Q2 2012 EARNINGS RELEASE **August 8, 2012**

Finning Reports Solid Q2 2012 Results and Raises Revenue Guidance for 2012

Q2 2012 HIGHLIGHTS

- Revenue increased by 19% to $1.8 billion, as healthy market conditions in the second quarter drove growth in new equipment sales and record product support revenues.
- Strong results from South America and UK & Ireland contributed to record quarterly EBIT of $122 million.
- EBIT margin of 6.9% showed sequential improvement over the last three quarters, as the ERP related support and improvement costs in Canada were further reduced.
- Basic EPS of $0.47 was on par with a record setting $0.48 in Q2 2011, and included ERP related costs of approximately $0.07 per share.
- The order backlog increased to $1.7 billion from $1.6 billion at the end of March, supported by solid order intake in the second quarter.
- Reflecting stronger than expected revenue growth year to date and solid order backlog, the Company now expects its 2012 revenues, including the acquired former Bucyrus distribution business, to grow by 12% to 15% over 2011 (up from the previous guidance of 8% to 10%).

Vancouver, B.C. – Finning International Inc. (TSX: FTT) reported second quarter revenues of $1.8 billion, a 19% increase over Q2 2011. Quarterly revenues grew in all regions and across all business lines compared to the second quarter of 2011. New equipment sales were particularly strong in Canada, while growth in product support was driven by South America. Quarterly EBIT (earnings before finance costs and income taxes) increased to $122 million. Quarterly EBIT margin of 6.9%, below 8.1% achieved in Q2 2011, showed sequential improvement over the last three quarters. Basic EPS (earnings per share) was $0.47 compared to $0.48 in Q2 2011.

"I am pleased with our strong quarterly revenues fuelled by a third consecutive quarter of record product support as well as solid new equipment sales. We reported sequential improvement in EBIT margin, and we continue to see healthy order intake levels and robust demand for product support, particularly in our resource-rich territories," said Mike Waites, president and CEO of Finning International Inc. "In light of uncertain global economic conditions, we are monitoring our end markets closely and are simply taking prudent steps to manage our inventory levels, in order to maintain a strong financial position."

"A highlight in the quarter was the successful closing of the former Bucyrus distribution businesses in the U.K. and South America, and integration is advancing ahead of plan and expectations," continued Mr. Waites. "We continue to make good progress against our priorities: driving improved EBIT margin performance, integrating the former Bucyrus business and strengthening our balance sheet. We have a strong strategy in place to drive shareholder value, and our recent appointment of Juan Carlos Villegas to chief operating officer underscores our commitment to disciplined execution."

Q2 2012 FINANCIAL SUMMARY

C$ millions, except per share amounts (unaudited)	**Three months ended Jun 30**		
	2012	2011	% change
Revenue	**1,765**	1,481	19
Earnings before finance costs and income taxes (EBIT)	**122**	120	2
Net income	**81**	82	(1)
Basic EPS	**0.47**	0.48	(2)
Earnings before finance costs, income taxes, depreciation and amortization (EBITDA)[1]	**177**	160	11
Free cash flow[1][2]	**(31)**	(227)	86

- Revenues increased by 19% from Q2 2011 to $1.8 billion, with higher revenues achieved in all regions and lines of business. New equipment sales were up 27%, driven by Canada. Product support set a new record as it grew by 13%, and was particularly strong in South America. Used equipment sales and rental revenues increased by 9% and 12% respectively.
- Gross profit was 16% higher compared to Q2 2011, however, gross profit margin declined to 28.9% from 29.7% primarily reflecting a shift in revenue mix to lower margin new equipment sales.
- Selling, general and administrative (SG&A) expenses as a percentage of revenue were 22.0% compared to 21.3% in Q2 2011. The Company continued to incur additional operating costs to support and improve the ERP system in Canada, although at a lower rate than in the prior three quarters.
- EBIT increased by 2% to a record $122 million. Strong EBIT performance in South America and UK and Ireland was partly offset by lower EBIT in Canada compared to Q2 2011. Additional operating expenses associated with the ERP support and improvement initiative negatively impacted the Company's EBIT by approximately $17 million in Q2 2012. The Company expects continued reduction in ERP related support and improvement costs for the balance of 2012. Consolidated EBIT margin was 6.9% compared to 8.1% in Q2 2011. Over the last three quarters, EBIT margin has improved sequentially, reflecting gradual progress with the ERP recovery plan.
- Net income of $81 million and basic EPS of $0.47 were marginally lower compared to the record setting results in Q2 2011. Q2 2012 results included approximately $0.03 per share of incremental profit from the former Bucyrus distribution business and approximately $0.07 per share of ERP support and improvement costs. Foreign exchange had a positive impact of $0.06 per share compared to Q2 2011.
- EBITDA was 11% higher compared to Q2 2011 and reached a new record of $177 million. Quarterly free cash flow was $31 million use of cash, compared to $227 million use of cash in Q2 2011. The Company is continuing to experience increased requirements for working capital, in particular higher inventory and accounts receivable. Given the higher than expected sales year to date and continued strong market activity, the Company now expects more working capital will be required than previously anticipated. While the Company expects to generate positive free cash flow in the last two quarters of 2012, free cash flow for the full year is expected to be essentially break-even.
- The Company's net debt to total capital ratio[5] was 52.7% compared to 47.2% at the end March and 42.0% at December 2011, reflecting higher debt levels to fund increased working capital requirements and the purchase of the former Bucyrus distribution business from Caterpillar. Going forward, net debt to total capital ratio is expected to decline from the June peak levels, but remain above the 35-45% target range in 2012. Net debt to total capital ratio is expected to return to within the target range by the end of 2013.
- Order backlog increased to $1.7 billion at June 30 from $1.6 billion at the end of March 2012. New order intake was solid in Q2 2012, and was particularly good in South America. There were no unusual order cancellations in any of the Company's operations in the second quarter.

Q2 2012 HIGHLIGHTS BY OPERATIONS

Canada

- In western Canada, machine deliveries and equipment utilization remained robust across most sectors in the second quarter, translating into higher revenues in all lines of business compared to Q2 2011. New equipment sales rose by 64% and were particularly strong in mining and heavy construction. Product support revenues grew by 5% and reached a new record. Canada's total revenue increased by 29% over Q2 2011, with a significant shift in revenue mix to new equipment sales. As a result, Canada posted a lower gross profit margin compared to Q2 2011.
- In the second quarter, the Company continued to make good progress in executing on its ERP recovery plan. ERP related support and improvement costs were reduced further as user proficiency and operating efficiency continued to improve. The Company is implementing additional system enhancements to advance the ERP system's functionality and reduce costs and working capital. The Company remains on track to gradually reduce additional ERP related support and improvement costs throughout the remainder of 2012, and expects that the remaining costs will not be material to the Company's consolidated results in the second half of 2012.
- EBIT declined by 6% to $62 million, reflecting a lower gross profit margin and higher costs related to ERP system improvement. EBIT margin of 6.6% was below 9.0% achieved in Q2 2011. The margin continued to show sequential increase from 5.2% in Q1 2012, 4.4% in Q4 2011 and a negative 0.3% in Q3 2011. Finning Canada expects gradual improvement in its EBIT margin performance in the second half of 2012, and remains committed to achieving the 9% to 10% EBIT margin target in 2013.

South America

- Second quarter revenues increased by 8% from Q2 2011, driven by record product support revenues which more than offset lower new equipment sales. In functional currency (USD), revenues grew by 3% over Q2 2011 levels. New equipment sales declined by 10% in functional currency, reflecting fewer mining deliveries in Chile and reduced construction sales in Argentina, compared to very strong volumes in Q2 2011. Product support grew by 23% in functional currency, driven by continued strength in the Chilean mining industry and high utilization of the large population of mining equipment.
- SG&A costs as a percentage of revenue were higher compared to Q2 2011, primarily reflecting a 17% increase in the work force, including the former Bucyrus employees, and expenses associated with the newly acquired Bucyrus distribution business. The Company remains focused on improving operating efficiencies and managing the cost pressures associated with the strong demand for skilled workers in a highly competitive labour market.
- EBIT rose by 16% to $56 million. In functional currency, EBIT increased by 11% to record levels. EBIT margin improved to 9.8% from 9.1% in Q2 2011, primarily reflecting a shift in revenue mix to product support and higher margins on new equipment sales. Finning South America is expected to continue operating close to its 2013 EBIT margin target of 10% to 11%.
- In Argentina, the government continues to control imports and closely manage access to foreign exchange. The Company has taken steps to ensure customer demand for parts can be met to the greatest extent possible. The reduction in business volumes in Argentina compared to 2011 is partly offset by continued strong demand in Chile, and is not expected to have a material impact on the Company's consolidated revenues and earnings in 2012.

United Kingdom and Ireland

- Second quarter revenues grew by 15% from Q2 2011. Revenues increased across all lines of business and set a new record in functional currency. New equipment sales were up 20% (up 19% in functional currency, the U.K. pound sterling) driven by higher volumes in heavy construction, power systems and mining, including sales of former Bucyrus products. Product support revenues rose by 6% (up 5% in functional currency) and continued to benefit from solid demand for large equipment rebuilds.
- EBIT increased by 15% from Q2 2011 to $15 million and quarterly EBIT margin of 6.0% was equal to Q2 of last year. Finning UK & Ireland is committed to sustaining its improved operating performance and driving towards 7% to 8% EBIT margin target in 2013 by pursuing opportunities in higher margin equipment solutions and power systems segments and by maintaining discipline on costs.

CORPORATE AND BUSINESS DEVELOPMENTS

Dividend

The Board of Directors has approved a quarterly dividend of $0.14 per share, payable on September 7, 2012 to shareholders of record on August 24, 2012. This dividend will be considered an eligible dividend for Canadian income tax purposes.

Finning issues $150 Million of Medium Term Notes

On June 13, 2012, Finning announced the issuance of medium term notes for aggregate gross proceeds of $150 million. The offering consists of $150 million 5.077% Medium Term Note Debentures due June 13, 2042, and will rank pari passu with existing senior unsecured obligations of Finning. Proceeds are expected to be used to fund the anticipated purchase from Caterpillar of the distribution and support business formerly carried on by Bucyrus International Inc. in Finning's territories in Canada. The acquisition is expected to close on or around October 1, 2012.

Executive Management Changes

On May 22, 2012, the Company announced the appointment of Juan Carlos Villegas, formerly president of Finning South America, to the newly created position of executive vice president and chief operating officer for Finning International Inc. Reporting to the CEO, Mr. Villegas will oversee and drive operational excellence across the Company’s three operating units: Canada, South America, and the U.K. and Ireland; and will have a key role in increasing efficiencies and profitability. Mr. Villegas is succeeded by Marcello Marchese, who was appointed president, Finning South America on June 4, 2012.

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(C$ millions, except per share amounts)

	Three months ended Jun 30			Six months ended Jun 30		
Revenue	**2012**	2011	% change	**2012**	2011	% change
New equipment	**875.2**	689.2	27	**1,506.6**	1,238.0	22
Used equipment	**77.1**	71.0	9	**150.5**	122.6	23
Equipment rental	**91.3**	81.8	12	**182.5**	160.1	14
Product support	**718.8**	635.7	13	**1,393.8**	1,228.2	13
Other	**2.1**	2.9	(27)	**2.9**	6.3	(54)
Total revenue	**1,764.5**	1,480.6	19	**3,236.3**	2,755.2	17
Gross profit	**509.2**	440.0	16	**953.7**	837.3	14
Gross profit margin[3]	***28.9%***	*29.7%*		***29.5%***	*30.4%*	
SG&A	**(388.7)**	(315.8)	(23)	**(733.9)**	(602.1)	(22)
SG&A as a percentage of revenue	***(22.0)%***	*(21.3)%*		***(22.7)%***	*(21.9)%*	
Equity earnings	**3.4**	1.0		**5.3**	1.8	
Other expenses	**(1.7)**	(5.6)		**(4.1)**	(10.8)	
EBIT	**122.2**	119.6	2	**221.0**	226.2	(2)
EBIT margin[4]	***6.9%***	*8.1%*		***6.8%***	*8.2%*	
Net income	**81.3**	81.9	(1)	**148.3**	153.4	(3)
Basic earnings per share (EPS)	**0.47**	0.48	(2)	**0.86**	0.89	(3)
EBITDA[1]	**177.4**	160.1	11	**324.2**	307.6	5
Free Cash Flow[1][2]	**(30.7)**	(226.8)	86	**(253.4)**	(383.2)	34

	Jun 30, 12	Dec 31, 11
Total assets	**5,110.5**	4,085.4
Total shareholders' equity	**1,433.1**	1,345.0
Net debt to total capital[5]	**52.7%**	42.0%

To download Finning's complete Q2 2012 results in PDF, please open the following link: http://media3.marketwire.com/docs/FinningQ212results.pdf

To download the CEO and CFO certification letters once they have been filed on SEDAR, please open the following link: http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00001068

Q2 2012 RESULTS INVESTOR CALL
Management will hold an investor conference call on Wednesday, August 8 at 10:30 am Eastern Time. Dial-in numbers: 1-800-769-8320 (anywhere within Canada and the U.S.) or (416) 340-8061 (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 12:00 pm Eastern Time on August 8 until August 15. The pass code to access the playback recording is 4463383 followed by the number sign.

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, as well as in the United Kingdom and Ireland.

CONTACT INFORMATION

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Footnotes

(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 and additional GAAP Measures" in the Company's management discussion and analysis that accompanies the 2nd quarter consolidated financial statements.

(2) Free cash flow is defined as cash flow provided by (used in) operating activities less net additions to property, plant and equipment and intangible assets.

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

(4) EBIT margin is defined as earnings before finance costs and income taxes as a percentage of total revenue.

(5) 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 Finning makes is forward-looking when it uses what the Company knows and expects 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; expected revenue and SG&A levels and EBIT growth; anticipated generation of free cash flow (including projected net capital and rental expenditures), and its expected use; anticipated defined benefit plan contributions; the expected target range of Debt Ratio; the impact of new and revised IFRS that have been issued but are not yet effective; the expected timetable for completion of the proposed transaction between the Company and Caterpillar to acquire the distribution and support business formerly operated by Bucyrus in Finning's Canadian dealership territory; growth prospects for the former Bucyrus business acquired or being acquired by the Company in Finning's dealership territories (Bucyrus) and the competitive advantages of the business being acquired; expected future financial and operating results generated from Bucyrus; anticipated benefits and synergies of Bucyrus; and the expected impact of Bucyrus on Finning's earnings. 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 Finning's expectations at August 8, 2012. Except as may be required by Canadian securities laws, Finning does 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 the expectations expressed in or implied by such forward-looking statements and that Finning's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, Finning 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 these forward-looking statements include: general economic and market conditions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; Finning's dependence on the continued market acceptance of Caterpillar's products and Caterpillar's timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenues occur; Finning's ability to attract sufficient skilled labour resources to meet growing product support demand; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to successfully integrate the distribution and support business formerly operated by Bucyrus after that transaction closes; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the integrity, reliability, and availability of information technology and the data processed by that technology; operational benefits from the new ERP system. 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 Finning's 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 Finning believed were reasonable on the day the Company made the forward-looking statements. Refer in particular to the 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.

Finning cautions readers that the risks described in the AIF are not the only ones that could impact the Company. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may also have a material adverse effect on Finning's business, financial condition, or results of operations.

Except as otherwise indicated, 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. Finning therefore cannot describe the expected impact in a meaningful way or in the same way Finning presents known risks affecting its business.

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 8, 2012

This discussion and analysis of the financial results of Finning International Inc. (Finning or the Company) should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* and are presented in Canadian dollars unless otherwise stated. Additional information relating to the Company, including its current Annual Information Form (AIF), can be found on the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com.

Results of Operations and Significant Developments

The results described in this Management's Discussion and Analysis (MD&A) includes those of acquired businesses from the acquisition date.

On May 2, 2012 the Company acquired the former Bucyrus International Inc. distribution and support business (Bucyrus) in its dealership territories in South America and in the U.K. The portion of the acquisition that closed during the second quarter of 2012 was valued at U.S. $305.8 million. As part of the Company's sequenced integration approach, the acquisition of the former Bucyrus distribution and support business in Finning (Canada)'s territory remains on track to close on or around October 1, 2012 for a price of U.S. $159.2 million. This acquisition of the former Bucyrus distribution business for all its territories is strategically important for Finning as it is expected to expand the Company's leadership position in the growing mining sector and allow Finning to sell and support a comprehensive product line that meets its customers' surface and underground mining needs. The total transaction is valued at U.S. $465 million (subject to customary closing adjustments) and is being financed with debt.

The amount of revenue and net income from Bucyrus since the acquisition date was $50.5 million and $4.6 million, respectively. This amounted to approximately $0.03 per share of incremental profit in the second quarter of 2012.

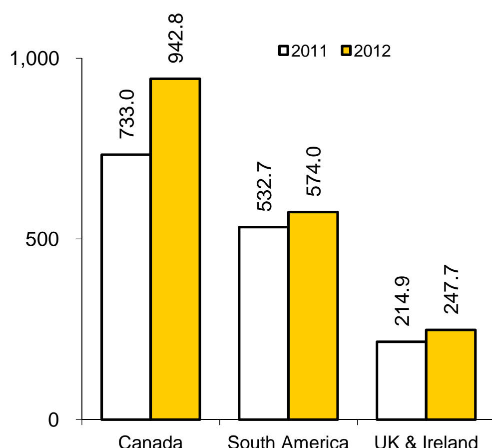
Second Quarter Overview

	Q2 2012	Q2 2011	Q2 2012	Q2 2011
	($ millions)		(% of revenue)	
Revenue	**$ 1,764.5**	$ 1,480.6		
Gross profit	**509.2**	440.0	**28.9%**	29.7%
Selling, general & administrative expenses (SG&A)	**(388.7)**	(315.8)	**(22.0)%**	(21.3)%
Equity earnings of joint venture and associate	**3.4**	1.0	**0.1%**	0.1%
Other expenses	**(1.7)**	(5.6)	**(0.1)%**	(0.4)%
Earnings before finance costs and income taxes (EBIT)	**122.2**	119.6	**6.9%**	8.1%
Finance costs	**(19.7)**	(14.0)	**(1.1)%**	(1.0)%
Provision for income taxes	**(21.2)**	(23.7)	**(1.2)%**	(1.6)%
Net income	**$ 81.3**	$ 81.9	**4.6%**	5.5%
Basic earnings per share (EPS)	**$ 0.47**	$ 0.48		
Earnings before finance costs, taxes, depreciation, and amortization (EBITDA) [1]	**$ 177.4**	$ 160.1	**10.1%**	10.8%
Free Cash Flow [1] [2]	**$ (30.7)**	$ (226.8)		

(1) These amounts do not have a standardized meaning under IFRS, which are also referred to herein as generally accepted accounting principles (GAAP). For a reconciliation of these amounts to net income and cash flow from operating activities, see the heading "Description of Non-GAAP and Additional GAAP Measures" below.

(2) Free Cash Flow is defined as cash provided by (used in) operating activities less net additions to property, plant, and equipment and intangible assets.

Revenue by Operation
($ millions)
Three months ended June 30



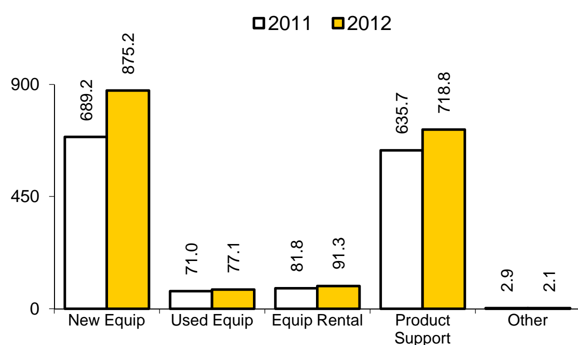
Second quarter consolidated revenues of $1.8 billion were up 19.2% from the comparable quarter in 2011, with higher revenues contributed by all operations, but most significantly by the Company's Canadian operations. The increase in revenues was primarily driven by quarterly record product support revenues and higher new equipment sales, including revenues of $50.5 million from the former Bucyrus distribution and support business.

Revenues from the Company's Canadian operations increased 28.6% in the second quarter of 2012 compared with the same period last year, primarily due to higher new equipment sales and quarterly record product support revenues. New equipment sales were 64.4% higher than the second quarter of 2011, robust across all sectors and particularly strong in heavy construction and mining. Product support revenues in the second quarter of 2012 were 5.1% higher than the comparative quarter in 2011 and reached a new quarterly record level, primarily driven by increased demand for parts as customer fleet utilizations were high in both the mining and heavy construction sectors.

Revenues from the Company's operations in South America increased 7.8% over the second quarter of 2011, and increased 3.2% in functional currency (the U.S. dollar). This was driven mainly by quarterly record product support revenues, up 22.7% in functional currency, with increased demand in mining, including parts and service revenues from the former Bucyrus product line. New equipment sales were lower by 10.3% in functional currency compared with the second quarter of 2011, driven by fewer mining deliveries in Chile relative to a very strong quarter in the prior year and reduced construction sales in Argentina.

Revenues from the UK and Ireland operations were up 15.3% over the second quarter of 2011, and were up 13.9% in functional currency. This increase was largely due to higher new equipment sales (18.7% higher in functional currency), primarily in the construction sector, which reached quarterly record levels in functional currency and reflected sales from the former Bucyrus product line.

Revenue by Line of Business
($ millions)
Three months ended June 30



Overall, product support revenues in the second quarter of 2012 reached record levels, representing the third consecutive quarter that the Company has achieved a new quarterly record. Product support revenues were up 13.1% compared with the same quarter last year, with increases reported in all regions. Growth in product support revenues reflected the growing installed base of equipment in mining and construction across the Company's regions, as well as the newly acquired former Bucyrus business.

Overall, new equipment sales were up 27.0% compared with the second quarter of 2011, up significantly in the Company's Canadian operations.

Overall, rental revenues were 11.7% higher than the second quarter of 2011 for all regions, with a significant portion attributable to the Company's Canadian operations.

Used equipment revenues were 8.7% higher compared to the prior year's second quarter, up in the Company's Canadian and UK and Ireland operations.

Finning's global order book or backlog (the retail value of new equipment units ordered by customers for future deliveries) was $1.7 billion at the end of the second quarter of 2012, up from $1.6 billion in March 2012. New order intake in the second quarter of 2012 remained strong, up 12.8% compared to the first quarter of 2012, driven primarily by the Company's South American operations.

All regions have seen a reduction in lead times for products from Caterpillar Inc. (Caterpillar), Finning's key supplier. Management continues to closely monitor its ability to source equipment and ensure that customers' equipment demands are met.

Earnings Before Finance Costs and Taxes (EBIT)

On a consolidated basis, EBIT reached a record level of $122.2 million in the second quarter of 2012, 2.2% higher than the EBIT of $119.6 million in the second quarter of 2011. Higher revenues in all operations and all lines of business were mostly offset by higher selling, general, and administrative (SG&A) costs, primarily in the Company's Canadian and South American operations.

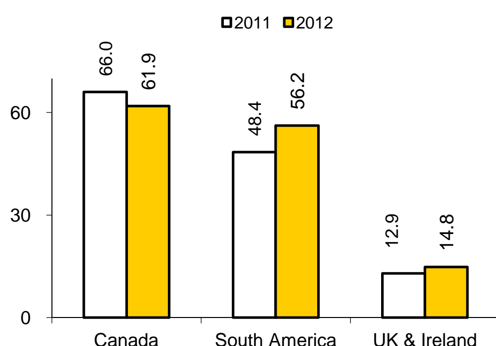
Gross profit of $509.2 million in the second quarter of 2012 was up 15.8% compared to the second quarter of 2011. Quarterly gross profit margin (gross profit as a percentage of revenue) of 28.9% was down slightly from the prior year's second quarter margin of 29.7% reflecting a shift in revenue mix. New equipment sales typically earn a lower margin relative to product support revenues and in the second quarter of 2012, made up 49.6% of total revenues, up from 46.6% in the prior year.

SG&A costs were $388.7 million or 23.1% higher than the second quarter of 2011. SG&A as a percentage of revenue was 22.0%, compared to 21.3% in the second quarter of 2011. This small increase was primarily due to volume-related costs to support higher revenues, ongoing Enterprise Resource Planning (ERP) support costs and improvement initiatives in the Company's Canadian operations, higher salary costs for additional headcount (including 660 former Bucyrus employees) in the Company's South American operations, as well as costs associated with integrating the newly acquired former Bucyrus distribution business in the Company's South American and UK operations.

In the second quarter of 2012, EBIT included $1.4 million of costs related to the new ERP system to be implemented in the Company's South American and UK and Ireland operations. Comparatively, second quarter 2011 results included $5.6 million of costs related to the implementation of the new ERP system for the Company's global operations. The equity earnings of joint venture and associate were $3.4 million in the first quarter of 2012, $2.4 million higher than the comparable period in 2011 driven by more sales and activity.

The Company's EBIT margin (EBIT divided by revenues) of 6.9% in the second quarter of 2012 was down from 8.1% in the second quarter of 2011. The decrease in EBIT margin was primarily driven by the Company's Canadian operations, partially offset by an increase in the Company's South American operations.

EBIT by Operations [(1)]
($ millions)
Three months ended June 30



(1) Excluding other operations – corporate head office

Major components of the EBIT variance were:

	($ millions)
2011 Q2 EBIT	119.6
Net change in operations	1.4
Foreign exchange impact	14.1
Finning (Canada)'s ERP system support and improvement costs in 2012	(16.8)
Lower ERP system development and implementation costs in 2012	4.2
Acquisition costs in 2012 for Bucyrus	(0.3)
2012 Q2 EBIT	122.2

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

EBITDA, which management views as an indicator of the Company's cash operating performance, was a record $177.4 million in the second quarter of 2012 compared to $160.1 million in the second quarter of 2011.

The Company's Free Cash Flow was a use of cash of $30.7 million compared to $226.8 million use of cash in the comparative period of the prior year. With stronger customer demand for equipment and parts, in addition to the impact of the ERP system in the Company's Canadian operations, the Company is continuing to experience increased requirements for working capital, in particular higher inventory and accounts receivable levels. Given the higher than expected sales year to date and continued strong market activity, the Company now expects more working capital will be required than included in the Company's previous forecast. As a result, free cash flow for the full year of 2012 is expected to be essentially break-even.

Finance Costs

Finance costs for the three months ended June 30, 2012 were $19.7 million, $5.7 million higher than the second quarter of 2011, primarily due to the Company's issuance of debt in 2012 to fund the acquisition of Bucyrus.

Provision for Income Taxes

The effective income tax rate for the second quarter of 2012 was 20.7% compared to 22.5% in the comparable period of the prior year. The effective rate was lower in the second quarter of 2012 primarily due to a higher proportion of earnings from lower tax jurisdictions.

Net Income

Finning's net income was $81.3 million in the second quarter of 2012 compared with $81.9 million in the same period last year.

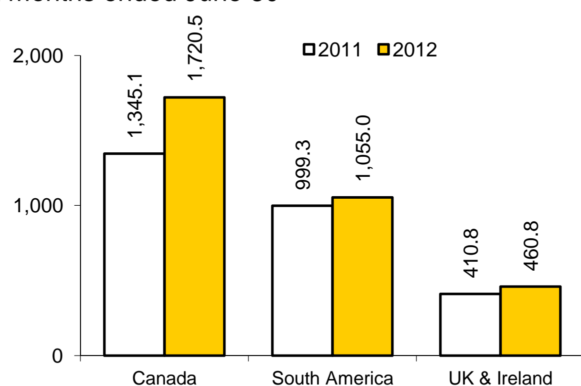
Basic EPS was $0.47 compared with record EPS of $0.48 in the comparative period last year. The results for the second quarter of 2012 reflected higher revenues in all operations, but this was mostly offset by increased SG&A costs. Second quarter 2012 results included approximately $0.03 per share of incremental profit from the former Bucyrus distribution business and approximately $0.07 per share of incremental costs associated with the ERP system support and improvement initiatives in Canada.

Foreign exchange had a positive impact of approximately $0.06 per share in the second quarter of 2012 compared to the same period last year primarily due to the weaker Canadian dollar relative to the U.S. dollar.

Year-to-Date Overview

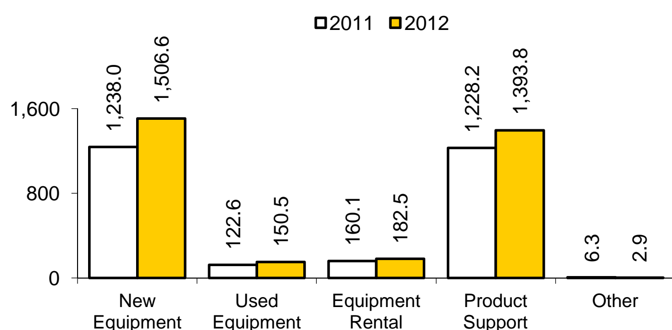
	YTD 2012	YTD 2011	**YTD 2012**	YTD 2011
	($ millions)		(% of revenue)	
Revenue	**$ 3,236.3**	$ 2,755.2		
Gross profit	**953.7**	837.3	**29.5%**	30.4%
Selling, general & administrative expenses (SG&A)	**(733.9)**	(602.1)	**(22.7)%**	(21.9)%
Equity earnings of joint venture and associate	**5.3**	1.8	**0.1%**	0.1%
Other expenses	**(4.1)**	(10.8)	**(0.1)%**	(0.4)%
Earnings before finance costs and income taxes (EBIT)	**221.0**	226.2	**6.8%**	8.2%
Finance costs	**(34.1)**	(28.0)	**(1.0)%**	(1.0)%
Provision for income taxes	**(38.6)**	(44.8)	**(1.2)%**	(1.6)%
Net income	**$ 148.3**	$ 153.4	**4.6%**	5.6%
Basic earnings per share (EPS)	**$ 0.86**	$ 0.89		
Earnings before finance costs, taxes, depreciation, and amortization (EBITDA)	**$ 324.2**	$ 307.6	**10.0%**	11.2%
Free cash flow	**$ (253.4)**	$ (383.2)		

Revenue from Operations
($ millions)
Six months ended June 30



For the six months ended June 30, 2012, revenues of $3.2 billion increased 17.5% over the same period last year, up in all operations. New equipment sales and product support revenues from the Company's Canadian operations were up 60.2% and 7.4%, respectively, compared to the first half of the prior year reflecting strong market demand. In functional currency, record product support revenues contributed to top line growth of 2.4% in the Company's South American operations. Revenues from the Company's UK and Ireland operations, in functional currency, reached quarterly record levels and were up 11.7% compared to the first six months of 2011 predominately led by higher new equipment sales, with improved activity in the heavy construction and power systems sectors.

Revenue by Line of Business
($ millions)
Six months ended June 30



On a consolidated basis, new equipment sales were 21.7% higher than the first half of 2011 primarily due to growth in Finning (Canada). Product support revenues were 13.5% higher than the first half of the prior year, and up in all operations. Used equipment sales increased by 22.8% compared to the first half of 2011, while rental revenues increased by 14.0% over the same period last year, both up in all operations.

Earnings Before Finance Costs and Taxes (EBIT)

On a consolidated basis, EBIT was $221.0 million in the first half of 2012, comparable to the $226.2 million earned in the first half of the prior year. Although revenues were higher in 2012, the decrease in EBIT was primarily driven by significantly higher SG&A costs in the Company's Canadian and South American operations.

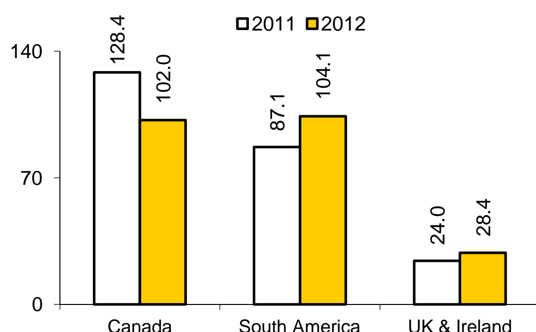
Gross profit of $953.7 million in the first six months of the year increased 13.9% over the same period last year and gross profit as a percentage of revenue was 29.5%, down slightly compared with 30.4% in the first half of 2011. The slight decline was primarily due to the shift in revenue mix to lower margin new equipment sales. New equipment sales made up 46.6% of total revenues in the first half of 2012, compared with 44.9% of total revenues in the same period last year.

SG&A costs were $733.9 million or 21.9% higher than the first six months of 2011, mostly reflecting increased volume-related costs to support higher revenues and the growing higher margin product support business, as well as higher ERP support and improvement costs in the Company's Canadian operations and additional employee-related costs associated with the acquisition of Bucyrus in South America.

Results for the first half of 2012 included costs of $3.0 million (2011: $10.8 million) related to the ongoing development and implementation of a new ERP system for the Company's South American and U.K. and Ireland operations. In the first six months of the year, equity earnings of joint venture and associate were $5.3 million, $3.5 million higher than the comparable period in 2011 driven by more sales and activity.

The Company's EBIT margin was 6.8% in the first half of 2012, down from 8.2% in the first six months of 2011 primarily due to the factors noted above.

EBIT from Operations
($ millions)
Six months ended June 30



Excluding other operations – corporate head office

Major components of the EBIT variance were:
($ millions)

2011 Year-to-Date EBIT	226.2
Net change in operations	6.5
Foreign exchange impact	20.4
Finning (Canada)'s ERP system support and improvement costs in 2012	(38.8)
Lower ERP system development and implementation costs in 2012	7.8
Acquisition costs in 2012 for Bucyrus and Damar	(1.1)
2012 Year-to-Date EBIT	221.0

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

EBITDA was $324.2 million in the first six months of 2012 compared to $307.6 million in the first six months of 2011.

The Company's Free Cash Flow was $253.4 million use of cash compared to $383.2 million use of cash in the comparative first half of the prior year. As noted in the second quarter overview, the Company is continuing to experience increased requirements for working capital. Given the higher than expected sales year to date and continued strong market activity, the Company now expects more working capital will be required than included in the Company's previous forecast. As a result, free cash flow for the full year of 2012 is expected to be essentially break-even.

Finance Costs

Finance costs for the six months ended June 30, 2012 were $34.1 million compared with $28.0 million in the first half of 2011. During the first half of the year the Company issued U.S. $300 million and $150 million of debt primarily to fund the acquisition of Bucyrus resulting in higher finance costs than the comparative first half of 2011. Higher finance costs in the first six months of 2012 were partially offset by a gain of $3.3 million recognized on the settlement of a foreign currency forward.

Provision for Income Taxes

The effective income tax rate for the first half of 2012 was 20.7% compared to 22.6% in the comparable period of the prior year. The lower effective income tax rate in 2012 is primarily due to a higher proportion of earnings from lower tax jurisdictions.

Net Income

Finning's net income was $148.3 million in the first six months of 2012, down compared to $153.4 million in the same period last year.

Basic EPS for the six months ended June 30, 2012 was $0.86 per share compared with $0.89 per share in the same period last year. The results for the first half of 2012 reflected higher revenues in all operations but this was mostly offset by increased SG&A costs. Results for the first half of 2012 included $0.03 per share of profit from the former Bucyrus distribution business and $0.16 per share of incremental costs associated with the ERP system support and improvement initiatives in Canada. Foreign exchange had a positive impact of approximately $0.09 per share in the first half of 2012 compared to the prior year's first half due to the weaker Canadian dollar relative to the U.S. dollar.

Foreign Exchange

Translation

The Company's reporting currency is the Canadian dollar. However, due to the geographical 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, the U.K. pound sterling, and the Chilean peso. Changes in the Canadian dollar / U.S. dollar and Canadian dollar / U.K. pound sterling relationship affects reported results on the translation of the financial statements of the Company's South American and UK and Ireland operations as well as U.S. dollar based earnings of the Company's Canadian operations.

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

Exchange rate	**June 30, 2012**	December 31, 2011	June 30, 2011
U.S. dollar	**1.0191**	1.0170	0.9643
U.K. pound sterling	**1.5984**	1.5799	1.5493

Three months ended June 30 Average exchange rates	**2012**	2011
U.S. dollar	**1.0105**	0.9679
U.K. pound sterling	**1.5985**	1.5786

Six months ended June 30 Average exchange rates	**2012**	2011
U.S. dollar	**1.0057**	0.9767
U.K. pound sterling	**1.5857**	1.5794

Foreign exchange translation had a positive impact on consolidated revenues in the second quarter of 2012 of $51.1 million primarily due to a 4.4% weaker Canadian dollar relative to the U.S. dollar, compared to the second quarter of 2011. As a result, EBIT was positively impacted by $14.1 million, and earnings were positively impacted by approximately $0.06 per share in the second quarter of 2012 compared to the prior year's second quarter.

For the first half of 2012, foreign exchange had a positive impact on consolidated revenues of $66.1 million compared to the prior year, primarily due to a 3.0% weaker Canadian dollar relative to the U.S. dollar. As a result, EBIT was positively impacted by $20.4 million and earnings were positively impacted by approximately $0.09 per share in the first half of 2012 compared to the first six months of 2011.

The Canadian dollar has historically correlated fairly well to commodity prices. If commodity prices strengthen, the Canadian dollar is likely to strengthen. In this scenario, the Company's resource industry customers may be able to increase production which can result in increased demand for equipment and services. However, the Company is negatively impacted when U.S. dollar based revenues and earnings are translated into lower Canadian dollar reported revenues and earnings due to the stronger Canadian dollar, although lags may occur.

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

The following tables provide details of revenue and EBIT by operation and the foreign exchange impact for the three and six months ended June 30, 2012.

Three months ended June 30 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consolidated**
Revenues – Q2 2011	$ 733.0	$ 532.7	$ 214.9	$ 1,480.6
Foreign exchange impact	29.6	18.5	3.0	51.1
Operating revenue increase	180.2	22.8	29.8	232.8
Revenues – Q2 2012	$ 942.8	$ 574.0	$ 247.7	$ 1,764.5
Total revenue increase	$ 209.8	$ 41.3	$ 32.8	$ 283.9
- percentage increase	28.6%	7.8%	15.3%	19.2%
- percentage increase, excluding foreign exchange	24.6%	4.3%	13.9%	15.7%

Six months ended June 30 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consolidated**
Revenues – Q2 YTD 2011	$ 1,345.1	$ 999.3	$ 410.8	$ 2,755.2
Foreign exchange impact	38.7	25.3	2.1	66.1
Operating revenue increase	336.7	30.4	47.9	415.0
Revenues – Q2 YTD 2012	$ 1,720.5	$ 1,055.0	$ 460.8	$ 3,236.3
Total revenue increase	$ 375.4	$ 55.7	$ 50.0	$ 481.1
- percentage increase	27.9%	5.6%	12.2%	17.5%
- percentage increase, excluding foreign exchange	25.0%	3.0%	11.7%	15.1%

Three months ended June 30 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consolidated**
EBIT – Q2 2011	$ 66.0	$ 48.4	$ 12.9	$ (7.7)	$ 119.6
Foreign exchange impact	6.2	7.8	0.1	—	14.1
Operating EBIT increase (decrease)	(10.3)	—	1.8	(3.0)	(11.5)
EBIT – Q2 2012	$ 61.9	$ 56.2	$ 14.8	$ (10.7)	$ 122.2
Total EBIT increase (decrease)	$ (4.1)	$ 7.8	$ 1.9	$ (3.0)	$ 2.6
- percentage increase (decrease)	(6.2)%	16.3%	14.6%	n/m	2.2%
- percentage increase (decrease), excluding foreign exchange	(15.6)%	—.%	14.0%	n/m	(9.6)%

Six months ended June 30 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consolidated**
EBIT – Q2 YTD 2011	$ 128.4	$ 87.1	$ 24.0	$ (13.3)	$ 226.2
Foreign exchange impact	8.1	12.7	(0.4)	—	20.4
Operating EBIT increase (decrease)	(34.5)	4.3	4.8	(0.2)	(25.6)
EBIT – Q2 YTD 2012	$ 102.0	$ 104.1	$ 28.4	$ (13.5)	$ 221.0
Total EBIT increase (decrease)	$ (26.4)	$ 17.0	$ 4.4	$ (0.2)	$ (5.2)
- percentage increase (decrease)	(20.6)%	19.5%	18.6%	n/m	(2.3)%
- percentage increase (decrease), excluding foreign exchange	(26.9)%	4.9%	20.0%	n/m	(11.3)%

n/m = not meaningful as percentage change is significantly large or not applicable

Investment in Foreign Operations

Assets and liabilities of the Company's foreign operations which have functional currencies other than the Canadian dollar are translated into Canadian dollars using the exchange rates in effect at the statement of financial position 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 reporting date compared to the previous period reporting date. The unrealized currency translation gain of $14.1 million recorded in the first six months of 2012 resulted primarily from the movement in the Canadian dollar against the U.S. dollar during the period. This was offset by $14.7 million (after-tax) of unrealized foreign exchange losses on net investment hedges.

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 segments are as follows:

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

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

Three months ended June 30, 2012 ($ millions)		**Canada**		**South America**		**UK & Ireland**		**Consolidated**	**Revenue percentage**
New equipment	**$**	**456.1**	**$**	**266.4**	**$**	**152.7**	**$**	**875.2**	**49.6%**
Used equipment		**43.9**		**9.2**		**24.0**		**77.1**	**4.4%**
Equipment rental		**65.8**		**18.4**		**7.1**		**91.3**	**5.2%**
Product support		**375.9**		**279.0**		**63.9**		**718.8**	**40.7%**
Other		**1.1**		**1.0**		**—**		**2.1**	**0.1%**
Total	**$**	**942.8**	**$**	**574.0**	**$**	**247.7**	**$**	**1,764.5**	**100.0%**
Revenue percentage by operations		**53.4%**		**32.5%**		**14.1%**		**100.0%**	

Three months ended June 30, 2011 ($ millions)		Canada		South America		UK & Ireland		Consolidated	Revenue percentage
New equipment	$	277.4	$	284.7	$	127.1	$	689.2	46.6%
Used equipment		37.7		12.0		21.3		71.0	4.8%
Equipment rental		57.9		17.7		6.2		81.8	5.5%
Product support		357.8		217.6		60.3		635.7	42.9%
Other		2.2		0.7		—		2.9	0.2%
Total	$	733.0	$	532.7	$	214.9	$	1,480.6	100.0%
Revenue percentage by operations		49.5%		36.0%		14.5%		100.0%	

Six months ended June 30, 2012 ($ millions)		**Canada**		**South America**		**UK & Ireland**		**Consolidated**	**Revenue percentage**
New equipment	**$**	**771.2**	**$**	**460.4**	**$**	**275.0**	**$**	**1,506.6**	**46.6%**
Used equipment		**89.1**		**24.1**		**37.3**		**150.5**	**4.7%**
Equipment rental		**131.6**		**36.9**		**14.0**		**182.5**	**5.6%**
Product support		**727.5**		**531.8**		**134.5**		**1,393.8**	**43.1%**
Other		**1.1**		**1.8**		**—**		**2.9**	**—**
Total	**$**	**1,720.5**	**$**	**1,055.0**	**$**	**460.8**	**$**	**3,236.3**	**100.0%**
Revenue percentage by operations		**53.2%**		**32.6%**		**14.2%**		**100.0%**	

Six months ended June 30, 2011 ($ millions)		Canada		South America		UK & Ireland		Consolidated	Revenue percentage
New equipment	$	481.2	$	513.8	$	243.0	$	1,238.0	44.9%
Used equipment		69.3		21.3		32.0		122.6	4.4%
Equipment rental		113.2		34.2		12.7		160.1	5.8%
Product support		677.1		428.0		123.1		1,228.2	44.6%
Other		4.3		2.0		—		6.3	0.3%
Total	$	1,345.1	$	999.3	$	410.8	$	2,755.2	100.0%
Revenue percentage by operations		48.8%		36.3%		14.9%		100.0%	

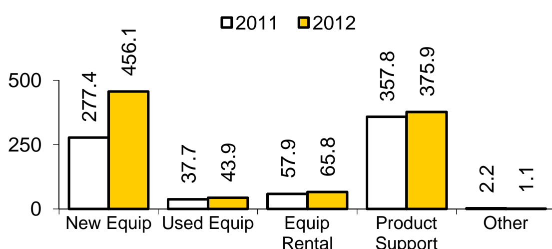
Canadian Operations

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 equipment and engines in British Columbia, Alberta, Yukon, Northwest Territories, and a portion of Nunavut. The Company's markets include 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:

($ millions)	Three months ended June 30		Six months ended June 30	
	2012	2011	**2012**	2011
Revenue from external sources	**$ 942.8**	$ 733.0	**$ 1,720.5**	$ 1,345.1
Operating costs	**(852.6)**	(639.5)	**(1,563.4)**	(1,161.2)
Depreciation and amortization	**(31.6)**	(25.6)	**(60.6)**	(51.4)
	58.6	67.9	**96.5**	132.5
Equity earnings of joint venture	**3.3**	1.9	**5.5**	3.2
Other expenses				
ERP system implementation costs	**—**	(3.8)	**—**	(7.3)
Earnings before finance costs and taxes (EBIT)	**$ 61.9**	$ 66.0	**$ 102.0**	$ 128.4
EBIT				
- as a percentage of revenue	**6.6%**	9.0%	**5.9%**	9.5%
- as a percentage of consolidated EBIT	**50.6%**	55.1%	**46.1%**	56.7%
Earnings before finance costs, taxes, depreciation, and amortization (EBITDA)	**$ 93.5**	$ 91.6	**$ 162.6**	$ 179.8

Canada – Revenue by Line of Business
($ millions)
Three months ended June 30



Second quarter 2012 revenues of $942.8 million increased 28.6% compared with the second quarter of 2011, primarily due to higher new equipment sales and record product support revenues.

New equipment sales were robust across all sectors, 64.4% higher than the second quarter of 2011 and particularly strong in both the mining and heavy construction sectors.

Product support revenues in the second quarter of 2012 were 5.1% higher than the comparative quarter in 2011 and reached a new quarterly record level. Demand for parts was strong, as customers were increasing utilization of their fleets, reflecting increased activity in the mining and heavy construction sectors.

As previously disclosed, the Company launched its new ERP system in Canada during 2011. Initially, implementation issues negatively impacted the Company's ability to efficiently distribute parts and perform service work. Subsequently, the Canadian operations tested and successfully implemented a series of application changes and system performance enhancements to improve the functionality and reliability of the system to process and distribute parts to customers. In the second quarter of 2012, the Company continued to make good progress in executing on its ERP recovery plan. ERP related support and improvement costs were reduced further as user proficiency and operating efficiency continued to improve. The Company is implementing additional system enhancements to advance the ERP system's functionality and reduce costs and working capital.

In Canada, gross profit in absolute dollars was higher than the second quarter of 2011, driven primarily by the significant increase in new equipment sales and quarterly record product support revenues. Gross profit as a percentage of revenue was lower than the second quarter of 2011 primarily due to a shift in revenue mix to a higher proportion of new equipment sales, which typically return lower margins than product support revenues. New equipment sales made up 48.4% of total revenues in the second quarter of 2012, compared with 37.9% of total revenues in the same period last year. Comparatively, product support revenues made up 39.9% of total revenues compared with 48.8% of total revenues in the second quarter of 2011.

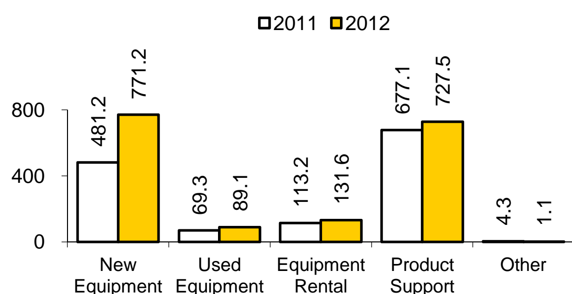
SG&A costs in the second quarter of 2012 were higher compared to the second quarter of 2011, primarily due to volume related costs for higher new equipment sales and demand for product support, as well as ERP support and improvement initiative costs. The Company's Canadian operations continued to incur support costs in the second quarter of 2012 related to the ERP system, such as freight, consulting, and labour expenses, but have managed a steady decline in these costs each consecutive quarter since the system was implemented in 2011.

The equity earnings of the PLM joint venture of $3.3 million in the second quarter of 2012 were 73.7% higher than the comparable period in 2011.

Included in other expenses in the second quarter of the prior year was $3.8 million of costs, representing Finning (Canada)'s share of the costs related to the implementation of the new ERP system for the Company's global dealership operations.

EBIT totalled $61.9 million in the second quarter of 2012 compared with $66.0 million in the same period in 2011, as higher costs associated with increased customer demand and ERP support and improvement initiative costs offset the benefit of higher revenues. EBIT margin was 6.6%, lower than the EBIT margin of 9.0% achieved in the second quarter of 2011. However, the second quarter EBIT margin showed improvement compared to the third and fourth quarters of 2011, and first quarter of 2012 which had EBIT margins of (0.3)%, 4.4%, and 5.2% respectively. The decrease in EBIT margin compared to the second quarter in 2011 reflects the higher SG&A costs, and the lower margins noted above.

Canada – Revenue by Line of Business
Six months ended June 30
($ millions)



Revenues for the six months ended June 30, 2012 increased 27.9% to $1,720.5 million. Quarterly trends noted above also apply to the year-to-date results of the Company's Canadian operations. New equipment revenues in the first six months of 2012 were up 60.2% compared with the same period in 2011, and product support revenues were 7.4% higher than the first half of 2011.

SG&A costs for the first half of 2012 were higher in absolute dollar terms but slightly lower as a percentage of revenue compared to the first half of 2011, due to similar reasons noted for the second quarter. The Canadian operations contributed EBIT of $102.0 million for the six months ended June 30, 2012, 20.6% lower than the prior year, driven primarily by the higher SG&A costs to support the ERP improvement costs and lower overall gross profit margin primarily due to a higher mix of new equipment sales in 2012.

Other Developments

OEM's collective bargaining agreement with the Christian Labour Association of Canada (CLAC) expired at the end of December 2011. Negotiations with the union for a new agreement are underway. OEM is committed to the collective bargaining process and concluding a fair agreement with its employees.

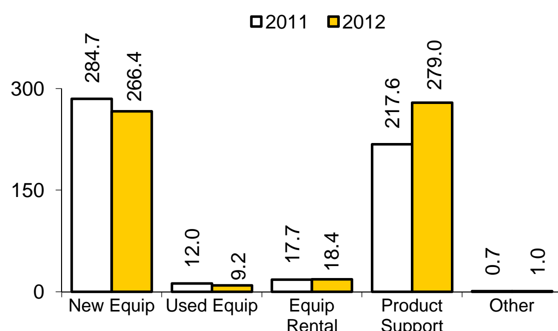
South American Operations

Finning's South American operation sells, services, and rents mainly Caterpillar equipment and engines in Chile, Argentina, Uruguay, and Bolivia. The Company's markets primarily consist of mining, construction, and power systems.

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

	Three months ended June 30		Six months ended June 30	
($ millions)	**2012**	2011	**2012**	2011
Revenue from external sources	**$ 574.0**	$ 532.7	**$ 1,055.0**	$ 999.3
Operating costs	**(501.4)**	(473.2)	**(921.8)**	(889.7)
Depreciation and amortization	**(15.4)**	(9.7)	**(27.1)**	(19.5)
	57.2	49.8	**106.1**	90.1
Other expenses				
ERP system implementation costs	**(1.0)**	(1.4)	**(2.0)**	(3.0)
Earnings before finance costs and taxes (EBIT)	**$ 56.2**	$ 48.4	**$ 104.1**	$ 87.1
EBIT				
- as a percentage of revenue	**9.8%**	9.1%	**9.9%**	8.7%
- as a percentage of consolidated EBIT	**46.0%**	40.4%	**47.1%**	38.5%
Earnings before finance costs, taxes, depreciation, and amortization (EBITDA)	**$ 71.6**	$ 58.1	**$ 131.2**	$ 106.6

South America – Revenue by Line of Business
($ millions)
Three months ended June 30



Finning South America's revenues increased 7.8% over the second quarter of 2011 (up 3.2% in functional currency, the U.S. dollar), and included revenues from the former Bucyrus product line of $32.6 million.

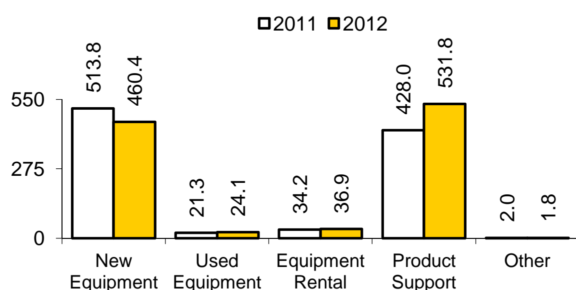
Second quarter 2012 revenues, in functional currency, reflected strong product support revenues, up 22.7% compared to the second quarter of 2011 and reached a new record level, with increased demand from the growing installed base of mining equipment. This continued growth in product support revenues more than offset a decrease in new equipment sales, which were down 10.3% from the second quarter of 2011. The decline in new equipment sales from the prior year's second quarter reflected fewer mining deliveries in Chile compared to a very strong second quarter of 2011, and reduced construction sales in Argentina. New equipment backlog, in functional currency, reached a new record level, driven by strong order intake from the mining and construction industries.

In functional currency, gross profit in the second quarter of 2012 was higher in absolute dollars and as a percentage of revenue compared with the same period last year. This increase in gross profit margin is primarily due to a 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 48.6% of total revenues compared with 40.9% of total revenues in the second quarter of 2011. Comparatively, new equipment sales made up 46.4% of total revenues in the second quarter of 2012, compared with 53.4% of total revenues in the same period last year. As well, the South American operations experienced higher gross margins on most lines of business compared with the second quarter of 2011.

SG&A costs, in functional currency, increased in absolute dollars and as a percentage of revenue compared to the second quarter of 2011. The increase in SG&A costs was primarily driven by higher salaries and labour related costs as well as costs associated with integrating the newly acquired former Bucyrus distribution business. From June 30, 2011 to June 30, 2012, the number of employees in the Company's South American operations increased by 17% to approximately 7,300 (including an additional 730 employees in the new shovel and drill division which includes 660 former Bucyrus employees) to meet current and anticipated customer demand for product support. The Company continues to actively manage its need for highly skilled workers in a very competitive work environment throughout South America.

EBIT from the Company's South American operations of $56.2 million for the second quarter of 2012 was 16.3% higher than the second quarter of 2011. In functional currency, EBIT increased 11.2% over the same period of the prior year, and reached a new quarterly record, largely due to higher product support revenues and gross profit, partly offset by higher SG&A costs noted above. EBIT as a percentage of revenue for Finning South America was 9.8%, up from 9.1% achieved in the second quarter of 2011, reflecting the increase in higher margin product support revenues compared with the second quarter of 2011, as well as higher margins in new equipment sales.

South America – Revenue by Line of Business
Six months ended June 30
($ millions)



For the six months ended June 30, 2012, revenues increased 5.6% to $1,055.0 million. In functional currency, revenues were up 2.4% compared with the first half of 2011, reflecting very strong product support revenues.

SG&A costs were higher in the first half of 2012 compared with the same period of 2011 due to higher staff levels and costs associated with integrating the newly acquired Bucyrus business.

For the first half of 2012, EBIT of $104.1 million was 19.5% higher compared to the same period last year (up 15.7% in functional currency), reflecting the quarterly trends already noted. EBIT as a percentage of revenue for Finning South America was 9.9% for the first half of 2012, higher than the EBIT margin of 8.7% achieved in the same period in 2011, reflecting the significant increase in higher margin product support revenues.

Other Developments

In April 2012, the Company's South American operations and the three unions representing approximately 90 percent of its unionized workforce in Chile reached a new four-year collective agreement. The agreement, which replaces the previous four-year agreement, covers approximately 3,600 hourly Finning workers in Chile and expires on April 1, 2016.

In June 2012, a fourth union in Chile reached a four-year collective agreement under the same terms as the aforementioned three unions. The agreement covers approximately 360 hourly Finning workers in Chile and expires on June 6, 2016.

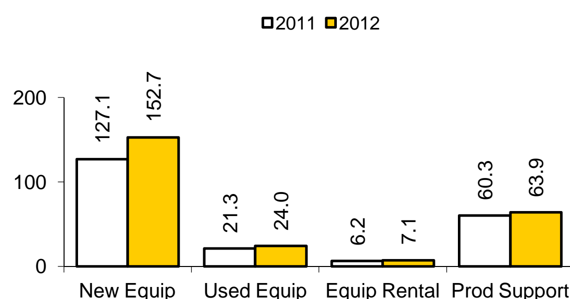
United Kingdom (UK) and Ireland Operations

The Company's UK and Ireland operations sell, service, and rent mainly Caterpillar equipment and engines in England, Scotland, Wales, Northern Ireland, and the Republic of Ireland. The Company's markets include mining, quarrying, construction and power systems.

The table below provides details of the results from the UK and Ireland:

($ millions)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Revenue from external sources	**$ 247.7**	$ 214.9	**$ 460.8**	$ 410.8
Operating costs	**(224.3)**	(196.5)	**(415.4)**	(375.8)
Depreciation and amortization	**(8.2)**	(5.1)	**(15.5)**	(10.3)
	15.2	13.3	**29.9**	24.7
Other expenses				
ERP system implementation costs	**(0.4)**	(0.4)	**(1.0)**	(0.7)
Acquisition costs	**—**	—	**(0.5)**	—
Earnings before finance costs and taxes (EBIT)	**$ 14.8**	$ 12.9	**$ 28.4**	$ 24.0
EBIT				
- as a percentage of revenue	**6.0%**	6.0%	**6.2%**	5.8%
- as a percentage of consolidated EBIT	**12.1%**	10.8%	**12.9%**	10.6%
Earnings before finance costs, taxes, depreciation, and amortization (EBITDA)	**$ 23.0**	$ 18.0	**$ 43.9**	$ 34.3

UK and Ireland – Revenue by Line of Business
Three months ended June 30 ($ millions)



The UK and Ireland revenues for the second quarter of 2012 of $247.7 million were up 15.3% from the same period last year, and were up 13.9% in functional currency (the U.K. pound sterling), representing the highest total quarterly revenues on record. The increase was largely due to higher new equipment sales, primarily in the construction and mining sectors, and included sales of former Bucyrus products of $17.9 million.

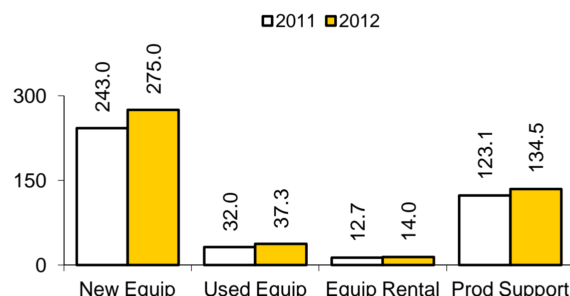
Revenues from all lines of business were higher compared to the second quarter of 2011. In functional currency, revenues from new equipment were 18.7% higher and reached a new record, while product support revenues were up 4.6% compared to second quarter of 2011. Order backlog remained solid in the quarter but was down from levels reached in the first quarter of 2012 partly due to significant deliveries to the construction and mining industries throughout the quarter.

Gross profit, in functional currency, in the second quarter of 2012 was 12.0% higher than the same period last year in absolute terms. Despite a slightly higher proportion of new equipment sales in the second quarter of 2012 compared to the prior year, the UK and Ireland achieved higher margins in their product support business, delivering comparable gross profit margin year over year. New equipment sales made up 61.6% of total revenues in the second quarter of 2012, compared with 59.1% of total revenues in the same period last year. Comparatively, product support revenues made up 25.8% of total revenues compared with 28.1% of total revenues in the second quarter of 2011.

SG&A costs, in functional currency, were higher in the second quarter of 2012 compared with the second quarter of 2011, primarily due to higher labour costs from increased headcount and expenses to support higher volumes. SG&A as a percentage of revenue was slightly lower compared with the second quarter of 2011, reflecting the benefit of management's initiatives to reduce operating cost levels and improve operating efficiencies, as well as operating leverage to higher sales volumes.

In the second quarter of 2012, the UK and Ireland operations generated EBIT of $14.8 million, compared with EBIT of $12.9 million in the second quarter of 2011. The higher EBIT in the second quarter of 2012 was primarily the result of higher new equipment revenues, higher product support gross profit margin and lower relative operating cost levels. The UK and Ireland operation's EBIT margin (EBIT as a percentage of revenue) in the second quarter of 2012 was 6.0%, unchanged from the second quarter of 2011.

UK and Ireland – Revenue by Line of Business
Six months ended June 30 ($ millions)



For the six months ended June 30, 2012, revenues of $460.8 were 12.2% higher than the same period in the prior year. In functional currency, total revenues were 11.7% higher compared to that reported in the first six months of 2011. The increase was largely due to higher new equipment sales, primarily in the construction and mining sectors, combined with higher product support revenues.

Although SG&A costs were higher in absolute dollars for the first half of 2012 compared to the prior year, they were lower as a percentage of revenue, representing improved operating efficiencies and productivity improvements.

For the first half of 2012, EBIT of $28.4 million was 18.6% higher compared to the same period last year (up 18.1% in functional currency). EBIT margin increased from 5.8% to 6.2%, reflecting improved profit margins in new equipment and product support, as well as lower SG&A percentage.

Corporate and Other Operations

	Three months ended June 30		Six months ended June 30	
($ millions)	**2012**	2011	**2012**	2011
Operating costs - corporate	**$ (5.3)**	$ (4.7)	**$ (11.3)**	$ (10.3)
Long-term incentive plan (LTIP)	**(5.2)**	(2.0)	**(1.4)**	(1.6)
Depreciation and amortization	**—**	(0.1)	**—**	(0.2)
	(10.5)	(6.8)	**(12.7)**	(12.1)
Equity gain/(loss) of associate	**0.1**	(0.9)	**(0.2)**	(1.4)
Other expenses (income)				
ERP system implementation recovery	**—**	—	**—**	0.2
Acquisition costs	**(0.3)**	—	**(0.6)**	—
Earnings (loss) before finance costs and taxes	**$ (10.7)**	$ (7.7)	**$ (13.5)**	$ (13.3)

For the three months ended June 30, 2012, corporate operating costs of $5.3 million were comparable to the same period last year. For the six months ended June 30, 2012, operating costs were $11.3 million, compared with $10.3 million for the same period in 2011. The increase is largely due to costs related to the integration of the former Bucyrus distribution business.

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. In the second quarter of 2012, the Company's share price decreased and the related LTIP cost reduction in the operating regions was more than offset by the negative fair value change of the LTIP hedge. The long-term incentive plan (LTIP) expense recorded at the corporate level primarily reflects the fair value change of the compensation hedge.

The equity gain/(loss) of associate for the three and six months ended June 30, 2012 and 2011 relates to the Company's investment in Energyst B.V. The Company's equity investment in Energyst increased to 27.3% from 27.0% in the second quarter of 2012.

Liquidity and Capital Resources

Operating Activities

For the three months ended June 30, 2012, cash flow from operations after working capital items was $105.9 million (year-to-date 2012: cash outflows of $65.9 million), compared with cash outflows of $128.9 million during the same period in 2011 (year-to-date 2011: cash outflows of $244.9 million). The inflow of cash in the second quarter of 2012 reflected the Company's focus on cash management and its efforts to mitigate the impact of the ERP system in the Company's Canadian operations. Throughout all operations, management continues to focus on improving cash cycle times and operating efficiencies while ensuring appropriate levels of working capital to support activity levels.

In the second quarter of 2012, the Company invested $59.4 million in rental assets, net of disposals (year-to-date 2012: $73.2 million) which is lower than the comparable periods in 2011. In the second quarter of 2011, the Company invested $74.5 million in rental assets, net of disposals (year-to-date 2011: $89.8 million).

As a result of these items, cash flow from operating activities was $46.6 million in the second quarter of 2012 (year-to-date 2012: $139.0 million use of cash), compared to $203.4 million use of cash in the comparative period of 2011 (year-to-date 2011: $333.5 million use of cash).

EBITDA was $177.4 million in the second quarter of 2012 (year-to-date 2012: $324.2 million) compared to $160.1 million in the second quarter of 2011 (year-to-date 2011: $307.6 million).

Investing Activities

Net cash used in investing activities for the three months ended June 30, 2012 totalled $378.5 million (year-to-date 2012: $424.1 million) compared with $17.0 million in the second quarter of 2011 (year-to-date 2011: $44.7 million). The primary use of cash in the second quarter of 2012 related to the acquisition of the former Bucyrus distribution business in South America and the U.K., with cash paid of $304.9 million, including acquisition costs, in the quarter.

Gross capital additions for the three months ended June 30, 2012 were $77.6 million (year-to-date 2012: $116.7 million), which is higher compared with the $24.9 million invested in the comparable period in 2011 (year-to-date 2011: $51.3 million). The increase in capital spending in 2012 reflected the union agreement payment made to negotiate the 4 year collective agreement with certain unions in the Company's South American operations as well as growing product support demand, with infrastructure spending in the Company's Canadian and South American operations.

In the first half of 2012, the Company paid $7.8 million (£4.9 million), net of cash acquired and including acquisition costs, to acquire Damar in February 2012.

In the second quarter of 2012, the Company received $6.4 million (second quarter of 2011: $6.3 million) as partial payment of the £20 million 5-year note receivable from the purchaser of Hewden Stuart Limited, the Company's UK equipment rental business sold in 2010.

In the second quarter of 2012, the Company increased its investment in Energyst B.V. by $2.8 million. In 2011, the Company increased its investment in Energyst by $1.4 million.

Financing Activities

As at June 30, 2012, the Company's short and long-term borrowings totalled approximately $1.7 billion, up from $1.1 billion in December 31, 2011. The increase primarily reflected borrowings to fund the acquisition of Bucyrus.

In January 2012, the Company issued unsecured senior notes in the U.S. private placement market of U.S. $200 million. The Company issued the notes in two series of U.S. $100 million each: the 3.98% Senior Notes, Series A, due January 19, 2022 and the 4.08% Senior Notes, Series B, due January 19, 2024. Proceeds from the notes were used to repay commercial paper borrowings and for general corporate purposes.

In April 2012, the Company issued unsecured senior notes in the U.S. private placement market of U.S. $300 million. The Company issued the notes in three series: the U.S. $50 million 4.18% Senior Notes, Series C, due April 3, 2022, the U.S. $50 million 4.28% Senior Notes, Series D, due April 3, 2024 and the U.S. $200 million 4.53% Senior Notes, Series E, due April 3, 2027. Proceeds from the notes were used to fund the acquisition of Bucyrus in the Company's South American operations.

In June 2012, the Company issued 5.077% $150 million Medium Term Notes (MTN), due June 13, 2042. Proceeds from the MTN are expected to be used to fund the anticipated purchase of Bucyrus in the Company's Canadian operations in the fourth quarter of 2012.

Finning has committed bank facilities totalling approximately $1.1 billion with various Canadian, U.S., and South American financial institutions. The largest of these, the $1.0 billion global operating credit facility, matures in September 2015. At June 30, 2012, approximately $775 million was available under these committed facilities.

Dividends paid to shareholders in the second quarter of 2012 were $24.1 million, up 7.9% compared to the second quarter of 2011, reflecting the $0.01 per common share increase to a quarterly dividend of $0.14 per share announced in May 2012. Dividends paid to shareholders for the first half of 2012 increased 8.2% to $46.4 million compared to the first half of 2011.

The Company's Debt Ratio (net debt to total capitalization ratio) at June 30, 2012 was 52.7%, compared with 47.2% at March 31, 2012 and 42.0% at December 31, 2011. The increase in the Debt Ratio is temporarily above the Company's target range of 35-45%, and reflects higher debt levels required to fund the purchase of the former Bucyrus distribution business. 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).

Outlook

The Company continues to see very active markets and solid demand for its products and services. Order intake and quoting activity for new equipment are strong and there are no significant order cancellations. Low-hour used equipment remains in short supply, and demand for rental equipment continues to be solid. The Company continues to experience strong demand for parts and service from mining and construction customers, including rebuild work for large equipment.

Given the ongoing strength in market demand and solid order backlog, the Company now expects 2012 revenues, including the revenues from the acquired former Bucyrus distribution business to grow by approximately 12-15% over 2011.

Reflecting higher than expected sales year to date and continued strong market activity, the Company expects more working capital will be required than it had previously anticipated. As a result, free cash flow for the full year of 2012 is expected to be essentially break-even.

In light of some signs of slowing global economic activity, the Company continues to monitor market conditions closely and is prudently managing uncommitted inventories. All regions are experiencing improved availability of non-mining equipment from Caterpillar, which is expected to have a positive impact on the Company's inventory levels.

In western Canada, business conditions are strong and the Company continues to experience steady demand for new, used and rental equipment. In mining, including the oil sands, new machine sales and quoting activity levels for projects remain solid. The heavy construction, conventional oil, and forestry sectors continue to be robust, supporting healthy order intake. The gas sector is weak, reflecting ongoing low gas prices. Product support is strong across all sectors, and demand for component remanufacturing and large equipment overhauls remains high.

In the second quarter, the Company continued to make good progress in executing on its ERP recovery plan in Canada. ERP related support and improvement costs were reduced further as user proficiency and operating efficiency continued to improve. The Company is implementing additional system enhancements to advance the ERP system's functionality and reduce costs and working capital. The Company remains on track to gradually reduce additional ERP related support and improvement costs throughout the remainder of 2012, and expects that the remaining costs will not be material to the Company's consolidated results in the second half of 2012.

In South America, the Company sees ongoing strength across all sectors with backlog reaching record levels at the end of June. Long-term positive fundamentals for copper are expected to continue driving demand for mining equipment. At the same time, some customers appear to be extending mining greenfield projects due to permitting delays. The growing installed base of equipment in mining, construction and power systems provides good visibility into product support growth in South America.

In Chile, Bolivia and Uruguay, construction and power systems sectors are projected to remain active as a result of significant investment in infrastructure and energy.

In Argentina, the government is monitoring the amount of U.S. dollars that can be purchased, and has imposed import restrictions. These measures limit the amount of equipment and parts the Company can purchase from Caterpillar to sell to customers in Argentina. The Company has taken steps to ensure customer demand for parts can be met to the greatest extent possible. It is unknown how long these measures will remain in effect, and the level of any further government intervention is difficult to predict. The Company will continue to monitor the situation very closely and take further steps to mitigate the impacts, if necessary.

While business levels in the mining and oil and gas sectors remain strong for new equipment and rental, the construction industry has been impacted by a lack of investment in infrastructure. The Company has improved price realization, aligned its costs to reduced activity levels in the construction sector and expects no material impact on the consolidated revenues and earnings in 2012.

In the U.K. and Ireland, the Company sees signs that activity levels are slowing in most sectors as some customers are delaying purchasing decisions. In the meantime, the backlog remains at solid levels, and the Company continues to execute well on its strategy to capture opportunities in equipment solutions and power systems. In power systems specifically, inquiry levels for marine, oil and gas, and electric power generation remain strong.

Since the May 2, 2012 acquisition of the former Bucyrus distribution businesses from Caterpillar in South America and the UK, the Company has been successfully executing its integration plans. As part of the Company's sequenced integration approach, the acquisition of the former Bucyrus distribution business in Finning Canada's territory is on track to close on or around October 1, 2012. The acquisition is strategically important for Finning as it is expected to expand the Company's leadership position in the growing mining sector. Finning now sells and supports a comprehensive product line that meets its customers' needs for surface and underground mining. The acquired distribution and support business expands Finning's mining product offerings, provides additional product support opportunities and adds complementary customer service capabilities.

The Company remains focused on executing on its 2012 priorities, which are: to improve operating profitability, particularly in the Canadian operations, successfully integrate the former Bucyrus business, and strengthen the balance sheet. The Company continues to be on track to achieve its 9 to 10 percent EBIT margin target in 2013.

Description of Non-GAAP and Additional GAAP Measures

EBIT is defined herein as earnings before finance costs and income taxes. EBITDA is defined as earnings before finance costs, taxes, depreciation, and amortization. Free Cash Flow is defined as cash flow provided by (used in) operating activities less net additions to property, plant, and equipment and intangible assets. 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 IFRS (also referred to as generally accepted accounting principles, or 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. 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 and net income is as follows:

	Three months ended June 30		**Six months ended June 30**	
($ millions)	**2012**	2011	**2012**	2011
Earnings before finance costs, taxes, depreciation, and amortization (EBITDA)	**$ 177.4**	$ 160.1	**$ 324.2**	$ 307.6
Depreciation and amortization	**(55.2)**	(40.5)	**(103.2)**	(81.4)
Earnings before finance costs and income taxes (EBIT)	**122.2**	119.6	**221.0**	226.2
Finance costs	**(19.7)**	(14.0)	**(34.1)**	(28.0)
Provision for income taxes	**(21.2)**	(23.7)	**(38.6)**	(44.8)
Net income	**$ 81.3**	$ 81.9	**$ 148.3**	$ 153.4

A reconciliation of Free Cash Flow is as follows:

	Three months ended June 30		**Six months ended June 30**	
($ millions)	**2012**	2011	**2012**	2011
Cash flow provided by (used in) operating activities	**$ 46.6**	$ (203.4)	**$ (139.0)**	$ (333.5)
Additions to property, plant, and equipment and intangible assets	**(77.6)**	(24.9)	**(116.7)**	(51.3)
Proceeds on disposal of property, plant, and equipment	**0.3**	1.5	**2.3**	1.6
Free Cash Flow	**$ (30.7)**	$ (226.8)	**$ (253.4)**	$ (383.2)

Risk Management

Finning and its subsidiaries are exposed to market, financial, and other risks in the normal course of their business activities. The Company's Enterprise Risk Management (ERM) process is designed to ensure that such risks are identified, managed, and reported. 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 Company discloses all of its key risks in its most recent AIF with key financial risks also included in the Company's Annual MD&A. On a quarterly basis, the Company assesses all of its key risks and any changes to key financial or business risks are disclosed in the Company's quarterly MD&A. 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. For further details on the management of liquidity and capital resources, financial derivatives, and financial risks and uncertainties, please refer to the Company's AIF and MD&A for the year ended December 31, 2011.

There have been no significant changes to existing risk factors and no new key risks identified from the key risks disclosed in the Company's current AIF for the year ended December 31, 2011, which can be found at www.sedar.com and www.finning.com.

Sensitivity to variances in foreign exchange rates

The Company is geographically diversified, with significant investments in several different countries. The Company transacts business in multiple currencies, the most significant of which are the 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 are translation exposure and transaction exposure. These are explained further in the Foreign Exchange Risk section in the 2011 annual MD&A.

The sensitivity of the Company's net earnings to fluctuations in average annual foreign exchange rates is summarized in the table below. A 5% strengthening of the Canadian dollar against the following currencies for a full year relative to the June 30, 2012 month end rates would increase / (decrease) annual net income by the amounts shown below. This analysis assumes that all other variables, in particular volumes, relative pricing, interest rates, and hedging activities are unchanged.

Currency	June 30, 2012 month end rates		Net income $ millions
CAD/USD	**1.0191**	**$**	**(32)**
CAD/GBP	**1.5984**	**$**	**(2)**
CAD/CLP	**0.0020**	**$**	**2**

A 5% weakening of the Canadian dollar against the above currencies relative to the June 30, 2012 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.

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. The sensitivity to variances in foreign exchange rates as noted above is an annual view which takes into account annual forecasted volumes and average hedging activities which, in management's opinion, may not be representative of the inherent foreign exchange risk exposure for a quarter.

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 has 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 IFRS. There has been no change in the design of the Company's internal control over financial reporting during the quarter ended June 30, 2012, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting. In 2012, management did employ additional procedures to ensure key financial internal controls remained in place after the conversion to a new ERP system in the third quarter of 2011 in the Company's Canadian operations. Management also performed additional account reconciliations and other analytical and substantive procedures to mitigate any financial risks from the introduction of the new system.

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

Selected Quarterly Information

$ millions	2012		2011				2010	
(except for share and option data)	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue from operations [1]								
Canada	**$ 942.8**	$ 777.7	$ 990.9	$ 607.7	$ 733.0	$ 612.1	$ 652.1	$ 586.6
South America	**574.0**	481.0	592.7	528.1	532.7	466.6	505.6	462.2
UK & Ireland	**247.7**	213.1	227.0	193.3	214.9	195.9	188.8	157.4
Total revenue	**$1,764.5**	$1,471.8	$1,810.6	$1,329.1	$1,480.6	$1,274.6	$1,346.5	$1,206.2
Net income [1] [2]	**$ 81.3**	$ 67.0	$ 70.6	$ 35.4	$ 81.9	$ 71.5	$ 55.5	$ 63.4
Earnings Per Share [1] [2]								
Basic EPS	**$ 0.47**	$ 0.39	$ 0.41	$ 0.21	$ 0.48	$ 0.42	$ 0.32	$ 0.37
Diluted EPS	**$ 0.47**	$ 0.39	$ 0.41	$ 0.21	$ 0.47	$ 0.41	$ 0.32	$ 0.37
Total assets [1]	**$5,110.5**	$4,530.0	$4,085.4	$4,086.8	$3,645.0	$3,511.0	$3,429.7	$3,356.0
Long-term debt								
Current	**$ 112.3**	$ 0.5	$ 0.5	$ 262.3	$ 263.2	$ 209.0	$ 203.1	$ 37.9
Non-current	**1,344.7**	952.4	762.6	778.5	710.9	711.7	711.1	861.4
Total long-term debt [3]	**$1,457.0**	$ 952.9	$ 763.1	$1,040.8	$ 974.1	$ 920.7	$ 914.2	$ 899.3
Cash dividends paid per common share	**$ 0.14**	$ 0.13	$ 0.13	$ 0.13	$ 0.13	$ 0.12	$ 0.12	$ 0.12
Common shares outstanding (000's)	**171,880**	171,849	171,574	171,571	171,570	171,528	171,431	171,177
Options outstanding (000's)	**5,235**	4,595	5,411	5,411	5,462	5,371	5,603	6,095

1) In February 2012, the Company acquired Damar, an engineering company specializing in the water utility sector in the U.K. In May 2012, the Company acquired the former Bucyrus distribution and support business in its dealership territories of South America and in the U.K. The results of operations and financial position of these acquired businesses have been included in the figures above since the date of acquisition.

2) The results for the second half of 2011 and the first half of 2012 were negatively impacted by the system implementation issues experienced in the Company's Canadian operations. The ERP system implementation and the five-week B.C. union strike in the third quarter of 2011 reduced earnings by approximately $0.25 per share; the fourth quarter of 2011 and the first and second quarters of 2012 included costs associated with the ERP system issues of $0.12, $0.09, and $0.07 per share, respectively.

3) In September 2011, the Company entered into a $1.0 billion committed unsecured syndicated operating credit facility. This facility replaced the previous $800 million global credit facility, which was set to expire in December 2011. The new committed facility matures in September 2015.

   In December 2011, the Company repaid its 4.64% $150 million medium term notes on maturity. Repayment of the notes was funded by the issuance of commercial paper under the Company's commercial paper program.

   In January 2012, the Company issued unsecured senior notes in the U.S. private placement market of U.S. $200 million. The Company issued the notes in two series of U.S. $100 million each: the 3.98% Senior Notes, Series A, due January 19, 2022 and the 4.08% Senior Notes, Series B, due January 19, 2024. Proceeds from the notes were used to repay commercial paper borrowings and for general corporate purposes.

   In April 2012, the Company issued unsecured senior notes in the U.S. private placement market of U.S. $300 million. The Company issued the notes in three series: the U.S. $50 million 4.18% Senior Notes, Series C, due April 3, 2022, the U.S. $50 million 4.28% Senior Notes, Series D, due April 3, 2024 and the U.S. $200 million 4.53% Senior Notes, Series E, due April 3, 2027. Proceeds from the notes were used to fund the acquisition of Bucyrus in the Company's South American operations.

   In June 2012, the Company issued 5.077% $150 million Medium Term Notes (MTN), due June 13, 2042. Proceeds from the MTN are expected to be used to fund the anticipated purchase of Bucyrus in the Company's Canadian operations.

New Accounting Pronouncements

Amended Standards Adopted by the Company in the Quarter

The Company adopted the amendments to IFRS 7, *Financial Instruments: Disclosures* for the financial year beginning January 1, 2012. The amendments introduce enhanced disclosure around transfer of financial assets and associated risks. The adoption of this amendment to the standard did not have any impact on the Company's disclosures.

Future Accounting Pronouncements

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

- Amendments to IAS 19, *Employee Benefits* (effective January 1, 2013*)* provide new requirements for the accounting for defined benefit pension plans. Most notably, the amendments mandate the immediate recognition of actuarial gains and losses, and require companies to use the same rate for both the discount rate applied to determine the defined benefit obligation and the expected rate of return on assets when calculating the interest component of pension expense. The Company already recognizes all actuarial gains and losses immediately through other comprehensive income, consequently this element of the amendments will not impact the Company. With respect to the second change, in determination of net income, the effect is that the defined benefit plan expense concepts of "interest cost" and "expected return on plan assets" will be replaced with the concept of "net interest". The amendments do not prescribe where in the results of operations the net interest amount is to be presented, but the Company expects that it will present the net interest amount as a component of financing costs upon the application of the amended standard.

  As the Company's current view, consistent with long-term historical experience, is that the discount rate would be lower than the expected long-term rate of return on plan assets, the expected effect of the amended standard is a decrease in net income and associated per share amounts. The variance, if any, between the actual return on the defined benefit plan assets and the amount determined using the discount rate would be included in other comprehensive income as a re-measurement.

  When the Company adopts the amendments to IAS 19 effective January 1, 2013, the Company is required to restate the prior year, 2012 as the comparative period. As a result, amendments to IAS 19 are anticipated to result in an additional pre-tax expense of approximately $15 million with a corresponding pre-tax increase in the other comprehensive income for the year ending December 31, 2012 (the comparative period when the Company adopts the amendments in 2013). The amended standard is not expected to affect the Company's statement of financial position or the statement of cash flows. The Company will also provide additional disclosures in the notes to the financial statements when the amendments to IAS 19 are adopted in 2013.

  The Company currently plans to initially apply the amended standard for periods beginning on or after January 1, 2013.

The following new or amended accounting standards are not expected to have a significant effect on the Company's accounting policies or financial statements:

- Amendments to IAS 1, *Presentation of Financial Statements* (effective for annual periods beginning on or after July 1, 2012) require that elements of other comprehensive income that may subsequently be reclassified through profit and loss be differentiated from those items that will not be reclassified.
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated.
- IFRS 13 *Fair Value Measurement* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.
- IFRS 9, *Financial Instruments* (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets and financial liabilities.

Outstanding Share Data

As at August 2, 2012	
Common shares outstanding	171,886,438
Options outstanding	5,146,123

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 Finning makes is forward-looking when it uses what the Company knows and expects 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; expected revenue and SG&A levels and EBIT growth; anticipated generation of free cash flow (including projected net capital and rental expenditures), and its expected use; anticipated defined benefit plan contributions; the expected target range of Debt Ratio; the impact of new and revised IFRS that have been issued but are not yet effective; the expected timetable for completion of the proposed transaction between the Company and Caterpillar to acquire the distribution and support business formerly operated by Bucyrus in Finning's Canadian dealership territory; growth prospects for the former Bucyrus business acquired or being acquired by the Company in Finning's dealership territories (Bucyrus) and the competitive advantages of the business being acquired; expected future financial and operating results generated from Bucyrus; anticipated benefits and synergies of Bucyrus; and the expected impact of Bucyrus on Finning's earnings. 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 Finning's expectations at August 8, 2012. Except as may be required by Canadian securities laws, Finning does 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 the expectations expressed in or implied by such forward-looking statements and that Finning's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, Finning 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 these forward-looking statements include: general economic and market conditions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; Finning's dependence on the continued market acceptance of Caterpillar's products and Caterpillar's timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenues occur; Finning's ability to attract sufficient skilled labour resources to meet growing product support demand; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to successfully integrate the distribution and support business formerly operated by Bucyrus after that transaction closes; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the integrity, reliability, and availability of information technology and the data processed by that technology; operational benefits from the new ERP system. 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 Finning's 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 Finning believed were reasonable on the day the Company made the forward-looking statements. Refer in particular to the 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.

Finning cautions readers that the risks described in the AIF are not the only ones that could impact the Company. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may also have a material adverse effect on Finning's business, financial condition, or results of operations.

Except as otherwise indicated, 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. Finning therefore cannot describe the expected impact in a meaningful way or in the same way Finning presents known risks affecting its business.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian $ thousands)	**June 30, 2012**	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	**$ 111,318**	$ 122,745
Accounts receivable	**1,008,217**	862,698
Service work in progress	**157,393**	171,214
Inventories (Note 6)	**1,890,596**	1,442,829
Income tax recoverable	**17,739**	20,880
Derivative assets	**1,908**	2,287
Other assets	**236,768**	154,803
Total current assets	**3,423,939**	2,777,456
Rental equipment	**434,588**	402,114
Property, plant, and equipment	**605,716**	550,524
Intangible assets (Note 7)	**319,341**	52,032
Goodwill (Note 9b)	**104,805**	92,501
Investment in and advances to joint venture and associate	**67,354**	61,600
Finance assets	**41,351**	33,820
Derivative assets	**822**	—
Deferred tax assets	**85,033**	81,029
Other assets	**27,512**	34,284
	$ 5,110,461	$ 4,085,360
LIABILITIES		
Current liabilities		
Short-term debt	**$ 252,549**	$ 334,525
Accounts payable and accruals	**1,212,940**	965,981
Income tax payable	**12,999**	12,511
Provisions	**104,037**	88,146
Deferred revenue	**356,795**	317,299
Derivative liabilities	**16,164**	23,515
Current portion of long-term debt (Note 3)	**112,255**	508
Total current liabilities	**2,067,739**	1,742,485
Long-term debt (Note 3)	**1,344,750**	762,571
Long-term obligations	**220,939**	192,410
Provisions	**3,864**	2,897
Deferred revenue	**21,317**	22,320
Deferred tax liabilities	**18,734**	17,723
Total liabilities	**3,677,343**	2,740,406
SHAREHOLDERS' EQUITY		
Share capital	**570,596**	566,452
Contributed surplus	**34,003**	35,812
Accumulated other comprehensive loss	**(35,771)**	(38,193)
Retained earnings	**864,290**	780,883
Total shareholders' equity	**1,433,118**	1,344,954
	$ 5,110,461	$ 4,085,360

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Canadian $ thousands, except share and per share amounts)	Three months ended June 30		Six months ended June 30	
	2012	2011	**2012**	2011
Revenue				
New equipment	**$ 875,096**	$ 689,205	**$ 1,506,593**	$ 1,237,968
Used equipment	**77,105**	70,911	**150,514**	122,554
Equipment rental	**91,343**	81,810	**182,515**	160,103
Product support	**718,780**	635,731	**1,393,768**	1,228,249
Other	**2,112**	2,877	**2,878**	6,296
Total revenue	**1,764,436**	1,480,534	**3,236,268**	2,755,170
Cost of sales	**(1,255,196)**	(1,040,596)	**(2,282,572)**	(1,917,889)
Gross profit	**509,240**	439,938	**953,696**	837,281
Selling, general, and administrative expenses	**(388,755)**	(315,762)	**(733,936)**	(602,031)
Equity earnings of joint venture and associate	**3,440**	1,053	**5,350**	1,827
Other expenses (Note 2)	**(1,722)**	(5,622)	**(4,112)**	(10,846)
Earnings before finance costs and income taxes	**122,203**	119,607	**220,998**	226,231
Finance costs (Note 3)	**(19,629)**	(13,989)	**(34,073)**	(28,000)
Income before provision for income taxes	**102,574**	105,618	**186,925**	198,231
Provision for income taxes	**(21,268)**	(23,790)	**(38,645)**	(44,864)
Net income	**$ 81,306**	$ 81,828	**$ 148,280**	$ 153,367

Earnings per share (Note 5)				
Basic	**$ 0.47**	$ 0.48	**$ 0.86**	$ 0.89
Diluted	**$ 0.47**	$ 0.47	**$ 0.86**	$ 0.89
Weighted average number of shares outstanding				
Basic	**171,862,741**	171,542,122	**171,772,358**	171,520,139
Diluted	**172,402,369**	172,499,489	**172,440,625**	172,496,548

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Canadian $ thousands)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Net income	**$ 81,306**	$ 81,828	**$ 148,280**	$ 153,367
Other comprehensive income (loss), net of income tax				
Foreign currency translation adjustments	**28,516**	(7,803)	**14,111**	(26,279)
Unrealized gain (loss) on net investment hedges	**(20,596)**	1,726	**(15,996)**	1,560
Tax recovery (expense) on net investment hedges	**2,388**	(365)	**1,345**	(397)
Foreign currency translation and gain (loss) on net investment hedges, net of income tax	**10,308**	(6,442)	**(540)**	(25,116)
Unrealized gain (loss) on cash flow hedges	**(665)**	283	**6,650**	49
Realized loss (gain) on cash flow hedges, reclassified to earnings	**(2,315)**	505	**(2,690)**	(426)
Tax recovery (expense) on cash flow hedges	**829**	417	**(998)**	11
Gain (loss) on cash flow hedges, net of income tax	**(2,151)**	1,205	**2,962**	(366)
Actuarial gain (loss) (Note 10)	**(8,117)**	(11,640)	**(24,034)**	1,045
Tax recovery (expense) on actuarial gain (loss)	**2,013**	2,934	**5,557**	(570)
Actuarial gain (loss), net of income tax	**(6,104)**	(8,706)	**(18,477)**	475
Total comprehensive income	**$ 83,359**	$ 67,885	**$ 132,225**	$ 128,360

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Share Capital			Accumulated Other Comprehensive Income (Loss)			
($ Canadian thousands, except share amounts)	Shares	Amount	Contributed Surplus	Foreign Currency Translation and Gain / (Loss) on Net Investment Hedges	Gain / (Loss) on Cash Flow Hedges	Retained Earnings	Total
Balance, January 1, 2011	171,431,349	$ 564,973	$ 33,128	$ (52,316)	$ (1,069)	$ 658,269	$ 1,202,985
Net income	—	—	—	—	—	153,367	153,367
Other comprehensive income (loss)	—	—	—	(25,116)	(366)	475	(25,007)
Total comprehensive income (loss)	—	—	—	(25,116)	(366)	153,842	128,360
Issued on exercise of share options	138,255	1,386	(686)	—	—	—	700
Stock option expense	—	—	1,733	—	—	—	1,733
Dividends on common shares	—	—	—	—	—	(42,884)	(42,884)
Balance, June 30, 2011	171,569,604	$ 566,359	$ 34,175	$ (77,432)	$ (1,435)	$ 769,227	$ 1,290,894
Balance, January 1, 2012	**171,573,752**	**$ 566,452**	**$ 35,812**	**$ (28,758)**	**$ (9,435)**	**$ 780,883**	**$ 1,344,954**
Net income	**—**	**—**	**—**	**—**	**—**	**148,280**	**148,280**
Other comprehensive income (loss)	**—**	**—**	**—**	**(540)**	**2,962**	**(18,477)**	**(16,055)**
Total comprehensive income (loss)	**—**	**—**	**—**	**(540)**	**2,962**	**129,803**	**132,225**
Issued on exercise of share options	**306,565**	**4,144**	**(3,934)**	**—**	**—**	**—**	**210**
Stock option expense	**—**	**—**	**2,125**	**—**	**—**	**—**	**2,125**
Dividends on common shares	**—**	**—**	**—**	**—**	**—**	**(46,396)**	**(46,396)**
Balance, June 30, 2012	**171,880,317**	**$ 570,596**	**$ 34,003**	**$ (29,298)**	**$ (6,473)**	**$ 864,290**	**$ 1,433,118**

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Canadian $ thousands)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
OPERATING ACTIVITIES				
Net income	**$ 81,306**	$ 81,828	**$ 148,280**	$ 153,367
Add items not affecting cash				
Depreciation and amortization	**55,957**	40,988	**104,623**	82,406
Loss (gain) on sale of property, plant, and equipment and rental equipment	**(8,438)**	5,559	**(20,364)**	(5,692)
Deferred taxes	**1,675**	(9,591)	**1,114**	(7,080)
Share-based payments	**6,643**	4,677	**6,384**	6,361
Other	**(6,976)**	2,330	**(7,777)**	2,085
	130,167	125,791	**232,260**	231,447
Changes in working capital items (Note 8)	**2,489**	(217,131)	**(242,373)**	(422,563)
Interest paid	**(17,939)**	(21,262)	**(26,079)**	(26,699)
Income tax paid	**(8,793)**	(16,302)	**(29,661)**	(27,134)
Cash provided by (used in) operations after changes in working capital items	**105,924**	(128,904)	**(65,853)**	(244,949)
Additions to rental equipment	**(122,942)**	(102,861)	**(191,026)**	(151,792)
Proceeds on disposal of rental equipment	**63,565**	28,332	**117,797**	61,970
Equipment leased to customers, net of disposals	**47**	—	**57**	1,275
Cash flow provided by (used in) operating activities	**46,594**	(203,433)	**(139,025)**	(333,496)
INVESTING ACTIVITIES				
Additions to property, plant and equipment and intangible assets	**(77,544)**	(24,853)	**(116,683)**	(51,332)
Proceeds on disposal of property, plant and equipment	**283**	1,527	**2,291**	1,626
Proceeds from sale of Hewden Stuart	**6,430**	6,332	**6,430**	6,332
Investment in equity investment	**(2,784)**	—	**(2,784)**	(1,375)
Net proceeds paid on acquisitions (Note 9)	**(304,925)**	—	**(313,353)**	—
Cash used in investing activities	**(378,540)**	(16,994)	**(424,099)**	(44,749)
FINANCING ACTIVITIES				
Increase (decrease) in short-term debt	**(150,002)**	121,655	**(85,974)**	118,009
Issuance of Medium Term Notes (Note 3)	**149,239**	—	**149,239**	—
Issuance of U.S. senior notes (Note 3)	**295,825**	—	**496,559**	—
Increase in other long-term debt	**47,858**	51,746	**37,439**	58,391
Issue of common shares on exercise of stock options	**—**	—	**210**	700
Dividends paid	**(24,061)**	(22,302)	**(46,396)**	(42,884)
Cash provided by financing activities	**318,859**	151,099	**551,077**	134,216
Effect of currency translation on cash balances	**1,591**	(1,088)	**620**	(5,760)
Decrease in cash and cash equivalents	**(11,496)**	(70,416)	**(11,427)**	(249,789)
Cash and cash equivalents, beginning of period	**122,814**	167,014	**122,745**	346,387
Cash and cash equivalents, end of period (Note 8)	**$ 111,318**	$ 96,598	**$ 111,318**	$ 96,598

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

1. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements (Interim Statements) of the Company and its subsidiaries were prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and therefore these Interim Statements should be read in conjunction with the December 31, 2011 audited annual consolidated financial statements and the notes below.

These Interim Statements are based on the IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective as of August 8, 2012 and follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the change in accounting policy disclosed below:

(a) Change in Accounting Policy

The Company adopted the amendments to IFRS 7, *Financial Instruments: Disclosures* for the financial year beginning January 1, 2012. The amendments introduce enhanced disclosure around the transfer of financial assets and associated risks. The adoption of this amendment to the standard did not have any impact on the Company's disclosures.

(b) Future Accounting Pronouncements

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective at August 8, 2012:

- Amendments to IAS 19, *Employee Benefits* (effective January 1, 2013*)* provide new requirements for the accounting for defined benefit pension plans. Most notably, the amendments mandate the immediate recognition of actuarial gains and losses, and require companies to use the same rate for both the discount rate applied to determine the defined benefit obligation and the expected rate of return on assets when calculating the interest component of pension expense. The Company already recognizes all actuarial gains and losses immediately through other comprehensive income, consequently this element of the amendments will not impact the Company. With respect to the second change, in determination of net income, the effect is that the defined benefit plan expense concepts of "interest cost" and "expected return on plan assets" will be replaced with the concept of "net interest". The amendments do not prescribe where in the results of operations the net interest amount is to be presented, but the Company expects that it will present the net interest amount as a component of financing costs upon the application of the amended standard.

  As the Company's current view, consistent with long-term historical experience, is that the discount rate would be lower than the expected long-term rate of return on plan assets, the expected effect of the amended standard is a decrease in net income and associated per share amounts. The variance, if any, between the actual return on the defined benefit plan assets and the amount determined using the discount rate would be included in other comprehensive income as a re-measurement.

  When the Company adopts the amendments to IAS 19 effective January 1, 2013, the Company is required to restate the prior year, 2012 as the comparative period. As a result, amendments to IAS 19 are anticipated to result in an additional pre-tax expense of approximately $15 million with a corresponding pre-tax increase in the other comprehensive income for the year ending December 31, 2012 (the comparative period when the Company adopts the amendments in 2013). The amended standard is not expected to affect the Company's statement of financial position or the statement of cash flows. The Company will also provide additional disclosures in the notes to the financial statements when the amendments to IAS 19 are adopted in 2013.

  The Company currently plans to initially apply the amended standard for periods beginning on January 1, 2013.

The following new or amended accounting standards are not expected to have a significant effect on the Company's accounting policies or financial statements:

- Amendments to IAS 1, *Presentation of Financial Statements* (effective for annual periods beginning on or after July 1, 2012) require that elements of other comprehensive income that may subsequently be reclassified through profit and loss be differentiated from those items that will not be reclassified.
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities*, and consequential revisions to IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (all effective January 1, 2013) provide revised guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of 'control' for identifying entities which are to be consolidated.
- IFRS 13 *Fair Value Measurement* (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.
- IFRS 9, *Financial Instruments* (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets and financial liabilities.

2. OTHER EXPENSES

Other expenses include the following items:

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2012**	2011	**2012**	2011
Project costs (a)	**$ 1,391**	$ 5,622	**$ 2,954**	$ 10,846
Acquisition costs (b)	**331**	—	**1,158**	—
	$ 1,722	$ 5,622	**$ 4,112**	$ 10,846

(a) Project costs incurred during the three and six months ended June 30, 2012 and 2011 relate to the implementation of a new Enterprise Resource Planning (ERP) system for the Company's global operations. The new ERP system was implemented in Finning (Canada) on July 4, 2011 and consequently, all system improvement and support expenses in 2012 are captured in the Canadian operation's SG&A. Subsequent implementations are planned for the U.K. and South American operations so costs related to their implementation are classified as other expenses.

(b) Acquisition costs incurred in 2012 relate to the acquisition in May 2012 from Caterpillar of the distribution and support business formerly operated by Bucyrus International Inc. (Bucyrus) in Finning's dealership territories in South America, and the U.K. and the anticipated purchase of Bucyrus in Finning (Canada)'s territory on or around October 1, 2012 (Note 9a). In addition, acquisition costs incurred during 2012 include costs relating to the acquisition of the Damar Group Ltd by Finning UK and Ireland (Note 9b).

3. LONG-TERM DEBT AND FINANCE COSTS

($ thousands)	June 30 2012	December 31 2011
Short-term debt	**$ 252,549**	$ 334,525
Long-term debt:		
Medium Term Notes		
5.16%, $250 million, due September 3, 2013	**249,762**	249,662
6.02%, $350 million, due June 1, 2018	**348,893**	348,800
5.077% $150 million, due June 13, 2042	**149,239**	—
5.625% £70 million Eurobond, due May 30, 2013	**111,724**	110,343
3.98% U.S. $100 million, due January 19, 2022	**101,350**	—
4.08% U.S. $100 million, due January 19, 2024	**101,346**	—
4.18% U.S. $50 million, due April 3, 2022	**50,717**	—
4.28% U.S. $50 million, due April 3, 2024	**50,716**	—
4.53% U.S. $200 million, due April 3, 2027	**202,848**	—
Other term loans	**90,410**	54,274
	1,457,005	763,079
Less current portion of long-term debt	**(112,255)**	(508)
Total long-term debt	**$ 1,344,750**	$ 762,571

In January 2012, the Company issued unsecured senior notes in the U.S. private placement market of U.S. $200 million. The Company issued the notes in two series of U.S. $100 million each: the 3.98% Senior Notes, Series A, due January 19, 2022 and the 4.08% Senior Notes, Series B, due January 19, 2024. Proceeds from the notes were used to repay commercial paper borrowings and for general corporate purposes.

In April 2012, the Company issued unsecured senior notes in the U.S. private placement market of U.S. $300 million. The Company issued the notes in three series: the U.S. $50 million 4.18% Senior Notes, Series C, due April 3, 2022, the U.S. $50 million 4.28% Senior Notes, Series D, due April 3, 2024 and the U.S. $200 million 4.53% Senior Notes, Series E, due April 3, 2027. Proceeds from the notes were used to fund the acquisition of Bucyrus in the Company's South American operations.

In June 2012, the Company issued $150 million Medium Term Notes (MTN) with a coupon rate of 5.077% per annum, payable semi-annually commencing December 13, 2012. The $150 million MTN are due June 13, 2042. Proceeds from the MTN are expected to be used to fund the anticipated purchase of Bucyrus in the Company's Canadian operations on or around October 1, 2012.

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

($ thousands)	Three months ended June 30		Six months ended June 30	
	2012	2011	**2012**	2011
Interest on debt securities:				
Short-term debt	**$ 2,164**	$ 397	**$ 3,152**	$ 517
Long-term debt	**15,947**	11,913	**27,666**	23,631
	18,111	12,310	**30,818**	24,148
Gain on foreign exchange derivatives	**(3,344)**	—	**(3,344)**	—
Loss on interest rate derivatives	**370**	370	**741**	736
Other finance related expenses	**5,217**	1,582	**7,305**	3,711
	20,354	14,262	**35,520**	28,595
Less:				
Borrowing costs capitalized to property, plant, and equipment	**(725)**	(273)	**(1,447)**	(595)
Finance costs	**$ 19,629**	$ 13,989	**$ 34,073**	$ 28,000

4. SHARE BASED PAYMENTS

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

Share Options

Details of the share option plans are as follows:

	Six months ended June 30, 2012		Twelve months ended December 31, 2011	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	**5,410,606**	**$ 24.47**	5,602,612	$ 24.16
Granted	**763,210**	**$ 25.49**	479,540	$ 28.28
Exercised[(1)]	**(852,775)**	**$ 18.64**	(238,825)	$ 13.92
Forfeited	**(85,663)**	**$ 29.88**	(432,721)	$ 30.52
Options outstanding, end of period	**5,235,378**	**$ 25.48**	5,410,606	$ 24.47
Exercisable at period end	**3,986,502**	**$ 25.62**	4,279,839	$ 25.31

(1) Stock options exercised in 2012 comprised both cash and cashless exercises. Under the 2005 Stock Option Plan, exercises generally utilize the cashless method, whereby the actual number of shares issued is represented by the premium between the fair market value at exercise time and the grant value, and the equivalent value of the number of options up to the grant value is withheld. 852,775 options were exercised in 2012 under the 2005 Stock Option Plan resulting in 306,565 common shares issued; 546,210 options were withheld and returned to the option pool for future issues/grants.

In 2012 and 2011, long-term incentives for executives and senior management were a combination of share options, performance share units, and deferred share units. In the second quarter of 2012, the Company granted 763,210 common share options to senior executives and management of the Company (Q2 2011: 479,540 common share options). The Company's practice is to grant and price share options only when it is felt that all material information has been disclosed to the market.

The fair value of the options granted in 2012 has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Dividend yield	2.06%
Expected volatility [(1)]	36.54%
Risk-free interest rate	1.51%
Expected life	5.56 years

(1) Expected volatility is based on historical share price volatility

The weighted average grant date fair value of options granted during the period was $7.34 (2011: $8.44).

Other Share-Based Compensation Plans

The Company has other share-based compensation plans in the form of deferred share units, performance share units, and share appreciation rights that use notional common share units. Details of the plans with significant changes subsequent to December 31, 2011 are as follows:

Directors

Directors' Deferred Share Unit Plan A (DDSU)

Under the Deferred Share Unit Plan (DDSU) for members of the Board of Directors, non-employee Directors of the Company were allocated a total of 23,735 share units in May 2012 (2011: 21,386 share units), which were granted to the Directors and will be expensed over the calendar year as the units are issued.

Executive

Deferred Share Unit Plan B (DSU-B)

Under the Deferred Share Unit Plan B (DSU-B), 21,331 share units were awarded to Executives of the Company in June 2012 (2011: nil share units).These units vest evenly over a five year period from the date they were granted and will be expensed over the vesting period. Only vested units accumulate dividend equivalents in the form of additional units based on the dividends paid on the Company's common shares.

Performance Share Unit Plan (PSU)

Executives of the Company were allocated a total of 278,730 performance share units in 2012, based on 100% vesting (Q2 2011: 210,000 performance share units).

The specified levels and respective vesting percentages for the 2012 grant are as follows:

Performance Level	Average Return on Equity (over three-year period)	Proportion of PSUs Vesting
Below Threshold	< 15%	Nil
Threshold	15%	50%
Target	18%	100%
Maximum	22%	200%

5. Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by dividing net income available to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise share options granted to employees.

($ thousands, except share and per share amounts)	Three months ended June 30			Six months ended June 30		
2012	**Income**	**Shares**	**Per Share**	**Income**	**Shares**	**Per Share**
Basic EPS:						
Net income	**$ 81,306**	**171,862,741**	**$ 0.47**	**$148,280**	**171,772,358**	**$ 0.86**
Effect of dilutive securities: stock options	—	**539,628**	—	—	**668,267**	—
Diluted EPS:						
Net income and assumed conversions	**$ 81,306**	**172,402,369**	**$ 0.47**	**$148,280**	**172,440,625**	**$ 0.86**
2011						
Basic EPS:						
Net income	$ 81,828	171,542,122	$ 0.48	$153,367	171,520,139	$ 0.89
Effect of dilutive securities: stock options	—	957,367	(0.01)	—	976,409	—
Diluted EPS:						
Net income and assumed conversions	$ 81,828	172,499,489	$ 0.47	$153,367	172,496,548	$ 0.89

6. Inventories

($ thousands)	June 30 2012	December 31 2011
On-hand equipment	**$ 973,534**	$ 783,755
Parts and supplies	**734,170**	540,738
Internal service work in progress	**182,892**	118,336
Inventories	**$ 1,890,596**	$ 1,442,829

7. Intangible Assets

Net book value ($ thousands)	June 30 2012	December 31 2011
Contracts and relationships (a)	$ 49,356	$ 2,072
Software	49,550	49,314
Distribution network and other intangible assets (Note 9a)	220,435	646
Intangible assets	$ 319,341	$ 52,032

(a) As at June 30, 2012, contracts and relationships include $47.1 million in contractual rights relating to labour contracts with terms of four years with certain unions in the Company's South American operations.

8. Supplemental Cash Flow Information

Changes in cash working capital items

	Three months ended June 30		Six months ended June 30	
($ thousands)	2012	2011	2012	2011
Accounts receivable	$ (79,240)	$ (98,451)	$ (173,577)	$ (184,312)
Service work in progress	10,885	29,399	14,214	10,365
Inventories – on-hand equipment	29,100	(133,033)	(184,268)	(239,653)
Inventories – parts and supplies	(69,983)	7,636	(181,556)	(26,425)
Accounts payable and accruals	107,786	(49,250)	256,734	(24,346)
Income tax recoverable/payable	15,411	25,846	35,244	46,151
Other	(11,470)	722	(9,164)	(4,343)
Changes in working capital items	$ 2,489	$ (217,131)	$ (242,373)	$ (422,563)

Components of cash and cash equivalents

June 30 ($ thousands)	2012	2011
Cash	$ 88,247	$ 52,465
Short-term investments	23,071	44,133
Cash and cash equivalents	$ 111,318	$ 96,598

9. ACQUISITIONS

(a) Bucyrus

On May 2, 2012, the Company acquired from Caterpillar the distribution and support business formerly operated by Bucyrus International Inc. (Bucyrus) in the Company's dealership territories in South America and in the U.K. The purchase price is $305.1 million (U.S. $305.8 million). As part of the Company's sequenced integration approach, the acquisition for the former distribution business in Finning (Canada)'s territory is expected to close on or around October 1, 2012. With the close of this acquisition, the Company will provide sales, service, and support for former Bucyrus mining products in all of Finning's dealership territories.

The total transaction is valued at U.S. $465 million, representing the fair value of assets acquired and liabilities assumed and is subject to customary closing adjustments. Acquisition costs related to the transaction are estimated to be approximately $6.0 million. In the first half of 2012, $0.6 million was recorded in other expenses on the consolidated statement of income with $5.0 million recognized during 2011. The total purchase price and acquisition costs will be paid in cash; in the fourth quarter of 2011, $0.7 million was paid and in the first half of 2012, $305.6 million was paid. Proceeds from the Company's recent U.S. $300 million debt issuance were used to fund the acquisition of Bucyrus in its South American operations. The acquisition in the U.K. was funded by drawings on the global credit facility and cash on hand. Finning expects to fund the acquisition in its Canadian operations with Canadian dollar denominated debt.

This asset purchase will be accounted for as a business combination using the acquisition method of accounting. The impact of applying the acquisition method is expected to result in a preliminary purchase price allocation for those acquisitions that closed during the quarter as follows:

Preliminary purchase price allocation (U.S. $millions):	Chile	Argentina	UK & Ireland	Total
Working capital	$ 79.2	$ —	$ 2.1	$ 81.3
Property, plant and equipment	8.6	—	—	8.6
Indemnification asset	26.1	—	—	26.1
Long-term obligations	(26.1)	—	—	(26.1)
Distribution network and other intangible assets	211.8	1.4	2.7	215.9
Net assets acquired	**$ 299.6**	**$ 1.4**	**$ 4.8**	**$ 305.8**

The working capital primarily comprises inventory.

The distribution network has been determined to have an indefinite life. The distribution network for Chile and Argentina will be assigned to the South America reporting segment, distribution network for UK & Ireland will be assigned to the UK & Ireland reporting segment.

As part of the acquisition, the Company will assume non-financial liabilities which were not previously recognized by Bucyrus relating to long-term contracts. Caterpillar has agreed to indemnify the Company for any below market returns on these contracts, to an amount equal to the liabilities assumed. The Company's operations in Chile will assume certain post employment benefit liabilities, for which Caterpillar has also agreed to indemnify. Management is currently assessing the valuation of these liabilities and the related indemnification asset from Caterpillar. As a result, the value of each category of net assets acquired is not yet complete at the reporting date and is not included in the preliminary price purchase allocation above.

The amount of revenue and net income of the acquiree since the acquisition date to the end of the reporting period is $50.5 million and $4.6 million, respectively. The impact of revenue and profit or loss on the combined entity for the current reporting period as though the acquisition date had been as of the beginning of the reporting period is not disclosed. It is impracticable to determine these results as the Company only purchased the distribution and support business of Bucyrus in Finning's dealership territories. The books and records of the former Bucyrus business also included manufacturing and its operations were managed differently than the business acquired by the Company.

The preliminary allocation of the purchase price is based on management's best estimate at August 8, 2012.

9. ACQUISITIONS (CONTINUED)

(b) Damar

On February 3, 2012, the Company acquired 100% of the shares of Damar Group Ltd, an engineering company specializing in the water utility sector in the U.K. The acquired business provides opportunities for Finning to increase market share in the U.K. and Ireland water utility industries. It also increases Finning's mechanical, electrical and civil engineering capability to deliver a wide range of projects within its target power systems markets, which is a key strategic objective of the Company's U.K. and Ireland operations.

The fair value of the total consideration at the acquisition date is estimated to be $16.1 million (£10.2 million), which may be subject to customary closing adjustments. Cash consideration of $10.2 million (£6.4 million) was paid in the first quarter of 2012, with $2.9 million (£1.8 million) cash acquired. Acquisition costs of $0.5 million (£0.3 million) were incurred and paid on the transaction and are recorded in other expenses on the interim condensed consolidated statement of income in the first half of 2012. The total purchase price and acquisition costs will be paid in cash; in the first half of 2012, $7.8 million (£4.9 million) was paid. Further contingent consideration (possible range of £nil - £9.5 million) may be paid on an annual basis after acquisition, contingent upon the financial performance of the acquired business over the next three years. The acquisition-date fair value of the contingent consideration is $7.2 million (£4.6 million). The contingent consideration is recognized as a liability on the consolidated statement of financial position and will be subsequently re-measured to fair value with any changes in fair value recognized in the consolidated statement of income.

The purchase has been accounted for as a business combination using the acquisition method of accounting. The impact of applying the acquisition method resulted in a preliminary purchase price allocation as follows:

Preliminary purchase price allocation ($ millions)		
Cash	$	2.9
Accounts and other receivables		4.5
Inventory		6.5
Property, plant, and equipment		1.1
Intangible assets		0.7
Goodwill		11.9
Accounts payable and accruals		(11.5)
Net assets acquired	**$**	**16.1**

The intangible assets acquired represent customer relationships valued at $0.7 million (£0.5 million) and are being amortized on a straight-line basis over their estimated life of 3 years. Goodwill recognized relates to expected synergies from combining the operations of Finning UK and Ireland and Damar, with Damar's ability to gain access to larger projects with water utility companies in the U.K. and Ireland. These intangible assets and goodwill are assigned to the Finning UK and Ireland reporting segment. Goodwill recognized is not deductible for tax purposes.

The amount of revenue and net loss of the acquiree since the acquisition date to the end of the reporting period is $4.8 million (£3.0 million) and $0.3 million (£0.2 million), respectively. The impact of revenue and profit or loss on the combined entity for the current reporting period as though the acquisition date had been as of the beginning of the reporting period is not material.

The preliminary allocation of the purchase price is based on management's best estimate at August 8, 2012.

10. Employee Benefits

The significant actuarial assumptions used in the valuations of the Company's defined benefit pension plans are as follows:

	June 30, 2012		December 31, 2011		June 30, 2011	
	Canada	**UK**	Canada	UK	Canada	UK
Discount rate – obligation	**4.10%**	**4.50%**	4.30%	4.80%	5.00%	5.50%
Discount rate – expense [(1)]	**4.30%**	**4.80%**	5.10%	5.30%	5.10%	5.30%
Expected long-term rate of return on plan assets [(1)]	**6.50%**	**6.25%**	6.75%	6.75%	6.75%	6.75%
Rate of compensation increase	**3.50%**	**n/a** [(2)]	3.50%	4.00%	3.50%	4.00%

(1) Used to determine the expense for the three months ended June 30, 2012 and June 30, 2011, and the year ended December 31, 2011.

(2) In December 2011, the UK defined benefit pension plan was amended to cease future accruals from April 2012. As a result, liabilities are no longer linked to compensation increases. From April 2012, affected members were eligible to commence accruing benefits under a defined contribution arrangement.

Additional detail regarding amounts recognized in the consolidated statement of financial position in respect of the Company's defined benefit plans, primarily for pension benefits, is as follows:

($ thousands)	**Six months ended June 30, 2012**	Year ended December 31, 2011
Included within the statement of financial position:		
Deficit at the start of the period	**$ (125,311)**	$ (105,515)
Deficit at the end of the period	**$ (131,590)**	$ (125,311)

The amounts recognized in the consolidated statement of income and in other comprehensive income during the reporting period for the Company's defined contribution and defined benefit plans for continuing operations are as follows:

	2012			2011		
For three months ended June 30 ($ thousands)	**Canada**	**UK & Ireland**	**Total**	Canada	UK & Ireland	Total
Amounts recognized in the statement of income:						
Defined contribution plans	**$ 7,384**	**$ 1,616**	**$ 9,000**	$ 7,148	$ 530	$ 7,678
Defined benefit plans	**1,185**	**(1,013)**	**172**	1,554	167	1,721
Total expense recognized in the statement of income	**8,569**	**603**	**9,172**	8,702	697	9,399
(Gain) loss recognized in other comprehensive income:						
Actuarial (gain) loss relating to pension liabilities (gross of taxation)	**5,082**	**1,461**	**6,543**	13,657	(2,628)	11,029
Actuarial (gain) loss relating to pension assets (gross of taxation)	**951**	**623**	**1,574**	622	(11)	611
Total actuarial (gain) loss recognized in other comprehensive income	**$ 6,033**	**$ 2,084**	**$ 8,117**	$ 14,279	$ (2,639)	$ 11,640

For six months ended June 30 ($ thousands)	**2012 Canada**	**2012 UK & Ireland**	**2012 Total**	2011 Canada	2011 UK & Ireland	2011 Total
Amounts recognized in the statement of income:						
Defined contribution plans	**$ 15,770**	**$ 2,266**	**$ 18,036**	$ 13,539	$ 1,039	$ 14,578
Defined benefit plans	**2,370**	**(1,051)**	**1,319**	3,107	167	3,274
Total expense recognized in the statement of income	**18,140**	**1,215**	**19,355**	16,646	1,206	17,852
(Gain) loss recognized in other comprehensive income:						
Actuarial (gain) loss relating to pension liabilities (gross of taxation)	**8,423**	**20,250**	**28,673**	5,607	(11,187)	(5,580)
Actuarial (gain) loss relating to pension assets (gross of taxation)	**(1,371)**	**(3,268)**	**(4,639)**	2,542	1,993	4,535
Total actuarial (gain) loss recognized in other comprehensive income	**$ 7,052**	**$ 16,982**	**$ 24,034**	$ 8,149	$ (9,194)	$ (1,045)

11. Segmented Information

The Company and its subsidiaries have operated primarily in one principal business during the year, that being the selling, servicing, and renting of heavy equipment, engines, and related products. The reportable operating segments are:

Three months ended June 30, 2012 ($ thousands)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consolidated**
Revenue from external sources	**$ 942,743**	**$ 573,991**	**$ 247,702**	**$ —**	**$ 1,764,436**
Operating costs	**(852,480)**	**(501,393)**	**(224,308)**	**(10,523)**	**(1,588,704)**
Depreciation and amortization	**(31,645)**	**(15,383)**	**(8,199)**	**(20)**	**(55,247)**
	58,618	**57,215**	**15,195**	**(10,543)**	**120,485**
Equity earnings (loss)	**3,262**	**—**	**—**	**178**	**3,440**
Other expenses					
ERP system implementation costs	**—**	**(989)**	**(402)**	**—**	**(1,391)**
Acquisition costs	**—**	**—**	**—**	**(331)**	**(331)**
Earnings (loss) before finance costs and taxes	**$ 61,880**	**$ 56,226**	**$ 14,793**	**$ (10,696)**	**$ 122,203**
Finance costs					**(19,629)**
Provision for income taxes					**(21,268)**
Net income					**$ 81,306**
Identifiable assets	**$ 2,338,476**	**$ 2,117,078**	**$ 596,592**	**$ 58,315**	**$ 5,110,461**
Property, plant, and equipment and intangible assets	**$ 385,124**	**$ 485,389**	**$ 54,359**	**$ 185**	**$ 925,057**
Gross capital expenditures (1)	**$ 26,932**	**$ 59,232**	**$ 668**	**$ —**	**$ 86,832**
Gross rental asset expenditures	**$ 106,793**	**$ 13,925**	**$ 2,225**	**$ —**	**$ 122,943**

Three months ended June 30, 2011 ($ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	$ 732,968	$ 532,676	$ 214,890	$ —	$ 1,480,534
Operating costs	(639,544)	(473,123)	(196,448)	(6,792)	(1,315,907)
Depreciation and amortization	(25,547)	(9,774)	(5,099)	(31)	(40,451)
	67,877	49,779	13,343	(6,823)	124,176
Equity earnings (loss)	1,877	—	—	(824)	1,053
Other income (expenses)					
ERP system implementation costs	(3,804)	(1,444)	(433)	59	(5,622)
Earnings (loss) before finance costs and taxes	$ 65,950	$ 48,335	$ 12,910	$ (7,588)	$ 119,607
Finance costs					(13,989)
Provision for income taxes					$ (23,790)
Net income					$ 81,828
Identifiable assets	$ 1,748,751	$ 1,336,378	$ 478,045	$ 81,868	$ 3,645,042
Property, plant, and equipment and intangible assets	$ 316,026	$ 140,067	$ 42,868	$ 481	$ 499,442
Gross capital expenditures (1)	$ 12,431	$ 6,019	$ 711	$ 21	$ 19,182
Gross rental asset expenditures	$ 79,687	$ 26,629	$ 2,422	$ —	$ 108,738

(1) includes finance leases and borrowing costs capitalized

11. SEGMENTED INFORMATION (CONTINUED)

For six months ended June 30, 2012 ($ thousands)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consolidated**
Revenue from external sources	**$ 1,720,452**	**$ 1,054,994**	**$ 460,822**	**$ —**	**$ 3,236,268**
Operating costs	**(1,563,319)**	**(921,799)**	**(415,442)**	**(12,700)**	**(2,913,260)**
Depreciation and amortization	**(60,636)**	**(27,117)**	**(15,456)**	**(39)**	**(103,248)**
	96,497	**106,078**	**29,924**	**(12,739)**	**219,760**
Equity earnings (loss)	**5,472**	**—**	**—**	**(122)**	**5,350**
Other expenses					
ERP system implementation costs	**—**	**(1,971)**	**(983)**	**—**	**(2,954)**
Acquisition costs	**—**	**—**	**(490)**	**(668)**	**(1,158)**
Earnings (loss) before finance costs and taxes	**$ 101,969**	**$ 104,107**	**$ 28,451**	**$ (13,529)**	**$ 220,998**
Finance costs					**(34,073)**
Provision for income taxes					**(38,645)**
Net income					**$ 148,280**
Identifiable assets	**$ 2,338,476**	**$ 2,117,078**	**$ 596,592**	**$ 58,315**	**$ 5,110,461**
Property, plant, and equipment and intangible assets	**$ 385,124**	**$ 485,389**	**$ 54,359**	**$ 185**	**$ 925,057**
Gross capital expenditures [(1)]	**$ 52,464**	**$ 72,121**	**$ 3,187**	**$ 3**	**$ 127,775**
Gross rental asset expenditures	**$ 156,783**	**$ 27,714**	**$ 6,665**	**$ —**	**$ 191,162**

For six months ended June 30, 2011 ($ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	$ 1,345,083	$ 999,290	$ 410,797	$ —	$ 2,755,170
Operating costs	(1,161,202)	(889,687)	(375,739)	(11,952)	(2,438,580)
Depreciation and amortization	(51,368)	(19,498)	(10,324)	(150)	(81,340)
	132,513	90,105	24,734	(12,102)	235,250
Equity earnings (loss)	3,197	—	—	(1,370)	1,827
Other income (expenses)					
ERP system implementation costs	(7,338)	(3,010)	(743)	245	(10,846)
Earnings (loss) before finance costs and taxes	$ 128,372	$ 87,095	$ 23,991	$ (13,227)	$ 226,231
Finance costs					(28,000)
Provision for income taxes					(44,864)
Net income					$ 153,367
Identifiable assets	$ 1,748,751	$ 1,336,378	$ 478,045	$ 81,868	$ 3,645,042
Property, plant, and equipment and intangible assets	$ 316,026	$ 140,067	$ 42,868	$ 481	$ 499,442
Gross capital expenditures [(1)]	$ 18,188	$ 18,056	$ 2,275	$ 32	$ 38,551
Gross rental asset expenditures	$ 128,974	$ 32,711	$ 3,201	$ —	$ 164,886

(1) includes finance leases and borrowing costs capitalized