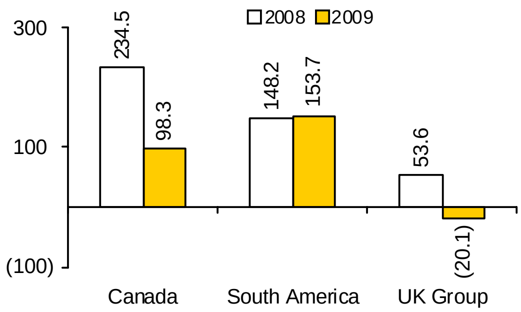
Gross profit of $1,329.6 million in 2009 decreased 20.5% over the prior year. Gross profit as a percentage of revenue was 28.1%, up from 27.9% in 2008, primarily due to a shift in revenue mix to a higher proportion of product support revenues which generate higher margins. Gross margins were down in all lines of business other than product support.

SG&A costs were 14.4% lower in 2009 reflecting the implementation by management of cost reductions, productivity improvement measures, and as a result of lower sales volumes. The Company achieved SG&A cost reductions and productivity improvements of approximately $110 million in 2009, roughly on track with our estimate of $120 million, and expects to achieve its target of over $200 million in annual cost savings compared to 2008 going forward.

Results for 2009 included restructuring and severance costs of $36.9 million and costs of $18.9 million related to the implementation of a new IT system for the Company's global operations. Comparatively, results for 2008 included non-recurring costs of $33.1 million related to the integration of Collicutt Energy Services Ltd (Collicutt) and restructuring costs, and costs of $16.2 million related to the new IT system. Also included in the results for 2009 was an $18.3 million pre-tax gain on the sale of certain properties, primarily in Hewden and South America (2008: pre-tax gain of $19.9 million). The 2008 results were adversely impacted by the goodwill impairment charge of $151.4 million relating to Hewden.

The Company's EBIT margin was 4.4% in 2009, down from 6.5% in 2008 (adjusting for the goodwill impairment charge) due to the factors noted above.

EBIT by Operation
($ millions)
Twelve months ended December 31



Excluding other operations – corporate head office and goodwill impairment

Major components of the annual EBIT variance were:

	($ millions)
2008 EBIT	236.7
Net change in operations	(219.6)
Foreign exchange impact	46.6
Hewden goodwill impairment charge in 2008	151.4
Higher IT system implementation costs in 2009	(2.7)
Lower gains on sale of certain properties in 2009	(1.6)
Collicutt integration and start-up costs in 2008	12.6
Higher restructuring costs in 2009	(16.4)
2009 EBIT	**207.0**

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) and Free Cash Flow

EBITDA, which management views as an indicator of the Company's operating performance and generation of operating cash flow, was $474.7 million in 2009 compared to $712.5 million in 2008, after excluding the 2008 goodwill impairment charge noted above.

The Company's Free Cash Flow generated in 2009 was $493.9 million compared to $23.2 million in the prior year. All of Finning's operations have seen significant improvements in the generation of Free Cash Flow in 2009 compared to the prior year. Improvements to working capital and the reduction of rental equipment expenditures to align with demand have more than offset lower earnings.

Finance Costs

Finance costs in 2009 were $67.6 million compared with $83.6 million in 2008. The lower finance costs in 2009 were primarily due to lower interest rates on both short-term and long-term debt.

Provision for Income Taxes

The effective income tax rate in 2009 was 6.2% compared to 37.3% in 2008. The lower effective tax rate in 2009 was primarily due to a one-time tax adjustment in the second quarter of 2009 resulting in an $8.5 million reduction in income tax expense as a result of a change in the estimated tax rate related to certain items that had been recorded directly to other comprehensive income in prior periods. The effective tax rate in 2009 was also lower due to a higher proportion of earnings from lower tax jurisdictions, a positive outcome related to a review by tax authorities, and the benefit from tax adjustments resulting from the closure of previously open tax years. The 2008 effective tax rate was higher due to the goodwill impairment charge recorded in the fourth quarter of 2008, which was not deductible for tax purposes.

Management anticipates that for 2010, the consolidated effective tax rate will be in the low-to-mid-20%s.

Net Income

Finning's net income of $130.8 million in 2009 was higher than its net income of $96.0 million in 2008. Excluding the goodwill impairment charge noted above, net income would have been $247.4 million in 2008.

Basic EPS was $0.77 per share in 2009 compared with basic EPS of $0.56 in 2008. As noted above, the results from 2009 included non-recurring costs of $0.23 per share related to restructuring and severance costs and IT implementation costs. These non-recurring costs were partially offset by an income tax recovery of approximately $0.05 per share related to the second quarter of 2009 change in the estimated tax rate noted above, and $0.10 per share of gains on sale of certain properties, primarily in Hewden and South America. The results for 2008 included $0.88 per share related to the Hewden goodwill impairment charge and $0.20 per share of other non-recurring costs related to the integration of Collicutt, restructuring and severance, and IT implementation, partially offset by $0.10 per share of gains on sale of certain properties (primarily Hewden).

Foreign Exchange

Translation

The Company's reporting currency is the Canadian dollar. However, due to the geographic diversity of the Company's operations, a significant portion of revenue and operating expenses are in different currencies. The most significant currencies in which the Company transacts business are the U.S. dollar, the Canadian dollar, and the U.K. pound sterling. Changes in the Canadian dollar / U.S. dollar and Canadian dollar / U.K. pound sterling relationship affected reported results on the translation of the financial statements of the Company's South American and UK Group operations as well as U.S. dollar based earnings of the Company's Canadian operations.

Compared to the fourth quarter of 2008, foreign exchange had a negative impact on consolidated revenues in the fourth quarter of 2009 of approximately $95 million due to a stronger Canadian dollar relative to the U.S. dollar (12.8% stronger than the fourth quarter of 2008), and a 9.2% stronger Canadian dollar relative to the U.K. pound sterling. As a result, net income was negatively impacted by approximately $0.10 per share in the fourth quarter of 2009 compared to the prior year's fourth quarter.

Net income was positively impacted by approximately $0.19 per share for the full 2009 year compared to the previous year due to the weaker Canadian dollar relative to the U.S. dollar (7.1% weaker than in 2008), partially offset by a 9.2% stronger Canadian dollar relative to the U.K. pound sterling.

The Canadian dollar has recently been strongly correlated to commodity prices. If commodity prices weaken, the Canadian dollar is likely to weaken. In this scenario, the Company's mining and oil sands business typically slows; however, the Company benefits from U.S. dollar based revenues and earnings being translated into higher Canadian dollar reported revenues and earnings due to the weaker Canadian dollar, although lags may occur.

The impact of foreign exchange due to the movement of the Canadian dollar relative to the U.S. dollar and U.K. pound sterling is expected to continue to affect Finning's financial results. The sensitivity of the Company's net income to fluctuations in the average annual foreign exchange rates is summarized in the Risk Management Section of this MD&A.

Investment in Foreign Operations

Assets and liabilities of the Company's self-sustaining foreign operations 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 other comprehensive income and accumulated other comprehensive income.

Currency translation adjustments arise as a result of fluctuations in foreign currency exchange rates at the period end. The unrealized currency translation loss of $165.6 million recorded in 2009 resulted from the stronger spot Canadian dollar against the U.S. dollar and the U.K. pound sterling of 14.5% and 5.5%, respectively, at December 31, 2009 compared to December 31, 2008. This was partially offset by $37.6 million of unrealized foreign exchange gains on net investment hedges.

The following tables provide details of revenue and EBIT contribution by operation and the foreign exchange impact for the three and twelve months ended December 31, 2009.

Three months ended December 31 ($ millions)	Canada	South America	UK Group	Consolidated
Revenues – Q4 2008	$ 826.0	$ 464.3	$ 276.4	$ 1,566.7
Foreign exchange impact	(28.3)	(47.2)	(20.3)	(95.8)
Operating revenue increase (decrease)	(195.9)	(80.1)	(59.8)	(335.8)
Revenues – Q4 2009	$ 601.8	$ 337.0	$ 196.3	$ 1,135.1
Total revenue increase (decrease)	$ (224.2)	$ (127.3)	$ (80.1)	$ (431.6)
- percentage increase (decrease)	(27.1)%	(27.4)%	(29.0)%	(27.5)%
- percentage increase (decrease), excluding foreign exchange	(23.7)%	(17.3)%	(21.6)%	(21.4)%

Twelve months ended December 31 ($ millions)	Canada	South America	UK Group	Consolidated
Revenues – 2008 Annual	$ 3,216.9	$ 1,501.6	$ 1,272.9	$ 5,991.4
Foreign exchange impact	121.5	77.8	(88.4)	110.9
Operating revenue increase (decrease)	(951.8)	(89.8)	(323.2)	(1,364.8)
Revenues – 2009 Annual	$ 2,386.6	$ 1,489.6	$ 861.3	$ 4,737.5
Total revenue increase (decrease)	$ (830.3)	$ (12.0)	$ (411.6)	$ (1,253.9)
- percentage increase (decrease)	(25.8)%	(0.8)%	(32.3)%	(20.9)%
- percentage increase (decrease), excluding foreign exchange	(29.6)%	(6.0)%	(25.4)%	(22.8)%

Three months ended December 31 ($ millions)	Canada	South America	UK Group	Other	Goodwill Impairment	Consolidated
EBIT – Q4 2008	$ 47.1	$ 38.3	$ (9.7)	$ (8.8)	$ (151.4)	$ (84.5)
Foreign exchange impact	(8.3)	(12.2)	—	—	—	(20.5)
Operating EBIT increase (decrease)	(39.0)	6.3	6.1	10.2	151.4	135.0
EBIT – Q4 2009	$ (0.2)	$ 32.4	$ (3.6)	$ 1.4	$ —	$ 30.0
Total EBIT increase (decrease)	$ (47.3)	$ (5.9)	$ 6.1	$ 10.2	$ 151.4	$ 114.5
- percentage increase (decrease)	(100.4)%	(15.4)%	62.9%	—	—	135.5%
excluding foreign exchange	(82.8)%	16.4%	62.9%	—	—	159.8%

Twelve months ended December 31 ($ millions)	Canada	South America	UK Group	Other	Goodwill Impairment	Consolidated
EBIT – 2008 Annual	$ 234.5	$ 148.2	$ 53.6	$ (48.2)	$ (151.4)	$ 236.7
Foreign exchange impact	27.5	18.2	0.9	—	—	46.6
Operating EBIT increase (decrease)	(163.7)	(12.7)	(74.6)	23.3	151.4	(76.3)
EBIT – 2009 Annual	$ 98.3	$ 153.7	$ (20.1)	$ (24.9)	$ —	$ 207.0
Total EBIT increase (decrease)	$ (136.2)	$ 5.5	$ (73.7)	$ 23.3	$ 151.4	$ (29.7)
- percentage increase (decrease)	(58.1)%	3.7%	(137.5)%	—	—	(12.5)%
excluding foreign exchange	(69.8)%	(8.6)%	(139.2)%	—	—	(32.2)%

Results by Business Segment

The Company and its subsidiaries operate primarily in one principal business, that being the selling, servicing, and renting of heavy equipment, engines, and related products in various markets worldwide as noted below. Finning's operating units are as follows:

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

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

For year ended December 31, 2009 ($ millions)	**Canada**	**South America**	**UK Group**	**Consolidated**	**Revenue percentage**
New equipment	**$ 1,015.8**	**$ 656.0**	**$ 312.9**	**$ 1,984.7**	**41.9%**
Used equipment	**202.2**	**41.9**	**93.7**	**337.8**	**7.1%**
Equipment rental	**224.4**	**47.9**	**238.1**	**510.4**	**10.8%**
Product support	**935.2**	**740.8**	**216.6**	**1,892.6**	**39.9%**
Other	**9.0**	**3.0**	**—**	**12.0**	**0.3%**
Total	**$ 2,386.6**	**$ 1,489.6**	**$ 861.3**	**$ 4,737.5**	**100.0%**
Revenue percentage by operations	**50.4%**	**31.4%**	**18.2%**	**100.0%**	
For year ended December 31, 2008 ($ millions)	Canada	South America	UK Group	Consolidated	Revenue percentage
New equipment	$ 1,670.6	$ 737.6	$ 520.4	$ 2,928.6	48.9%
Used equipment	252.8	37.2	141.8	431.8	7.2%
Equipment rental	296.6	58.8	357.4	712.8	11.9%
Product support	981.8	664.4	253.3	1,899.5	31.7%
Other	15.1	3.6	—	18.7	0.3%
Total	$ 3,216.9	$ 1,501.6	$ 1,272.9	$ 5,991.4	100.0%
Revenue percentage by operations	53.7%	25.1%	21.2%	100.0%	

The table below provides selected income statement information by business segment:

For year ended December 31, 2009 ($ millions)	**Canada**	**South America**	**UK Group**	**Other**	**Goodwill Impairment**	**Consolidated**
Revenue from external sources	**$ 2,386.6**	**$ 1,489.6**	**$ 861.3**	**$ —**	**$ —**	**$ 4,737.5**
Operating costs	**(2,125.7)**	**(1,299.4)**	**(774.8)**	**(25.4)**	**—**	**(4,225.3)**
Depreciation and amortization	**(132.6)**	**(37.4)**	**(97.5)**	**(0.2)**	**—**	**(267.7)**
	128.3	**152.8**	**(11.0)**	**(25.6)**	—	**244.5**
Other income (expenses)						
IT system implementation costs	**(10.6)**	**(5.6)**	**(2.4)**	**(0.3)**	**—**	**(18.9)**
Other	**(19.4)**	**6.5**	**(6.7)**	**1.0**	**—**	**(18.6)**
Earnings before interest and taxes	**$ 98.3**	**$ 153.7**	**$ (20.1)**	**$ (24.9)**	**$ —**	**$ 207.0**
Earnings before interest and tax						
- percentage of revenue	**4.1%**	**10.3%**	**(2.3)%**	**—**	**—**	**4.4%**
- percentage by operations	**47.5%**	**74.2%**	**(9.7)%**	**(12.0)%**	**—**	**100.0%**
For year ended December 31, 2008 ($ millions)	**Canada**	**South America**	**UK Group**	**Other**	**Goodwill Impairment**	**Consolidated**
Revenue from external sources	$ 3,216.9	$ 1,501.6	$ 1,272.9	$ —	$ —	$ 5,991.4
Operating costs	(2,801.8)	(1,313.8)	(1,099.8)	(46.7)	—	(5,262.1)
Depreciation and amortization	(164.5)	(34.2)	(125.5)	(0.2)	—	(324.4)
	250.6	153.6	47.6	(46.9)	—	404.9
Other income (expenses)						
IT system implementation costs	(7.9)	(4.4)	(2.6)	(1.3)	—	(16.2)
Other	(8.2)	(1.0)	8.6	—	—	(0.6)
Goodwill impairment	—	—	—	—	(151.4)	(151.4)
Earnings before interest and taxes	$ 234.5	$ 148.2	$ 53.6	$ (48.2)	$ (151.4)	$ 236.7
Earnings before interest and tax						
- percentage of revenue	7.3%	9.9%	4.2%	—	—	4.0%
- percentage by operations (excluding goodwill)	60.4%	38.2%	13.8%	(12.4)%	—	100.0%

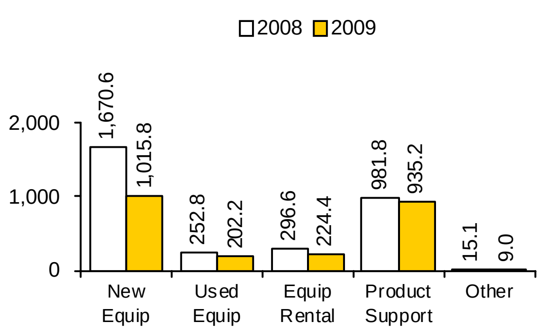
Canadian Operations

The Canadian operating segment includes Finning (Canada), the Company's interest in OEM Remanufacturing Company Inc. (OEM), and a 25% interest in PipeLine Machinery International (PLM). Finning (Canada) sells, services, and rents mainly Caterpillar mobile equipment in British Columbia, Alberta, the Yukon Territory, the Northwest Territories, and a portion of Nunavut. The Company's end markets comprise mining (including the oil sands), construction, conventional oil and gas, forestry, and power systems.

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

For years ended December 31 ($ millions)	**2009**	2008
Revenue	**$ 2,386.6**	$ 3,216.9
Operating costs	**(2,125.7)**	(2,801.8)
Depreciation and amortization	**(132.6)**	(164.5)
	128.3	250.6
Other expenses		
Information technology system implementation costs	**(10.6)**	(7.9)
Restructuring costs and other	**(19.4)**	(8.2)
Earnings before interest and taxes (EBIT)	**$ 98.3**	$ 234.5
EBIT		
- as a percentage of revenue	**4.1%**	7.3%
- as a percentage of consolidated EBIT (excluding goodwill impairment)	**47.5%**	60.4%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**$ 230.9**	$ 399.0

Canada – Revenue by Line of Business
($ millions)
Twelve months ended December 31



2009 revenues of $2,386.6 million decreased 25.8% compared to 2008, when record annual revenues were achieved. The decline was largely due to lower new equipment sales resulting from the economic downturn. New equipment sales were 39.2% lower than 2008. New equipment orders in the fourth quarter of 2009 were the highest since 2008 which is positive, although strong deliveries in the last quarter of the year contributed to an overall decrease in backlog compared with the September 2009 level for the Canadian operations. The existing backlog reflects future deliveries largely to mining customers scheduled to be made in 2010. Demand for construction and conventional oil and gas sectors remains soft.

2009 revenues from all lines of business in the Company's Canadian operations were lower than in 2008. Product support revenues in 2009 were slightly lower (4.7%) compared with 2008, although this was mostly due to the discontinued Collicutt fabrication business which contributed $37.4 million of product support revenue in 2008. In addition, in some sectors, customers were not fully utilizing their equipment and were deferring maintenance and repairs or in-sourcing some of this work. Product support revenues from the mining sector continued to be strong and increased 30.2% over the prior year.

Used equipment revenues were 20.0% lower than the prior year, also reflecting the slowdown in the general economy. Rental revenues decreased 24.3% over 2008 and continued to be pressured by lower demand and competitive pricing in the market.

Foreign exchange had a positive impact of approximately $122 million on revenues in 2009 due to a 7.1% weaker Canadian dollar relative to the U.S. dollar compared to last year.

In Canada, gross profit as a percentage of revenue was higher than in 2008 due to the shift in revenue mix to a higher proportion of product support revenues which typically return higher margins than new equipment sales. Product support revenues made up 39.2% of total revenues in 2009, compared with 30.5% of total revenues in 2008. The improvement in the gross profit margin due to a higher percentage of product support revenues was partially offset by lower gross profit margins in new, used, and rental equipment revenues.

SG&A costs in 2009 were lower than 2008, reflecting lower salary and wages as a result of reduced headcount as well as actions taken to reduce discretionary expenses and improve efficiencies. Most discretionary expense levels are down over the prior year and cost savings from further actions taken in the fourth quarter of 2009 are expected to be fully realized in 2010. Although SG&A costs were down in absolute terms, they were higher as a percentage of revenue compared to 2008 resulting from lower revenues and the fixed nature of certain costs that could not be reduced at the same rate as the revenue decline in 2009.

Included in other expenses were restructuring costs of $19.5 million incurred in 2009 (2008: $8.0 million). Finning (Canada)'s headcount was approximately 1,200 lower than September 2008, primarily due to downsizing its workforce in response to the downturn in the economy and aligning its costs with revenue levels. In the fourth quarter of 2009, a plan was implemented which included a consolidation of branches into 5 regions which will result in a further rationalization of facilities and allocation of resources across these new regions. This plan, together with other productivity improvements, will be fully rolled out over the next few quarters and is expected to drive a further $50 million in expenses out of the Canadian operations in 2010.

Finning (Canada) incurred $10.6 million of costs in 2009 (2008: $7.9 million) representing its share of the costs related to the implementation of a new information technology (IT) system for the Company's global dealership operations.

EBIT totalled $98.3 million in 2009 compared with $234.5 million in 2008. EBIT margin (EBIT divided by revenues) was 4.1%, significantly lower than the EBIT margin of 7.3% achieved in 2008. The reduction in EBIT was primarily due to lower new equipment sales and higher restructuring and IT implementation costs. This reduction was partially offset by lower SG&A costs from actions taken by the Canadian operations.

Other Developments

In the fourth quarter of 2009, Finning (Canada) and the International Association of Machinists and Aerospace Workers (IAM), Vancouver Lodge 692 (covering approximately 800 unionized employees located in British Columbia), successfully settled a new two-year collective bargaining agreement which will expire in April 2011. Finning (Canada)'s collective bargaining agreement with the Alberta division of the IAM – Local Lodge 99 will expire at the end of April 2010. Negotiations with the Alberta Union will commence in Q1 2010. The Company is committed to the collective bargaining process and to concluding a fair contract for its employees and for Finning.

The Company continues to be involved in Alberta Labour Relations Board proceedings with the IAM – Local Lodge 99 relating to Finning (Canada)'s outsourcing of component repair and rebuilding services to OEM in 2005. Decisions from the Alberta Labour Relations Board are expected some time in 2010.

In February 2010, Finning (Canada) secured a key mining equipment and product support agreement. Imperial Oil Limited has chosen Finning as a mining mobile equipment supplier for the Kearl oil sands project. The ten-year agreement includes the supply of Caterpillar equipment, parts, specialized maintenance labour, and training.

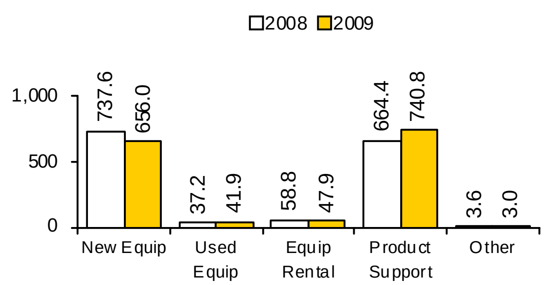
South America

Finning's South American operation sells, services, and rents mainly Caterpillar mobile equipment in Chile, Argentina, Uruguay, and Bolivia. The Company's end markets comprise mining, construction, and power systems.

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

For years ended December 31 ($ millions)	2009	2008
Revenue	**$ 1,489.6**	$ 1,501.6
Operating costs	**(1,299.4)**	(1,313.8)
Depreciation and amortization	**(37.4)**	(34.2)
	152.8	153.6
Other income (expenses)		
Information technology system implementation costs	**(5.6)**	(4.4)
Gain on sale of property, partly offset by restructuring costs (2008: restructuring costs)	**6.5**	(1.0)
Earnings before interest and taxes (EBIT)	**$ 153.7**	$ 148.2
EBIT		
- as a percentage of revenue	**10.3%**	9.9%
- as a percentage of consolidated EBIT (excluding goodwill impairment)	**74.2%**	38.2%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**$ 191.1**	$ 182.4

South America – Revenue by Line of Business ($ millions)
Twelve months ended December 31



The global economic downturn had only a modest impact on the results of Finning South America. 2009 revenues were only slightly lower compared with 2008. In U.S. dollar functional currency, revenues decreased 6.6%. Foreign exchange had an approximately $78 million positive impact on the translation of those revenues, due to the 7.1% weakening of the Canadian dollar relative to the U.S. dollar.

2009 revenues reflected softer new equipment sales partially offset by solid growth in product support activity, mainly with mining customers. In functional currency, new equipment sales and product support revenues from the mining sector were up 16.6% and 9.2%, respectively, over the prior year. In fact, the South American operations experienced record new equipment sales from the mining sector in 2009. This was more than offset by weaker demand in the power systems and construction sectors and as a result, new equipment sales in 2009 were down by 16.3% in functional currency.

New order levels in the fourth quarter of 2009 were higher than any other quarter in 2009 and as a result, new equipment backlog as of December 31, 2009 was higher compared to the September 2009 level, but was roughly 60% the level of December 2008.

Product support revenues continued to grow, and were 11.5% higher in 2009 (5.0% in functional currency) compared with 2008. Growth in product support revenues continues to be primarily driven by the larger number of mining maintenance and repair contracts entered into in recent years and the higher number of Caterpillar units operating in the field.

In functional currency, gross profit decreased 7.9% in 2009 compared with last year, and in line with the revenue decline. As a percentage of revenue, gross profit was comparable with 2008 as a result of a shift in revenues to higher margin product support revenues, offset by lower margins on mining new equipment sales and rental revenues. Product support revenues made up 49.9% of total revenues in 2009, compared with 44.4% of total revenues in the last year.

SG&A costs, in functional currency, decreased both in absolute dollars and as a percentage of revenue. The South American operations continued to benefit from ongoing cost savings programs.

Other income for 2009 included a $7.2 million pre-tax gain on the sale of a Finning Chile property in exchange for a new head office property. In addition, the Company's South American operations incurred costs of $5.6 million (2008: $4.4 million) related to the implementation of a new IT system for the Company's global dealership operations.

EBIT from the Company's South American operations of $153.7 million was 3.7% higher than in 2008. In functional currency, EBIT decreased 3.6% over the prior year. The lower EBIT (in functional currency) in 2009 reflected lower new equipment revenues as a result of weaker demand from power systems and construction sectors, and lower new equipment and rental margins, partially offset by continued strong product support margins, and lower SG&A. EBIT as a percentage of revenue for Finning South America was solid at 10.3%, up from the EBIT margin of 9.9% achieved in 2008.

Other Developments

In February 2010, the Company's South American operations received a Letter of Intent from Codelco, Chile's state-owned mining company, that includes the supply of 20 Caterpillar 797 mining trucks and 15 pieces of support equipment, plus a ten-year maintenance and repair contract (MARC). The approximate value of the deal, including the maintenance services, is US$400 million. The Letter of Intent is subject to final project approval by Codelco's Board which is expected in mid 2010. The equipment will be delivered in the first half of 2011 to Codelco's Ministro Hales mine.

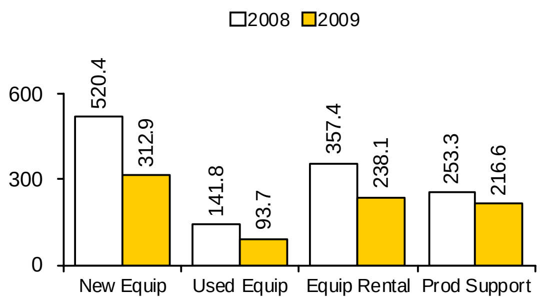
United Kingdom ("UK") Group

The Company's UK Group sells, services and rents mainly Caterpillar mobile equipment in England, Scotland, Wales, Falkland Islands, and the Channel Islands. The Company's end markets comprise mining, quarrying, construction, power systems, and rental services.

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

For years ended December 31 ($ millions)	**2009**	2008
Revenue	**$ 861.3**	$ 1,272.9
Operating costs	**(774.8)**	(1,099.8)
Depreciation and amortization	**(97.5)**	(125.5)
	(11.0)	47.6
Other income (expenses)		
Information technology system implementation costs	**(2.4)**	(2.6)
Restructuring partly offset by gain on sale of properties (2008: gain on sale of properties partly offset by restructuring)	**(6.7)**	8.6
Earnings before interest and taxes (EBIT)	**$ (20.1)**	$ 53.6
EBIT		
- as a percentage of revenue	**(2.3)%**	4.2%
- as a percentage of consolidated EBIT (excluding goodwill impairment)	**(9.7)%**	13.8%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**$ 77.4**	$ 179.1

UK Group – Revenue by Line of Business
($ millions)
Twelve months ended December 31



The UK Group's revenues for 2009 were $861.3 million, down 32.3% from the prior year primarily due to challenging economic conditions which continued throughout 2009. In local currency, total revenues were 25.4% lower compared to those reported in 2008, reflecting a 9.2% stronger Canadian dollar in 2009.

Revenues were lower in all lines of business compared with 2008, primarily in new and used equipment sales, and rental revenues. In local currency, in 2009, revenues from new equipment and product support were lower by 33.7% and 5.7%, respectively, compared with last year. This reflected a continued decline in the strength of the underlying U.K. economy, particularly in the construction sector.

Although new equipment orders continued to be lower than prior year levels, new orders in the fourth quarter of 2009 were the highest of any quarter in the year and contributed to the first increase in backlog over the past eight quarters for the UK operations. The new equipment backlog was higher compared to the September 2009 level, but was approximately 40% lower than the level at December 2008.

Rental revenues were also affected by the weak economic conditions in the UK and were down 26.4% in local currency compared with 2008. In response to Hewden's weak operating results and the ongoing weak economic conditions in the U.K., a significant reorganization of Hewden, the UK Group's rental services operation, occurred in the first half of 2009. Further streamlining of the Hewden depot network continued in the second half of 2009. As a result, Hewden's overall cost structure has decreased and the rental fleet has been downsized. Asset utilization has started to recover, and Hewden's operating performance is expected to improve.

Gross profit, in local currency, in 2009 was lower compared with the prior year in absolute terms, which was generally in line with the sales decline, and as a percentage of revenue. The rental operations experienced lower margins in 2009 compared to last year due to lower utilization rates and pricing challenges as a result of a significant decline in U.K. construction market activities. Margins in most other lines of business were also down primarily due to weaker market conditions. Margins from product support activities, although slightly down compared to the prior year, continue to be solid. A higher proportion of revenues from product support as well as good margins from this line of business partially offset the impact of lower margins from rental revenues.

SG&A costs were lower in 2009 compared with 2008 in absolute terms, but despite successful cost-cutting initiatives, higher as a percentage of revenue due to the fixed nature of some costs. Management has implemented a number of initiatives to reduce operating cost levels, dispose of surplus rental fleet in line with current market conditions, and improve the performance of other assets. Further actions will be taken as needed to respond to market conditions.

Other expenses in 2009 included restructuring costs related to the integration of support services in the U.K. and depot restructuring. The organizational structure of the UK Group was streamlined to provide a more consistent and effective service offering to customers at a reduced cost. In addition, in response to declining market conditions, the UK Group incurred further restructuring and severance costs as staffing levels were reduced. In total, in 2009, the UK Group incurred restructuring charges of $14.9 million (2008: $11.5 million). The initiatives noted above resulted in a reduction of approximately 750 employees since September 2008. Partially offsetting these restructuring charges in 2009 were pre-tax gains of $9.3 million related to the sale of certain properties at Hewden. The results for 2008 included a $19.2 million pre-tax gain on sale of certain Hewden properties.

In 2009, the UK Group incurred a loss before interest and tax of $20.1 million, compared with EBIT of $53.6 million in 2008. The lower results in 2009 compared with the prior year were primarily due to lower revenues in all lines of business as well as higher restructuring and severance costs. EBIT losses of $39.7 million were incurred in 2009 by the UK Group's rental business, Hewden (2008: EBIT of $4.9 million), partially offset by a positive EBIT of $19.6 million at the UK dealership (2008: $48.7 million).

Management has initiated a strategic review of Hewden in 2009 which is progressing according to plan. One option is to continue with the implementation of a recovery plan to drive operational improvement at Hewden which is progressing well. The second option is to dispose of the Hewden operation and, as a result of exploring alternatives, the Company has received expressions of interest from a number of parties. The Company continues to explore both options and anticipates a decision by the end of the second quarter of 2010 which will be driven by the need to optimize shareholder value.

Corporate and Other Operations

For years ended December 31 ($ millions)	2009	2008
Operating costs – corporate	**$ (22.9)**	$ (25.8)
Gain (loss) from equity investment	**(2.4)**	0.8
LTIP mark-to-market	**(0.1)**	(21.7)
Depreciation and amortization	**(0.2)**	(0.2)
	(25.6)	(46.9)
Other expenses (income)		
Information technology system implementation costs	**(0.3)**	(1.3)
Other income – gain on sale of property, partly offset by restructuring costs	**1.0**	—
Earnings before interest and taxes	**$ (24.9)**	$ (48.2)

For the year ended December 31, 2009, corporate operating costs decreased to $22.9 million compared with $25.8 million in 2008 due to efforts by management to reduce costs and improve efficiencies.

Loss from equity investment in 2009 is from the Company's investment in Energyst B.V., reflecting reduced activity levels as a result of the economic downturn in Europe. In response to the downturn, Energyst's management has taken steps to reduce its cost structure and improve the operating performance of its European depot network, including downsizing its rental fleet. Those actions are anticipated to improve profitability going forward.

The Company entered into a compensation hedge at the end of 2007 in order to offset the mark-to-market impact relating to certain stock-based compensation plans. The long-term incentive plan (LTIP) expense or income recorded at the corporate level primarily reflects the fair value impact of the compensation hedge in total. This amount primarily offsets the LTIP mark-to-market gains or losses recorded by the operating companies.

Other income for 2009 included a $1.7 million pre-tax gain on the sale of a property. In addition, the Company incurred costs related to the ongoing implementation of a new information technology system for the Company's global operations.

Goodwill Impairment

Goodwill is assessed for impairment at the reporting unit level at least annually or as warranted by events or circumstances. Any potential goodwill impairment is identified by comparing the fair value of a reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of the reporting unit exceeds its fair value, a more detailed assessment must be undertaken to determine the fair value of goodwill. A goodwill impairment charge is recognized to the extent that, at the reporting unit level, the carrying value of goodwill exceeds its fair value.

The Company determines the fair value of its reporting units using a discounted cash flow model corroborated by other valuation techniques such as market multiples. The process of determining these fair values requires management to make estimates and assumptions including, but not limited to, projected future sales, earnings and capital investment, discount rates, and terminal growth rates. Projected future sales, earnings, and capital investment are consistent with strategic plans presented to the Company's Board of Directors. Discount rates are based on an industry weighted average cost of capital. These estimates are subject to change due to uncertain competitive and economic market conditions or changes in business strategies.

During the year, the Company performed its annual goodwill impairment tests and determined that goodwill was not impaired at December 31, 2009. In 2008, the Company determined that the carrying value of goodwill established on the acquisition of Hewden in 2001 exceeded its respective fair value. As a result, in 2008, the Company recorded in other expenses a full goodwill impairment charge of $151.4 million. The Company did not expect an 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 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.

Liquidity and Capital Resources

Management of the Company assesses liquidity in terms of Finning's ability to generate sufficient cash flow, along with other sources of liquidity including cash and borrowings, to fund its operations and growth in operations. Net cash flow is affected by the following items:

- operating activities, including the level of accounts receivable, inventories, accounts payable, rental equipment, and financing provided to customers;
- investing activities, including capital expenditures, acquisitions of complementary businesses, and divestitures of non-core businesses; and
- external financing, including bank credit facilities, commercial paper, long-term debt, and other capital market activities, providing both short and long-term financing.

Cash Flow from Operating Activities

For the year ended December 31, 2009, cash flow after working capital changes was $546.4 million, compared with $278.1 million generated in 2008. Throughout all operations, management has focused on improving cash cycle times and operating efficiencies while ensuring appropriate levels of working capital exist to support current activity levels. As a result, the Company's working capital investment in 2009 was $458.7 million lower compared with the prior year.

The Company generated proceeds on the disposal of rental assets in excess of additions in the amount of $43.2 million in 2009, compared with a net investment in rental assets of $204.8 million in 2008. This was an improvement from management's annual guidance of under $50 million net investment spend in rental assets due to significant efforts by management to minimize rental fleet additions and dispose of underutilized assets. As a result of this focus on reducing rental expenditures and lower market demand, rental investment reduced significantly compared to 2008, particularly at the Company's Canadian and Hewden operations.

As a result of these items, cash flow provided by operating activities was $562.4 million in 2009, a significant improvement when compared to cash provided by operating activities of $72.7 million in 2008.

EBITDA was $474.7 million in 2009 compared to $712.5 million in 2008, after excluding the 2008 goodwill impairment charge noted above.

The Company's Free Cash Flow generated in 2009 was $493.9 million compared to $23.2 million in 2008. The 2009 annual Free Cash Flow exceeded management's estimate provided in the third quarter of 2009 of close to $400 million due to a higher than expected level of collections from customers late in the year. All of Finning's operations have seen significant improvements in the generation of Free Cash Flow compared to the same period in the prior year. Improvements to working capital levels to align with demand and a reduction of rental equipment investments have more than offset lower earnings.

Management anticipates generating positive Free Cash Flow greater than $200 million in 2010 from continued disciplined and closely managed working capital management and strategic investments in capital and rental expenditures. This Free Cash Flow is expected to be used for dividend payments and to continue to reduce debt as appropriate. The Company's Debt Ratio (net debt to total capitalization ratio) at December 31, 2009 was 39.3%, and is expected to be in the mid 30% range by year end 2010.

Cash Used For Investing Activities

Net cash used in investing activities in 2009 totalled $48.4 million compared with $198.1 million in 2008. The primary use of cash in 2008 related to the acquisition of Collicutt for $135.8 million, net of cash received. In 2008, the Company also increased its investment in Energyst B.V. by $11.5 million, and acquired one Cat Rental Store for $1.3 million.

Gross capital additions for the year ended December 31, 2009 were $107.8 which is slightly higher compared with $100.4 million in 2008. Capital additions in 2009 and 2008 reflect general capital spending to support operations. Capital additions in 2009 included capitalized costs of $11.8 million related to the Company's new global IT system (2008: $11.9 million). The Company has committed to pay approximately $11 million over the next year for consulting and implementation support for the new global IT system. All capital spending is being monitored closely by management.

In 2009, the Company paid approximately $12.3 million on the settlement of foreign currency swaps, and received proceeds of $32.3 million on the settlement of a cross currency interest rate swap, that was partially hedging the Company's investment in a foreign subsidiary.

The Company's planned net capital expenditures for 2010 are projected to be in the range of $75 million to $100 million. Net rental additions for 2010 are projected to be in the $100 million to $150 million range.

The Company believes that internally generated cash flow, supplemented by borrowing from existing financing sources, if necessary, will be sufficient to meet anticipated capital expenditures and other cash requirements in 2010. Management believes that the 2010 results will continue to generate strong cash flows as working capital requirements, capital expenditures, and investment in rental fleets continue to be actively managed. At this time, the Company does not reasonably expect any presently known trend or uncertainty to affect its ability to access its historical sources of cash.

Financing Activities

As at December 31, 2009, the Company's short and long-term borrowings totalled $1.2 billion, a decrease of $0.4 billion, or 26.7%, from December 31, 2008, mainly as a result of strong Free Cash Flow generation.

To complement the internally generated funds from operating and investing activities, the Company has approximately $1.2 billion in unsecured credit facilities. Included in this amount, Finning has committed bank facilities totalling approximately $955 million with various Canadian, U.S., U.K., and South American financial institutions. The largest of these facilities, an $800 million global credit facility, matures in December 2011. As at December 31, 2009 approximately $725 million was available under these committed facilities and no long-term debt matures until December 2011. Based upon the availability of these facilities, the Company's business operating plans, and the discretionary nature of some of the outflows like rental and capital expenditures, the Company believes it has sufficient liquidity to meet its operational needs.

Longer-term capital resources are provided by direct access to capital markets. The Company is rated by both Standard & Poor's (S&P) and Dominion Bond Rating Service (DBRS). In 2009, the Company's long-term debt ratings were reconfirmed at A (low) by DBRS and BBB+ by S&P. The Company's short-term debt rating was reconfirmed by DBRS at R-1 (low). The Company continues to utilize the Canadian commercial paper market as well as borrowings under its credit facilities as its principal sources of short-term funding. The Company's commercial paper program is backstopped by the global credit facility. The maximum authorized limit of the Company's commercial paper program is $600 million.

Dividends paid to shareholders in 2009 were $75.0 million, an increase of $1.0 million compared to 2008.

The Company had a share repurchase program in place until July 8, 2009. The Company did not repurchase any common shares during 2009. For the year ended December 31, 2008, the Company repurchased and cancelled 5,901,842 common shares at an average price of $24.99 for an aggregate amount of $147.5 million.

In May 2008, the Company issued two unsecured Medium Term Notes (MTN). The 5-year, $250 million MTN has a coupon interest rate of 5.16% per annum, payable semi-annually commencing September 3, 2008. The 10-year, $350 million MTN has a coupon interest rate of 6.02% per annum, payable semi-annually commencing December 1, 2008. Proceeds from these issuances were used for debt repayment, including the repayment of the Company's $200 million 7.40% MTN which matured in June 2008 as well as outstanding commercial paper borrowings.

Financing activities in 2008 also included a payment of $8.9 million on the settlement of a derivative that hedged future cash flows associated with the new MTN issuances noted above.

The Company's overall Debt Ratio was 39.3% at the end of 2009, compared with 48.9% at the end of 2008. This ratio is lower than the prior year due to the strong Free Cash Flow generation which contributed to the reduction in overall debt levels.

Contractual Obligations

Payments on contractual obligations in each of the next five years and thereafter are as follows:

($ millions)	2010	2011	2012	2013	2014	Thereafter	Total
Long-term debt							
- principal repayment	$ 24.2	$ 168.0	$ —	$ 475.3	$ —	$ 348.4	$ 1,015.9
- interest	52.5	52.3	45.2	44.9	21.1	94.8	310.8
Operating leases	71.1	56.6	39.4	28.4	20.2	137.9	353.6
Capital leases	8.1	2.2	1.2	1.1	1.1	13.7	27.4
Total contractual obligations	$ 155.9	$ 279.1	$ 85.8	$ 549.7	$ 42.4	$ 594.8	$ 1,707.7

The above table does not include obligations to fund pension benefits, although the Company is making regular contributions to its registered defined benefit pension plans in Canada and the UK in order to fund the pension plans as required. Contribution requirements are based on periodic (at least triennial) actuarial funding valuations performed by the Company's (or plan Trustees') actuaries. For 2009, approximately $43 million was contributed towards the Company's defined benefit pension plans. Currently, the Company is expecting a higher level of required defined benefit plan contributions for 2010, at approximately $50-$55 million, as a result of changes in the global financial markets in the latter part of 2008. However, the actual level of contribution requirements for 2010 and the years that follow for the Canadian and Hewden plans will not be known until later in 2010 following the completion of the December 31, 2009 Canadian actuarial valuations and the December 31, 2008 Hewden actuarial valuation. Management anticipates any increase in funding requirements will be manageable.

Employee Share Purchase Plan

The Company has employee share purchase plans for its Canadian and South American employees. Under the terms of these plans, eligible employees may purchase common shares of the Company in the open market at the then current market price. The Company pays a portion of the purchase price to a maximum of 2% of employee earnings. At December 31, 2009, 68% and 2% of eligible employees in the Company's Canadian and South American operations, respectively, were contributing to these plans. The Company has an All Employee Share Purchase Ownership Plan for its employees in Finning (UK) and Hewden. Under the terms of this plan, employees may contribute up to 10% of their salary to a maximum of £125.00 per month. The Company will provide one common share, purchased in the open market, for every three shares the employee purchases. At December 31, 2009, 27% and 13% of eligible employees in Finning (UK) and Hewden, respectively, were contributing to this plan. These plans may be cancelled by Finning at any time. Effective January 1, 2010, the Company has suspended the matching share element of the Employee Share Purchase Ownership Plan in Finning (UK) and Hewden.

Accounting Estimates and Contingencies

Accounting, Valuation and Reporting

Changes in the rules or standards governing accounting can impact our financial reporting. The Company employs professionally qualified accountants throughout its finance group and all of the operating unit financial officers have a reporting relationship to the Company's Chief Financial Officer (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. 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.

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. Certain 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, provisions for inventory obsolescence, reserves for warranty, provisions for income tax, the determination of employee future benefits, the useful lives of the rental fleet and related residual values, costs associated with maintenance and repair contracts, and provisions for restructuring costs.

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 goodwill was not impaired at December 31, 2009. In 2008, the Company determined that the fair value of its investment in 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, in 2008, the Company recorded a full goodwill impairment charge of $151.4 million. The goodwill impairment charge was non-cash in nature and did 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.

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 are expected to have a material effect on the Company’s consolidated financial position or results of operations.

Income Taxes

The Company exercises judgment in estimating the 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.

Description of Non-GAAP Measures

EBIT is defined herein as earnings before interest expense, interest income, and income taxes. EBITDA is defined as earnings before interest, taxes, depreciation, and amortization. Free Cash Flow is defined as cash flow provided by (used in) operating activities less net capital expenditures. EBIT, EBITDA, and Free Cash Flow are measures of performance utilized by management to measure and evaluate the financial performance of its operating segments. EBITDA and Free Cash Flow are measures commonly reported and widely used by investors as an indicator of a company’s cash operating performance and ability to raise and service debt. EBITDA is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses and is a common valuation metric.

Management believes that these measures provide important information regarding the operational performance of the Company's business. By considering these measures in combination with the comparable GAAP measures set out below, management believes that shareholders are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the GAAP measures alone. EBIT, EBITDA, and Free Cash Flow do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with GAAP.

A reconciliation between EBITDA, EBIT, and net income is as follows:

($ millions)	Three months ended December 31 2009	Three months ended December 31 2008	Twelve months ended December 31 2009	Twelve months ended December 31 2008
Earnings before interest, taxes, depreciation, and amortization, excluding goodwill impairment	**$ 89.1**	$ 152.8	**$ 474.7**	$ 712.5
Goodwill impairment	**—**	(151.4)	**—**	(151.4)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**89.1**	1.4	**474.7**	561.1
Depreciation and amortization	**(59.1)**	(85.9)	**(267.7)**	(324.4)
Earnings before interest and income taxes (EBIT)	**30.0**	(84.5)	**207.0**	236.7
Finance costs	**(18.8)**	(21.7)	**(67.6)**	(83.6)
Provision for income taxes	**5.1**	(0.6)	**(8.6)**	(57.1)
Net income	**$ 16.3**	$ (106.8)	**$ 130.8**	$ 96.0

A reconciliation of Free Cash Flow is as follows:

($ millions)	Three months ended December 31 2009	Three months ended December 31 2008	Twelve months ended December 31 2009	Twelve months ended December 31 2008
Cash provided by (used in) operating activities	**$ 128.5**	$ 177.2	**$ 562.4**	$ 72.7
Additions to capital assets	**(18.6)**	(31.6)	**(107.8)**	(100.4)
Proceeds on disposal of capital assets	**20.5**	6.1	**39.3**	50.9
Free cash flow	**$ 130.4**	$ 151.7	**$ 493.9**	$ 23.2

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 risks in its most recent Annual Information Form (AIF) with key financial risks also included 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 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.

Financial Derivatives

The Company uses or may use various financial instruments such as forward and swap foreign exchange contracts, interest rate swaps, and equity hedges, as well as non-derivative foreign currency debt to manage its foreign exchange exposures, interest rate exposures, and stock-based compensation expense exposures (see Note 4 of the Notes to the Consolidated Financial Statements). 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.

Financial Risks and Uncertainties

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 have sufficient liquid financial resources to fund its operations and meet its commitments and obligations. The Company maintains bilateral and syndicated bank credit facilities, a commercial paper program, continuously monitors actual and forecast cash flows, and manages maturity profiles of financial liabilities. Undrawn credit facilities at December 31, 2009 were $1,012 million (2008: $660 million), of which approximately $725 million (2008: $300 million) is committed credit facility capacity. The Company believes that it has reasonable access to capital markets which is supported by its investment grade credit ratings.

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 existing 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.

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 fair value of its 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.

Foreign Exchange 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 main types of foreign exchange risk of the Company can be categorized as follows:

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 are considered self-sustaining and 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 its U.S. dollar based earnings.

To the extent practical, 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, periodically, through 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 other 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 operation.

Transaction exposure

Many of the Company's operations purchase, sell, rent, and lease products as well as incur costs in currencies other than their functional currency. This mismatch of currencies creates transactional exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company's competitive position may also be impacted as relative currency movements affect the business practices and/or pricing strategies of the Company's competitors.

The Company is also exposed to currency risks related to the future cash flows on its non-Canadian denominated short and long term debt.

To the extent practical, it is the Company's objective to manage the impact of exchange rate movements and volatility on its financial 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.

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, 2009 month end rates would increase / (decrease) net income by the amounts shown below. A 5% strengthening of the Canadian dollar against the following currencies from the December 31, 2009 month end rates would increase / (decrease) other comprehensive 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.

($ thousands)	December 31, 2009 month end rates		Net Income		Other Comprehensive Income
USD	**1.0466**	**$**	**(17,000)**	**$**	**(22,100)**
GBP	**1.6918**		**1,000**		**(17,000)**
CLP	**0.0021**	**$**	**1,700**	**$**	**—**

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

<u>Interest Rate Risk</u>

Changes in market interest rates will cause fluctuations in the fair value or future cash flows of financial instruments.

The Company is exposed to changes in interest rates on its interest bearing financial assets including cash and cash equivalents, instalment notes receivable, and cross currency interest rate swaps. The short term nature of investments included in cash and cash equivalents limits the impact to fluctuations in fair value, but interest income earned will be impacted. Instalment notes receivable bear interest at a fixed rate thus their fair value will fluctuate prior to maturity but, absent monetization, future cash flows do not change. The fair value of the Company's cross currency interest rate swap will be impacted by relative changes in interest rates related to the two swapped currencies. As interest rates related to the swap are fixed, future cash flows do not change. Subsequent to December 31, 2009, the Company settled its cross currency interest rate swap.

The Company is exposed to changes in interest rates on its interest bearing financial liabilities including short and long term debt and variable rate share forward (VRSF). The Company's debt portfolio comprises both fixed and floating rate debt instruments, with terms to maturity ranging up to eight years. Floating rate debt due to its short term nature exposes the Company to limited fluctuations in changes to fair value, but finance expense and cash flows will increase or decrease as interest rates change.

The fair value of the Company's fixed rate debt obligations fluctuate with changes in interest rates, but absent early settlement, related cash flows do not change. For reporting purposes the Company does not measure any fixed rate long-term debt at fair value. The Company is exposed to future interest rates upon refinancing of any debt prior to or at maturity.

The Company pays floating interest rates on its VRSF. Both fair value and future cash flows are impacted by changes in interest rates.

The Company manages 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 may utilize derivative instruments such as interest rate swaps to adjust the balance of fixed and floating rate debt.

Commodity Prices

The Company's revenues can be indirectly affected by fluctuations in commodity prices; in particular, changes in expectations of longer-term prices. In Canada, commodity price movements in the forestry, metals, coal, and petroleum sectors can have an impact on customers' demands for equipment and product support. 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 price 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 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 is expected to continue to be, important in mitigating the effects of downturns in the business cycle. Finning's product support revenues typically contribute higher gross margins than new equipment sales.

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 cash and cash equivalents, receivables from customers, instalment notes receivable, and derivative assets. Credit risk associated with cash and cash equivalents is managed by ensuring that these financial assets are held with major financial institutions with strong investment grade ratings and by maintaining limits on exposures with any single institution. An ongoing review is performed to evaluate the changes in the credit rating of 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 instruments relating to counterparties defaulting 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 monitoring, and by dealing only with major financial institutions that have a credit rating of at least A- from S&P and A (low) from DBRS.

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 plans accounted for as liability-based awards to be recorded at intrinsic value, compensation expense can vary as the price of the Company's common shares changes. The Company has entered into a derivative contract to partly offset this exposure, called a VRSF.

A 5% strengthening in the Company's share price as at December 31, 2009, all other variables remaining constant, would have increased net income by approximately $1.0 million as a result of revaluing the Company's VRSF with a 5% weakening having the opposite effect. This impact partially mitigates changes in the stock based compensation expense; as the Company's share price changes, the intrinsic value impact related to the stock-based compensation liability is partially offset by the fair value impact related to the VRSF.

Contingencies and Guarantees

Due to the size, complexity, and nature of the Company's operations, various legal and tax matters are pending. In the opinion of management, these matters will not have a material effect on the Company's consolidated financial position or results of operations.

The Company enters into contracts with rights of return, in certain circumstances, for the repurchase of equipment sold to customers for an amount based on an estimate of the future value of the fair market price at that time. As at December 31, 2009, the total estimated value of these contracts outstanding is $164.4 million coming due at periods ranging from 2010 to 2016. The Company's experience to date has been that the equipment at the exercise date of the contract is worth more than the repurchase amount. The total amount recognized as a provision against these contracts is $0.8 million.

For further information on the Company's contingencies, commitments, guarantees, and indemnifications, refer to Notes 24 and 25 of the Notes to the Consolidated Financial Statements.

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 GAAP. There has been no change in the design of the Company's internal control over financial reporting during the quarter ended December 31, 2009, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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, 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.

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 of the design and testing of the effectiveness of the operation of the Company's disclosure controls and procedures and internal control over financial reporting were conducted as of December 31, 2009, by and under the supervision of management, including the CEO and CFO. In making the assessment of the effectiveness of the Company's disclosure controls and procedures and 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, testing, 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 procedures and internal control over financial reporting were effective as of December 31, 2009.

Selected Quarterly Information

$ millions, except for share and option data	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1
Revenue (1)								
Canada	**$ 601.8**	$ 489.9	$ 582.0	$ 712.9	$ 826.0	$ 748.9	$ 849.1	$ 792.9
South America	**337.0**	376.9	363.0	412.7	464.3	389.7	340.7	306.9
UK Group	**196.3**	206.4	219.9	238.7	276.4	324.6	341.5	330.4
Total revenue	**$ 1,135.1**	$ 1,073.2	$ 1,164.9	$ 1,364.3	$ 1,566.7	$ 1,463.2	$ 1,531.3	$ 1,430.2
Net income (loss) (1) (2)	**$ 16.3**	$ 21.7	$ 47.8	$ 45.0	$ (106.8)	$ 64.8	$ 67.2	$ 70.8
Basic Earnings (Loss) Per Share (1) (2) (3)	**$ 0.10**	$ 0.13	$ 0.28	$ 0.26	$ (0.63)	$ 0.38	$ 0.39	$ 0.41
Diluted Earnings (Loss) Per Share (1) (2) (3)	**$ 0.10**	$ 0.13	$ 0.28	$ 0.26	$ (0.62)	$ 0.37	$ 0.39	$ 0.40
Total assets (1)	**$ 3,671.4**	$ 3,892.4	$ 4,357.3	$ 4,639.6	$ 4,720.4	$ 4,604.4	$ 4,603.8	$ 4,527.8
Long-term debt								
Current	**$ 24.2**	$ 23.9	$ 2.6	$ 2.6	$ 2.6	$ 2.5	$ 100.5	$ 215.9
Non-current	**991.7**	1,013.8	1,206.4	1,437.3	1,410.7	1,313.1	1,121.8	605.7
Total long-term debt (4)	**$ 1,015.9**	$ 1,037.7	$ 1,209.0	$ 1,439.9	$ 1,413.3	$ 1,315.6	$ 1,222.3	$ 821.6
Cash dividends paid per common share	**$ 0.11**	$ 0.11	$ 0.11	$ 0.11	$ 0.11	$ 0.11	$ 0.11	$ 0.10
Common shares outstanding (000's) (3)	**170,747**	170,661	170,631	170,545	170,445	171,356	172,692	172,623
Options outstanding (000's)	**6,299**	6,537	6,606	5,807	6,037	6,200	6,343	4,576

(1) On January 15, 2008 the Company's Canadian operations purchased Collicutt Energy Services Ltd. The results of operations and financial position of Collicutt have been included in the figures above since the date of acquisition.

(2) 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 of $151.4 million for Hewden in the fourth quarter of 2008. The negative impact on basic earnings per share (EPS) for the fourth quarter of 2008 was $0.89 per share (diluted EPS: $0.88 per share). The goodwill impairment charge was non-cash in nature and did 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 did not expect an income tax deduction from this charge.

(3) During 2008, the Company repurchased 5,901,842 common shares at an average price of $24.99 as part of a normal course issuer bid.

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

(4) In the second quarter of 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.

New Accounting Pronouncements

Changes Adopted in 2009

(i) Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Section 3064, *Goodwill and Intangible Assets*, issued by the CICA. The new standard replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new standard does not have a material impact on the Company's consolidated financial statements.

(i) Financial Instruments Disclosures

Effective December 31, 2009, the Company has adopted the amendments to Section 3862, *Financial Instruments – Disclosures*, which are effective for annual financial statements for fiscal years ending after September 30, 2009, and which enhance current disclosure requirements for financial instruments, as discussed further in Note 4 to the consolidated financial statements. These amendments require disclosure of additional details about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk of financial instruments.

Future Accounting Pronouncements

(i) Business Combinations

In January 2009, the CICA issued Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-controlling Interests*. These new standards are harmonized with International Financial Reporting Standards (IFRS). Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a change in the basis of measurement of non-controlling interests, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective in 2011.

Effective January 1, 2010, the Company early adopted Sections 1582, 1601, and 1602 in accordance with the transitional provisions. The adoption of Sections 1601 and 1602 is not expected to have a material impact on the Company's consolidated financial statements. Whether the Company will be materially affected by the new recommendations of Section 1582 will depend upon the specific facts of business combinations, if any, occurring subsequent to January 1, 2010.

(ii) Convergence with International Financial Reporting Standards

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 completed a high level review of the major differences between Canadian GAAP and IFRS as applicable to the Company. While a number of differences were identified, the areas of highest potential impact included property, plant and equipment, certain aspects of revenue recognition, income taxes, employee future benefits, stock-based compensation, presentation, and disclosure, as well as the initial selection of applicable transitional exemptions under the provisions of IFRS 1 First Time Adoption. The Company has not identified any further areas subject to significant change during subsequent phases of the transition project. The conversion project is on-schedule, and a timetable for developing the opening balance sheet and comparative information preparation is in place for 2010. All activities required to be complete prior to January 1, 2010 were completed, including designation of all hedging arrangements in an IFRS-compliant manner.

The current focus of the project is the identification of local level impacts for the opening balance sheet in each of the Company's operations, and finalization of the IFRS 1 transitional exemptions to be taken. The following summary of opening balance sheet transitional provisions to be adopted and their likely impacts indicates the progress of our work in each topic area identified as having a potential high impact. It is not an exhaustive list; if further transitional elections are found to be beneficial to the transition process as the opening balance sheet preparation progresses, then such exemptions may be taken.

- Property, plant, and equipment: No transitional elections will be taken. The Company will retain assets at historical cost upon transition rather than taking the allowed election to recognize assets at fair value.
- Employee future benefits: Any unamortized defined benefit pension plan actuarial gains and losses accumulated at January 1, 2010 will be recognized in retained earnings in accordance with the IFRS 1 transitional exemption.

  The Company's future accounting policy choice under IFRS with respect to defined benefit pension plans is not yet confirmed, as this is an area subject to ongoing standard-setting activity by the IASB.
- Stock based compensation: IFRS 2, Share Based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, if fair value information about these instruments had previously been publicly disclosed. As the fair value of the Company's instruments had not been historically disclosed, the Company will not restate share based payment balances in relation to fully vested awards of share based payments. An immaterial opening balance sheet adjustment will be made to account for unvested share based payment plans upon transition.

In addition to the key areas outlined above, the use of the following additional transitional exemptions, available under IFRS 1, has also been agreed by management and the Audit Committee:

- Borrowing costs: Borrowing costs will not be capitalized retrospectively and the Company will only capitalize borrowing costs for those assets whose capitalization commencement date is after the date of transition (January 1, 2010).
- Business combinations: The Company will not retrospectively restate any business combinations; IFRS 3 will be applied prospectively to acquisitions after January 1, 2010. This date is consistent with the Company's adoption of the CICA's revised sections for business combinations, consolidations, and non controlling interests.
- Cumulative translation adjustments: All cumulative translation adjustments and associated cumulative hedging gains and losses will be transferred to retained earnings from Accumulated Other Comprehensive Income upon transition.

Management continues to monitor standards to be issued by the International Accounting Standards Board (IASB), but it is difficult to predict the IFRS that will be effective at the end of the Company's first IFRS reporting period, as the IASB work plan anticipates the completion of several projects in calendar years 2010 and 2011. Their projects on employee benefits, leases, and financial instruments are especially relevant to the Company, and management will be monitoring any changes to these standards closely.

The Company's transition plan includes a comprehensive training plan; initial training sessions have been provided to key finance personnel and management in all geographic regions, and further in depth sessions will be provided to relevant personnel throughout the implementation process. The Board of Directors have also participated in a comprehensive education session. An investor communication plan is under development and communication activities with internal stakeholders are in place and will be ongoing throughout 2010 and 2011.

Management has also begun to consider the impact of the transition on the Company's business practices, systems, and internal control over financial reporting and anticipate that the most significant impact of IFRS on its compliance programme will be with regards to financial reporting controls.

Earnings Coverage Ratio

The following earnings coverage ratio is calculated for the twelve months ended December 31, 2009 and constitutes an update to the earnings coverage ratio described in the Company's short form base shelf prospectus dated May 5, 2008.

Twelve months ended December 31, 2009	
Earnings coverage ratio (1)	3.1

(1) The earnings coverage ratio is calculated by dividing: (a) the Company's earnings from continuing operations before interest and taxes for the period stated; by (b) finance costs incurred over the period stated.

Outstanding Share Data

As at February 19, 2010	
Common shares outstanding	**170,858,800**
Options outstanding	**6,152,726**

Outlook

In each of the Company's regions, new equipment order intake in the fourth quarter was the highest since 2008. The resulting growth in backlog is mainly driven by the mining sector. Quotation activity continues to be strong in the mining sector, and the Company expects this to result in mining orders in 2010.

In non-mining sectors, the Company has limited visibility of future revenues. In the construction, forestry, and oil and gas sectors, there is an excess supply of dealer inventory and market weakness is expected to continue for several more quarters.

Product support revenues continue to grow in the mining sector in all operations as the equipment sold in recent years remains highly utilized. In all regions, there is an increase in equipment rebuild work and related quoting activity for large mining equipment. In non-mining sectors, where some customers are deferring maintenance and some equipment remains idle, the Company believes that a backlog of product support is being accumulated. Increased economic activity is expected to result in further product support growth.

In Canada, product support revenues continue to grow in the mining industry. The Company is experiencing increased demand for equipment and product support from oil sands, coal, and copper mine producers and contractors. Incremental business from government funded infrastructure initiatives is expected to positively impact the construction sector towards the end of 2010 and into 2011. Demand for conventional oil and gas equipment remains soft and no rebound is expected until late 2010.

In South America, the Company is actively quoting to mining customers and receiving new orders for large mining equipment. At current copper and gold prices, the mining industry is expected to remain strong. Construction and power systems activity is forecast to increase in Chile and to be flat in Argentina in 2010. Mining contracts are expected to continue to drive product support growth throughout 2010. Non-mining equipment remained well-utilized throughout the economic downturn and will also contribute to ongoing product support growth in South America.

In the UK, market conditions are expected to remain soft. The Company sees opportunities with coal mines, quarries, and large infrastructure customers for new equipment sales and product support. Opportunities in power systems remain strong as evident from the high level of quoting activity for projects in the energy, marine, and oil & gas sectors. At Hewden, while a strategic review is underway, management continues to improve operating performance. Fleet utilization has increased, while pressure on rental rates continues due to overcapacity in the industry. Hewden's cash flow remains positive. The strategic review of Hewden is progressing according to plan and, in exploring alternatives, the Company is receiving expressions of interest from a number of parties. The conclusion of this review is expected by the end of the second quarter of 2010 and will be driven by the need to optimize shareholder value.

In 2010, revenues are expected to be slightly below 2009, with lower new equipment sales partly offset by slightly higher product support revenues. SG&A expenses will continue to decrease, albeit at a slower pace than in 2009. As a result, we expect to see a modest improvement in EBIT in 2010.

On a consolidated basis, free cash flow in 2010 is expected to be in excess of $200 million. It will be lower than in 2009 as the Company begins to purchase equipment to fill orders for mining customers and stock up certain models of other equipment for anticipated sales. The net debt to capital ratio is expected to be in the mid-30% range by the end of 2010.

The Company has targeted SG&A expense reductions of over $200 million in 2010 compared to 2008 expense levels and is on track to meet this goal.

February 23, 2010

Selected annual information

($ millions, except for share data)	2009	2008	2007
Total revenue (1)	**4,737.5**	5,991.4	5,662.2
Net income (loss) (1) (2)			
before goodwill impairment	**130.8**	247.4	280.1
goodwill impairment	—	(151.4)	—
from continuing operations	**130.8**	96.0	280.1
from discontinued operations	—	—	(2.0)
Total net income	**130.8**	96.0	278.1
Basic Earnings (Loss) Per Share (1) (2) (3)			
before goodwill impairment	**0.77**	1.44	1.57
goodwill impairment	—	(0.88)	—
from continuing operations	**0.77**	0.56	1.57
from discontinued operations	—	—	(0.01)
Total basic EPS	**0.77**	0.56	1.56
Diluted Earnings (Loss) Per Share (1) (2) (3)			
before goodwill impairment	**0.77**	1.43	1.55
goodwill impairment	—	(0.88)	—
from continuing operations	**0.77**	0.55	1.55
from discontinued operations	—	—	(0.01)
Total diluted EPS	**0.77**	0.55	1.54
Total assets (1)	**3,671.4**	4,720.4	4,134.2
Long-term debt (4)			
Current	**24.2**	2.6	215.7
Non-current	**991.7**	1,410.7	590.4
	1,015.9	1,413.3	806.1
Cash dividends declared per common share	**0.44**	0.43	0.36

(1) On July 31, 2007, the Company's U.K. subsidiary, Hewden Stuart Plc, sold its Tool Hire Division. Results from the Tool Hire Division qualify as discontinued operations and have been reclassified to that category for all periods presented. Included in the loss from discontinued operations in 2007 is the after-tax gain on the sale of the Tool Hire Division of $0.1 million. Revenues and assets from the UK Tool Hire Division have been excluded from the figures above.

On January 15, 2008 the Company's Canadian operations purchased Collicutt Energy Services Ltd. The results of operations and financial position of Collicutt have been included in the figures above since the date of acquisition.

(2) 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 was non-cash in nature and did 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 did not expect an income tax deduction from this charge.

(3) During 2008, the Company repurchased 5,901,842 common shares at an average price of $24.99 as part of a normal course issuer bid. During 2007, 3,691,400 common shares were repurchased at an average price of $27.82.

(4) 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.

Forward-Looking Disclaimer

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement we make is forward-looking when it uses what we know and expect today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; the estimated annualized cost savings and anticipated restructuring charges related to actions taken by the Company in response to the economic downturn; the potential outcome of the Company's strategic review of Hewden; expected revenue and EBIT growth; anticipated effective tax rate; anticipated generation of free cash flow (including projected net capital and rental expenditures), and its expected use; anticipated defined benefit plan contributions; and expected target range of Debt Ratio. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this report describe our expectations at February 23, 2010. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by our forward-looking statements include: general economic and credit market conditions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our dependence on the continued market acceptance of Caterpillar's products and Caterpillar's timely supply of parts and equipment; our ability to continue to implement our cost reduction initiatives while continuing to maintain customer service; the intensity of competitive activity; our ability to raise the capital we need to implement our business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations outside Canada; with respect to Hewden, not being successful in generating the expected improvements in the underlying business performance or not being able to successfully negotiate and complete a transaction on terms acceptable to the Company or at all. Forward-looking statements are provided in this report for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of our operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this report are based on a number of assumptions that we believed were reasonable on the day we made the forward-looking statements. Refer in particular to the Market Outlook section of the MD&A. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in the Company's current Annual Information Form (AIF) in Section 4.

We caution readers that the risks described in the AIF are not the only ones that could impact us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition, or results of operations.

Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date hereof. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.

Attachment 1: Supplementary Information

Quarterly Segmented Revenue Information

Three months ended December 31, 2009 ($ millions)	**Canada**	**South America**	**UK Group**	**Consolidated**	**Revenue percentage**
New equipment	**$ 266.7**	**$ 135.1**	**$ 68.2**	**$ 470.0**	**41.4%**
Used equipment	**48.6**	**7.2**	**14.6**	**70.4**	**6.2%**
Equipment rental	**48.2**	**11.2**	**60.4**	**119.8**	**10.6%**
Product support	**235.3**	**183.0**	**53.1**	**471.4**	**41.5%**
Other	**3.0**	**0.5**	**—**	**3.5**	**0.3%**
Total	**$ 601.8**	**$ 337.0**	**$ 196.3**	**$ 1,135.1**	**100.0%**
Revenue percentage by operations	**53.0%**	**29.7%**	**17.3%**	**100.0%**	

Three months ended December 31, 2008 ($ millions)	Canada	South America	UK Group	Consolidated	Revenue percentage
New equipment	$ 414.9	$ 240.6	$ 103.8	$ 759.3	48.5%
Used equipment	77.5	10.7	35.3	123.5	7.9%
Equipment rental	81.6	15.3	75.7	172.6	11.0%
Product support	248.0	197.1	61.6	506.7	32.3%
Other	4.0	0.6	—	4.6	0.3%
Total	$ 826.0	$ 464.3	$ 276.4	$ 1,566.7	100.0%
Revenue percentage by operations	52.7%	29.6%	17.7%	100.0%	

Quarterly Segmented EBIT Information

Three months ended December 31, 2009 ($ millions)	**Canada**	**South America**	**UK Group**	**Other**	**Goodwill Impairment**	**Consolidated**
Revenue from external sources	**$ 601.8**	**$ 337.0**	**$ 196.3**	**$ —**	**$ —**	**$ 1,135.1**
Operating costs	**(555.0)**	**(297.9)**	**(176.0)**	**(6.6)**	**—**	**(1,035.5)**
Depreciation and amortization	**(29.6)**	**(8.9)**	**(20.5)**	**(0.1)**	**—**	**(59.1)**
	17.2	**30.2**	**(0.2)**	**(6.7)**	**—**	**40.5**
Other income (expenses)						
IT system implementation costs	**(6.1)**	**(4.8)**	**(2.1)**	**6.8**	**—**	**(6.2)**
Other	**(11.3)**	**7.0**	**(1.3)**	**1.3**	**—**	**(4.3)**
Earnings before interest and taxes	**$ (0.2)**	**$ 32.4**	**$ (3.6)**	**$ 1.4**	**$ —**	**$ 30.0**
Earnings before interest and tax						
- percentage of revenue	**—**	**9.6%**	**(1.8)%**	**—**	**—**	**2.6%**
- percentage by operations	**(0.7)%**	**108.0%**	**(12.0)%**	**4.7%**	**—**	**100.0%**

Three months ended December 31, 2008 ($ millions)	**Canada**	**South America**	**UK Group**	**Other**	**Goodwill Impairment**	**Consolidated**
Revenue from external sources	$ 826.0	$ 464.3	$ 276.4	$ —	$ —	$ 1,566.7
Operating costs	(719.6)	(410.7)	(250.5)	(16.5)	—	(1,397.3)
Depreciation and amortization	(45.2)	(10.4)	(30.2)	(0.1)	—	(85.9)
	61.2	43.2	(4.3)	(16.6)	—	83.5
Other income (expenses)						
IT system implementation costs	(6.2)	(3.9)	(2.2)	7.8	—	(4.5)
Other	(7.9)	(1.0)	(3.2)	—	—	(12.1)
Goodwill impairment	—	—	—	—	(151.4)	(151.4)
Earnings before interest and taxes	$ 47.1	$ 38.3	$ (9.7)	$ (8.8)	$ (151.4)	$ (84.5)
Earnings before interest and tax						
- percentage of revenue	5.7%	8.2%	(3.5)%	—	—	(5.4)%
- percentage by operations (excluding goodwill impairment)	70.4%	57.3%	(14.5)%	(13.2)%	—	100.0%

Attachment 1: Supplementary Information [continued]

Quarterly Consolidated Statements of Income

Three months ended December 31 ($ thousands, except share and per share amounts)	**2009 unaudited**	2008 unaudited
Revenue		
New equipment	**$ 470,018**	$ 759,341
Used equipment	**70,453**	123,461
Equipment rental	**119,798**	172,582
Product support	**471,358**	506,747
Other	**3,502**	4,617
Total revenue	**1,135,129**	1,566,748
Cost of sales	**833,644**	1,144,692
Gross profit	**301,485**	422,056
Selling, general, and administrative expenses	**260,962**	338,507
Other expenses (income)	**10,466**	16,611
Goodwill impairment	**—**	151,373
Earnings before interest and income taxes	**30,057**	(84,435)
Finance costs	**18,811**	21,765
Income (loss) before provision for income taxes	**11,246**	(106,200)
Provision for income taxes	**(5,068)**	629
Net income (loss)	**$ 16,314**	$ (106,829)
Earnings (loss) per share		
Basic	**$ 0.10**	$ (0.63)
Diluted	**$ 0.10**	$ (0.62)
Weighted average number of shares outstanding		
Basic	**170,687,152**	170,518,739
Diluted	**171,114,239**	170,971,810

Attachment 1: Supplementary Information [continued]

Quarterly Consolidated Statements of Cash Flow

Three months ended December 31 ($ thousands)	2009 unaudited	2008 unaudited
OPERATING ACTIVITIES		
Net income (loss)	**$ 16,314**	$ (106,829)
Add items not affecting cash		
Depreciation and amortization	**60,232**	86,660
Future income taxes	**(4,848)**	(2,331)
Stock-based compensation	**3,915**	5,788
Gain on disposal of capital assets	**(11,558)**	(2,824)
Goodwill impairment	**—**	151,373
Other	**(469)**	(117)
	63,586	131,720
Changes in working capital items	**48,199**	37,322
Cash provided after changes in working capital items	**111,785**	169,042
Rental equipment, net of disposals	**18,388**	8,404
Equipment leased to customers, net of disposals	**(1,742)**	(270)
Cash flow provided by operating activities	**128,431**	177,176
INVESTING ACTIVITIES		
Additions to capital assets	**(18,629)**	(31,619)
Proceeds on disposal of capital assets	**20,577**	6,161
Proceeds on settlement of derivatives	**32,272**	—
Acquisition of businesses	**—**	(9,373)
Cash provided by (used in) investing activities	**34,220**	(34,831)
FINANCING ACTIVITIES		
Decrease in short-term debt	**(86,482)**	(143,267)
Increase (decrease) in long-term debt	**(15,274)**	83,317
Issue of common shares on exercise of stock options	**532**	125
Repurchase of common shares	**—**	(17,468)
Dividends paid	**(18,776)**	(18,746)
Cash used in financing activities	**(120,000)**	(96,039)
Effect of currency translation on cash balances	**(5,082)**	6,975
Increase in cash and cash equivalents	**37,569**	53,281
Cash and cash equivalents, beginning of period	**160,335**	56,491
Cash and cash equivalents, end of period	**$ 197,904**	$ 109,772

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying Consolidated Financial Statements and Management's Discussion and Analysis (MD&A) are the responsibility of Finning International Inc.'s management. The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada which recognize the necessity of relying on some of management's best estimates and informed judgements.

The Company maintains an accounting system and related controls to provide management with reasonable assurance that transactions are executed and recorded in accordance with its authorizations, that assets are properly safeguarded and accounted for, and that financial records are reliable for preparation of financial statements.

The Company's independent auditors, Deloitte & Touche LLP, have audited the Consolidated Financial Statements, as reflected in their report for 2009.

The Board of Directors oversees management's responsibilities for the Consolidated Financial Statements primarily through the activities of its Audit Committee. The Audit Committee of the Board of Directors is composed solely of directors who are neither officers nor employees of the Company. The Committee meets regularly during the year with management of the Company and the Company's independent auditors to review the Company's interim and annual financial statements and MD&A. The Audit Committee also reviews internal accounting controls, risk management, internal and external audit results and accounting principles and practices. The Audit Committee is responsible for approving the remuneration and terms of engagement of the Company's independent auditors. The Audit Committee also meets with the independent auditors, without management present, to discuss the results of their audit and the quality of financial reporting. On a quarterly basis, the Audit Committee reports its findings to the Board of Directors, and recommends approval of the interim and annual Consolidated Financial Statements.

The Consolidated Financial Statements and MD&A have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in Note 1 of the Notes to the Consolidated Financial Statements.

M.T. Waites
President and Chief Executive Officer

D.S. Smith
Executive Vice President and Chief Financial Officer

February 23, 2010
Vancouver, BC, Canada

AUDITORS' REPORT

To the Shareholders of
Finning International Inc.

We have audited the consolidated balance sheets of Finning International Inc. as at December 31, 2009 and 2008 and the consolidated statements of income, comprehensive income, shareholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
February 23, 2010
Vancouver, B.C., Canada

CONSOLIDATED STATEMENTS OF INCOME

For years ended December 31 ($ thousands, except share and per share amounts)	2009	2008
Revenue		
New equipment	$ 1,984,727	$ 2,928,643
Used equipment	337,806	431,804
Equipment rental	510,439	712,791
Product support	1,892,571	1,899,483
Other	11,998	18,704
Total revenue	4,737,541	5,991,425
Cost of sales	3,407,972	4,318,542
Gross profit	1,329,569	1,672,883
Selling, general, and administrative expenses	1,085,035	1,267,963
Other expenses (income) (Note 2)	37,514	16,801
Goodwill impairment (Note 16)	—	151,373
Earnings before interest and income taxes	207,020	236,746
Finance costs (Notes 3 and 4)	67,608	83,636
Income before provision for income taxes	139,412	153,110
Provision for income taxes (Note 6)	8,589	57,114
Net income	$ 130,823	$ 95,996
Earnings per share (Note 9)		
Basic	$ 0.77	$ 0.56
Diluted	$ 0.77	$ 0.55
Weighted average number of shares outstanding		
Basic	170,607,892	172,361,881
Diluted	170,993,485	173,318,957

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

CONSOLIDATED BALANCE SHEETS

December 31 ($ thousands)		2009		2008
ASSETS				
Current assets				
Cash and cash equivalents (Note 19)	**$**	**197,904**	$	109,772
Accounts receivable		**622,641**		840,810
Service work in progress		**62,563**		102,607
Inventories (Note 10)		**993,523**		1,473,504
Other assets (Note 11)		**207,030**		288,102
Total current assets		**2,083,661**		2,814,795
Finance assets (Note 12)		**32,604**		11,671
Rental equipment (Note 13)		**691,120**		987,835
Land, buildings, and equipment (Note 14)		**482,777**		470,859
Intangible assets (Note 14)		**41,469**		38,344
Goodwill (Note 16)		**94,254**		99,278
Other assets (Note 11)		**245,550**		297,593
	$	**3,671,435**	$	4,720,375
LIABILITIES				
Current liabilities				
Short-term debt (Note 3)	**$**	**162,238**	$	193,635
Accounts payable and accruals		**749,941**		1,316,818
Income tax payable		**8,624**		3,187
Current portion of long-term debt (Note 3)		**24,179**		2,643
Total current liabilities		**944,982**		1,516,283
Long-term debt (Note 3)		**991,732**		1,410,727
Long-term obligations (Note 17)		**110,147**		96,296
Future income taxes (Note 6)		**108,888**		129,965
Total liabilities		**2,155,749**		3,153,271
Commitments and contingencies (Notes 23 and 24)				
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		**557,052**		554,966
Contributed surplus		**33,509**		25,441
Accumulated other comprehensive loss		**(293,869)**		(176,444)
Retained earnings		**1,218,994**		1,163,141
Total shareholders' equity		**1,515,686**		1,567,104
	$	**3,671,435**	$	4,720,375

APPROVED BY THE DIRECTORS:

M.T.Waites, Director

D.W.G. Whitehead, Director

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For years ended December 31 ($ thousands)	2009	2008
Net income	**$ 130,823**	$ 95,996
Other comprehensive income (loss), net of income tax		
Currency translation adjustments	**(165,606)**	60,536
Unrealized gains on net investment hedges	**55,594**	496
Tax recovery (expense) on net investment hedges	**(18,040)**	1,658
Foreign currency translation and gain (losses) on net investment hedges	**(128,052)**	62,690
Unrealized gains (losses) on cash flow hedges	**10,318**	(11,851)
Realized losses on cash flow hedges, reclassified to earnings	**2,657**	1,565
Tax recovery (expense) on cash flow hedges	**(2,348)**	3,375
Gains (losses) on cash flow hedges	**10,627**	(6,911)
Comprehensive income	**$ 13,398**	$ 151,775

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Share Capital			Accumulated Other Comprehensive Income (Loss)			
($ thousands, except share amounts)	Shares	Amount	Contributed Surplus	Foreign Currency Translation and Gains / (Losses) on Net Investment Hedges	Gains / (Losses) on Cash Flow Hedges	Retained Earnings	Total
Balance, January 1, 2008	176,131,879	$ 571,402	$ 15,356	$ (223,661)	$ (8,562)	$ 1,269,544	$ 1,624,079
Comprehensive income (loss)	—	—	—	62,690	(6,911)	95,996	151,775
Issued on exercise of stock options	199,627	2,260	(341)	—	—	—	1,919
Issued for acquisition (Note 15)	15,403	398	65	—	—	—	463
Repurchase of common shares (Note 7)	(5,901,842)	(19,094)	—	—	—	(128,402)	(147,496)
Stock option expense	—	—	10,361	—	—	—	10,361
Dividends on common shares	—	—	—	—	—	(73,997)	(73,997)
Balance, December 31, 2008	**170,445,067**	**$ 554,966**	**$ 25,441**	**$ (160,971)**	**$ (15,473)**	**$ 1,163,141**	**$ 1,567,104**
Comprehensive income (loss)	**—**	**—**	**—**	**(128,052)**	**10,627**	**130,823**	**13,398**
Issued on exercise of stock options	**301,733**	**2,086**	**(121)**	**—**	**—**	**—**	**1,965**
Stock option expense	**—**	**—**	**8,189**	**—**	**—**	**—**	**8,189**
Dividends on common shares	**—**	**—**	**—**	**—**	**—**	**(74,970)**	**(74,970)**
Balance, December 31, 2009	**170,746,800**	**$ 557,052**	**$ 33,509**	**$ (289,023)**	**$ (4,846)**	**$ 1,218,994**	**$ 1,515,686**

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

CONSOLIDATED STATEMENTS OF CASH FLOW

For years ended December 31 ($ thousands)	2009	2008
OPERATING ACTIVITIES		
Net income	$ 130,823	$ 95,996
Add items not affecting cash		
Depreciation and amortization	271,107	326,095
Future income taxes	(7,685)	9,822
Stock-based compensation	11,520	16,924
Gain on disposal of capital assets (Note 2)	(18,313)	(19,892)
Goodwill impairment	—	151,373
Other	1,632	(816)
	389,084	579,502
Changes in working capital items (Note 19)	157,310	(301,369)
Cash provided after changes in working capital items	546,394	278,133
Rental equipment, net of disposals	43,166	(204,800)
Equipment leased to customers, net of disposals	(27,203)	(652)
Cash flow provided by operating activities	562,357	72,681
INVESTING ACTIVITIES		
Additions to capital assets	(107,808)	(100,417)
Proceeds on disposal of capital assets	39,342	50,954
Proceeds on settlement of derivatives	20,020	—
Acquisition of businesses (Notes 11,15 and 16)	—	(148,639)
Cash used in investing activities	(48,446)	(198,102)
FINANCING ACTIVITIES		
Increase (decrease) in short-term debt	7,663	(198,147)
Increase (decrease) in long-term debt	(344,477)	589,861
Payment on settlement of derivative	—	(8,914)
Issue of common shares on exercise of stock options	1,965	1,919
Repurchase of common shares (Note 7)	—	(147,496)
Dividends paid	(74,970)	(73,997)
Cash provided by (used in) financing activities	(409,819)	163,226
Effect of currency translation on cash balances	(15,960)	10,107
Increase in cash and cash equivalents	88,132	47,912
Cash and cash equivalents, beginning of year	109,772	61,860
Cash and cash equivalents, end of year	$ 197,904	$ 109,772

See supplemental cash flow information, Note 19

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

1. SIGNIFICANT ACCOUNTING POLICIES

These Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars, unless otherwise stated.

The significant accounting policies used in these Consolidated Financial Statements are as follows:

(a) Principles of Consolidation

The Consolidated Financial Statements include the accounts of Finning International Inc. ("Finning" or "Company"), which includes the Finning (Canada) division, Finning's wholly owned subsidiaries, and its proportionate share of joint venture investments. Principal operating subsidiaries include Finning (UK) Ltd., Finning Chile S.A., Hewden Stuart plc ("Hewden"), Finning Argentina S.A., Finning Soluciones Mineras S.A., Finning Uruguay S.A., and Finning Bolivia S.A. The Company's principal joint ventures are OEM Remanufacturing Company Inc., in which Finning owns 100% of the voting shares, and PipeLine Machinery International (PLM), in which Finning has a 25% interest.

For interests acquired or disposed of during the year, the results of operations are included in the consolidated statements of income from, or up to, the date of the transaction, respectively.

(b) Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires the Company's management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosure of contingent assets and liabilities. Actual amounts may differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, fair values for goodwill impairment tests, allowance for doubtful accounts, provisions for inventory obsolescence, reserves for warranty, provisions for income tax, the determination of employee future benefits, the useful lives of the rental fleet and related residual values, costs associated with maintenance and repair contracts, asset retirement obligations, and provisions for restructuring costs.

(c) Foreign Currency Translation

Transactions undertaken in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the time the transactions occurred. Account balances denominated in foreign currencies are translated into Canadian dollars as follows:

- Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet dates and non-monetary items are translated at historical exchange rates.
- Exchange gains and losses are included in income except where the exchange gain or loss arises from the translation of monetary items designated as hedges, in which case the gain or loss is deferred and accounted for in conjunction with the hedged asset.

Financial statements of foreign operations, all considered self-sustaining, are translated from the functional currency of the foreign operation into Canadian dollars as follows:

- Assets and liabilities are translated using the exchange rates in effect at the balance sheet dates.
- Revenue and expense items are translated at average exchange rates prevailing during the period that the transactions occurred.
- Unrealized translation gains and losses are recorded as an item of other comprehensive income and accumulated other comprehensive income. Cumulative currency translation adjustments are recognized in net income when there is a reduction in the net investment in the self-sustaining foreign operation.

The Company has hedged some of its investments in foreign subsidiaries using derivatives and foreign currency denominated borrowings. Exchange gains or losses arising from the translation of these hedging instruments are accounted for as items of other comprehensive income and presented in the accumulated other comprehensive loss account on the consolidated balance sheet. These exchange gains or losses are recognized in net income when there is a reduction in the net investment in the self-sustaining foreign operation.

(d) Cash and Cash Equivalents

Short-term investments, consisting of highly rated and liquid money market instruments with original maturities of three months or less, are considered to be cash equivalents and are recorded at fair value, which approximates cost.

(e) Inventories

Inventories are assets held for sale in the ordinary course of business, in the process of production for sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are stated at the lower of cost and net realizable value. Cost is determined on a specific item basis for on-hand equipment, and on a weighted average cost basis for parts and supplies. The cost of inventories includes all costs of purchase, conversion costs, and other costs incurred in bringing inventories to their existing location and condition. In the case of internal service work in progress on equipment, cost includes an appropriate share of overhead costs based on normal operating capacity.

(f) Other Assets

Investments in which the Company exercises significant influence, but not control, are accounted for using the equity method. A long-term investment is considered impaired if its fair value falls below its cost, and the decline is considered other than temporary.

(g) Income Taxes

The asset and liability method of tax allocation is used in accounting for income taxes. Under this method, temporary differences arising from the difference between the tax basis of an asset and a liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to be in effect in the periods that the temporary differences are expected to reverse. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change becomes substantively enacted.

(h) Finance Assets

Finance assets comprise instalment notes receivable and equipment leased to customers on long-term financing leases.

Instalment notes receivable represents amounts due from customers relating to financing of equipment sold and parts and service sales. These receivables are recorded net of unearned finance charges.

Depreciation of equipment leased to customers is provided in equal monthly amounts over the terms of the individual leases after recognizing the estimated residual value of each unit at the end of each lease. Depreciation is recorded in cost of sales in the consolidated statement of income.

(i) Rental Equipment

Rental equipment is available for short and medium term rentals and is recorded at cost, net of accumulated depreciation. Cost is determined on a specific item basis. Rental equipment is depreciated to its estimated residual value over its estimated useful life on a straight-line or on an actual usage basis. Depreciation is recorded in cost of sales in the consolidated statement of income.

(j) Capital Assets

Land, buildings, and equipment are recorded at cost, net of accumulated depreciation. Depreciation of capital assets is recorded in selling, general, and administrative expenses in the consolidated statement of income.

Buildings and equipment are depreciated over their estimated useful lives on either a declining balance or straight-line basis using the following annual rates:

Buildings	2% - 5%
General equipment	10% - 33%
Automotive equipment	20% - 33%

Intangible assets with indefinite lives are not amortized. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, which range to a maximum period of ten years. Amortization is recorded in selling, general, and administrative expenses in the consolidated statement of income.

(k) Goodwill

Goodwill represents the excess cost of an investment over the fair value of the net assets acquired and is not amortized.

(l) Asset Impairment

The Company reviews both long-lived assets to be held and used and identifiable intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold and use is based on the fair value of the assets, whereas assets to be disposed of are reported at the lower of carrying amount or fair value less estimated selling costs. As a result of the continuing weak economic performance of the Company's UK subsidiary, Hewden, management performed an impairment analysis on Hewden's long-lived assets and identifiable intangible assets with finite lives in the fourth quarter of 2009. The deterioration in the global economic environment in the last quarter of 2008 triggered the requirement for an impairment analysis on the Company's long-lived assets and identifiable intangible assets with finite lives as at December 31, 2008. Based on management's analysis in 2009 and 2008, it was determined there was no impairment of these assets at that time.

Goodwill and intangible assets with indefinite lives are subject to an annual assessment for impairment unless events or changes in circumstances indicate that the value may not be fully recoverable, in which case the assessment is done at that time. Goodwill and intangible assets with indefinite lives are assessed primarily by applying a fair value-based test at the reporting unit level. The fair value is estimated using the present value of expected future cash flows. The Company also considers projected future operating results, trends, and other circumstances in making such evaluations. An impairment loss would be recognized to the extent the carrying amount of goodwill or intangible assets exceeds their fair value – see Note 16.

(m) Leases

Leases entered into by the Company as lessee are classified as either capital or operating leases. Leases where all of the benefits and risks of ownership of property rest with the Company are accounted for as capital leases. Equipment under capital lease is depreciated on the same basis as capital assets. Gains or losses resulting from sale/leaseback transactions are deferred and amortized in proportion to the amortization of the leased asset. Rental payments under operating leases are expensed as incurred.

(n) Asset Retirement Obligations

The Company recognizes its legal obligations for the retirement of certain tangible long-lived assets. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and then amortized over the estimated useful life. In subsequent periods, the asset retirement obligation is adjusted for the passage of time and any changes in the amount or timing of the underlying future cash flows through charges to earnings. A gain or loss may be incurred upon settlement of the liability.

(o) Revenue Recognition

Revenue recognition, with the exception of cash sales, occurs when there is a written arrangement in the form of a contract or purchase order with the customer, a fixed or determinable sales price is established with the customer, performance requirements are achieved, and ultimate collection of the revenue is reasonably assured. Revenue is recognized as performance requirements are achieved in accordance with the following:

- Revenue from sales of equipment is recognized at the time title to the equipment and significant risks of ownership passes to the customer, which is generally at the time of shipment of the product to the customer;
- Revenue from sales of equipment includes construction contracts with customers that involve the design, installation, and assembly of power and energy equipment systems. Revenue is recognized on a percentage of completion basis proportionate to the work that has been completed which is based on associated costs incurred;
- Revenue from equipment rentals and operating leases is recognized in accordance with the terms of the relevant agreement with the customer, either evenly over the term of that agreement or on a usage basis such as the number of hours that the equipment is used; and
- Revenue from product support includes sales of parts and servicing of equipment. For sales of parts, revenue is recognized when the part is shipped to the customer or when the part is installed in the customer's equipment. For servicing of equipment, revenue is recognized as the service work is performed. Product support is also offered to customers in the form of long-term maintenance and repair contracts. For these contracts, revenue is recognized on a basis proportionate to the service work that has been performed based on the parts and labour

service provided. Parts revenue is recognized based on parts list price and service revenue is recognized based on standard billing labour rates. Any losses estimated during the term of the contract are recognized when identified.

(p) Stock-Based Compensation

The Company has stock option plans and other stock-based compensation plans for directors and certain eligible employees which are described in Note 8. Stock-based awards are measured and recognized using a fair value-based method of accounting.

For stock options granted after January 1, 2003, fair value is determined on the grant date of the stock option and recorded as compensation expense over the vesting period, with a corresponding increase to contributed surplus. For stock options granted prior to January 1, 2003, the Company recorded no compensation expense and will continue to use the intrinsic value-based method of accounting for those stock options. When stock options are exercised, the proceeds received by the Company, together with any related amount recorded in contributed surplus, are credited to share capital.

Compensation expense which arises from fluctuations in the market price of the Company's common shares underlying other stock-based compensation plans (net of hedging instruments) is recognized in selling, general, and administrative expense in the consolidated income statement with the corresponding liability recorded on the consolidated balance sheet in long-term obligations.

(q) Employee Future Benefits

The Company and its subsidiaries offer a number of benefit plans that provide pension and other benefits to many of its employees in Canada and the U.K. These plans include defined benefit and defined contribution plans.

The Company's South American employees do not participate in employer pension plans but are covered by country specific legislation with respect to post employment benefit plans. The Company accrues its obligations to employees under these arrangements based on the actuarial valuation of anticipated payments to employees.

Defined benefit plans: The cost of pensions and other retirement benefits is determined by independent actuaries using the projected benefit method prorated on service and management's best estimates of assumptions including the expected return on plan assets and salary escalation rate, along with the use of a discount rate as prescribed under Canadian Institute of Chartered Accountants (CICA) Section 3461, *Employee Future Benefits*. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service life of employees active at the date of amendment.

Actuarial gains and losses arise from differences between actual experience and that expected as a result of economic, demographic, and other assumptions made. These include the difference between the actual and expected rate of return on plan assets for a period, and differences from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains or losses over 10% of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized on a straight-line basis over the expected average remaining service life of the active employees covered by the plans.

Upon adoption of CICA 3461 on January 1, 2000, a transitional asset or obligation was determined for each plan as a result of the new standard. The Company is amortizing these transitional amounts on a straight-line basis over 13 years for the Finning (Canada) and Hewden plans and over 14 years for the Finning (UK) plan, representing the average remaining service period of employees expected to receive benefits under the benefit plans as of January 1, 2000, the transition date.

Defined contribution plans: The cost of pension benefits includes the current service cost, which comprise the actual contributions made by the Company during the year. These contributions are based on a fixed percentage of member earnings for the year.

(r) Comprehensive Income, Financial Instruments, and Hedges

Comprehensive Income

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

Financial Assets and Financial Liabilities

<u>Classification</u>

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

- Cash equivalents are classified as Held for Trading. They are measured at fair value with realized and unrealized gains and losses reported in net income.
- Accounts receivable, instalment notes receivable, and supplier claims receivable are classified as Loans and Receivables. They are measured at amortized cost using the effective interest rate method. At December 31, 2009 and 2008, the recorded amount approximates fair value.
- Short-term and long-term debt and accounts payable are classified as "Other Financial Liabilities". They are measured at amortized cost using the effective interest rate method. At December 31, 2009 and 2008, the measured amount approximates fair value, with the exception of long-term debt. The estimated fair value of the Company's long-term debt as at December 31, 2009 and 2008 is disclosed in Note 4.

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability (except those held for trading) are included in the carrying amount of the financial asset or financial liability, and are amortized to income using the effective interest rate method.

<u>Derivatives</u>

All derivative instruments are recorded on the balance sheet at fair value.

<u>Embedded Derivatives</u>

Derivatives may be embedded in other financial instruments (host instruments). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not classified as Held for Trading. These embedded derivatives are measured at fair value on the balance sheet with subsequent changes in fair value recognized in income. The Company has not identified any embedded derivatives that are required to be accounted for separately from the host contract.

Hedges

The Company utilizes derivative financial instruments and foreign currency debt in order to manage its foreign currency and interest rate exposures, and stock-based compensation expenses which fluctuate with share price movements. The Company uses derivative financial instruments only in connection with managing related risk positions and does not use them for trading or speculative purposes.

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

Cash Flow Hedges

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

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

Gains and losses relating to forward foreign exchange contracts that are not designated as hedges for accounting purposes are recorded in selling, general, and administrative expenses.

From time to time, the Company uses derivative financial instruments to hedge interest rate risk associated with future proceeds of debt.

As at December 31, 2009, approximately $7.5 million of net gains (net of tax) included in accumulated other comprehensive income are expected to be reclassified to current earnings over the next twelve months when earnings are affected by the hedged transactions.

Fair Value Hedges

Changes in the fair value of derivatives designated and qualifying as fair value hedging instruments are recorded in income along with changes in the fair value of the hedged item attributable to the hedged risk.

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

Net Investment Hedges

The Company typically uses forward contracts, cross-currency interest rate swaps, and foreign currency debt to hedge foreign currency gains and losses on its long-term net investments in self-sustaining foreign operations. The effective portion of the gain or loss of such instruments associated with the hedged risk is recorded in other comprehensive income each period. These gains or losses will be recorded in income when there is a reduction in the Company's net investment in the self-sustaining foreign operation.

The Company uses the forward rate method for net investment hedges where derivative financial instruments are used. The Company uses the spot method, as required, when the Company uses debt to hedge foreign currency net investments.

(s) Change in Accounting Policies

(i) Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Section 3064, *Goodwill and Intangible Assets*, issued by the CICA. The new standard replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new standard does not have a material impact on the Company's consolidated financial statements.

(ii) Financial Instruments Disclosures

Effective December 31, 2009, the Company has adopted the amendments to Section 3862, *Financial Instruments – Disclosures*, which are effective for annual financial statements for fiscal years ending after September 30, 2009, and which enhance current disclosure requirements for financial instruments, as discussed further in Note 4 to the consolidated financial statements. These amendments require disclosure of additional details about fair value measurements, including the relative reliability of the inputs used in those measurements, and the liquidity risk of financial instruments.

(t) Comparative Figures

Certain comparative figures have been reclassified to conform to the 2009 presentation.

(u) Future Accounting Pronouncements

(i) Business Combinations

In January 2009, the CICA issued Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-controlling Interests*. These new standards are harmonized with International Financial Reporting Standards (IFRS). Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a change in the basis of measurement of non-controlling interests, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective in 2011.

Effective January 1, 2010, the Company early adopted Sections 1582, 1601, and 1602 in accordance with the transitional provisions. The adoption of Sections 1601 and 1602 is not expected to have a material impact on the Company's consolidated financial statements. Whether the Company will be materially affected by the new recommendations of Section 1582 will depend upon the specific facts of business combinations, if any, occurring subsequent to January 1, 2010.

(ii) Convergence with International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by public companies, will be converged with 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.

2. OTHER EXPENSES (INCOME)

Other expenses (income) include the following items:

For years ended December 31 ($ thousands)		2009		2008
Gain on sale of properties (a)	**$**	**(16,501)**	$	(19,210)
Restructuring (b)		**36,970**		20,496
Project costs (c)		**18,857**		16,197
Gain on sale of other properties		**(1,812)**		(682)
	$	**37,514**	$	16,801

The tax recovery on other expenses for the year ended December 31, 2009 was $14.7 million (2008: $7.3 million).

(a) In 2009, the Company's UK subsidiary, Hewden, sold certain properties for cash proceeds of approximately $16.7 million (2008: $37.8 million), resulting in a pre-tax gain of $9.3 million (2008: $19.2 million).

In 2009, the Company's South American subsidiary, Finning Chile S.A., sold a property in exchange for a new head office property. This new property was recorded at approximately $10.6 million which was the fair value of the old property at the time of exchange. The transaction resulted in a pre-tax gain on sale of approximately $7.2 million.

(b) In 2009, the Company incurred other restructuring and severance costs of $23 million globally in 2009 (primarily in the Company's Canadian operations) in response to market conditions (2008: $9 million). In addition, the Company's UK operations incurred restructuring costs of approximately $1 million in connection with the integration of business support services (2008: $8 million). The UK operations also incurred costs of approximately $11 million in 2009 related to the restructuring of Hewden's nationwide depot network (2008: $3 million).

(c) Project costs incurred in 2009 and 2008 relate to the implementation of a new information technology system for the Company's global operations.

3. Short-Term and Long-Term Debt

December 31 ($ thousands)		2009		2008
Short-term debt	**$**	**162,238**	$	193,635
Long-term debt:				
Medium Term Notes				
4.64%, $150 million, due December 14, 2011		**149,813**		149,718
5.16%, $250 million, due September 3, 2013		**249,258**		249,057
6.02%, $350 million, due June 1, 2018		**348,427**		348,241
5.625%, £115 million (2008: £125 million) Eurobond, due May 30, 2013		**193,495**		222,122
Other term loans (a)		**74,918**		444,232
		1,015,911		1,413,370
Less current portion of long-term debt		**(24,179)**		(2,643)
Total long-term debt	**$**	**991,732**	$	1,410,727

(a) Other term loans include U.S. $66.6 million and £nil million (2008: U.S. $291.0 million and £10.0 million) of unsecured borrowings under committed bank facilities that are classified as long-term debt, and other unsecured term loans primarily from supplier merchandising programs. Other loans also include £1.7 million (2008: £2.4 million) of rental equipment financing secured by the related equipment, with varying rates of interest from 5.8% – 6.8% and maturing on various dates up to 2011.

Short-Term Debt

Short-term debt primarily consists of commercial paper borrowings and other short-term bank indebtedness.

The Company maintains a maximum authorized commercial paper program of $600 million which is utilized as the Company's principal source of short-term funding. This commercial paper program is backstopped by credit available under an $800 million committed credit facility. In addition, the Company maintains certain other committed and uncommitted bank credit facilities to support its subsidiary operations. As at December 31, 2009, the Company had approximately $1,240 million (2008: $1,300 million) of unsecured credit facilities, and including all bank and commercial paper borrowings drawn against these facilities, approximately $1,012 million (2008: $660 million) of capacity remained available, of which approximately $725 million (2008: $300 million) is committed credit facility capacity.

Included in short-term debt is foreign currency denominated debt of U.S. $150.7 million (2008: U.S. $29.0 million) and £nil million (2008: £32.7 million).

The average interest rate applicable to the consolidated short-term debt for 2009 was 1.5% (2008: 4.5%).

Long-Term Debt

The Company's Canadian dollar denominated Medium Term Notes (MTNs) are unsecured, and interest is payable semi-annually with principal due on maturity. The Company's £115.0 million (2008: £125.0 million) 5.625% Eurobond is unsecured, and interest is payable annually with principal due on maturity.

In the fourth quarter of 2009, the Company redeemed £10 million ($17.3 million) of the 5.625% Eurobond at an average price of £102.80. The Company recorded a pre-tax charge of approximately $0.9 million (recorded in finance costs), reflecting the recognition of deferred financing costs and other costs associated with this purchase.

In May 2008, the Company issued two unsecured MTNs. The 5-year, $250 million MTN has a coupon interest rate of 5.16% per annum, payable semi-annually commencing September 3, 2008. The MTN was priced at $99.994 of its principal amount to yield 5.163% per annum. The 10-year, $350 million MTN has a coupon interest rate of 6.02% per annum, payable semi-annually commencing December 1, 2008. The MTN was priced at $99.936 of its principal amount to yield 6.028% per annum.

Proceeds from these issuances were used for debt repayment, including the repayment of the Company's $200 million 7.40% MTN which matured in June 2008 as well as outstanding commercial paper borrowings.

The Company has an $800 million unsecured syndicated revolving credit facility, maturing in December 2011. The facility is available in multiple borrowing jurisdictions and may be drawn by a number of the Company's principal operating subsidiaries. Borrowings under this facility are available in multiple currencies and at various floating rates of interest. At December 31, 2009, $142.5 million (2008: $538.4 million) was drawn on this facility, including commercial paper issuances.

Long-Term Debt Repayments

Principal repayments on long-term debt in each of the next five years and thereafter are as follows:

($ thousands)		
2010	$	24,179
2011		167,976
2012		—
2013		475,329
2014		—
Thereafter		348,427
	$	1,015,911

Finance Costs

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

For years ended December 31 ($ thousands)		2009		2008
Interest on debt securities:				
Short-term debt	**$**	**4,347**	$	15,866
Long-term debt		**55,499**		61,495
		59,846		77,361
Loss on interest rate derivatives		**2,232**		1,578
Interest income on tax reassessment		**(3,529)**		—
Other finance related expenses, net of sundry interest earned		**9,059**		4,697
Finance costs	**$**	**67,608**	$	83,636

4. Financial Instruments

Overview

Finning and its subsidiaries are exposed to market, credit, liquidity, and other risks from its use of financial instruments. The Enterprise Risk Management process within the Company's risk management function is designed to ensure that such risks are identified, managed, and reported. 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 reviewed by the Audit Committee. The Audit Committee also reviews the adequacy of disclosures in the Company's Annual Information Form, Management's Discussion and Analysis, and Consolidated Financial Statements.

This note presents information about the Company's exposure to credit, liquidity, and market risks and the Company's objectives, policies, and processes for managing these risks.

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 cash and cash equivalents, receivables from customers, instalment notes receivable, and derivative assets.

4. Financial Instruments (continued)

Exposure to credit risk

The carrying amount of financial assets and service work in progress represents the maximum credit exposure. The exposure to credit risk at the reporting date was:

December 31 ($ thousands)		2009		2008
Cash and cash equivalents	**$**	**197,904**	$	109,772
Accounts receivable		**622,641**		840,810
Service work in progress		**62,563**		102,607
Supplier claims receivable		**40,121**		62,912
Instalment notes receivable		**32,126**		38,852
Derivative assets		**29,499**		84,599
	$	**984,854**	$	1,239,552

Cash and cash equivalents

Credit risk associated with cash and cash equivalents is managed by ensuring that these financial assets are held with major financial institutions with strong investment grade ratings and by maintaining limits on exposures with any single institution. An ongoing review is performed to evaluate the changes in the credit rating of counterparties.

Accounts receivable, service work in progress, and other receivables

Accounts receivable comprises trade accounts and non-trade accounts. Service work in progress relates to unbilled work in progress for external customers and represents the costs incurred plus recognized profits, net of any recognized losses and progress billings.

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.

The Company makes estimates for allowances that represent its estimate of potential losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that may have been incurred but not yet specifically identified. The collective loss allowance is estimated based on historical data of payment statistics for similar financial assets, adjusted for current economic conditions.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic location of customer was:

December 31 ($ thousands)		2009		2008
Canada	$	310,172	$	397,738
U.K.		123,151		176,062
Chile		109,193		156,483
Argentina		37,125		47,917
Bolivia		4,782		5,021
Uruguay		1,484		3,074
Other		5,689		8,213
	$	591,596	$	794,508

Impairment losses

The aging of trade receivables at the reporting date was:

December 31	2009		2008	
($ thousands)	**Gross**	**Allowance**	Gross	Allowance
Not past due	**$ 411,699**	**$ 804**	$ 527,331	$ 176
Past due 1 – 30 days	**123,118**	**1,223**	172,473	284
Past due 31 – 90 days	**36,656**	**1,153**	65,498	1,618
Past due 91 – 120 days	**6,094**	**745**	12,323	2,127
Past due greater than 120 days	**38,229**	**20,275**	44,037	22,949
Total	**$ 615,796**	**$ 24,200**	$ 821,662	$ 27,154

The movement in the allowance for doubtful accounts in respect of trade receivables during the period was as follows:

For years ended December 31 ($ thousands)	2009	2008
Balance, beginning of year	**$ 27,154**	$ 28,229
Additional allowance	**12,675**	12,331
Receivables written off	**(13,388)**	(13,408)
Foreign exchange translation adjustment	**(2,241)**	2
Balance, end of year	**$ 24,200**	$ 27,154

The allowance amounts in respect of trade receivables are used to record possible impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount is considered not recoverable and is written off against the financial asset directly.

Derivative assets

The Company does have a certain degree of credit exposure arising from its derivative instruments relating to counterparties defaulting 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 monitoring, and by dealing only with major financial institutions that have a credit rating of at least A- from Standard & Poor's and A (low) from DBRS.

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 have sufficient liquid financial resources to fund its operations and meet its commitments and obligations. The Company maintains bilateral and syndicated bank credit facilities, a commercial paper program, continuously monitors actual and forecast cash flows, and manages maturity profiles of financial liabilities. Undrawn credit facilities at December 31, 2009 were $1,012 million (2008: $660 million). The Company believes that it has reasonable access to capital markets which is supported by its investment grade credit ratings.

The following are the contractual maturities of non-derivative and derivative financial liabilities. The amounts presented represent the future undiscounted principal and interest cash flows and therefore do not equate to the carrying amount on the consolidated balance sheet.

4. Financial Instruments (continued)

($ thousands)	Carrying amount Dec 31, 2009	Contractual cash flows 2010	2011-2012	2013-2014	Thereafter
Non-derivative financial liabilities					
Short-term debt	**$ (162,238)**	$ (163,567)	$ —	$ —	$ —
Unsecured MTNs	**(747,498)**	(40,930)	(224,900)	(305,040)	(444,815)
Eurobond	**(193,495)**	(10,944)	(21,888)	(205,501)	—
Unsecured bank facilities	**(69,730)**	(21,421)	(16,798)	(32,597)	—
Other term loans	**(5,188)**	(3,439)	(2,015)	—	—
Capital lease obligations	**(19,262)**	(8,118)	(3,386)	(2,130)	(13,731)
Accounts payable and accruals (excluding derivative liabilities below)	**(743,672)**	(743,672)	—	—	—
Derivatives					
Cross currency interest rate swap (1)					
Pay GBP (fixed)	**—**	(4,517)	(9,034)	(9,034)	(128,611)
Receive CAD (fixed)	**26,079**	5,888	11,775	11,775	166,602
Interest rate swaps					
Pay USD (fixed)	**(600)**	(2,076)	(930)	—	—
Receive USD (floating)	**—**	375	172	—	—
Forward foreign currency contracts and swaps					
Sell CAD	**(5,669)**	(98,347)	—	—	—
Buy USD	—	92,655	—	—	—
Sell GBP	**—**	(15,701)	—	—	—
Buy USD	**325**	16,022	—	—	—
Sell CLP	—	(40,022)	—	—	—
Buy USD	**747**	40,817	—	—	—
Sell USD	—	(25,118)	—	—	—
Buy CLP	**2,348**	27,307	—	—	—
Share forward					
Sell	**(26,144)**	—	—	(30,314)	—
Buy	**$ —**	$ —	$ —	$ —	$ —

Canadian dollar (CAD) British pound (GBP)
United States dollar (USD) Chilean peso (CLP)

(1) Subsequent to December 31, 2009, the Company settled its cross currency interest rate swap.

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 fair value of its 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.

Foreign exchange 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, the Canadian dollar, the U.K. pound sterling, and the Chilean peso.

As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies. The main types of foreign exchange risk of the Company can be categorized as follows:

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 are considered self-sustaining and 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 its U.S. dollar based earnings.

To the extent practical, 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, periodically, through 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 other 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 operation.

During 2009, the Company received proceeds of $32.3 million on the settlement of a £90 million cross currency interest rate swap that hedged the Company's UK investments. Subsequent to December 31, 2009, the Company received proceeds of $26.0 million on the settlement of the remaining £60 million cross currency interest rate swap.

Transaction Exposure

Many of the Company's operations purchase, sell, rent, and lease products as well as incur costs in currencies other than their functional currency. This mismatch of currencies creates transactional exposure at the operational level, which may affect the Company's profitability as exchange rates fluctuate. The Company's competitive position may also be impacted as relative currency movements affect the business practices and/or pricing strategies of the Company's competitors.

The Company is also exposed to currency risks related to the future cash flows on its non-Canadian denominated short and long term debt.

To the extent practical, it is the Company's objective to manage the impact of exchange rate movements and volatility on its financial 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.

4. Financial Instruments (continued)

Exposure to foreign exchange risk

The currencies of the Company's financial instruments were as follows:

December 31, 2009 (thousands)	**CAD**	**USD**	**GBP**	**CLP**
Cash and cash equivalents	**10,669**	**85,712**	**39,515**	**7,950,752**
Accounts receivable	**310,759**	**46,834**	**72,137**	**49,970,186**
Short-term and long-term debt	**(754,355)**	**(217,315)**	**(116,061)**	**—**
Accounts payable and accruals	**(253,054)**	**(197,520)**	**(104,720)**	**(32,303,749)**
Net balance sheet exposure	**(685,981)**	**(282,289)**	**(109,129)**	**25,617,189**
Cross currency interest rate swap	**131,276**	**—**	**(60,000)**	**—**
Foreign forward exchange contracts and swaps	**(98,347)**	**118,838**	**(9,281)**	**(6,166,140)**

December 31, 2008 (thousands)	CAD	USD	GBP	CLP
Cash and cash equivalents	22,076	58,353	848	4,702,208
Accounts receivable	377,032	79,025	99,298	72,432,169
Short-term and long-term debt	(912,311)	(319,990)	(169,220)	—
Accounts payable and accruals	(310,433)	(522,651)	(130,249)	(50,658,822)
Net balance sheet exposure	(823,636)	(705,263)	(199,323)	26,475,555
Cross currency interest rate swaps	328,190	—	(150,000)	—
Foreign forward exchange contracts and collars	166,459	(137,567)	—	3,388,336

Sensitivity analysis

A 5% strengthening of the Canadian dollar against the following currencies for a full year relative to the December 31, 2009 month end rates would increase / (decrease) net income by the amounts shown below. A 5% strengthening of the Canadian dollar against the following currencies from the December 31, 2009 month end rates would increase / (decrease) other comprehensive 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.

December 31	**2009**		2008	
($ thousands)	**Net Income**	**Other Comprehensive Income**	Net Income	Other Comprehensive Income
USD	**$ (17,000)**	**$ (22,100)**	$ (22,500)	$ (11,800)
GBP	**1,000**	**(17,000)**	(2,200)	(17,200)
CLP	**$ 1,700**	**$ —**	$ 700	$ —

A 5% weakening of the Canadian dollar against the above currencies relative to the December 31, 2009 month end rates would have an equivalent but opposite effect on the above accounts in the amounts shown on the basis that all other variables are unchanged.

Interest rate risk

Changes in market interest rates will cause fluctuations in the fair value or future cash flows of financial instruments.

The Company is exposed to changes in interest rates on its interest bearing financial assets including cash and cash equivalents, instalment notes receivable, and cross currency interest rate swaps. The short term nature of investments included in cash and cash equivalents limits the impact to fluctuations in fair value, but interest income earned will be impacted. Instalment notes receivable bear interest at a fixed rate thus their fair value will fluctuate prior to maturity but, absent monetization, future cash flows do not change. The fair value of the Company's cross currency interest rate swap will be impacted by relative changes in interest rates related to the two swapped currencies. As interest rates related to the swap are fixed, future cash flows do not change. Subsequent to December 31, 2009, the Company settled its cross currency interest rate swap.

The Company is exposed to changes in interest rates on its interest bearing financial liabilities including short and long term debt and variable rate share forward (VRSF). The Company's debt portfolio comprises both fixed and floating rate debt instruments, with terms to maturity ranging up to eight years. Floating rate debt due to its short term nature exposes the Company to limited fluctuations in changes to fair value, but finance expense and cash flows will increase or decrease as interest rates change.

The fair value of the Company's fixed rate debt obligations fluctuate with changes in interest rates, but absent early settlement, related cash flows do not change. The Company does not measure any fixed rate long-term debt at fair value. The Company is exposed to future interest rates upon refinancing of any debt prior to or at maturity.

The Company pays floating interest rates on its VRSF. Both fair value and future cash flows are impacted by changes in interest rates.

The Company manages 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.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

December 31 ($ thousands)		**2009**		2008
Fixed rate instruments				
Financial assets	**$**	**58,205**	$	105,269
Financial liabilities		**(960,255)**		(1,009,768)
	$	**(902,050)**	$	(904,499)
Variable rate instruments				
Financial assets	**$**	**197,904**	$	109,772
Financial liabilities		**(263,300)**		(664,743)
	$	**(65,396)**	$	(554,971)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through the income statement, and the Company does not currently have any derivatives designated as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect net income.

An increase of 1.0% in interest rates for a full year relative to the interest rates at the reporting date would have decreased equity by approximately $1.6 million (2008: $4.8 million) with a 1.0% decrease having the opposite effect.

Net income sensitivity analysis for variable rate instruments

An increase of 1.0% in short-term interest rates for a full year relative to the interest rates at the reporting date would have decreased net income by approximately $0.4 million (2008: $3.6 million) with 1.0% decrease having the opposite effect. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

4. Financial Instruments (continued)

Other risk

The Company's revenues can be indirectly affected by fluctuations in commodity prices; in particular, changes in expectations of longer-term prices. In Canada, commodity price movements in the forestry, metals, coal, and petroleum sectors can have an impact on customers' demands for equipment and product support. 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 price 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 impact on the Company's financial results.

Stock-Based Compensation Costs 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 plans accounted for as liability-based awards to be recorded at intrinsic value, compensation expense can vary as the price of the Company's common shares changes. The Company has entered into a derivative contract to partly offset this exposure, called a VRSF.

The VRSF is a derivative contract that is cash-settled at the end of a five-year term, or at any time prior to that at the option of the Company, based on the difference between the Company's common share price at the time of settlement and the execution price plus accrued interest.

At December 31, 2009 and 2008, the VRSF relates to 1.7 million common shares at a price of $28.71 plus interest maturing in 2012. A 5% strengthening in the Company's share price as at December 31, 2009, all other variables remaining constant, would have increased net income by approximately $1.0 million (2008: $0.9 million) as a result of revaluing the Company's VRSF with a 5% weakening having the opposite effect. This impact partially mitigates changes in the stock based compensation expense; as the Company's share price changes, the intrinsic value impact related to the stock-based compensation liability is partially offset by the fair value impact related to the VRSF.

Fair Values

The following fair value information is provided solely to comply with financial instrument disclosure requirements. The Company cautions readers in the interpretation of the impact of these estimated fair values.

The classification of fair value measurements is based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level within which the fair value measurement is categorized is based upon the lowest level of input that is significant to the measurement. Level inputs are as follows:

Level 1 – quoted prices in active markets for identical securities

Level 2 – significant observable inputs other than quoted prices included in Level 1

Level 3 – significant unobservable inputs

As of December 31, 2009, all of the inputs used to value Finning's financial instruments were Level 2, except cash and cash equivalents that were designated within Level 1 of the fair value hierarchy. The Company did not identify any Level 3 measurements as of December 31, 2009. The Company did not move any instruments between levels of the fair value hierarchy during the year ended December 31, 2009.

The fair value of accounts receivable, instalment notes receivable, short-term debt, and accounts payable approximates their recorded values due to the short-term maturities of these instruments.

The fair values of the derivatives below approximate the amount the Company would receive or pay to transfer such contracts to a third party:

($ thousands) 2009 Foreign Exchange	Balance Sheet Classification	Notional Value		Term to Maturity	Fair Value Receive (Pay)	
Cross Currency Interest Rate Swap						
Pay GBP fixed / receive CAD fixed	Other assets – long-term	**GBP**	**60,000**	December 2020	**$**	**26,079**
Forwards and swaps buy USD / sell CAD	Accounts payable and accruals	**USD**	**88,530**	1-8 months	**$**	**(5,669)**
Forwards buy USD / sell CLP	Other assets – current	**USD**	**39,000**	1-2 months	**$**	**747**
Forwards sell USD / buy CLP	Other assets – current	**USD**	**24,000**	1-12 months	**$**	**2,348**
Forwards buy USD / sell GBP	Other assets – current	**USD**	**15,309**	1-3 months	**$**	**325**
Interest Rates						
Interest Rate Swaps	Accounts payable and accruals	**USD**	**11,250**	1-2 years	**$**	**(600)**
Long-Term Incentive Plans						
Variable Rate Share Forward	Long-term obligations	**CAD**	**48,809**	November 2012	**$**	**(26,144)**

($ thousands) 2008 Foreign Exchange	Balance Sheet Classification	Notional Value		Term to Maturity	Fair Value Receive (Pay)	
Cross Currency Interest Rate Swaps						
Pay GBP fixed / receive CAD fixed	Other assets – long-term	GBP	150,000	December 2020	$	66,417
Forwards buy USD / sell CAD	Other assets – current	USD	129,321	1-13 months	$	18,182
Swaps sell USD / buy CAD	Accounts payable and accruals	USD	253,000	1-6 months	$	(3,389)
Forwards buy USD / sell CLP	Accounts payable and accruals	USD	45,000	1-2 months	$	(487)
Forward sell USD / buy CLP	Accounts payable and accruals	USD	34,889	1-12 months	$	(6,240)
Collars sell USD / buy CLP	Accounts payable and accruals	USD	24,000	1-12 months	$	(3,352)
Interest Rates						
Interest Rate Swaps	Accounts payable and accruals	USD	11,250	1-3 years	$	(1,045)
Long-Term Incentive Plans						
Variable Rate Share Forward	Long-term obligations	CAD	48,809	November 2012	$	(26,876)

Long-Term Debt

The fair value of the Company's long-term debt is estimated as follows:

December 31	**2009**		2008	
($ thousands)	**Book Value**	**Fair Value**	Book Value	Fair Value
Long-term debt	**$ 1,015,911**	**$ 1,058,466**	$ 1,413,370	$ 1,336,351

4. Financial Instruments (continued)

The following methods and assumptions were used to determine the fair value of each class of assets and liabilities recorded at fair value on the consolidated balance sheet:

Cash and cash equivalents (Level 1)

The fair value of cash and cash equivalents is determined using quoted market prices in active markets for foreign denominated cash and cash equivalents.

Derivative instruments (Level 2)

The fair value of derivative instruments is determined using present value techniques applied to estimated future cash flows. These techniques utilize a combination of quoted prices and market observed inputs. Where appropriate, fair values are adjusted for credit risk based on observed credit default spreads or fair market yield curves for counterparties when the instrument is an asset and based on Finning's credit risk when the instrument is a liability. Finning's credit risk is derived from yield spreads on Finning's market quoted debt.

The fair value of foreign currency forward contracts, interest rate swaps, and cross currency interest rate swap is determined by discounting contracted future cash flows using a discount rate derived from swap curves for comparable assets and liabilities. Contractual cash flows are calculated using a forward price at maturity date derived from observed forward prices.

Variable rate share forward (Level 2)

The fair value of the variable rate share forward is determined based on the present value of future cash flows required to settle the share forward which are derived from the current share price, actual interest accrued to date and future interest cost to termination of the share forward. Future interest cost is derived from market observable forward interest rates and contractual interest spreads.

5. Management of Capital

The Company's objective when managing capital is to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company includes shareholders' equity, cash and cash equivalents, short-term and long-term debt in the definition of capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust the capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, repay debt, issue new debt to replace existing debt with different characteristics, or adjust the amount of dividends paid to shareholders.

The Company monitors the following ratios: net debt to total capitalization and dividend payout ratio. Net debt to total capitalization and dividend payout ratio are non-GAAP measures which do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers.

Net debt to total capitalization is calculated as short-term and long-term debt, net of cash and cash equivalents (net debt) divided by total capitalization. Total capitalization is defined as the sum of net debt and all components of shareholders' equity (share capital, contributed surplus, accumulated other comprehensive loss, and retained earnings).

Dividend payout ratio is calculated as the indicated annual dividend declared per share divided by basic earnings per share from continuing operations for the preceding twelve month period.

The Company's strategy is to manage, over a longer-term average basis, to the target ranges set out below. The Company believes that these target ratios are appropriate and provide access to capital at a reasonable cost.

As at and for years ended December 31 ($ thousands, except as noted)					
			2009		2008
Components of Debt Ratio					
Cash and cash equivalents		**$**	**(197,904)**	$	(109,772)
Short-term debt			**162,238**		193,635
Current portion of long-term debt			**24,179**		2,643
Long-term debt			**991,732**		1,410,727
Net debt		**$**	**980,245**	$	1,497,233
Shareholders' equity		**$**	**1,515,686**	$	1,567,104
	Company Targets		**2009**		2008
Net debt to total capitalization	**35 – 45%**		**39.3%**		48.9%
Dividend payout ratio	**25 – 30%**		**57.1%**		77.2%

Due to changes in capital markets, economic, and business conditions, the Company has marginally reduced its net debt to total capitalization target from the previous target of 40-50%. The Company will maintain targets in the future that it believes provide flexibility to manage its business through the economic cycle while maintaining an investment grade credit rating to enable access to the debt capital markets at a reasonable cost. The actual ratio is lower than the prior year due to the significant cash flow from operations which was utilized to reduce overall debt levels.

As a result of lower earnings, the dividend payout ratio in 2009 is above the Company's target; however, management believes that the Company's target of 25-30% is still appropriate over a longer term and has the cash flow available to fund the dividend at this level. Over time, the Company expects to return to this payout range. The dividend payout ratio in 2008 was impacted by the non-cash goodwill impairment charge in 2008. Excluding the impact of this charge, the dividend payout ratio in 2008 would have been 29.9%, within the Company target.

Covenant

The Company is subject to a maximum net debt to total capitalization level pursuant to a covenant within its syndicated bank credit facility. As at December 31, 2009 and 2008, the Company is in compliance with this covenant.

6. Income Taxes

Provision for Income Taxes

As the Company operates in several tax jurisdictions, its income is subject to various rates of taxation. The components of the Company's income tax provision are as follows:

For years ended December 31 ($ thousands)		**2009**		2008
Provision for income taxes				
Current				
Canada	**$**	**(11,862)**	$	38,663
International		**27,908**		8,629
		16,046		47,292
Future				
Canada		**5,279**		(4,037)
International		**(12,736)**		13,859
		(7,457)		9,822
	$	**8,589**	$	57,114

6. Income Taxes (continued)

The provision for income taxes differs from the amount that would have resulted from applying the Canadian statutory income tax rates to income from continuing operations before income taxes as follows:

For years ended December 31 ($ thousands)	2009		2008	
Combined Canadian federal and provincial income taxes at the statutory tax rate	**$ 40,917**	**29.35%**	$ 46,010	30.05%
Increase / (decrease) resulting from:				
Lower statutory rates on the earnings of foreign subsidiaries	**(17,892)**	**(12.83)%**	(17,349)	(11.33)%
Recovery related to items previously charged to other comprehensive income	**(8,513)**	**(6.11)%**	—	—
Income not subject to tax	**(4,083)**	**(2.93)%**	(2,953)	(1.92)%
Non-taxable capital gain	**(3,370)**	**(2.42)%**	(11,937)	(7.81)%
Non-deductible stock-based compensation	**1,454**	**1.04%**	1,932	1.26%
Goodwill impairment	**—**	**—**	43,126	28.17%
Other	**76**	**0.06%**	(1,715)	(1.12)%
Provision for income taxes	**$ 8,589**	**6.16%**	$ 57,114	37.30%

Future Income Tax Asset and Liability

Included in other assets on the consolidated balance sheets are a current future income tax asset and long-term future income tax asset of $48.8 million (2008: $66.9 million) and $1.5 million (2008: $2.5 million), respectively.

Temporary differences and tax loss carry-forwards that give rise to future income tax assets and liabilities are as follows:

December 31 ($ thousands)	2009	2008
Future income tax assets:		
Accounting provisions not currently deductible for tax purposes	**$ 52,862**	$ 63,696
Loss carry-forwards	**3,563**	6,435
Other stock-based compensation	**7,373**	4,203
Goodwill of foreign subsidiaries	**1,004**	1,172
	64,802	75,506
Future income tax liabilities:		
Derivative financial instruments	**(6,272)**	(6,663)
Capital, rental, and leased assets	**(65,909)**	(81,767)
Employee benefits	**(47,366)**	(46,267)
Other	**(3,806)**	(1,364)
	(123,353)	(136,061)
Net future income tax liability	**$ (58,551)**	$ (60,555)

The Company has recognized the benefit of the following tax loss carry-forwards available to reduce future taxable income and capital gains expiring through 2015 for Canada and available indefinitely for International, with the exception of Argentina, which expire through 2015 ($7.2 million):

December 31 ($ thousands)	2009	2008
Canada	**$ 1,700**	$ 19,809
International	**10,638**	5,571
	$ 12,338	$ 25,380

7. Share Capital

The Company is authorized to issue an unlimited number of preferred shares without par value, of which 4.4 million are designated as cumulative redeemable preferred shares. The Company had no preferred shares outstanding for the years ended December 31, 2009 and 2008.

The Company is authorized to issue an unlimited number of common shares.

The Company had a share repurchase program in place until July 8, 2009. The Company did not repurchase any common shares during 2009.

The Company repurchased and cancelled 5,901,842 common shares during 2008 as part of a normal course issuer bid. These shares were repurchased at an average price of $24.99, which was allocated to reduce share capital by $19.1 million and retained earnings by $128.4 million.

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 Inc. are fundamental to its business and any change in control must be approved by Caterpillar Inc.

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 the shareholders prior to that time.

The plan will not be triggered if a bid meets certain criteria (a permitted bidder). 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 Takeover Bid (voting shares tendered may be withdrawn until taken up and paid for); and
- the Takeover Bid expires not less than 60 days after the date of the bid circular.

8. Stock-Based Compensation Plans

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

Stock Options

The Company has several stock option plans for certain employees and directors with vesting occurring over a three-year period. The exercise price of each option is based on the closing price of the common shares of the Company on the date of the grant. Options granted after January 1, 2004 are exercisable over a seven-year period. Options granted prior to January 1, 2004 are exercisable over a ten-year period. Under the 2005 Stock Option Plan, the Company may issue up to 7.5 million common shares pursuant to the exercise of stock options. At December 31, 2009, 1.5 million common shares remain eligible to be issued in connection with future grants under this Stock Option Plan.

Details of the stock option plans are as follows:

	2009			2008		
For years ended December 31	**Options**		**Weighted Average Exercise Price**	Options		Weighted Average Exercise Price
Options outstanding, beginning of year	**6,037,270**	**$**	**23.72**	4,656,402	$	20.99
Granted	**978,703**	**$**	**14.64**	1,853,100	$	29.83
Exercised	**(301,733)**	**$**	**6.51**	(209,832)	$	10.47
Cancelled	**(414,786)**	**$**	**26.63**	(262,400)	$	26.85
Options outstanding, end of year	**6,299,454**	**$**	**22.94**	6,037,270	$	23.72
Exercisable at year end	**3,827,509**	**$**	**22.01**	2,726,492	$	17.54

8. STOCK-BASED COMPENSATION PLANS (CONTINUED)

In 2009, long term incentives for executives and senior management were a combination of both stock options and performance share units (2008: primarily in the form of stock options). In the second quarter of 2009, the Company granted 978,703 common share options to senior executives and management of the Company (2008:1,853,100 common share options). The Company's practice is to grant and price stock options only when it is felt that all material information has been disclosed to the market.

The Company determines the cost of all stock options granted since January 1, 2003 using the fair value-based method of accounting for stock options. This method of accounting uses an option-pricing model to determine the fair value of stock options granted which is amortized over the vesting period. The fair value of the options granted has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2009 Grant	2008 Grant
Dividend yield	**1.78%**	1.27%
Expected volatility	**38.45%**	25.44%
Risk-free interest rate	**3.66%**	4.25%
Expected life	**5.5 years**	5.5 years

The weighted average grant date fair value of options granted during the year was $5.07 (2008: $8.35). Total stock option expense recognized in 2009 was $8.2 million (2008: $10.4 million).

The following table summarizes information about stock options outstanding at December 31, 2009:

	Options Outstanding			**Options Exercisable**	
Range of exercise prices	**Number outstanding**	**Weighted Average Remaining Life**	**Weighted Average Exercise Price**	**Number Outstanding**	**Weighted Average Exercise Price**
\$6.23 - \$8.50	**503,369**	**0.9 years**	**\$ 6.56**	**503,369**	**\$ 6.56**
\$14.64 - \$16.27	**1,321,153**	**5.2 years**	**\$ 14.99**	**380,802**	**\$ 15.84**
\$19.75 - \$19.82	**1,448,732**	**3.3 years**	**\$ 19.75**	**1,448,732**	**\$ 19.75**
\$25.85 - \$31.67	**3,026,200**	**4.9 years**	**\$ 30.67**	**1,494,606**	**\$ 30.97**
	6,299,454	**4.2 years**	**\$ 22.94**	**3,827,509**	**\$ 22.01**

Other Stock-Based Compensation Plans

The Company has other stock-based compensation plans in the form of deferred share units, performance share units, and stock appreciation rights that use notional common share units. These notional units are valued based on the Company's common share price on the Toronto Stock Exchange and are marked to market at the end of each fiscal quarter.

In December 2007, the Company entered into a Variable Rate Share Forward (VRSF) with a financial institution to hedge a portion of its outstanding deferred share units and vested share appreciation units, reducing the volatility caused by movements in the Company's share price on the value of these stock-based compensation plans – see Note 4.

Details of the plans are as follows:

Directors

<u>Directors' Deferred Share Unit Plan A (DDSU)</u>

The Company offers a Deferred Share Unit Plan (DDSU) for members of the Board of Directors. Under the DDSU Plan, non-employee Directors of the Company may elect to allocate all or a portion of their annual compensation as deferred share units. These units are fully vested upon issuance. These units accumulate dividend equivalents in the form of additional units based on the dividends paid on the Company's common shares.

Units are redeemable for cash or shares only following cessation of service on the Board of Directors and must be redeemed by December 31st of the year following the year in which the cessation occurred. The value of the deferred share units when converted to cash will be equivalent to the market value of the Company's common shares at the time the conversion takes place.

Non-employee Directors of the Company were allocated a total of 21,690 deferred share units in 2009 (2008: 39,512 share units), which were granted to the Directors and expensed over the calendar year as the units are issued.

Executive

Deferred Share Unit Plan A (DSU-A)

Under the DSU-A Plan, senior executives of the Company may be awarded deferred share units as approved by the Board of Directors. This plan utilizes notional units that are fully vested upon issuance to the executives. These units accumulate dividend equivalents in the form of additional units based on the dividends paid on the Company's common shares. Units are redeemable only following cessation of employment and must be redeemed by December 31st of the year following the year in which the cessation occurred. No units have been awarded under the DSU-A Plan since 2001.

Deferred Share Unit Plan B (DSU-B)

Under the DSU-B Plan, executives of the Company may be awarded performance based deferred share units as approved by the Board of Directors. This plan utilizes notional units that become vested at specified percentages or become vested partially on December 30th of the year following the year of retirement, death, or disability. These specified levels and vesting percentages are based on the Company's common share price at those specified levels exceeding, for ten consecutive days, the common share price at the date of grant. Vested deferred share units are redeemable for a period of 30 days after cessation of employment, or by December 31st of the year following the year of retirement, death, or disability. The notional deferred share units that have not vested within five years from the date that they were granted expire. Only vested units accumulate dividend equivalents in the form of additional units based on the dividends paid on the Company's common shares. No units have been awarded under the DSU-B Plan since 2005.

Performance Share Unit Plan (PSU)

In May 2009, the Board of Directors approved a new Performance Share Unit Plan (PSU Plan) for executives. Under the PSU Plan, executives of the Company may be awarded performance share units as approved by the Board of Directors. This plan utilizes notional units that become vested dependent on achieving future specified performance levels. Vesting of the awards is based on the extent to which the Company's average return on equity achieves or exceeds the specified performance levels over a three-year period. Vested performance share units are redeemable in cash based on the common share price at the end of the performance period.

Only vested units accumulate dividend equivalents in the form of additional units based on the dividends paid on the Company's common shares. Compensation expense for the PSU Plan is recorded over the three-year performance period. The amount of compensation expense is adjusted over the three-year performance period to reflect the current market value of common shares and the number of shares anticipated to vest based upon the Company's forecast three-year average return on equity.

Executives of the Company were allocated a total of 341,253 performance share units in 2009, based on 100% vesting (2008: nil).

The specified levels and respective vesting percentages are as follows:

Performance Level	**Average Return on Equity (over three-year period)**	**Proportion of PSUs Vesting**
Below Threshold	< 12%	Nil
Threshold	12%	25%
Target	15%	100%
Maximum	17% or more	150%

Details of the deferred share unit and performance share unit plans, which reflect the valuation changes, excluding the impact of the VRSF hedge, are as follows:

8. Stock-Based Compensation Plans (continued)

For year ended December 31, 2009					
Units	**DSU-A**	**DSU-B**	**DDSU**	**PSU**	**Total**
Outstanding, beginning of year	**25,212**	**716,211**	**264,442**	**—**	**1,005,865**
Additions	**684**	**19,221**	**43,064**	**—**	**62,969**
Exercised	**(8,463)**	**(164,942)**	**—**	**—**	**(173,405)**
Outstanding, end of year	**17,433**	**570,490**	**307,506**	**—**	**895,429**

Liability ($ thousands)					
Balance, beginning of year	**$ 359**	**$ 10,206**	**$ 3,768**	**$ —**	**$ 14,333**
Expense (income)	**73**	**1,928**	**1,362**	**—**	**3,363**
Exercised	**(142)**	**(2,618)**	**—**	**—**	**(2,760)**
Balance, end of year	**$ 290**	**$ 9,516**	**$ 5,130**	**$ —**	**$ 14,936**

For year ended December 31, 2008					
Units	DSU-A	DSU-B	DDSU	PSU	Total
Outstanding, beginning of year	57,179	1,139,700	294,033	—	1,490,912
Additions	867	16,365	52,226	—	69,458
Exercised	(32,834)	(439,854)	(81,817)	—	(554,505)
Outstanding, end of year	25,212	716,211	264,442	—	1,005,865

Liability ($ thousands)					
Balance, beginning of year	$ 1,639	$ 32,664	$ 8,427	$ —	$ 42,730
Expense (income)	(319)	(9,860)	(2,540)	—	(12,719)
Exercised	(961)	(12,598)	(2,119)	—	(15,678)
Balance, end of year	$ 359	$ 10,206	$ 3,768	$ —	$ 14,333

As at December 31, 2009 and 2008, all outstanding deferred share units (DSU-A, DSU-B, DDSU) have vested. As at December 31, 2009, none of the performance share units (PSU) were vested.

Management Share Appreciation Rights (SAR) Plan

Beginning in 2002, awards under the SAR Plan were granted to senior managers within Canada and the U.K. and are exercisable over a seven-year period. The exercise price is determined based on the Company's common share price on the Toronto Stock Exchange on the grant date. Under the SAR Plan, awards are expensed over the vesting period of three years when the market price of the Company's common shares exceeds the exercise price under the plan for vested units. Changes, either increases or decreases, in the quoted market value of common shares between the date of grant and the measurement date result in a change in the measure of compensation for the award and will be amortized over the remaining vesting period. The SAR Plan uses notional units that are valued based on the Company's common share price on the Toronto Stock Exchange.

No SAR units have been issued to management since 2005. Details of the SAR plans, excluding the impact of the VRSF hedge, are as follows:

For years ended December 31 **Units**	**2009**	2008
Outstanding, beginning of year	**645,604**	836,875
Exercised	**(81,754)**	(162,351)
Cancelled	**(89,186)**	(28,920)
Outstanding, end of year	**474,664**	645,604
Vested, beginning of year	**645,604**	711,102
Vested	**—**	122,105
Exercised	**(81,754)**	(162,351)
Cancelled	**(89,186)**	(25,252)
Vested, end of year	**474,664**	645,604

Liability ($ thousands)				
Balance, beginning of year	**$**	**216**	$	11,443
Expense (income)		**699**		(9,378)
Exercised		**(198)**		(1,849)
Balance, end of year	**$**	**717**	$	216
Strike price ranges:	**$13.03 - $16.22**			

Summary – Impact of Stock-Based Compensation Plans

Changes in the value of all deferred share units, performance share units, and share appreciation rights is a result of fluctuations in the Company's common share price, management's estimate of achieving performance targets, and the impact of new issues, including stock options, partially offset by the impact of the VRSF hedge. The net impact was an expense of $11.5 million in 2009 (2008: $16.9 million).

9. Earnings Per Share

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

For years ended December 31 **($ thousands, except share and per share amounts)** **2009**		**Income**	**Shares**		**Per Share**
Basic earnings per share: net income	**$**	**130,823**	**170,607,892**	**$**	**0.77**
Effect of dilutive securities: stock options		**—**	**385,593**		**—**
Diluted earnings per share: net income and assumed conversions	**$**	**130,823**	**170,993,485**	**$**	**0.77**
2008					
Basic earnings per share: net income	$	95,996	172,361,881	$	0.56
Effect of dilutive securities: stock options		—	957,076		—
Diluted earnings per share: net income and assumed conversions	$	95,996	173,318,957	$	0.55

10. Inventories

December 31 ($ thousands)		2009		2008
On-hand equipment	**$**	**589,983**	$	1,013,204
Parts and supplies		**326,481**		384,112
Internal service work in progress		**77,059**		76,188
Inventories	**$**	**993,523**	$	1,473,504

For the year ended December 31, 2009, on-hand equipment, parts, supplies, and internal service work in progress recognized as an expense amounted to $2,972.8 million (2008: $3,776.2 million). For the year ended December 31, 2009, the write-down of inventories to net realizable value, included in cost of sales, amounted to $35.3 million (2008: $20.8 million).

11. Other Assets

December 31 ($ thousands)		2009		2008
Other assets – current:				
Future income taxes (Note 6)	**$**	**48,803**	$	66,889
Supplier claims receivable		**40,121**		62,912
Income taxes recoverable		**35,826**		45,081
Prepaid expenses		**29,350**		21,980
Current portion of finance assets (Note 12)		**23,479**		29,344
Value Added Tax receivable		**12,400**		7,868
Derivative assets (Note 4)		**3,420**		18,182
Other		**13,631**		35,846
	$	**207,030**	$	288,102
Other assets – long-term:				
Accrued defined benefit pension asset (Note 20)	**$**	**174,538**	$	157,028
Investment in Energyst B.V. (a)		**27,687**		34,655
Derivative assets (Note 4)		**26,079**		66,417
Future income taxes (Note 6)		**1,534**		2,521
Other		**15,712**		36,972
	$	**245,550**	$	297,593

(a) The Company accounts for its 25.4% investment in Energyst using the equity method of accounting. In 2008, the Company increased its interest in Energyst by purchasing 36,455 new shares that were issued from Treasury for cash of $11.5 million (EUR 7.6 million). As a result, the Company's equity interest in Energyst increased to 25.4% from 24.4%.

12. Finance Assets

December 31 ($ thousands)		2009		2008
Instalment notes receivable	**$**	**32,126**	$	38,852
Equipment leased to customers		**29,253**		2,676
Less accumulated depreciation		**(5,296)**		(513)
		23,957		2,163
Total finance assets		**56,083**		41,015
Less current portion of instalment notes receivable		**(23,479)**		(29,344)
	$	**32,604**	$	11,671

Depreciation of equipment leased to customers for the year ended December 31, 2009 was $5.0 million (2008: $0.4 million).

13. Rental Equipment

December 31 ($ thousands)		2009		2008
Cost	$	1,261,387	$	1,621,494
Less accumulated depreciation		(570,267)		(633,659)
	$	691,120	$	987,835

Rental equipment under capital leases of $19.6 million (2008: $40.4 million), net of accumulated depreciation of $10.2 million (2008: $6.5 million), are included above, of which $6.8 million was acquired during the year. Depreciation of rental equipment for the year ended December 31, 2009 was $211.9 million (2008: $273.0 million).

14. Capital Assets

Land, Buildings, and Equipment

December 31 ($ thousands)	2009 Cost	2009 Accumulated depreciation	2009 Net book value	2008 Cost	2008 Accumulated depreciation	2008 Net book value
Land	$ 62,761	$ —	$ 62,761	$ 71,224	$ —	$ 71,224
Buildings and equipment	636,546	(216,530)	420,016	610,253	(210,618)	399,635
	$ 699,307	$ (216,530)	$ 482,777	$ 681,477	$ (210,618)	$ 470,859

Land, buildings, and equipment under capital leases of $11.8 million (2008: $12.1 million), net of accumulated depreciation of $3.0 million (2008: $2.9 million), are included above, of which $1.2 million was acquired during the year. Depreciation of buildings and equipment for the year ended December 31, 2009 was $42.3 million (2008: $44.4 million).

Intangible Assets

December 31 ($ thousands)	2009 Cost	2009 Accumulated amortization	2009 Net book value	2008 Cost	2008 Accumulated amortization	2008 Net book value
Subject to amortization						
Customer contracts and related customer relationships	$ 13,349	$ (6,766)	$ 6,583	$ 12,879	$ (3,248)	$ 9,631
Software	54,888	(20,648)	34,240	44,844	(16,777)	28,067
	68,237	(27,414)	40,823	57,723	(20,025)	37,698
Indefinite lives						
Distribution rights	646	—	646	646	—	646
	$ 68,883	$ (27,414)	$ 41,469	$ 58,369	$ (20,025)	$ 38,344

The Company acquired intangible assets subject to amortization of $14.4 million in 2009 (2008: $18.9 million). The additions in 2009 primarily related to costs incurred in connection with the development of software to be used internally. Amortization of intangible assets subject to amortization for the year ended December 31, 2009 was $8.4 million (2008: $6.8 million).

Certain intangible assets are considered to have indefinite lives because they are expected to generate cash flows indefinitely.

15. Acquisition

On January 15, 2008, the Company's Canadian operation, Finning (Canada), acquired all of the issued and outstanding common shares of Collicutt Energy Services Ltd. (Collicutt), a Canadian oilfield service company. The purchase was accounted for under the purchase method of accounting. The results of Collicutt's operations have been included in the consolidated financial statements since that date.

The purchase price of Collicutt totaled $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 and the Company repaid $44.8 million of Collicutt's existing bank debt, resulting in aggregate consideration of $136.4 million.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition.

($ thousands)		
Cash	$	159
Inventories		29,914
Other current assets		20,985
Future income taxes – current		4,203
Property, plant, and equipment		99,255
Intangible assets		6,670
Goodwill		10,282
Total assets acquired		171,468
Current liabilities		18,320
Future income taxes – long-term		16,795
Total liabilities assumed		35,115
Net assets acquired	$	136,353

The intangible assets acquired consist primarily of customer relationships and non-competition agreements. Customer relationships valued at $4.4 million are being amortized on a straight-line basis over their estimated life of three years, and non-competition agreements valued at $1.9 million are being amortized on a straight-line basis over their estimated life of seven years. The goodwill was assigned to the Canada operating segment and is not deductible for tax purposes.

16. Goodwill

The change in the carrying amount of goodwill is as follows:

December 31, 2009 ($ thousands)	**Canada**	**South America**	**UK Group**	**Consolidated**
Goodwill, beginning of year	**$ 43,811**	**$ 35,377**	**$ 20,090**	**$ 99,278**
Acquired (a)	**—**	**1,276**	**—**	**1,276**
Foreign exchange translation adjustment	**—**	**(5,202)**	**(1,098)**	**(6,300)**
Goodwill, end of year	**$ 43,811**	**$ 31,451**	**$ 18,992**	**$ 94,254**

December 31, 2008 ($ thousands)	**Canada**	**South America**	**UK Group**	**Consolidated**
Goodwill, beginning of year	$ 33,431	$ 28,504	$ 189,164	$ 251,099
Acquired (a) (Note 15)	10,380	40	—	10,420
Goodwill impairment (b)	—	—	(151,373)	(151,373)
Disposed	—	—	(1,428)	(1,428)
Foreign exchange translation adjustment	—	6,833	(16,273)	(9,440)
Goodwill, end of year	$ 43,811	$ 35,377	$ 20,090	$ 99,278

(a) In 2009, the Company acquired the remaining issued and outstanding common shares of Finning Servicio Especializado S.A., a machine repair, recovery, and reconditioning company based in Chile for cash of approximately $3 million. As a result, the Company now holds 100% of the issued and outstanding common shares.

In 2008, the Company acquired the assets and business operations of Fort Saskatchewan Rentals Inc., an equipment rental company based in Alberta, Canada for cash of approximately $1.3 million, and all of the issued and outstanding common shares of Collicutt, as described in Note 15.

(b) There was no goodwill impairment identified in 2009 following the Company's annual impairment review. In 2008, the Company performed its annual goodwill impairment review and determined that the fair value of Hewden was less than its book value, primarily due to increasing economic uncertainty in the global market and the higher cost of capital assumptions in the valuation methodology. As a result, the Company recorded a goodwill impairment of $151.4 million.

17. Long-Term Obligations

December 31 **($ thousands)**		**2009**		2008
Stock-based compensation (Note 4 and 8)	**$**	**41,797**	$	41,425
Leasing obligations (a) (Note 23)		**12,086**		16,975
Employee future benefit obligations		**23,974**		20,311
Sale leaseback deferred gain		**6,990**		7,854
Asset retirement obligations (b)		**3,010**		1,119
Other		**22,290**		8,612
	$	**110,147**	$	96,296

(a) Capital leases issued at varying rates of interest from 0.2% - 25.3% and maturing on various dates up to 2026.

(b) Asset retirement obligations relate to estimated future costs to remedy dilapidation costs on certain operating leases in the U.K. and are based on the Company's prior experience, including estimates for labour, materials, equipment, and overheads such as surveyor and legal costs. To determine the recorded liability, the future estimated cash flows have been discounted using the Company's credit-adjusted risk-free rate of 4%. Should changes occur in estimated future dilapidation costs, revisions to the liability could be made. The total undiscounted amount of estimated cash flows is $13.4 million, and the expected timing of payment of the cash flows is estimated to be over the next thirty years.

18. Cumulative Currency Translation Adjustments

The Company's principal subsidiaries operate in three functional currencies: Canadian dollars, U.S. dollars, and the U.K. pound sterling. The Company experiences foreign currency translation gains or losses as a result of consolidating the financial statements of self-sustaining foreign operations. These unrealized foreign currency translation gains or losses are recorded in the Accumulated Other Comprehensive Income/Loss account on the Consolidated Balance Sheet. Currency translation adjustments arise as a result of fluctuations in foreign currency exchange rates between period ends. The cumulative currency translation adjustment for 2009 mainly resulted from the stronger Canadian dollar relative to the U.S. dollar (14.5% stronger), and the U.K. pound sterling (5.5% stronger), at December 31, 2009 compared to December 31, 2008.

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

December 31 **Exchange rate**	**2009**	2008
U.S. dollar	**1.0466**	1.2246
U.K. pound sterling	**1.6918**	1.7896
For years ended December 31 **Average exchange rates**		
U.S. dollar	**1.1420**	1.0660
U.K. pound sterling	**1.7804**	1.9617

19. Supplemental Cash Flow Information

Non cash working capital changes

For years ended December 31 ($ thousands)		2009		2008
Accounts receivable and other	**$**	**205,647**	$	(159,284)
Inventories – on-hand equipment		**372,155**		(112,587)
Inventories – parts and supplies		**62,635**		(43,045)
Accounts payable and accruals		**(482,348)**		82,560
Income taxes		**(779)**		(69,013)
Changes in working capital items	**$**	**157,310**	$	(301,369)

Components of cash and cash equivalents

December 31 ($ thousands)		2009		2008
Cash	**$**	**110,672**	$	105,905
Short-term investments		**87,232**		3,867
Cash and cash equivalents	**$**	**197,904**	$	109,772

Interest and tax payments

For years ended December 31 ($ thousands)		2009		2008
Interest paid	**$**	**(57,714)**	$	(83,569)
Income taxes paid	**$**	**(7,763)**	$	(94,767)

20. Employee Future Benefits

The Company and its subsidiaries in Canada and the U.K. have defined benefit pension plans and defined contribution pension plans providing retirement benefits for most of their permanent employees.

The defined benefit pension plans include both registered and non-registered pension plans that provide a pension based on the members' final average earnings and years of service while participating in the pension plan.

- In Canada, defined benefit plans exist for eligible employees. Final average earnings are based on the highest 3-5 year average salary and there is no standard indexation feature. Effective July 1, 2004, non-executive members of the defined benefit plan were offered a voluntary opportunity to convert their benefits to a defined contribution pension plan. The registered defined benefit plan was subsequently closed to all new non-executive employees, who are eligible to enter one of the Company's defined contribution plans. Effective January 1, 2010, the defined benefit plan will also be closed to new executive employees, who will be eligible to join a defined contribution plan. Pension benefits under the registered defined benefit plans' formula that exceed the maximum taxation limits are provided from a non-registered supplemental pension plan. Benefits under this plan are partially funded by a Retirement Compensation Arrangement.
- Finning (UK) provides a defined benefit plan for all employees hired prior to January 2003. Final average earnings are based on the highest 3-year period and benefits are indexed annually with inflation subject to limits. Effective January 2003, this plan was essentially closed to new employees and replaced with a defined contribution pension plan.
- Hewden has two defined benefit plans that are open to eligible management and executive members by invitation only. Final average earnings are based on the highest 3-year period and benefits are indexed annually with inflation subject to limits.

The defined contribution pension plans in Canada are registered pension plans that offer a base Company contribution rate for all members. The Company will also partially match employee contributions to a maximum additional Company contribution of 1% of employee earnings. The defined contribution pension plan in the UK offers a match of employee contributions, within a required range, plus 1%.

The Company's South American employees do not participate in employer pension plans but are covered by country specific legislation with respect to indemnity plans. The Company has recorded a liability to employees based on an actuarial valuation of anticipated payments to employees. An amount of $5.3 million was expensed in 2009 (2008: $4.3 million) for a total obligation at December 31, 2009 of $24.0 million (2008: $20.3 million).

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

For years ended December 31	**2009**				2008			
($ thousands)	**Canada**	**UK**	**Hewden**	**Total**	Canada	UK	Hewden	Total
Defined contribution plans								
Net benefit plan expense	**$ 21,887**	**$ 1,581**	**$ 112**	**$ 23,580**	$ 21,163	$ 1,104	$ 159	$ 22,426
Defined benefit plans								
Current service cost, net of employee contributions	**$ 5,494**	**$ 2,891**	**$ 842**	**$ 9,227**	$ 7,014	$ 3,713	$ 1,436	$ 12,163
Interest cost	**19,963**	**20,345**	**9,069**	**49,377**	18,474	24,329	10,324	53,127
Actual loss (return) on plan assets	**(31,134)**	**(71,177)**	**(24,984)**	**(127,295)**	42,184	86,407	33,859	162,450
Actuarial (gains) losses	**70,283**	**146,173**	**49,128**	**265,584**	(60,837)	(99,297)	(30,120)	(190,254)
Employee future benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	**64,606**	**98,232**	**34,055**	**196,893**	6,835	15,152	15,499	37,486
Adjustments to recognize the long-term nature of employee future benefit costs:								
Difference between expected return and actual return on plan assets for year	**13,630**	**49,791**	**16,430**	**79,851**	(62,505)	(115,187)	(45,539)	(223,231)
Difference between actuarial loss recognized for year and actual actuarial gain or loss on accrued benefit obligation for year	**(66,921)**	**(143,263)**	**(47,401)**	**(257,585)**	64,060	100,941	30,693	195,694
Difference between amortization of past service costs for year and actual plan amendments for year	**298**	**(588)**	**(137)**	**(427)**	298	(647)	(143)	(492)
Amortization of transitional obligation / (asset)	**(19)**	**(1,034)**	**1,143**	**90**	(19)	(1,140)	1,259	100
Defined benefit costs recognized	**11,594**	**3,138**	**4,090**	**18,822**	8,669	(881)	1,769	9,557
Total	**$ 33,481**	**$ 4,719**	**$ 4,202**	**$ 42,402**	$ 29,832	$ 223	$ 1,928	$ 31,983

Total cash payments for employee future benefits for 2009, which is made up of cash contributed by the Company to its defined benefit plans and its defined contribution plans was $42.8 million and $23.6 million, respectively (2008: $49.3 million and $22.4 million, respectively).

20. Employee Future Benefits (continued)

Information about the Company's defined benefit plans is as follows:

For years ended December 31 ($ thousands)	2009 Canada	2009 UK	2009 Hewden	2009 Total	2008 Canada	2008 UK	2008 Hewden	2008 Total
Accrued benefit obligation								
Balance at beginning of year	$ 267,253	$ 290,273	$ 131,010	$ 688,536	$ 318,152	$ 400,820	$ 169,964	$ 888,936
Current service cost	7,237	4,107	1,200	12,544	8,708	6,179	2,346	17,233
Interest cost	19,963	20,345	9,069	49,377	18,474	24,329	10,324	53,127
Benefits paid	(20,338)	(19,825)	(9,550)	(49,713)	(17,244)	(14,191)	(9,053)	(40,488)
Actuarial (gains) losses	70,283	146,173	49,128	265,584	(60,837)	(99,297)	(30,120)	(190,254)
Foreign exchange rate changes	—	(23,367)	(9,642)	(33,009)	—	(27,567)	(12,451)	(40,018)
Balance at end of year	$ 344,398	$ 417,706	$ 171,215	$ 933,319	$ 267,253	$ 290,273	$ 131,010	$ 688,536
Plan assets								
Fair value at beginning of year	$ 257,629	$ 302,621	$ 117,867	$ 678,117	$ 298,994	$ 407,486	$ 159,086	$ 865,566
Actual return (loss) on plan assets	31,134	71,177	24,984	127,295	(42,184)	(86,407)	(33,859)	(162,450)
Employer contributions	12,454	20,428	10,691	43,573	16,369	22,018	11,980	50,367
Employees' contributions	1,744	1,216	358	3,318	1,694	2,466	910	5,070
Benefits paid	(20,338)	(19,825)	(9,550)	(49,713)	(17,244)	(14,191)	(9,053)	(40,488)
Foreign exchange rate changes	—	(20,170)	(7,761)	(27,931)	—	(28,751)	(11,197)	(39,948)
Fair value at end of year	$ 282,623	$ 355,447	$ 136,589	$ 774,659	$ 257,629	$ 302,621	$ 117,867	$ 678,117
Funded status – plan surplus/(deficit)	$ (61,775)	$ (62,259)	$ (34,626)	$ (158,660)	$ (9,624)	$ 12,348	$ (13,143)	$ (10,419)
Unamortized net actuarial loss	116,404	156,126	63,179	335,709	63,115	71,196	35,697	170,008
Unamortized past service costs	1,472	(5,583)	(1,435)	(5,546)	1,769	(6,496)	(1,655)	(6,382)
Contributions remitted after valuation date	2,188	1,663	849	4,700	2,934	1,659	897	5,490
Unamortized transitional obligation/asset	(63)	(3,866)	2,264	(1,665)	(83)	(5,129)	3,543	(1,669)
Accrued benefit asset/(liability) (a)	$ 58,226	$ 86,081	$ 30,231	$ 174,538	$ 58,111	$ 73,578	$ 25,339	$ 157,028

(a) The accrued benefit asset or liability is classified in either other assets or long-term obligations, respectively, on the consolidated balance sheets.

Included in the above accrued benefit obligation and fair value of plan assets at the year-end are the following amounts in respect of plans that are not fully funded:

For years ended December 31 ($ thousands)	2009 Canada	2009 UK	2009 Hewden	2009 Total	2008 Canada	2008 UK	2008 Hewden	2008 Total
Accrued benefit obligation	$ 342,433	$ 417,706	$ 171,215	$ 931,354	$ 219,457	$ —	$ 118,702	$ 338,159
Fair value of plan assets	277,522	355,447	136,589	769,558	205,180	—	105,409	310,589
Funded status – plan deficit	$ 64,911	$ 62,259	$ 34,626	$ 161,796	$ 14,277	$ —	$ 13,293	$ 27,570

For measurement purposes, assets and liabilities of the plans are valued as at November 30. Plan assets do not include direct investment in common shares of the Company at December 31, 2009 and 2008.

Plan assets are principally invested in the following securities at November 30, 2009:

	Canada	UK	Hewden
Equity	54.1%	61.3%	60.3%
Fixed-income	38.7%	38.7%	39.7%
Real estate	7.2%	—	—

The significant actuarial assumptions are as follows:

	2009			2008		
	Canada	**UK**	**Hewden**	Canada	UK	Hewden
Discount rate – obligation	**5.50%**	**5.50%**	**5.50%**	7.50%	7.20%	7.20%
Discount rate – expense	**7.50%**	**7.20%**	**7.20%**	5.80%	6.20%	6.20%
Expected long-term rate of return on plan assets	**7.00%**	**7.00%**	**7.25%**	7.25%	7.00%	7.25%
Rate of compensation increase	**3.50%**	**4.00%**	**4.00%**	3.50%	4.00%	4.00%
Estimated remaining service life (years)	**9-11**	**14**	**12**	8-11	14	13

Discount rates are determined based on high quality corporate bonds at the measurement date, November 30. Market conditions and the economic environment resulted in significantly lower corporate bond yields at November 30, 2009 than at November 30, 2008 as corporate spreads have narrowed significantly over the past year. The accrued defined benefit pension obligations and expense are sensitive to changes in the discount rate, among other assumptions. As an indication, if yields were lower, the accrued defined benefit pension obligations as presented in this note would be higher. As an indication of the sensitivity of Finning's defined benefit pension obligation, if the discount rates were 0.25% lower at November 30, 2009, the accrued defined benefit pension obligation presented would have increased by approximately $9 million for Finning (Canada)'s plans, £11 million for the Finning UK plan, and £5 million for the Hewden plans.

Defined benefit pension plans are country and entity specific. The major defined benefit plans and their respective valuation dates are:

Defined Benefit Plan	Last Actuarial Valuation Date	Next Actuarial Valuation Date
Canada – BC Regular & Executive Plan	December 31, 2006	December 31, 2009
Canada – Executive Supplemental Income Plan	December 31, 2006	December 31, 2009
Canada – General Supplemental Income Plan	December 31, 2006	December 31, 2009
Canada – Alberta Defined Benefit Plan	December 31, 2008	December 31, 2009
Finning UK Defined Benefit Scheme	December 31, 2008	December 31, 2011
Hewden Stuart Pension Scheme	December 31, 2008	December 31, 2011
Hewden Pension Plan	January 1, 2008	January 1, 2011

21. Economic Relationships

The Company distributes and services heavy equipment, engines, and related products. The Company has dealership agreements with numerous equipment manufacturers, of which the most significant are with subsidiaries of Caterpillar Inc. Distribution and servicing of Caterpillar products account for the major portion of the Company's operations. Finning has a strong relationship with Caterpillar Inc. that has been ongoing since 1933.

22. Segmented Information

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

The reportable operating segments are as follows:

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

For year ended December 31, 2009 ($ thousands)	**Canada**	**South America**	**UK Group**	**Other**	**Goodwill Impairment**	**Consolidated**
Revenue from external sources	**$ 2,386,642**	**$ 1,489,600**	**$ 861,299**	**$ —**	**$ —**	**$ 4,737,541**
Operating costs	**(2,125,706)**	**(1,299,386)**	**(774,788)**	**(25,446)**	**—**	**(4,225,326)**
Depreciation and amortization	**(132,614)**	**(37,405)**	**(97,480)**	**(182)**	**—**	**(267,681)**
	128,322	**152,809**	**(10,969)**	**(25,628)**	**—**	**244,534**
Other income (expenses)						
IT system implementation costs	**(10,574)**	**(5,616)**	**(2,388)**	**(279)**	**—**	**(18,857)**
Other	**(19,421)**	**6,532**	**(6,780)**	**1,012**	**—**	**(18,657)**
Earnings before interest and taxes	**$ 98,327**	**$ 153,725**	**$ (20,137)**	**$ (24,895)**	**$ —**	**$ 207,020**
Finance costs						**(67,608)**
Provision for income taxes						**(8,589)**
Net income						**$ 130,823**
Identifiable assets	**$ 1,651,206**	**$ 1,034,074**	**$ 924,567**	**$ 61,588**	**$ —**	**$ 3,671,435**
Capital assets	**$ 307,627**	**$ 123,791**	**$ 91,509**	**$ 1,319**	**$ —**	**$ 524,246**
Gross capital expenditures (1)	**$ 55,129**	**$ 45,265**	**$ 8,534**	**$ —**	**$ —**	**$ 108,928**
Gross rental asset expenditures	**$ 118,071**	**$ 20,549**	**$ 35,559**	**$ —**	**$ —**	**$ 174,179**

For year ended December 31, 2008 ($ thousands)	**Canada**	**South America**	**UK Group**	**Other**	**Goodwill Impairment**	**Consolidated**
Revenue from external sources	$ 3,216,946	$ 1,501,633	$ 1,272,842	$ 4	$ —	$ 5,991,425
Operating costs	(2,801,877)	(1,313,753)	(1,099,805)	(46,709)	—	(5,262,144)
Depreciation and amortization	(164,489)	(34,217)	(125,447)	(208)	—	(324,361)
	250,580	153,663	47,590	(46,913)	—	404,920
Other income (expenses)						
IT system implementation costs	(7,921)	(4,388)	(2,581)	(1,307)	—	(16,197)
Other	(8,181)	(1,040)	8,617	—	—	(604)
Goodwill impairment (Note 16)	—	—	—	—	(151,373)	(151,373)
Earnings before interest and taxes	$ 234,478	$ 148,235	$ 53,626	$ (48,220)	$ (151,373)	$ 236,746
Finance costs						(83,636)
Provision for income taxes						(57,114)
Net income						$ 95,996
Identifiable assets	$ 2,094,186	$ 1,350,929	$ 1,135,352	$ 139,908	$ —	$ 4,720,375
Capital assets	$ 278,171	$ 115,626	$ 114,811	$ 595	$ —	$ 509,203
Gross capital expenditures (1)	$ 143,269	$ 47,940	$ 15,234	$ —	$ —	$ 206,443
Gross rental asset expenditures	$ 296,166	$ 76,715	$ 161,803	$ —	$ —	$ 534,684

(1) includes capital leases

23. Contractual Obligations

Future minimum lease payments due under capital lease contracts and payments due under various operating lease contracts are as follows:

For years ended December 31 ($ thousands)	Capital Leases	Operating Leases
2010	$ 8,118	$ 71,064
2011	2,156	56,614
2012	1,230	39,377
2013	1,065	28,457
2014	1,065	20,218
Thereafter	13,731	137,916
	$ 27,365	$ 353,646
Less imputed interest	(8,103)	
	19,262	
Less current portion of capital lease obligation	(7,176)	
Total long-term capital lease obligation	$ 12,086	

24. Commitments and Contingencies

(a) Due to the size, complexity, and nature of the Company's operations, various legal and tax matters are pending. In the opinion of management, these matters will not have a material effect on the Company's consolidated financial position or results of operations.

(b) The Company has committed to pay approximately $11 million over the next year for consulting and implementation support for a new information technology system solution for its global operations.

25. Guarantees and Indemnifications

The Company enters into contracts with rights of return, in certain circumstances, for the repurchase of equipment sold to customers for an amount based on an estimate of the future value of the fair market price at that time. As at December 31, 2009, the total estimated value of these contracts outstanding is $164.4 million coming due at periods ranging from 2010 to 2016. The Company's experience to date has been that the equipment at the exercise date of the contract is worth more than the repurchase amount. The total amount recognized as a provision against these contracts is $0.8 million.

The Company has issued certain guarantees to Caterpillar Finance to guarantee, on a pro-rata basis, certain borrowers' obligations. The guarantees would be enforceable in the event that the borrowers defaulted on their obligations to Caterpillar Finance, to the extent that any net proceeds from the recovery and sale of collateral securing repayment of the borrowers' obligations is insufficient to meet those obligations. As at December 31, 2009, the maximum potential amount of future payments that the Company could be required to make under the guarantees, before any amounts that may possibly be recovered under recourse or collateralization provisions in the guarantees, is $12.6 million, covering various periods up to 2014. As at December 31, 2009, the Company had no liability recorded for these guarantees.

As part of the Tool Hire Division's Purchase and Sale Agreement, Finning had provided indemnifications to the third party purchaser, covering breaches of representation and warranties as well as litigation and other matters set forth in the agreement. Claims may be made by the third party purchaser under the agreement for various periods of time depending on the nature of the claim. The maximum potential exposure of Finning under these indemnifications is 50% of the purchase price. As at December 31, 2009, Finning had no material liabilities recorded for these indemnifications.

In connection with the sale of the Materials Handling Division in 2006, the Company provided a guarantee to a third party with respect to a property lease. If the lessee were to default, the Company would be required to make the annual lease payments of approximately $1.0 million to the end of the lease term in 2020. As at December 31, 2009, the Company had no liability recorded for this guarantee.

In the normal course of operations, the Company has several long-term maintenance and repair contracts with various customers which contain cost per hour guarantees. During the year, the Company entered into various other commercial letters of credit in the normal course of operations.