financial report

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

RESULTS OF OPERATIONS

The results from continuing operations include those of acquired businesses from the date of their purchase and exclude results from operations that have been disposed or are classified as discontinued. Results of operations from businesses that qualified as discontinued operations in 2007 have been reclassified to that category in 2007 and prior periods presented unless otherwise noted. Please see the section entitled "Discontinued Operations – Tool Hire Division" for a discussion of these operations.

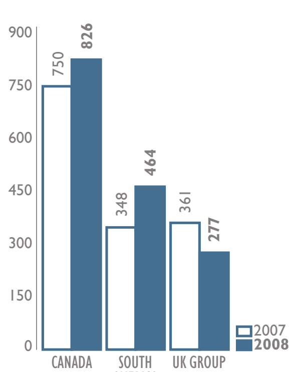
FOURTH QUARTER OVERVIEW

			(% OF REVENUE)	
($ MILLIONS)	**Q4 2008**	Q4 2007	**Q4 2008**	Q4 2007
Revenue	**$ 1,566.7**	$ 1,459.5		
Gross profit	**432.2**	408.9	**27.6%**	28.0%
Selling, general & administrative expenses	**(348.7)**	(297.5)	**(22.3)%**	(20.4)%
Other income (expenses)	**(16.6)**	0.8	**(1.0)%**	0.1%
	66.9	112.2	**4.3%**	7.7%
Goodwill impairment	**(151.4)**	–	**(9.7)%**	–
Earnings from continuing operations before interest and income taxes (EBIT)(1)	**(84.5)**	112.2	**(5.4)%**	7.7%
Finance costs	**(21.7)**	(18.9)	**(1.4)%**	(1.3)%
Provision for income taxes	**(0.6)**	(22.8)	**(0.0)%**	(1.6)%
Net income	**$ (106.8)**	$ 70.5	**(6.8)%**	4.8%

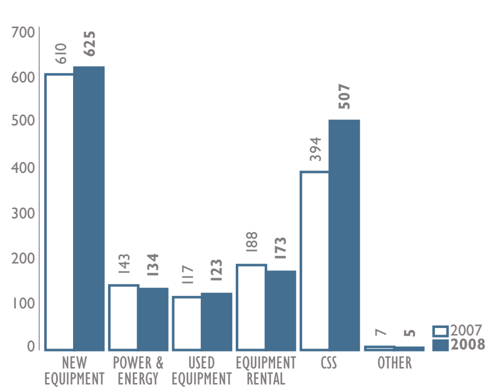
(1) EBIT as defined above and referred to throughout this Management's Discussion and Analysis (MD&A) does not have a standardized meaning under generally accepted accounting principles. For a reconciliation of this amount to net income from continuing operations, see the heading "Description of Non-GAAP Measure" in this MD&A.

Fourth quarter consolidated revenues from continuing operations of almost $1.6 billion increased 7.3% from the fourth quarter of 2007 and were the highest quarterly revenues ever recorded by Finning. Finning achieved record quarterly revenues driven primarily by strong demand for customer support services, particularly in Canada and South America.

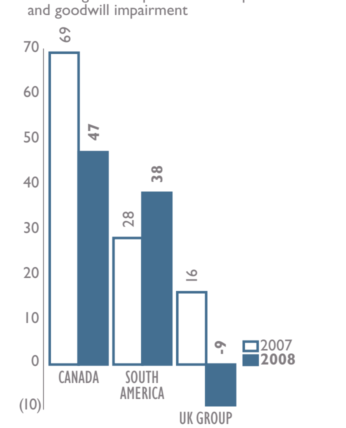
REVENUE BY OPERATION
($ millions) 3 months ended December 31



REVENUE BY LINE OF BUSINESS
($ millions) 3 months ended December 31



EBIT BY OPERATION*
($ millions) 3 months ended December 31
*excluding other operations – corporate head office and goodwill impairment



Revenues from the Company's Canadian operations increased 10.1% in the fourth quarter of 2008 compared with the same period last year, primarily reflecting strong revenues from customer support services. The increase in customer support services revenues was primarily due to servicing the steadily increasing number of Caterpillar units in the Company's Canadian dealership territory and the accompanying demand for Caterpillar parts. The Canadian operations' revenues also reflected solid market demand and growth in the mining sector, particularly in the Alberta oil sands. Revenues from the Company's South American operations increased 33.4% compared with the fourth quarter of 2007 driven primarily by higher customer support services and increased equipment sales in the mining sector. Foreign exchange also had a positive impact on revenues. Excluding the impact of foreign exchange when translating results, revenues for the fourth quarter of 2008 in functional currency (the U.S. dollar) increased by 8.0% in the Company's South American operations over the fourth quarter of 2007. In the U.K., revenues were down 23.5% over 2007 driven primarily by reduced new equipment sales and lower rental activity in the Hewden rental business, partially offset by higher customer support services revenues experienced at the Company's UK dealership. In local currency, revenues were 19.3% lower when compared to last year's fourth quarter.

From a line of business perspective, strong demand continued in the fourth quarter of 2008 for customer support services, dominating the revenue growth with an increase of 28.7% over the same period in 2007. Recent strong demand for equipment in the mining and infrastructure sectors has resulted in an increase in demand for customer support services in order to service the larger population of equipment. Used equipment revenues were slightly higher in the fourth quarter of 2008 and typically vary depending on product availability, customer buying preferences, and exchange rate considerations. Lower rental revenues in the fourth quarter of 2008 reflected the lower rental activity in the Hewden rental business.

Revenue mix in the fourth quarter of 2008 was weighted more towards customer support services as the Company services the large population of equipment sold to customers. Customer support services revenues made up 32.3% of total revenues in the fourth quarter of 2008, compared with 27.0% of total revenues in the same period last year.

Finning's global order book or backlog (the retail value of new equipment units ordered by customers for future deliveries) continues to be strong at $1.5 billion at the end of the fourth quarter of 2008, although is lower than the December 2007 level of $1.7 billion and the September 2008 level of $2.0 billion. Backlog and new orders were down in all operations, reflecting the worldwide economic slowdown. The Company has proactively reconfirmed orders with customers to support the balances in the backlog. Finning has reduced and cancelled certain equipment orders with Caterpillar without any penalty.

The Company is dependent on Caterpillar Inc. (Caterpillar) for the timely supply of parts and equipment to fulfill its deliveries and meet the requirements of the Company's service maintenance contracts. Availability of equipment has improved overall, and Finning continues to work closely with Caterpillar and customers to ensure that demand for parts and equipment can be met. Although Caterpillar has recently announced significant layoffs, this is not expected to impact the timely delivery of equipment on order.

Gross profit of $432.2 million in the fourth quarter of 2008 increased 5.7% over the same period last year. As a percentage of revenue, gross profit for the quarter was 27.6%, down slightly when compared with 28.0% achieved in the fourth quarter of 2007. The lower gross profit as a percentage of revenue (gross profit margin) on a consolidated basis was primarily due to lower rental and used equipment margins. The Canadian operations earned a higher gross profit margin primarily due to price realization from customer support services. The South American operations experienced lower gross profit margins primarily due to lower margins earned on certain new equipment sales. Gross profit margin for the UK Group was lower when compared to the prior year's quarter due to lower margins earned by the rental business in the U.K. This was partially offset by a higher gross profit margin achieved by the UK dealership, due to a higher proportion of revenues from customer support services, which typically have higher margins.

The Company performed its annual goodwill impairment review in the fourth quarter of 2008 and determined that the fair value of Hewden Stuart Plc (Hewden) was less than its book value, which included goodwill recorded on acquisition. This determination resulted from a decline in market multiples and a reduction of fair value as determined using a discounted cash flow methodology due to a change in assumptions in order to reflect current market conditions. This resulted in a full goodwill impairment charge of $151.4 million for Hewden in the fourth quarter of 2008. The goodwill impairment charge is non-cash in nature and does not affect the Company's liquidity, cash flows from operating activities, or debt covenants and is not expected to have any adverse impact on future operations. The Company expects no income tax deduction from this charge. A further discussion regarding the non-cash goodwill impairment charge can be found in the Goodwill Impairment section of this MD&A.

Earnings from continuing operations before interest and income taxes (EBIT) for the fourth quarter of 2008 were a loss of $84.5 million. EBIT in the fourth quarter of 2008 included certain costs which are considered by the Company to be non-recurring. These items, which totalled $166.4 million, included the goodwill impairment charge relating to Hewden, restructuring costs in connection with the business support integration in the U.K., and costs incurred related to the restructuring of Hewden's nationwide depot network, with the closure or merger of 22 depots. In addition, in response to deteriorating global market conditions, Finning undertook certain actions that resulted in restructuring charges in the fourth quarter of 2008. Excluding these restructuring costs and goodwill impairment, EBIT would have been $81.9 million, 27.0% lower than the fourth quarter of 2007.

The lower EBIT in the fourth quarter of 2008 was primarily due to costs incurred in the design and implementation of a new global information technology system to benefit future periods as well as higher variable operating costs to support the increased level of activity anticipated in the near future for deliveries and product support. In addition, long-term incentive plan (LTIP) charges were $11.0 million higher in the fourth quarter of 2008 compared to the same period in 2007. The mark-to-market impact on the valuation of certain stock-based compensation was fully hedged in 2008, whereas the fourth quarter of 2007 included a favourable unhedged mark-to-market impact.

The Company's EBIT margin (EBIT divided by revenues), excluding the restructuring costs and goodwill impairment charge noted above, was 5.2% in the fourth quarter of 2008, down from 7.7 % earned in the fourth quarter of 2007.

Consolidated net loss from continuing operations for the quarter was $106.8 million compared with net income of $70.5 million for the same period in 2007. Adjusting for the restructuring costs and goodwill impairment noted above, net income from continuing operations would have been $55.9 million.

Basic loss per share from continuing operations for the quarter was $0.63. Excluding the restructuring costs and goodwill impairment charge, basic earnings per share (EPS) was $0.33 compared with $0.40 in the same period last year, a decrease of 17.5%. The total positive impact due to the stronger Canadian dollar in the fourth quarter of 2008 compared to the same period last year was approximately $0.09 per share.

CASH FLOW

Cash flow after changes in working capital for the fourth quarter was $169.0 million, down from cash flow of $221.3 million generated in the same period last year. Strong demand, particularly in South America, from mining customers resulted in increased investments in inventory for committed orders that will be delivered in early 2009. Working capital demands have stabilized in the fourth quarter of 2008 and, combined with initiatives to improve cash cycle times, have resulted in the improvement in cash flow after changes in working capital in the fourth quarter of 2008 (generation of $169.0 million) compared to the third quarter of 2008 (generation of $84.1 million).

The Company generated proceeds on the disposal of rental assets in excess of additions in the amount of $8.4 million in the fourth quarter of 2008, compared with a net investment in rental assets of $14.2 million in the same period in 2007. With lower utilization of rental assets in 2008, asset additions were moderated and underutilized assets were sold.

As a result of these items, cash flow from operating activities was $177.2 million in the fourth quarter of 2008 compared to $207.3 million in the fourth quarter of 2007. The cash flow generated in the fourth quarter of 2008 compares favourably to the previous three quarters in 2008.

During the fourth quarter of 2008, under the normal course issuer bid in place, the Company repurchased and cancelled 934,996 common shares at an average price of $18.68 for an aggregate amount of $17.5 million. During the fourth quarter of 2007, the Company repurchased and cancelled 2,465,200 common shares at an average price of $27.31 for an aggregate amount of $67.3 million.

ANNUAL OVERVIEW

($ MILLIONS)	2008	2007	(% OF REVENUE) 2008	2007
Revenue	$ **5,991.4**	$ 5,662.2		
Gross profit	**1,714.7**	1,599.2	**28.6%**	28.2%
Selling, general & administrative expenses	**(1,309.8)**	(1,144.8)	**(21.8)%**	(20.2)%
Other income (expenses)	**(16.8)**	1.4	**(0.3)%**	–
	388.1	455.8	**6.5%**	8.0%
Goodwill impairment	**(151.4)**	–	**(2.5)%**	–
Earnings from continuing operations before interest and income taxes (EBIT)(1)	**236.7**	455.8	**4.0%**	8.0%
Finance costs	**(83.6)**	(72.8)	**(1.4)%**	(1.3)%
Provision for income taxes	**(57.1)**	(102.9)	**(1.0)%**	(1.8)%
Net income from continuing operations	**96.0**	280.1	**1.6%**	4.9%
Loss from discontinued operations, net of tax	**–**	(2.0)	**–**	–
Net income	$ **96.0**	$ 278.1	**1.6%**	4.9%

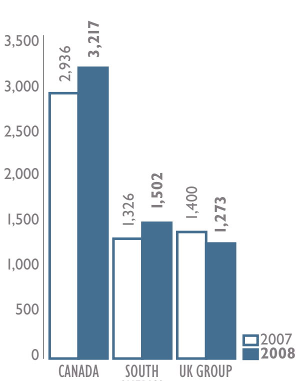
(1) EBIT as defined above and referred to throughout this Management's Discussion and Analysis (MD&A) does not have a standardized meaning under generally accepted accounting principles. For a reconciliation of this amount to net income from continuing operations, see the heading "Description of Non-GAAP Measure" in this MD&A.

For the sixth consecutive year, consolidated revenues reached record levels. Annual revenues from continuing operations of almost $6 billion increased 5.8%, year over year. Finning achieved record annual revenues for 2008 driven primarily by strong new equipment sales in Canada and an increase in customer support services revenues in all dealership operations.

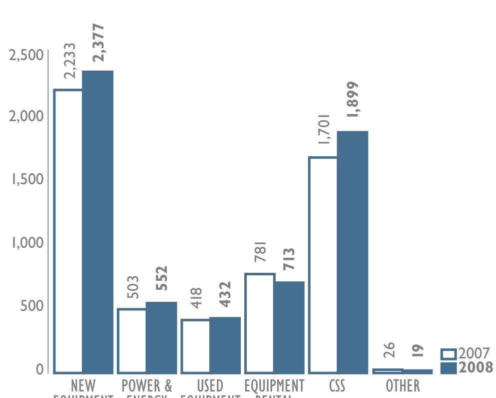
Revenues from the Company's Canadian operations increased 9.6% in 2008 compared with 2007. New equipment sales continued to dominate revenue growth in Canada as a result of extremely strong demand for equipment during the year, primarily in the mining sector and particularly in the Alberta oil sands. Revenues from the Company's South American operations increased 13.3% in 2008 compared with the prior year, with a significant increase in customer support services revenues. The higher revenues from customer support services reflected the higher number of Caterpillar units operating in the field and the increased coverage across the region as a result of the Company's investment in branches. In the U.K. revenues were down 9.1%, reflecting the negative impact from the strength of the Canadian dollar relative to the U.K. pound sterling. In local currency, revenues generated by the UK Group were only marginally lower than the 2007 level, with reduced new equipment sales, reflecting the softening of the market, and lower rental activity in the Hewden rental business, partially offset by improved customer support services revenues.

From a line of business perspective, strong demand continued in 2008 for new equipment and customer support services. These two lines of business comprised 71.4% of consolidated revenues in 2008, compared with 69.5% in 2007. The demand from the mining and infrastructure sectors for new equipment was high in 2008, and customer support services have increased to service the larger population of equipment, particularly in South America. This is expected to continue into 2009 as the population of equipment in the Company's territories increased in 2008. The increase in customer support services revenues occurred in spite of no longer earning any revenues from the fuels and lubricants distribution business with Shell Canada which was terminated in the fourth quarter of 2007. Excluding the revenues from the Shell business in 2007, customer support services revenues were 17.5% higher in 2008 compared with the prior year. Lower rental revenues in 2008 reflected the lower rental activity in the Hewden rental business.

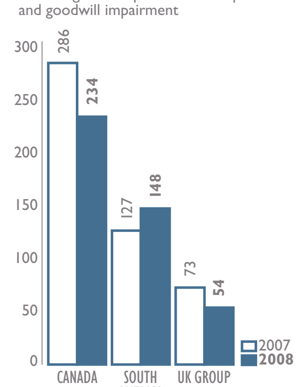
REVENUE BY OPERATION
($ millions) 12 months ended December 31



REVENUE BY LINE OF BUSINESS
($ millions) 12 months ended December 31



EBIT FROM CONTINUING OPERATIONS*
($ millions) 12 months ended December 31
*excluding other operations – corporate head office and goodwill impairment



Gross profit of $1,714.7 million in 2008 increased 7.2% over 2007 and was also slightly higher as a percentage of revenue. The gross profit margin (gross profit divided by revenues) in the Canadian operations for 2008 was higher when compared to the prior year. This resulted primarily from higher margins earned on customer support services, partially offset by the shift in revenue mix to lower margined new equipment sales. South America contributed a higher gross profit margin due to its revenue mix shift towards higher margined customer support services. The UK Group had a lower gross profit margin, reflecting lower rental utilization rates earned from the UK rental business partially offset by higher gross profit margins earned on customer support services from the UK dealership.

EBIT was $236.7 million in 2008. Results in 2008 included certain items that are considered by the Company to be non-recurring. These items, which totalled $169.1 million, included the Hewden goodwill impairment, costs related to the integration and transition of Collicutt, business support and depot restructuring costs in the U.K., restructuring costs incurred globally by Finning in the fourth quarter of 2008 in light of the current market conditions partially offset by the gains on the sale of certain properties in Hewden. Adjusting for these non-recurring items, EBIT for 2008 would have been $405.8 million, 11.0% lower than the prior year.

The lower EBIT in 2008 can be attributed to a stronger Canadian dollar, on average for the year, and higher variable operating costs to support the increased level of activity that was anticipated for deliveries and product support through to the end of the year. Forecasted activity levels are being adjusted to take into account current global market conditions and actions have been taken by the Company globally to respond to the deteriorating economic conditions. The reduction in EBIT was partially offset by LTIP charges that were $8.6 million lower in 2008 compared with the same period in 2007. Mark-to-market volatility was significantly reduced in 2008 through a compensation hedge, the cost of which is reported in the Other operating unit.

Consolidated net income from continuing operations in 2008 was $96.0 million compared with $280.1 million in 2007. Adjusting for the non-recurring items noted above, net income from continuing operations would have been $257.8 million, 8.0% lower than the 2007 level.

Basic EPS from continuing operations for the year ended December 31, 2008 of $0.56 included a number of non-recurring items as described above. Adjusting the 2008 results for these non-recurring items, including the goodwill impairment charge, basic EPS would have been $1.50 for the year ended December 31, 2008 compared with $1.57 in 2007, a decrease of 4.5%. The total negative impact due to the stronger Canadian dollar in 2008 compared to the prior year was approximately $0.10 per share.

CASH FLOW AFTER CHANGES IN WORKING CAPITAL

Cash flow after changes in working capital for the year ended December 31, 2008 was $278.1 million, compared with cash flow of $404.4 million generated in 2007. Throughout all operations, management continues to focus on improving cash cycle times and operating efficiencies while ensuring appropriate levels of working capital exist to support current activity levels.

The Company made a net investment in rental assets of $204.8 million in 2008, which was less than half of what was invested in 2007. As a result of softening demand, rental investment moderated in 2008 compared to the very high demand for rental assets in 2007, particularly at the Company's Canadian and Hewden operations.

As a result of these items, cash flow provided by operating activities was $72.7 million in 2008 compared to cash flow used by operating activities of $56.7 million in 2007.

For the year ended December 31, 2008, under a share repurchase program, the Company repurchased and cancelled 5,901,842 common shares at an average price of $24.99 for an aggregate amount of $147.5 million. For the year ended December 31, 2007, the Company repurchased and cancelled 3,691,400 common shares at an average price of $27.82 for an aggregate amount of $102.7 million.

FOREIGN EXCHANGE

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 a different currency. The most significant currencies in which the Company transacts business are the Canadian dollar, the U.S. dollar, and the U.K. pound sterling. The most significant foreign exchange impact on the Company's net income is the translation of foreign currency based earnings into Canadian dollars.

Compared to the fourth quarter of 2007, foreign exchange had a positive impact of approximately $150 million on consolidated revenues earned by the Company in the fourth quarter of 2008 compared to the prior year due to the 23.5% weaker Canadian dollar relative to the U.S. dollar, partially offset by a 5.3% stronger Canadian dollar relative to the U.K. pound sterling. As a result, net income was positively impacted by approximately $0.09 per share in the fourth quarter of 2008 compared to the same period last year.

Net income was negatively impacted by approximately $0.10 per share in 2008 compared to the year ended December 31, 2007 as the Canadian dollar was marginally stronger (0.8%) in 2008 relative to the U.S. dollar, and 8.7% stronger relative to the U.K. pound sterling.

management's discussion & analysis

The impact of foreign exchange due to the movement of the Canadian dollar relative to the U.S. dollar and the U.K. pound sterling is expected to continue to affect Finning's results in 2009. The sensitivity of the Company's net earnings to fluctuations in the average annual foreign exchange rates is summarized on page 50.

The following tables provide details of revenue and EBIT contribution by operation and the foreign exchange impact for the three and twelve months ended December 31, 2008.

Three months ended December 31 ($ MILLIONS)	Canada	South America	UK Group	Consolidated
Revenues – Q4 2007	$ 750.3	$ 348.0	$ 361.2	$ 1,459.5
Foreign exchange impact	79.7	80.7	(9.0)	151.4
Operating revenue increase (decrease)	(4.0)	35.6	(75.8)	(44.2)
Revenues – Q4 2008	$ 826.0	$ 464.3	$ 276.4	$ 1,566.7
Total revenue increase (decrease)	$ 75.7	$ 116.3	$ (84.8)	$ 107.2
– percentage increase (decrease)	10.1%	33.4%	(23.5)%	7.3%
– percentage increase, excluding foreign exchange	(0.5)%	10.2%	(21.0)%	(3.0)%

Twelve months ended December 31 ($ MILLIONS)	Canada	South America	UK Group	Consolidated
Revenues – 2007 Annual	$ 2,936.2	$ 1,325.6	$ 1,400.4	$ 5,662.2
Foreign exchange impact	(78.7)	6.9	(112.8)	(184.6)
Operating revenue increase (decrease)	359.4	169.1	(14.7)	513.8
Revenues – 2008 Annual	$ 3,216.9	$ 1,501.6	$ 1,272.9	$ 5,991.4
Total revenue increase (decrease)	$ 280.7	$ 176.0	$ (127.5)	$ 329.2
– percentage increase (decrease)	9.6%	13.3%	(9.1)%	5.8%
– percentage increase, excluding foreign exchange	12.2%	12.8%	(1.0)%	9.1%

Three months ended December 31 ($ MILLIONS)	Canada	South America	UK Group	Other	Goodwill Impairment	Consolidated
EBIT – Q4 2007	$ 69.3	$ 28.2	$ 16.1	$ (1.4)	$ –	$ 112.2
Foreign exchange impact	8.9	12.4	(0.2)	–	–	21.1
Operating EBIT increase (decrease)	(31.1)	(2.3)	(25.6)	(7.4)	(151.4)	(217.8)
EBIT – Q4 2008	$ 47.1	$ 38.3	$ (9.7)	$ (8.8)	$ (151.4)	$ (84.5)
Total EBIT increase (decrease)	$ (22.2)	$ 10.1	$ (25.8)	$ (7.4)	$ (151.4)	$ (196.7)
– percentage increase (decrease)	(32.0)%	35.8%	(160.2)%	–	–	(175.3)%
– percentage increase (decrease), excluding foreign exchange	(44.9)%	(8.2)%	(159.0)%	–	–	(194.1)%

Twelve months ended December 31 ($ MILLIONS)	Canada	South America	UK Group	Other	Goodwill Impairment	Consolidated
EBIT – 2007 Annual	$ 286.3	$ 127.4	$ 73.0	$ (30.9)	$ –	$ 455.8
Foreign exchange impact	(18.1)	(2.5)	(5.2)	–	–	(25.8)
Operating EBIT increase (decrease)	(33.7)	23.3	(14.2)	(17.3)	(151.4)	(193.3)
EBIT – 2008 Annual	$ 234.5	$ 148.2	$ 53.6	$ (48.2)	$ (151.4)	$ 236.7
Total EBIT increase (decrease)	$ (51.8)	$ 20.8	$ (19.4)	$ (17.3)	$ (151.4)	$ (219.1)
– percentage increase (decrease)	(18.1)%	16.3%	(26.6)%	–	–	(48.1)%
– percentage increase (decrease), excluding foreign exchange	(11.8)%	18.3%	(19.5)%	–	–	(42.4)%

RESULTS BY BUSINESS SEGMENT

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

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

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

For year ended December 31, 2008 ($ MILLIONS)	Canada	Souths America	UK Group	Consolidated	Revenue percentage
New mobile equipment	**$ 1,464.9**	**$ 575.9**	**$ 336.1**	**$ 2,376.9**	**39.7%**
New power & energy systems	**205.7**	**161.7**	**184.3**	**551.7**	**9.2%**
Used equipment	**252.8**	**37.2**	**141.8**	**431.8**	**7.2%**
Equipment rental	**296.6**	**58.8**	**357.4**	**712.8**	**11.9%**
Customer support services	**981.8**	**664.4**	**253.3**	**1,899.5**	**31.7%**
Other	**15.1**	**3.6**	**–**	**18.7**	**0.3%**
Total	**$ 3,216.9**	**$ 1,501.6**	**$ 1,272.9**	**$ 5,991.4**	**100.0%**
Revenue percentage by operations	**53.7%**	**25.1%**	**21.2%**	**100.0%**	

For year ended December 31, 2007 ($ MILLIONS)	Canada	Souths America	UK Group	Consolidated	Revenue percentage
New mobile equipment	$ 1,253.2	$ 574.4	$ 405.9	$ 2,233.5	39.4%
New power & energy systems	194.9	108.7	199.4	503.0	8.9%
Used equipment	269.3	42.8	105.5	417.6	7.4%
Equipment rental	290.1	46.6	444.5	781.2	13.8%
Customer support services	905.8	550.3	245.1	1,701.2	30.0%
Other	22.9	2.8	–	25.7	0.5%
Total	$ 2,936.2	$ 1,325.6	$ 1,400.4	$ 5,662.2	100.0%
Revenue percentage by operations	51.9%	23.4%	24.7%	100.0%	

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

For year ended December 31, 2008 ($ MILLIONS)	Canada	South America	UK Group	Other	Goodwill Impairment	Consolidated
Revenue from external sources	**$ 3,216.9**	**$ 1,501.6**	**$ 1,272.9**	**$ –**	**$ –**	**$ 5,991.4**
Operating costs	**(2,801.8)**	**(1,313.8)**	**(1,099.8)**	**(46.7)**	**–**	**(5,262.1)**
Depreciation and amortization	**(164.5)**	**(34.2)**	**(125.5)**	**(0.2)**	**–**	**(324.4)**
Other income (expenses)	**(16.1)**	**(5.4)**	**6.0**	**(1.3)**	**–**	**(16.8)**
Goodwill impairment	**–**	**–**	**–**	**–**	**(151.4)**	**(151.4)**
Earnings before interest and taxes	**$ 234.5**	**$ 148.2**	**$ 53.6**	**$ (48.2)**	**$ (151.4)**	**$ 236.7**
Earnings before interest and tax						
– percentage of revenue	**7.3%**	**9.9%**	**4.2%**	**–**	**–**	**4.0%**
– percentage by operations (excluding goodwill)	**60.4%**	**38.2%**	**13.8%**	**(12.4)%**	**–**	**100%**

For year ended December 31, 2007 ($ MILLIONS)	Canada	South America	UK Group	Other	Goodwill Impairment	Consolidated
Revenue from external sources	$ 2,936.2	$ 1,325.6	$ 1,400.4	$ –	$ –	$ 5,662.2
Operating costs	(2,486.0)	(1,171.7)	(1,191.3)	(30.9)	–	(4,879.9)
Depreciation and amortization	(165.5)	(25.9)	(136.5)	–	–	(327.9)
Other income (expenses)	1.6	(0.6)	0.4	–	–	1.4
Earnings before interest and taxes	$ 286.3	$ 127.4	$ 73.0	$ (30.9)	$ –	$ 455.8
Earnings before interest and tax						
– percentage of revenue	9.8%	9.6%	5.2%	–	–	8.0%
– percentage by operations	62.8%	28.0%	16.0%	(6.8)%	–	100%

CANADIAN OPERATIONS

The Canadian operating segment primarily reflects the results of the Company's operating division, Finning (Canada). This reporting segment also includes the Company's interest in OEM Remanufacturing Company Inc. (OEM), which is separately managed from Finning (Canada), and a 25% interest in PipeLine Machinery International (PLM). On January 15, 2008, Finning (Canada) acquired the issued and outstanding common shares of Collicutt, a leading Canadian oilfield service company. The results of Collicutt's operations have been included in the consolidated financial statements since the acquisition date.

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

For years ended December 31 ($ MILLIONS)	2008	2007
Revenue from external sources	$ 3,216.9	$ 2,936.2
Operating costs	(2,801.8)	(2,486.0)
Depreciation and amortization	(164.5)	(165.5)
Other income (expenses)	(16.1)	1.6
Earnings before interest and taxes	$ 234.5	$ 286.3
Earnings before interest and taxes (EBIT)		
– as a percentage of revenue	7.3%	9.8%
– as a percentage of consolidated EBIT (excluding goodwill impairment)	60.4%	62.8%

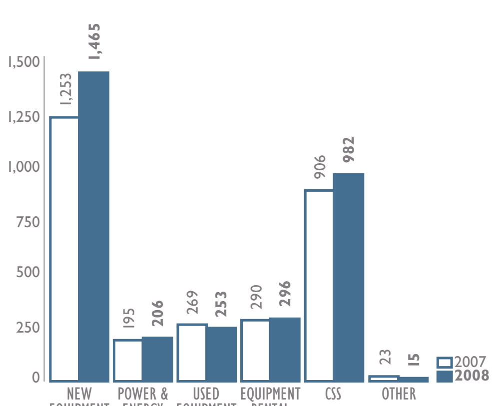
Record revenues were achieved in the Company's Canadian operations in 2008. Revenues increased 9.6% over the 2007 levels to $3,216.9 million. Revenues from most lines of business in Canada increased over 2007 levels, most notably in new equipment sales and customer support services.

The increase in new equipment revenues was primarily attributable to strong market demand and growth in the mining sectors, particularly the Alberta oil sands.

New equipment orders from customers declined during the last quarter of 2008, reflecting the current slowdown in the global economy and as a result, the backlog in Finning (Canada) is lower than the September 2008 level. Finning (Canada) has reduced and cancelled certain orders with Caterpillar as a result of the slowdown. However, the backlog continues to reflect future deliveries to the mining sector, which is the key strategic sector for Finning's Canadian operations. Although global economic conditions are currently weaker in most sectors, activity in mining is expected to partially counter weakness in other market areas.

Higher revenues from customer support services were primarily a result of servicing the steadily increasing population of Caterpillar units in the Company's Canadian dealership territory and the accompanying demand for Caterpillar parts. This increase in revenues occurred in spite of no longer earning any revenues from the fuels and lubricants distribution business with Shell Canada which was terminated in the fourth quarter of 2007. Revenues from the Shell business were approximately $84 million in 2007.

CANADA – REVENUE BY LINE OF BUSINESS
($ millions) 12 months ended December 31



Used equipment revenues are approximately 6% lower than the prior year, reflecting the slowdown in the general economy. Rental revenues increased over 2007 as a result of strong customer demand in this sector, particularly in the last quarter of the year. Finning (Canada) increased the number of the Company's Cat Rental Stores in operation in Western Canada to 37 at December 31, 2008, compared with 34 stores at December 31, 2007.

Revenues from the Company's 25% investment in PipeLine Machinery International (PLM) increased 32% over the prior year to $111.0 million. While the majority of revenues were earned in North America, PLM has experienced growth in international activity.

In Canada, overall gross profit as a percentage of revenue was slightly up compared to the prior year. This reflects higher margins from customer support services, primarily due to price realization, partially offset by lower margins earned on the sale of used equipment.

Selling, general, and administrative (SG&A) costs in 2008 increased both in absolute dollars and as a percentage of revenue compared with 2007. The higher costs in 2008 were primarily incurred to meet the long term strategic growth objectives of the Canadian operations, including an increase in its product support capability and its support of the higher activity levels in the Alberta oil sands.

A large part of the higher SG&A was driven by an increased investment in people in two strategic areas; one area being the development of a heavy equipment centre of excellence in Red Deer, Alberta, and the second was the Alberta oil sands. The integration of Collicutt was also a contributing factor to increased SG&A costs in 2008 as compared to 2007. In addition, standard variable selling costs such as warranty and freight have increased with the growth in new equipment revenues.

In the fourth quarter of 2008, the Canadian operations reacted to the downturn in the economy by downsizing its salaried workforce by approximately 225 people. The restructuring costs of $8.0 million, primarily severance, were included in other expenses. Also included in other expenses was the Canadian operations' share of the costs related to the implementation of a new information technology system for the Company's global operations.

EBIT of $234.5 million in 2008 was 18.1% lower than the $286.3 million earned in 2007. EBIT margin (EBIT divided by revenues) of the Canadian operating segment was 7.3% in 2008, down from 9.8% last year. The decline in EBIT margin is attributed primarily to the increase in SG&A costs as discussed above.

In the first quarter of 2008, the Company completed the acquisition of Collicutt and incurred costs in the first two quarters of 2008 to integrate and transition the Collicutt operations to support Finning customer service work. Excluding the costs incurred with this integration and transition and the restructuring costs noted above, the 2008 EBIT margin for 2008 would have been 8.0% compared with 9.8% achieved in 2007. This decrease reflects the higher costs incurred in 2008 to meet the long term strategic growth objectives, as discussed above.

The aggregate purchase price on the acquisition of Collicutt was $136.4 million. The purchase price was funded through $84.3 million in cash, and 15,403 common shares of the Company with a value of $0.4 million. Acquisition costs of $6.9 million were incurred and paid on the transaction. On the date of the acquisition, the Company repaid $44.8 million of Collicutt's existing bank debt resulting in aggregate consideration of $136.4 million.

This acquisition is expected to provide Finning (Canada) with the opportunity to expand its capacity of regional branches to enable Finning to undertake more higher-margin customer service work, accelerate throughput of new equipment prepared for delivery to customers, and increase the ability to undertake machine overhaul and rebuild work. Finning (Canada) has relocated its Edmonton-based new equipment preparation to its new facilities in Red Deer, Alberta. This heavy equipment centre of excellence is expected to free up existing service facility capacity and give the Company the opportunity to develop a mining/heavy equipment overhaul rebuild capability in Red Deer.

Finning, Finning (Canada), and OEM have been involved in legal proceedings for the past three years with the Alberta division of the International Association of Machinists and Aerospace Workers – Local Lodge 99 relating to Finning (Canada)'s outsourcing of component repair and rebuilding services to OEM in 2005. These legal proceedings are continuing, and a number of applications are currently before the Alberta Labour Relations Board. Finning expects that it will be able to continue to manage the operational impacts of these proceedings.

SOUTH AMERICA

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

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

For years ended December 31 ($ MILLIONS)	2008	2007
Revenue from external sources	$ 1,501.6	$ 1,325.6
Operating costs	(1,313.8)	(1,171.7)
Depreciation and amortization	(34.2)	(25.9)
Other expenses	(5.4)	(0.6)
Earnings before interest and taxes	$ 148.2	$ 127.4
Earnings before interest and taxes (EBIT)		
– as a percentage of revenue	9.9%	9.6%
– as a percentage of consolidated EBIT (excluding goodwill impairment)	38.2%	28.0%

Annual 2008 revenues of $1,501.6 million were at record levels for Finning's South American operations in both Canadian dollars and functional currency (U.S. dollars), surpassing the previous record achieved in 2007. Finning South America's revenues increased 13.3% over last year (12.7% in functional currency), reflecting higher revenues in most lines of business, most notably in customer support services, new equipment sales, and rentals. New equipment order backlog remains strong and is comparable to the levels achieved at the end of 2007.

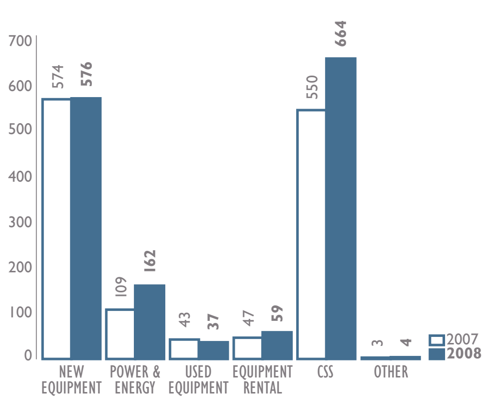
Strong growth in customer support services, up 20.7% from 2007, was primarily driven by the higher number of Caterpillar units operating in the field. The higher revenues also reflect the increasing number of mining maintenance and repair contracts entered into over the past couple of years as well as the increased coverage across the region as a result of Finning's investment in branches. Customer support services revenues dominated revenue growth in 2008 and now make up 44.2% of total revenues (41.5% in 2007). The continued strong new equipment revenues in 2008 were attributable to the demand in the mining sector. Power and energy system revenues were also up compared with the prior year, primarily in Chile with higher demand for energy.

Gross profit increased in 2008 both in absolute terms and as a percentage of revenue. This occurred partially due to the revenue mix shift towards customer support services, which typically have higher margins. The stronger margins achieved by customer support services reflect price realization to offset inflationary cost and foreign exchange pressures.

SG&A costs have increased in absolute dollars, but as a percentage of revenue were comparable to 2007. In order to meet customer service demand and the increasing number of service maintenance contracts, over 300 additional revenue-generating employees and support staff were hired, representing a 6% increase over December 2007 levels. As a result of the increased headcount, SG&A expenses included higher salaries and benefit costs in 2008. The increase in other SG&A costs was mostly driven by increased activity levels with higher associated selling costs, and continued to reflect the upward pressure of inflationary increases. Where possible, price increases have been implemented to offset rising costs, and cost controls have been put in place to mitigate the general inflationary pressures in the region. Foreign exchange did not have a significant impact on EBIT as the Canadian dollar relative to the U.S. dollar for the year ended December 31, 2008 was comparable to 2007.

In light of the current market conditions, Finning South America restructured its operations in the fourth quarter of 2008, and incurred costs of $1.0 million which were included in other expenses. Also included in other expenses was the South American operations' share of the costs related to the implementation of a new information technology system for the Company's global operations.

SOUTH AMERICA – REVENUE BY LINE OF BUSINESS
($ millions) 12 months ended December 31



EBIT of the Company's South American operations of $148.2 million for the year ended December 31, 2008, was 16.3% higher than 2007, reflecting the strong revenue growth. EBIT as a percentage of revenue for Finning South America increased to 9.9%, up from 9.6% in 2007. The improvement was primarily a result of higher price realization as well as a higher proportion of customer support services revenues in 2008, which earns a higher margin.

In the third quarter and early in the fourth quarter of 2008, the Company successfully renewed the collective agreements with the three unions representing the vast majority of Finning (Chile) employees. The new collective agreements have a four year term, which include an enhanced wage settlement. The contract enhancement will assist the Company in retaining and attracting the employees needed to meet future demand.

UNITED KINGDOM ("UK") GROUP

The Company's UK Group includes the following three market units: Construction, Power Systems, and Rental (Hewden). In the fourth quarter of 2008, the UK Group combined Heavy Construction and General Construction into one market unit.

On July 31, 2007, Hewden sold its Tool Hire Division. The results from the Tool Hire Division are recorded as discontinued operations with prior period results restated accordingly.

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

For years ended December 31 ($ MILLIONS)	2008	2007
Revenue from external sources	$ 1,272.9	$ 1,400.4
Operating costs	(1,099.8)	(1,191.3)
Depreciation and amortization	(125.5)	(136.5)
Other income	6.0	0.4
Earnings before interest and taxes	$ 53.6	$ 73.0
Earnings before interest and taxes (EBIT)		
– as a percentage of revenue	4.2%	5.2%
– as a percentage of consolidated EBIT (excluding goodwill impairment)	13.8%	16.0%

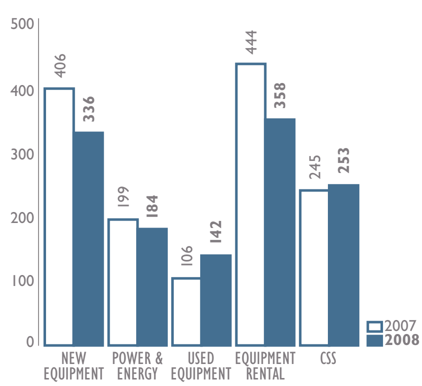
Annual 2008 revenues of $1,272.9 million were down 9.1% from the prior year. Foreign exchange had a negative impact on the translation of revenues due to the 8.7% strengthening of the Canadian dollar relative to the U.K. pound sterling year over year. In local currency, revenues were comparable with 2007.

In local currency, revenues from customer support services and used equipment sales improved compared with 2007. Revenues from other lines of business in 2008 were lower compared to the prior year, reflecting the softening of the market for new equipment sales.

Rental revenues continue to be affected by lower utilization rates at Hewden. A reorganization of this business unit is underway to improve its focus on delivering on its commitments to customers, reducing its overall cost structure, and improving the performance of its assets.

Gross profit for the year ended December 31, 2008 was lower compared with the same period last year in absolute terms and as a percentage of revenue. The rental business experienced lower margins in 2008 compared to the prior year for the reasons noted above, and margins were also lower in new and used equipment.

UK GROUP – REVENUE BY LINE OF BUSINESS FROM CONTINUING OPERATIONS
($ millions) 12 months ended December 31



SG&A costs were lower in 2008 compared with 2007 in absolute terms, and comparable as a percentage of revenue. The reduction is a result of various initiatives and management's focus on realizing cost efficiencies.

Other income / expenses in 2008 include a number of non-recurring items.

- As part of the ongoing reorganization of the UK Group business units first announced in the fourth quarter of 2006, it was announced in early 2008 that Finning would centralize the business support services of its Finning UK Group into a single location at Cannock, England. As a result, Hewden has closed its administration offices in Tannochside, near Glasgow and is strengthening a Hewden operational support team in Manchester. Combined with investments in new information technology last year, the move is designed to achieve lower overall operating costs and better integrated information technology, finance, and other support services across the Finning UK Group. Other expenses for 2008 included restructuring costs of approximately $7.8 million incurred in connection with this integration of support services. A further $2 million is anticipated to be spent during 2009. This integration will promote efficiencies and is expected to substantially reduce administrative support costs over time.
- In the fourth quarter of 2008, Hewden announced a restructuring of its nationwide depot network, with the closure or merger of 22 depots. This restructuring included costs of approximately $2.5 million which were incurred in 2008. A further $6 million is anticipated to be spent during 2009. The organization structure was simplified to provide a greater focus on the customer combined with opportunities for cost savings.
- In light of the current market conditions, the UK Group also further restructured their operations and incurred restructuring costs of $0.5 million. Other income / expenses in 2008 also included a $14.7 million pre-tax gain on the sale of certain properties at Hewden, and Finning (UK)'s share of the costs related to the implementation of a new information technology system for the Company's global operations.

In 2008, the UK Group contributed EBIT of $53.6 million, compared with $73.0 million in 2007. After adjusting for the restructuring costs related to the business support integration, depot closures, and global restructuring noted above, as well as the gain on the properties sale, EBIT would have been $49.7 million, lower by 31.9% compared with last year. Excluding those same costs, EBIT as a percentage of revenue for the UK Group of 3.9% in 2008 was lower than the 5.2% achieved in 2007.

DISCONTINUED OPERATIONS – TOOL HIRE DIVISION

On July 31, 2007, the Company sold its Tool Hire Division. This division is classified as discontinued operations within the consolidated income statements for all periods presented prior to the disposition.

The table below provides details of the discontinued operations of the Tool Hire Division for the year ended December 31, 2007, excluding the gain and loss on sale:

For years ended December 31 ($ THOUSANDS)		2007
Revenue from external sources	$	113.3
Operating costs		(82.2)
Depreciation and amortization		(23.4)
Other expenses		(8.0)
Earnings before interest and taxes	$	(0.3)

Approximately 1,200 employees were transferred with the sale of the Tool Hire Division.

CORPORATE AND OTHER OPERATIONS

For years ended December 31 ($ MILLIONS)		2008		2007
Operating costs – corporate	$	**(25.8)**	$	(27.0)
Operating costs – mark-to-market and equity investment		**(20.9)**		(3.9)
Depreciation and amortization		**(0.2)**		–
Other expenses		**(1.3)**		–
Earnings before interest and taxes	$	**(48.2)**	$	(30.9)

For the year ended December 31, 2008, corporate operating costs decreased to $25.8 million compared with $27.0 million in 2007.

Equity earnings from the Company's investment in Energyst B.V. in 2008 were lower by $1 million compared with 2007. The mark-to-market LTIP expense incurred at the corporate level in 2008 was $16.0 million higher than in 2007. The Company entered into a compensation hedge at the end of 2007 which offsets the mark-to-market impact relating to certain stock-based compensation plans. The 2007 balance reflects the mark-to-market impact following the valuation of certain stock-based compensation plans. The 2008 balance primarily reflects the mark-to-market expense of the compensation hedge which offsets the LTIP mark-to-market gains recorded by the operating companies. On a consolidated basis, the LTIP mark-to-market impact, net of hedging costs, is minimal for 2008.

Costs included in other expenses in 2008 relate to the implementation of a new information technology system for the Company's global operations.

GOODWILL IMPAIRMENT

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

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

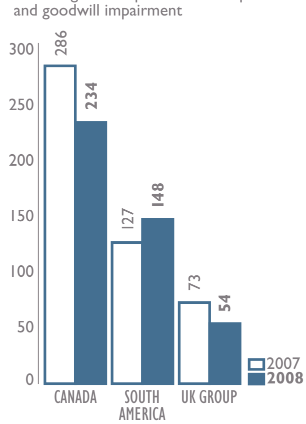
In the fourth quarter of 2008, the Company performed its annual goodwill impairment test and determined that the carrying value of goodwill established on the acquisition of Hewden in 2001 exceeded its respective fair value. As a result, the Company recorded in other expenses a full goodwill impairment charge of $151.4 million. The Company expects no income tax deduction from this non-cash goodwill impairment charge. The determination that the fair value of goodwill was less than its carrying value resulted from a decline in market multiples. It was also due to a reduction of fair value as determined using the discounted cash flow methodology, primarily due to a change in market assumptions principally from the increasing economic uncertainty in the global market. Although the market conditions have changed in the fourth quarter of 2008, management believes the Company's strategy and rationalization efforts for Hewden are sound.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

On a consolidated basis, EBIT was $236.7 million in 2008. Gross profit increased 7.2% to $1,714.7 million in 2008 compared with 2007, and gross profit margin (gross profit as a percentage of revenues) was 28.6%, up from the prior year gross profit margin of 28.2%. However, the increase in gross profit was offset by higher SG&A costs, which were incurred to meet anticipated growth and customer demand primarily in the mining sector, as well as cost increases in both Western Canada and South America.

Results in 2008 included certain items that are considered by the Company to be non-recurring. These included the Hewden goodwill impairment charge, costs related to the integration and transition of Collicutt, business support and depot restructuring costs in the U.K., restructuring costs incurred globally by Finning in the fourth quarter of 2008 in light of the current market conditions, partially offset by the gains on the sale of certain properties in Hewden. Adjusting for these non-recurring items, EBIT for 2008 would have been $405.8 million, 11.0% lower than the prior year. EBIT as a percentage of revenue would have been 6.8%, compared with 8.0% for 2007.

EBIT BY OPERATION*
($ millions) 12 months ended December 31
*excluding other operations – corporate head office and goodwill impairment



Major components of the annual EBIT variance were:

($ MILLIONS)		
2007 EBIT	**$**	**455.8**
Net change in operations		(19.7)
Foreign exchange impact		(25.8)
Hewden goodwill impairment charge		(151.4)
Gain on sale of certain properties in Hewden		14.7
Collicutt integration and start-up costs		(12.6)
Restructuring costs in the U.K.		(10.3)
Global restructuring costs		(9.5)
Lower LTIP costs		8.6
Other net expenses		(13.1)
2008 EBIT	**$**	**236.7**

FINANCE COSTS

Finance costs for the year ended December 31, 2008 of $83.6 million were 14.8% higher than 2007. The higher finance costs in 2008 were primarily due to higher debt in 2008 as a result of the acquisition of Collicutt, the repurchase of the Company's common shares as part of a normal course issuer bid, as well as to support the Company's higher working capital requirements.

PROVISION FOR INCOME TAXES

Finning's 2008 annual income tax expense was $57.1 million (37.3% effective tax rate) compared with $102.9 million (26.9% effective tax rate) for 2007. The higher effective tax rate in 2008 reflects a number of non-recurring items, primarily the goodwill impairment charge recorded in the fourth quarter of 2008, which is not deductible for tax purposes. Adjusting for the non-recurring gains and costs discussed throughout this MD&A, as well as the Hewden goodwill impairment charge, the effective tax rate would have been approximately 20%. This is lower than the 2007 effective tax rate as well as management's guidance of 25-30% for 2008 primarily due to the change in the Company's earnings mix with proportionately more income earned in lower tax jurisdictions. In addition, the Company benefited from tax adjustments resulting from the closure of previously open tax years, lower capital tax rates applied to the sale of properties in the U.K., and a tax benefit recognized on the wind up of Collicutt.

NET INCOME

Finning's net income from continuing operations in 2008 was $96.0 million compared with $280.1 million in 2007. Finning's 2008 earnings included certain items considered by the Company to be non-recurring. These included a non-cash goodwill impairment charge, costs related to the integration of Collicutt, business support and depot restructuring costs in the U.K., as well as global restructuring costs incurred by Finning in the fourth quarter of 2008 in light of the current market conditions. These non-recurring costs were partially offset by gains on the sale of certain properties in Hewden. Adjusting for these non-recurring items, net income from continuing operations would have been $257.8 million, 8.0% lower than the 2007 level. The Company realized improved margins in 2008 but this was more than offset by higher costs to meet customer demand.

Basic EPS from continuing operations for the year ended December 31, 2008 of $0.56 included a number of non-recurring items as described above. Adjusting the 2008 results for these non-recurring items, including the goodwill impairment charge, basic EPS would have been $1.50 for the year ended December 31, 2008 compared with $1.57 in 2007, a decrease of 4.5%. The total negative impact due to the stronger Canadian dollar in 2008 compared to the prior year was approximately $0.10 per share.

LIQUIDITY AND CAPITAL RESOURCES

Management of the Company assesses liquidity in terms of Finning's ability to generate sufficient cash flow to fund its operations. Net cash flow is affected by the following items:

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

CASH FLOW FROM OPERATING ACTIVITIES

For the year ended December 31, 2008, cash flow after working capital changes was $278.1 million, a decrease from cash flow of $404.4 million generated last year. Throughout all operations, management continues to focus on improving cash cycle times and operating efficiencies while ensuring appropriate levels of working capital exist to support current activity levels.

The Company made a net investment in rental assets of $204.8 million during 2008, less than half of the $474.6 million invested in 2007, and slightly below management's annual guidance given in the third quarter of 2008 of $220 million to $250 million. Rental investment moderated in 2008 compared to the very high demand for rental assets in 2007, particularly at the Company's Canadian operations. With utilization of rental assets decreasing in 2008, rental expenditures were reduced wherever possible and underutilized assets were sold.

Overall, cash flow generated by operating activities was $72.7 million in 2008 which improved from the use of cash from operating activities of $56.7 million in 2007.

Free cash flow (before dividends) is defined as cash flow provided by operating activities less net capital expenditures, discussed below. The Company's free cash flow (before dividends) for 2008 was $23.2 million, below the annual guidance provided of $100-$120 million primarily due to the timing of cash receipts and higher inventory levels than expected in South America to support deliveries in early 2009.

CASH USED FOR INVESTING ACTIVITIES

Net cash used in investing activities in 2008 totalled $198.1 million compared with cash provided by investing activities of $181.3 million in 2007. The primary use of cash in 2008 related to the acquisition of Collicutt for $135.8 million, net of cash received. The primary source of cash in 2007 was the net proceeds of $242.9 million received on the sale of the Tool Hire division in the U.K.

Gross capital additions for the year ended December 31, 2008 were $100.4 million compared with $74.2 million for the year ended December 31, 2007. Net capital expenditures in 2008 of $49.5 million were slightly below management's annual guidance given in the third quarter of 2008 of $60 million to $75 million due to further delays in certain capital projects. The capital additions in 2008 and 2007 reflect general capital spending to support operations. Capital additions in 2008 also included capitalized costs related to the Company's new global information system, and capital additions in the prior year also included the capitalization of certain costs related to the development of Hewden's new information system. The Company has committed to pay approximately $16 million over the next three years for consulting and implementation support for the new information technology system solution for its global operations.

Investing activities in 2008 included approximately $8.6 million in proceeds on the sale of vehicles at Hewden. These vehicles were subsequently leased back under an operating lease.

In 2008, the Company increased its investment in Energyst B.V. by $11.5 million, increasing its equity investment to 25.4%. In both 2008 and 2007, the Company acquired one Cat Rental Store for $1.3 million and $2.7 million, respectively. Also in 2007 the Company paid proceeds of approximately $4.1 million on the settlement of foreign currency forwards that hedged foreign subsidiary investments.

The Company believes that internally generated cash flow, supplemented by borrowing from existing financing sources, if necessary, will be sufficient to meet anticipated capital expenditures and other cash requirements in 2009. Management believes that the 2009 results will by highlighted by stronger cash generation as working capital requirements are reduced, expenditures on equipment for the rental fleets are significantly reduced, and capital expenditures are actively managed, depending on business conditions, over the course of the year. At this time, the Company does not reasonably expect any presently known trend or uncertainty to affect our ability to access our historical sources of cash.

FINANCING ACTIVITIES

As at December 31, 2008, the Company's short and long-term borrowings totalled $1.6 billion, an increase of $430.0 million, or 36.5% since December 31, 2007, primarily to support the acquisition of Collicutt and the repurchase of common shares as part of a normal course issuer bid, as well as support the Company's higher working capital requirements.

To complement the internally generated funds from operating and investing activities, the Company has approximately $1.3 billion in unsecured credit facilities. Included in this amount, Finning has committed bank facilities totalling approximately $870 million with various Canadian and U.S. financial institutions. The largest of these facilities ($800 million) is in place until December 2011. As at December 31, 2008 over $300 million was available under these committed facilities and no term debt matures until December 2011. Availability of these facilities, seasonal needs for working capital, and the discretionary nature of some of the outflows like rental additions and share buybacks mean that the Company has sufficient liquidity to meet operational needs in the foreseeable future.

Longer-term capital resources are provided by direct access to capital markets. The Company is rated by both Standard & Poor's (S&P) and Dominion Bond Rating Service (DBRS). In 2008, the Company's long-term debt rating was upgraded to A (low) by DBRS, and was confirmed at BBB+ by S&P. The Company's short-term debt rating was reconfirmed by DBRS at R-1 (low). The Company continues to utilize the Canadian commercial paper market as well as borrowings under its credit facilities as its principal sources of short-term funding in Canada. The Company's commercial paper program is backstopped by the global syndicated credit facility. In February 2008, the maximum authorized limit of the Company's commercial paper program was increased from $500 million to $600 million.

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

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

In 2007, an additional pension payment of $17.1 million was made to fund the UK pension plans as agreed at the time of the sale of the Materials Handling Division. In addition, the Company repurchased previously securitized receivables for cash of $45 million.

As a result of the Board's confidence in the future earnings for the Company and its ongoing commitment to the return of value to its shareholders, the Company increased its quarterly dividend in May 2008 by one cent to eleven cents per common share. As a result, dividends paid to shareholders increased in 2008 by $9.5 million to $74.0 million.

The Company has an active share repurchase program in effect until July 8, 2009. For the year ended December 31, 2008, the Company repurchased and cancelled 5,901,842 common shares at an average price of $24.99 for an aggregate amount of $147.5 million. For the year ended December 31, 2007, the Company repurchased and cancelled 3,691,400 common shares at an average price of $27.82 for an aggregate amount of $102.7 million.

The Company's overall net debt to total capitalization ratio was 48.9% at the end of 2008, compared with 40.8% at the end of 2007. This ratio is higher than the prior year due to the higher debt in 2008, primarily as a result of the acquisition of Collicutt and the repurchase of the Company's common shares as part of a normal course issuer bid. The non-cash goodwill impairment charge did not have a significant impact on the net debt to total capitalization ratio.

CONTRACTUAL OBLIGATIONS

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

($ MILLIONS)	2009	2010	2011	2012	2013	Thereafter	Total
Long-term debt							
– principal repayment	$ 2.6	$ 3.4	$ 557.0	$ –	$ 504.9	$ 350.0	$ 1,417.9
– interest	63.3	63.2	63.1	47.2	47.2	94.8	378.8
Operating leases	71.2	63.2	49.7	31.7	23.5	150.8	390.1
Capital leases	26.3	6.8	1.2	1.1	1.1	14.7	51.2
Total contractual obligations	$ 163.4	$ 136.6	$ 671.0	$ 80.0	$ 576.7	$ 610.3	$ 2,238.0

The above table does not include obligations to fund pension benefits, although the Company is making regular contributions to their registered defined benefit pension plans in Canada and the UK in order to fund the pension plans as required. Contribution requirements are based on periodic (at least triennial) actuarial funding valuations performed by the Company's (or plan Trustees') actuaries. For 2008, approximately $50 million was contributed towards the Company's defined benefit pension plans. Currently, the Company is committed to maintain a similar level of funding during 2009. However, the decreases in security values in global financial markets in the latter part of 2008 will likely increase required pension funding levels in 2010. The amount of increase will be determined over the next 12-18 months as new funding valuations are performed, with the resulting new funding requirements likely to come into effect commencing in 2010. Management anticipates any increase in funding requirements will be manageable.

OFF-BALANCE SHEET ARRANGEMENT

In 2002, the Company entered into an arrangement and sold a $45.0 million co-ownership interest in a pool of eligible non-interest bearing trade receivables to a multi-seller securitization trust (the "Trust"), net of overcollateralization. Under the terms of the agreement, which expired on November 29, 2007, the Company could sell co-ownership interests of up to $120.0 million on a revolving basis. The Company retained a subordinated interest in the cash flows arising from the eligible receivables underlying the Trust's co-ownership interest. The Trust and its investors did not have recourse to the Company's other assets in the event that obligors failed to pay the underlying receivables when due. Pursuant to the agreement, the Company serviced the pool of underlying receivables.

On the expiry date, the Company terminated the co-ownership interests, ceased all securitization of its accounts receivable, and repurchased previously securitized receivables for cash of $45.0 million.

For the 2007 period up to the repurchase of the receivables held by the Trust, the Company recognized a pre-tax loss of $1.8 million relating to these transfers. In 2007, proceeds from revolving reinvestment of collections were $451.9 million.

EMPLOYEE SHARE PURCHASE PLAN

The Company has an employee share purchase plan for its Canadian employees. Under the terms of this plan, eligible employees may purchase common shares of the Company in the open market at the current market price. The Company pays a portion of the purchase price to a maximum of 2% of employee earnings. At December 31, 2008, 62% of Canadian employees were contributing to this plan. The Company has an All Employee Share Purchase Ownership Plan for its employees in Finning (UK) and Hewden. Under the terms of this plan, employees may contribute up to 10% of their salary to a maximum of £125.00 per month. The Company will provide one common share, purchased in the open market, for every three shares the employee purchases. At December 31, 2008, 26% and 13% of eligible employees in Finning (UK) and Hewden, respectively, were contributing to this plan. These plans may be cancelled by Finning at any time.

ACCOUNTING ESTIMATES AND CONTINGENCIES

ACCOUNTING, VALUATION AND REPORTING

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

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

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

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

INCOME TAXES

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

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

DESCRIPTION OF NON-GAAP MEASURE

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

A reconciliation between EBIT and net income from continuing operations is as follows:

For years ended December 31

($ MILLIONS)	2008	2007
Earnings from continuing operations before interest, income taxes, and goodwill impairment charge	$ 388.1	$ 455.8
Goodwill impairment	(151.4)	–
Earnings from continuing operations before interest and income taxes (EBIT)	236.7	455.8
Finance costs	(83.6)	(72.8)
Provision for income taxes	(57.1)	(102.9)
Net income from continuing operations	$ 96.0	$ 280.1

Finning's 2008 earnings included certain items considered by the Company to be non-recurring. These included a non-cash goodwill impairment charge, costs related to the integration of Collicutt, business support and depot restructuring costs in the U.K., as well as global restructuring costs incurred by Finning in the fourth quarter of 2008 in light of the current market conditions. These non-recurring costs were partially offset by gains on the sale of certain properties in Hewden.

A reconciliation between Basic EPS and Adjusted Basic EPS, reflecting the per share impact of the non-recurring items noted above, is as follows:

($ MILLIONS)	Three months ended December 31, 2008	Twelve months ended December 31, 2008
Basic earnings (loss) per share	$ (0.63)	$ 0.56
Per share impact of non-recurring items		
Goodwill impairment charge	0.89	0.88
Other non-recurring items	0.07	0.06
Adjusted basic earnings per share	0.33	1.50

RISK MANAGEMENT

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

The Company is dedicated to a strong risk management culture to protect and enhance shareholder value. The processes within Finning's risk management function are designed to ensure that risks are properly identified, managed, and reported. The Company discloses all of its key risks in its most recent Annual Information Form (AIF) with key financial risks also included herein. On a quarterly basis, the Company assesses all of its key risks and any changes to key financial or business risks are disclosed in the Company's quarterly MD&A. On a quarterly basis, the Audit Committee reviews the Company's process with respect to risk assessment and management of key risks, including the Company's major financial risks and exposures and the steps taken to monitor and control such exposures. Changes to the key risks are also reviewed by the Audit Committee.

FINANCIAL DERIVATIVES

The Company uses various financial instruments such as interest rate swaps, forward foreign exchange contracts, and collars as well as foreign currency debt to manage its foreign exchange exposures, interest rate exposures, and stock-based compensation expenses which fluctuate with share price movements (see Notes 3 and 4 of Notes to the Consolidated Financial Statements). The Company uses derivative financial instruments only in connection with managing related risk positions and does not use them for trading or speculative purposes.

The Company continually evaluates and manages risks associated with financial derivatives, which includes counterparty credit exposure.

FINANCIAL RISKS AND UNCERTAINTIES

LIQUIDITY RISK

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

FINANCING ARRANGEMENTS

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

CREDIT RISK

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

MARKET RISK

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

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

CURRENCY RISK

The Company is geographically diversified, with significant investments in several different countries. The Company transacts business in multiple currencies, the most significant of which are the U.S. dollar (USD), the Canadian dollar (CAD), the U.K. pound sterling (GBP), and the Chilean peso (CLP). As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies. The three main types of foreign exchange risk of the Company can be categorized as follows:

INVESTMENT IN FOREIGN OPERATIONS

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

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

TRANSACTION EXPOSURE

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

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

TRANSLATION EXPOSURE

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

SENSITIVITY TO VARIANCES IN FOREIGN EXCHANGE RATES

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

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

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

INTEREST RATE RISK

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

COMMODITY PRICES

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

STOCK-BASED COMPENSATION RISK

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

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

CONTROLS AND PROCEDURES CERTIFICATION

DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

EVALUATION OF EFFECTIVENESS

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

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

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

SELECTED QUARTERLY INFORMATION

($ MILLIONS, EXCEPT FOR SHARE AND OPTION DATA)

	2008				2007			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenue(1)								
Canada	**$ 826.0**	**$ 748.9**	**$ 849.1**	**$ 792.9**	$ 750.3	$ 639.9	$ 846.4	$ 699.6
South America	**464.3**	**389.7**	**340.7**	**306.9**	348.0	317.4	321.6	338.6
UK Group	**276.4**	**324.6**	**341.5**	**330.4**	361.2	371.8	329.6	337.8
Total revenue	**$ 1,566.7**	**$ 1,463.2**	**$ 1,531.3**	**$ 1,430.2**	$ 1,459.5	$ 1,329.1	$ 1,497.6	$ 1,376.0
Net income (loss)(1)(2)								
from continuing operations	**$ (106.8)**	**$ 64.8**	**$ 67.2**	**$ 70.8**	$ 70.5	$ 63.6	$ 75.3	$ 70.7
from discontinued operations	**–**	**–**	**–**	**–**	–	–	(1.2)	(0.8)
Total net income	**$ (106.8)**	**$ 64.8**	**$ 67.2**	**$ 70.8**	$ 70.5	$ 63.6	$ 74.1	$ 69.9
Basic earnings (loss) per share(1)(2)(3)								
from continuing operations	**$ (0.63)**	**$ 0.38**	**$ 0.39**	**$ 0.41**	$ 0.40	$ 0.35	$ 0.42	$ 0.39
from discontinued operations	**–**	**–**	**–**	**–**	–	–	(0.01)	–
Total basic EPS	**$ (0.63)**	**$ 0.38**	**$ 0.39**	**$ 0.41**	$ 0.40	$ 0.35	$ 0.41	$ 0.39
Diluted earnings (loss) per share(1)(2)(3)								
from continuing operations	**$ (0.62)**	**$ 0.37**	**$ 0.39**	**$ 0.40**	$ 0.39	$ 0.35	$ 0.42	$ 0.39
from discontinued operations	**–**	**–**	**–**	**–**	–	–	(0.01)	–
Total diluted EPS	**$ (0.62)**	**$ 0.37**	**$ 0.39**	**$ 0.40**	$ 0.39	$ 0.35	$ 0.41	$ 0.39
Total assets(1)	**$ 4,720.4**	**$ 4,604.4**	**$ 4,603.8**	**$ 4,527.8**	$ 4,134.2	$ 4,079.7	$ 4,434.4	$ 4,386.2
Long-term debt								
Current	**$ 2.6**	**$ 2.5**	**$ 100.5**	**$ 215.9**	$ 215.7	$ 204.2	$ 204.1	$ 2.2
Non-current	**1,410.7**	**1,313.1**	**1,121.8**	**605.7**	590.4	554.5	600.6	753.8
Total long-term debt(4)	**$ 1,413.3**	**$ 1,315.6**	**$ 1,222.3**	**$ 821.6**	$ 806.1	$ 758.7	$ 804.7	$ 756.0
Cash dividends paid per common share(3)	**$ 0.11**	**$ 0.11**	**$ 0.11**	**$ 0.10**	$ 0.10	$ 0.09	$ 0.09	$ 0.08
Common shares outstanding (000's)(3)	**170,445**	**171,356**	**172,692**	**172,623**	176,132	178,521	179,601	179,272
Options outstanding (000's)(3)	**6,037**	**6,200**	**6,343**	**4,576**	4,656	4,737	4,934	3,606

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

On July 31, 2007, the Company's U.K. subsidiary, Hewden Stuart Plc, sold its Tool Hire Division. Results from the Tool Hire Division qualify as discontinued operations and have been reclassified to that category for all periods presented. Included in the loss from discontinued operations in the third quarter of 2007 is the after-tax gain on the sale of the Tool Hire Division of $0.1 million. Restructuring and other costs associated with the disposition of $2.0 million after tax were recorded in the second and third quarters of 2007. Revenues from the UK Tool Hire Division have been excluded from the revenue figures above. Assets from the Tool Hire Division have been included in the total assets figures for periods prior to their sale.

(2) The Company performed its annual goodwill impairment review in the fourth quarter of 2008 and determined that the fair value of Hewden was less than its book value, which included goodwill on acquisition. As a result, the Company recorded a full goodwill impairment of $151.4 million for Hewden in the fourth quarter of 2008. The goodwill impairment charge is non-cash in nature and does not affect the Company's liquidity, cash flows from operating activities, or debt covenants and is not expected to have any adverse impact on future operations. The Company expects no income tax deduction from this charge.

(3) On May 9, 2007, the Company's shareholders approved a split of the Company's outstanding common shares on a two-for-one basis. Each shareholder of record at the close of business on May 30, 2007, received one additional share for every outstanding share held on the record date. All share and per-share data have been adjusted to reflect the stock split. During 2008, the Company repurchased 5,901,842 common shares at an average price of $24.99 as part of a normal course issuer bid. During 2007, 3,691,400 common shares were repurchased at an average price of $27.82.

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

(4) In the second quarter of 2008, the Company issued two unsecured Medium Term Notes (MTN); a five year $250 million MTN and a 10 year $350 million MTN. Proceeds from these issuances were used for debt repayment, including the repayment of a $200 million MTN which expired in June 2008 as well as outstanding commercial paper borrowings.

NEW ACCOUNTING PRONOUNCEMENTS

CHANGES ADOPTED IN 2008

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): Section 3031, *Inventories*; Section 3862, *Financial Instruments – Disclosures*; and Section 3863, *Financial Instruments – Presentation*. The principal changes related to these standards are described below.

(I) INVENTORIES

The new standard provides more guidance on the measurement and disclosure requirements for inventories. Specifically the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value.

The new standard has been applied prospectively; accordingly comparative periods have not been restated. However, prior period financial statements retroactively reflect the classification of external unbilled service work in progress, which was previously presented in inventory. Adjustments to the previous carrying amount of inventories have been recognized as an adjustment of the balance of retained earnings as at January 1, 2008.

As at January 1, 2008, the impact on the consolidated balance sheet as a result of the adoption of these standards was an increase in inventory of $8.7 million; an increase in future income tax liability of $2.4 million; and an increase in retained earnings of $6.3 million.

The effect on net income for the year ended December 31, 2008 as a result of adopting the new standard is not material.

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

(II) FINANCIAL INSTRUMENT DISCLOSURES

Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*, together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments, as discussed further in Note 4 to the consolidated financial statements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses, and gains, and the circumstances in which financial assets and financial liabilities are offset.

FUTURE ACCOUNTING PRONOUNCEMENTS

(A) GOODWILL AND INTANGIBLE ASSETS

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the new standard does not have a material impact on the Company's consolidated financial statements.

(B) BUSINESS COMBINATIONS

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

(C) CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by public companies, will be converged with International Financial Reporting Standards (IFRS) effective January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement, and disclosures. The Company commenced its IFRS conversion project in late 2007. The project consists of four phases: raise awareness; assessment; design; and implementation. With the assistance of an external expert advisor, the Company has completed a high level review of the major differences between Canadian GAAP and IFRS as applicable to the Company. While a number of differences have been identified, the areas of highest potential impact include property, plant and equipment, certain aspects of revenue recognition, income taxes, foreign currency, employee future benefits, stock-based compensation, presentation and disclosure, as well as the initial adoption of IFRS under the provisions of IFRS 1 *First Time Adoption*. The Company expects the transition to IFRS to impact financial reporting, business processes, internal controls, and information systems.

The Company will initiate the design phase in 2009 which will involve establishing issue-specific work teams to focus on generating options and making recommendations in the identified risk areas. The Company will also establish a communications plan, begin to develop staff training programs, and evaluate the impact of the IFRS transition on other business activities.

EARNINGS COVERAGE RATIO

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

Twelve months ended December 31, 2008	
Earnings coverage ratio	2.8

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

The earnings coverage ratio was negatively impacted by the non-cash goodwill impairment charge noted throughout this MD&A. Excluding the impact of this charge, the earnings coverage ratio would have been 4.6.

OUTSTANDING SHARE DATA

As at February 13, 2009	
Common shares outstanding	170,533,067
Options outstanding	5,837,770

MARKET OUTLOOK

The world's financial crisis and liquidity concerns continued through the fourth quarter of 2008. The resultant expected economic slowdown has occurred and commodity prices have fallen to comparatively low levels. Spending has been curbed by consumers in most parts of the world. Reduced consumer demand, lower availability of credit and reduced access to capital markets will impact some of Finning's customers who will have less demand for new equipment as a result.

However, Governments around the world have responded with stimulus packages that include significant amounts of capital spending directed to infrastructure projects. Much of this construction will require heavy equipment and will provide work for some of Finning's customers.

In Western Canada, existing operations in the oil sands as well as the larger coal and copper mining operations continue to operate at high levels in order to maximize cash flow and achieve lowest cost per ton economics. High equipment operating levels support Finning's parts and service business. Some new projects have been delayed or deferred and capital expenditure plans have been scaled back pending a return to higher commodity prices. Construction spending continues on infrastructure projects, especially by Governments. Engine sales to gas compression packagers, for international sales, continues at good levels. The residential construction, forestry, and conventional oil and gas industries in Western Canada continue to experience considerably slower business conditions and equipment purchases are expected to remain at lower levels. This situation is expected to continue through 2009.

Heavy equipment markets in Chile remain comparatively healthy and demand for the Company's products and services continues at reasonable levels at the present time. Demand for equipment and support services for the Chilean construction industry is fairly good. Sales of engines for power generation have slowed considerably. While copper prices are significantly lower, they are expected to remain at levels which support economic operations at most of Finning's large South American mining customers. These companies are among the lowest cost producers of copper in the world, and parts and service revenues are expected to continue to grow reflecting the impact of new equipment sales to the industry in the recent past.

In Argentina, significant inflationary cost pressures continue and constrained liquidity in the banking sector is challenging customers in arranging financing for equipment purchases. Finning has been actively managing its business in Argentina to reduce the level of exposure to an economic crisis in that country. This includes keeping parts and equipment inventories at modest levels, ensuring accounts receivable are as current as possible and by managing its operations to run as efficiently as possible with cost increases arising from inflation promptly passed along in the form of price increases.

Business at the Caterpillar dealership in the UK has slowed in most sectors. Demand for equipment from the coal mining sector remains satisfactory, but the downturn in the UK housing market and slowing business conditions are being felt in most other sectors. Market conditions in the UK plant hire (equipment rental) industry are also challenging. The business is highly competitive and utilization rates are lower.

A significant portion of Finning's business is derived from the sale of parts and service for previously sold equipment operating in Finning's geographic territories. Given the large volumes of new equipment sold in recent years, the demand for parts and service is expected to remain reasonably good. Finning's large mining and oil sands customers continue to run their equipment at high levels and continue to require significant parts and service from Finning.

Given the current economic uncertainty, management's confidence in predicting future business levels is lower than in the past. The current outlook is for lower new equipment sales compared to 2008 and for parts and service revenues to grow, but at a more modest rate than the prior year. 2009 results are also expected to generate higher cash flow than 2008 as working capital requirements are reduced, and assuming budgeted levels of equipment sales are achieved. Overall expenditures on equipment additions to Finning's rental fleets are expected to be meaningfully reduced in 2009; however, demand for rental equipment, as an alternative to purchasing, is increasing among Finning's customers, especially in Canada.

Finning's financial condition is strong. The Company has committed bank facilities totalling approximately $870 million with various Canadian and U.S. financial institutions. The largest of these facilities ($800 million) is committed until December 2011. At December 31, 2008 over $300 million was available under these facilities. At January 31, 2009 approximately $230 million was available. Finning expects to generate higher cash flow in 2009 as a result of lower capital spending, lower rental equipment additions, and reduced working capital requirements. Given the expected improved cash flow, the committed credit facilities, and the discretionary nature of some of Finning's cash outflows, such as rental additions and capital expenditures, as well as the absence of any term debt maturities until late 2011, management believes that Finning has sufficient credit and liquidity to meet operational needs in the foreseeable future.

Finning has taken extensive action to reduce its costs in the face of lower demand for equipment. In response to the current market conditions, Finning incurred restructuring costs globally during the fourth quarter of 2008, resulting in a reduction of headcount of approximately 700 employees. However, its long term strategy is unchanged as it continues to focus on the parts and service business as well as the mining and heavy construction sectors. Finning expects to continue to invest in technical training, and in some locations additional human resources are still required to meet the projected strategic growth. These include Fort McMurray, Edmonton, and some mining branches in Chile.

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

Finning's financial results are impacted by changes to the value of the Canadian dollar compared to the U.S. dollar and the U.K. pound sterling in the translation of its foreign currency earnings. The Company's 2008 results were negatively impacted as a result of translating foreign currency based earnings from the strengthening of the Canadian dollar in the first half of 2008. Nominal changes in average foreign exchange rates in the third quarter of 2008 had a minimal impact on third quarter financial results. Foreign exchange had a positive impact on net income in the fourth quarter due to the weaker Canadian dollar relative to the U.S. dollar, compared to the prior year's fourth quarter. For the year ended December 31, 2008, net income was negatively impacted by approximately $0.10 per share compared to last year. The impact of foreign exchange due to the movement of the Canadian dollar relative to the U.S. dollar and the U.K. pound sterling is expected to continue to affect Finning's results in 2009.

February 18, 2009

SELECTED ANNUAL INFORMATION

($ MILLIONS, EXCEPT FOR SHARE DATA)		2008		2007		2006
Total revenue[1]	$	**5,991.4**	$	5,662.2	$	4,853.2
Net income (loss)[1][2]						
before goodwill impairment	$	**247.4**	$	280.1		236.2
goodwill impairment		**(151.4)**		–		–
from continuing operations		**96.0**		280.1		236.2
from discontinued operations		**–**		(2.0)		(32.1)
Total net income	$	**96.0**	$	278.1	$	204.1
Basic earnings (loss) per share[1][2][3]						
before goodwill impairment	$	**1.44**	$	1.57	$	1.32
goodwill impairment		**(0.88)**		–		–
from continuing operations		**0.56**		1.57		1.32
from discontinued operations		**–**		(0.01)		(0.18)
Total basic EPS	$	**0.56**	$	1.56	$	1.14
Diluted earnings (loss) per share[1][2][3]						
before goodwill impairment	$	**1.43**	$	1.55	$	1.31
goodwill impairment		**(0.88)**		–		–
from continuing operations		**0.55**		1.55		1.31
from discontinued operations		**–**		(0.01)		(0.18)
Total diluted EPS		**0.55**		1.54		1.13
Total assets[1][2]	$	**4,720.4**	$	4,134.2	$	4,200.8
Long-term debt[4]						
Current	$	**2.6**		215.7	$	2.2
Non-current		**1,410.7**	$	590.4		735.9
		1,413.3		806.1		738.1
Cash dividends declared per common share[3]	$	**0.43**	$	0.36	$	0.275

(1) On July 31, 2007, the Company's U.K. subsidiary, Hewden Stuart Plc, sold its Tool Hire Division. On September 29, 2006, the Company's U.K. subsidiary, Finning (UK), sold its Materials Handling Division.

Results from the Tool Hire and Materials Handling divisions qualify as discontinued operations and have been reclassified to that category for all periods presented. Included in the loss from discontinued operations in 2007 is the after-tax gain on the sale of the Tool Hire Division of $0.1 million. Included in the loss from discontinued operations in 2006 is the after-tax loss on the sale of the Materials Handling Division of $32.7 million or $0.18 per share. Revenues from the UK Tool Hire and Materials Handling divisions have been excluded from the revenue figures above. Assets from the Tool Hire and Materials Handling divisions have been included in the total assets figures for periods prior to their sale.

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

(2) The Company performed its annual goodwill impairment review in the fourth quarter of 2008 and determined that the fair value of Hewden was less than its book value, which included goodwill on acquisition. As a result, the Company recorded a full goodwill impairment charge of $151.4 million for Hewden in the fourth quarter of 2008. The goodwill impairment charge is non-cash in nature and does not affect the Company's liquidity, cash flows from operating activities, or debt covenants, and is not expected to have any adverse impact on future operations. The Company expects no income tax deduction from this charge.

(3) On May 9, 2007, the Company's shareholders approved a split of the Company's outstanding common shares on a two-for-one basis. Each shareholder of record at the close of business on May 30, 2007, received one additional share for every outstanding share held on the record date. All share and per-share data have been adjusted to reflect the stock split. During 2008, the Company repurchased 5,901,842 common shares at an average price of $24.99 as part of a normal course issuer bid. During 2007, 3,691,400 common shares were repurchased at an average price of $27.82.

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

(4) In 2008, the Company issued two unsecured Medium Term Notes (MTN); a five year $250 million MTN and a 10 year $350 million MTN. Proceeds from these issuances were used for debt repayment, including the repayment of a $200 million MTN which expired in June 2008 as well as outstanding commercial paper borrowings.