



SETTING STANDARDS HIGH

988H Loader, Finning West Edmonton Branch, Alberta

2007: ANOTHER RECORD YEAR

Our Canadian operations once again posted outstanding performance in 2007 surpassing all previous revenues and earnings despite a 5.2% stronger Canadian dollar. Revenues climbed 12% to \$2.9 billion. EBIT reached \$286 million, a 33% increase over 2006⁽¹⁾, reflecting excellent market conditions and improved profitability as EBIT margins rose to 9.8% compared to 8.2% in 2006⁽¹⁾.

Strong economic conditions in Western Canada supported rising demand from our mining and construction customers, driving new equipment sales up 18% to \$1.4 billion in 2007. The growing population of Caterpillar equipment, now standing at over 40,000 machines in this territory, is expected to generate increasing demand for parts, service and rebuilds for the next several years.

ADDING CAPACITY

In the past few years, our business in Western Canada experienced unprecedented growth with strong demand for service from customers across all industries. Finning's extensive service infrastructure and the technical expertise of our employees remains a key competitive advantage in meeting sophisticated customer needs in some of the most challenging operating conditions.

In 2007, Finning (Canada) announced a significant expansion to its service capabilities in Alberta through the acquisition of Collicutt Energy Services Ltd., complete with extensive additional facility space and a highly skilled and experienced workforce. With this acquisition completed in January 2008, Finning obtained a total of 315,000 square feet of operational capacity, of which over 200,000 square feet is in modern, near-purpose built facilities in Red Deer, Alberta.

This expansion is consistent with our strategic goal of rapidly growing parts and service revenue as Finning opens a new "Centre of Excellence" in Red Deer. The Red Deer operations will allow us to centralize our new equipment preparation work and grow our mining and heavy equipment overhaul business. Importantly,

this expansion will also free up capacity in the existing Finning branches to complete service work for local customers.

The Canadian operations, including OEM, continued to recruit and train skilled people adding more than 500 employees to our workforce on a net basis, a 12% increase over 2006. In addition to extensive recruiting, aggressive retention strategies and learning and development programs were introduced to maximize employee engagement levels throughout the organization.

RAMPING UP SERVICE

A key part of the Finning/Caterpillar customer value equation is extended equipment life through rebuild of individual components or complete machine overhauls. With successive rebuilds, Caterpillar equipment can be durable enough to have several lives. Caterpillar Certified Rebuild programs provide meaningful savings over the purchase of a new machine, which significantly lowers the customer's overall cost of owning and operating the equipment. Rebuilding equipment to like-new standards presents Finning with large growth opportunities, especially in the mining and heavy construction sectors. With the newly added capacity in Red Deer, Finning will now be taking full advantage of this opportunity.

Customer support services revenue grew 4% to \$906 million in 2007. Finning (Canada)'s termination of an alliance agreement with Shell Canada, combined with the strong Canadian dollar, resulted in a slower growth rate in parts and service business in 2007. Notwithstanding modest growth in 2007, Finning (Canada) expects to meet its 2010 customer support services business targets.

EXCELLENT OUTLOOK

The new equipment order backlog in our Canadian operations reached record levels again in 2007 reflecting robust economic activity in Western Canada's resource-based industries. More than half of the total machines currently in the backlog represent mining and heavy construction equipment that have a high consumption rate for parts and service.

2008 will be a record year for new equipment deliveries to the oil sands. It took over seven years to deliver the first 100 797s to this region. In 2008 alone, we plan to deliver over 65 new 797s, dramatically increasing the fleet and the associated consumption of parts and service.

Strong demand for new mining and heavy construction equipment is expected to continue into 2008 along with a growing need for parts, service and rebuild on the large number of machines sold over the past few years. The steady and growing equipment population provides Finning with attractive customer support opportunities. Our continued investment in people and facilities enables us to keep delivering the outstanding service our customers expect from Finning. Our Canadian operations are planning for a strong 2008 and will continue contributing outstanding results to Finning International's performance.

MINING

The mining industry in Western Canada experienced exceptional growth over the last several years, and 2007 continued this trend as global demand for oil and metals remained strong. The Caterpillar mining fleets in our Canadian operations grew by 13% to over 1,600 units in 2007. This population of heavy equipment consists primarily of large haul trucks, wheel loaders, tractors and graders that often operate around the clock in some of the most rugged climate and ground conditions. Consequently, these units have the highest consumption rates of parts and service. Maximizing customer uptime by providing comprehensive service programs in challenging equipment applications is what Finning does best. Our extensive customer support network including remanufacturing and rebuild capabilities enables us to meet the growing demand from mining customers looking to maintain and expand their equipment fleets.

Finning has always been successful in capitalizing on the tremendous growth in mining equipment demand - 28% of new equipment deliveries in 2007 were to mining customers, and our market share in large mining equipment in Western Canada stands at over 70%. We continue to invest

⁽¹⁾excluding 2006 gains on sale of assets



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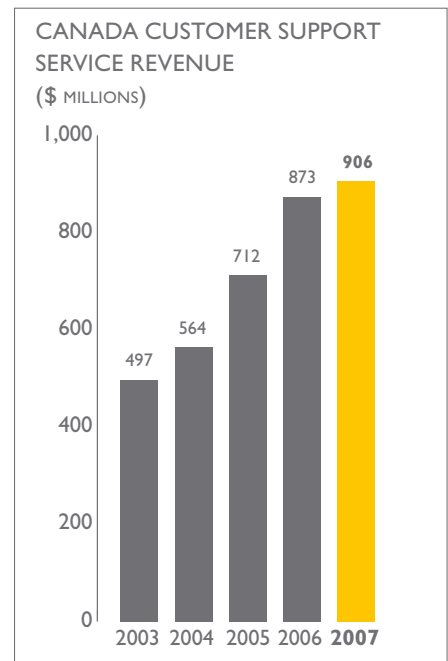
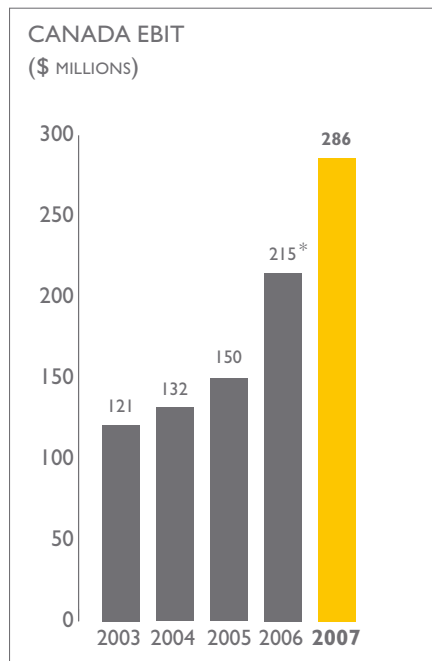
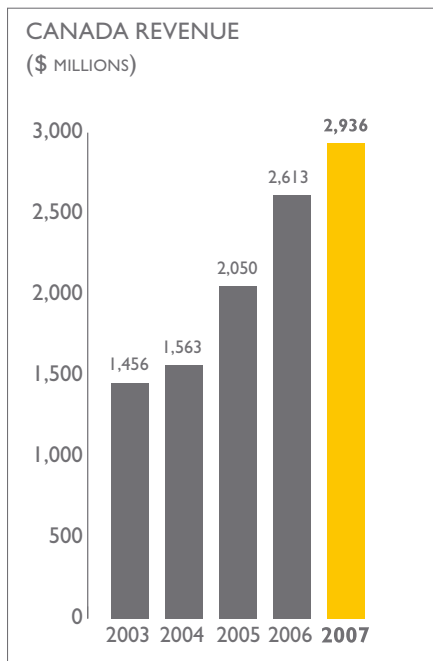
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*2006 EBIT excludes gains on sale of assets

in product support capabilities in this region, including shop facilities, field service trucks, skilled technicians and training programs.

The outlook for the mining industry remains very strong, reflected by our record order backlog. Capital expenditures for all oil sands projects from 2006 until 2015 are now estimated around \$100 billion ⁽¹⁾. The fleet of large machines here is expected to double by 2013 to almost 1,800 units. All 127 797 trucks currently operated by our oil sands customers are covered by Finning parts and service packages.

In addition to the largest haul trucks that are delivered to the oil sands producers, there is also very strong demand for support equipment such as large graders and tractors from a growing number of oil sands contractors. These customers rely heavily on our service infrastructure and expertise in the region, presenting additional opportunities for growing our customer support services business.

Robust growth in the mining sector also drives increased volumes at the OEM Remanufacturing facility which provides “like new” components supported by full warranty to our oil sands and other mining customers. OEM’s volumes climbed in 2007 supported by rising demand for component remanufacturing. The increasing fleets of the largest machines such as 797 trucks will continue to drive engine and power train component remanufacturing at OEM.

The B.C. mining industry also continues to benefit from sustained demand for minerals and favourable public policy supporting mine expansions, increased exploration and new project development. 2007 mineral exploration expenditures rose 57% over last year to a record high of nearly \$416 million ⁽²⁾. There are currently 10 coal, 11 metal and 36 major industrial mineral quarries and mines operating in British Columbia⁽²⁾. With 23 new mine development proposals and 472 exploration projects ⁽²⁾, the resurgence of the mining industry in B.C. represents a significant equipment sale and product

support opportunity for Finning. The introduction of five field test Caterpillar electric-drive trucks to the coal mining operations in southeastern B.C. in 2008 will pave the way for Finning to grow market share in this active mining region.

CONSTRUCTION

Infrastructure spending and non-residential construction are key drivers of construction growth in Western Canada. The value of all major construction projects, including proposed developments is estimated at approximately \$100 billion⁽³⁾ in B.C. and \$65 billion⁽³⁾ in Alberta. Most of these projects are expansions and upgrades of transportation networks, ports and airports as well as construction of 2010 Olympic venues. Finning responded well to the rising demand for large construction equipment and associated parts and services. New construction equipment sales grew by over 50% in 2007, and our construction customers now account for one third of all new equipment deliveries in Canada.

Non-residential construction markets are expected to remain very active driven by healthy economic growth in both provinces. The growing Caterpillar fleets of heavy and core construction equipment such as scrapers, excavators, tractors and compactors continue to generate further parts and service opportunities for Finning.

PIPELINES

Finning is a 25% partner in PipeLine Machinery International, Caterpillar’s global pipeline equipment dealer. The global demand for pipeline capacity continues to grow, doubling PLM’s 2007 revenues from 2006 levels. PLM was also named the exclusive supplier for the China Petroleum Pipeline Bureau, with the first 75 new pipe-layers delivered in 2007. The oil pipeline system in Western Canada is running near capacity due to the rise in oil sands production; and a number of large pipeline projects in Alberta are under construction or scheduled to start in the next few years. In addition to our share in the global pipeline equipment sales, Finning will capture all of the parts and service business generated by the growing fleet of Caterpillar pipelayers in Western Canada.

CONVENTIONAL OIL AND GAS

Lower natural gas prices, the stronger Canadian dollar and high local contractor costs challenged our customers in the conventional oil & gas industry in Western Canada. Exploration activity slowed in 2007, and although the number of well completions dropped 13% from last year to just over 19,000⁽⁴⁾, it still remains at comparatively attractive levels. The decreased activity in the petroleum industry is expected to continue into 2008. Modest demand for mobile equipment in the natural gas exploration and development sector is partly offset by the continued strong demand for engines from the gas compression packaging industry for export sales. Conventional oil exploration and production in Western Canada is also expected to be modestly weaker in 2008.

FORESTRY

2007 was a very challenging year for the softwood lumber industry in B.C. and Alberta as lumber prices declined primarily due to the slowdown in the U.S. residential construction market, compounded by the strong Canadian dollar. Historically, forestry has been an important market for Finning. Today forestry accounts for approximately 6% of new equipment deliveries in Canada as the mining and construction sectors have grown.

Finning remains committed to the forestry sector in partnership with Caterpillar, which continues to expand the forestry product line. This industry is expected to continue to be challenged in 2008, and Finning (Canada) will work closely with our forestry customers to provide support where possible. Finning’s ability to continue to provide reliable parts and service will position the Company to deliver new equipment when this market recovers.

THE CAT RENTAL STORE

Finning (Canada) added five locations to The Cat Rental Store (TCRS) chain in 2007 for a total of 34 branches. General rental markets in B.C. and Alberta are expected to remain very active in 2008.

⁽¹⁾ Alberta Energy and Utilities Board. ⁽²⁾ B.C. Ministry of Energy, Mines and Petroleum Resources.

⁽³⁾ B.C. and Alberta Governments, Major Projects Inventory. ⁽⁴⁾ The Canadian Association of Oilwell Drilling Contractors