

**Doug Whitehead
President & CEO
Finning International Inc.**

Remarks - Annual General Meeting, May 11, 2005

Thank you Conrad.

Good morning everyone. Welcome, and thank you for joining us today.

In my remarks this morning, I'm going to review Finning's operational achievements in 2004 and the first quarter of 2005. Wayne Bingham, our CFO, will provide our financial review, including our results for Q1 2005, which we are releasing concurrently with this meeting. Then I'll return to discuss our outlook going forward.

2004 was quite a year for Finning. Our businesses in Canada and South America were booming. We broke through the \$4 billion revenue mark for the first time in our history. And we grew our order backlog to record levels. Looking back, the year also brought challenges. Keeping our operations efficient as we coped with the rapid growth in our business proved a real struggle at times. But our employees worked extremely hard, and we were rewarded for our efforts, as were our shareholders. We delivered a total shareholder return of 18% in 2004, and in February, we raised our dividend once again, to \$0.11 per quarter--the fifth increase in just over 3 years.

Moving into 2005, I'm pleased to say our results are continuing to build and strengthen. Compared to Q1 2004, revenue is up 19% to \$1.15 billion, net income is up by 56% to \$37.4 million, and earnings per share are up 35% to \$0.42 per share. Overall, a very good quarter.

The driving force behind much of our growth has been a dramatic improvement in commodities markets. Metals, lumber, oil and gas...commodities in general, have entered one of the strongest up-cycles in decades. The spillover effect from the resource industries into the general economy has been significant. General construction equipment markets are also very strong. Our customers have been ramping up their

businesses, and demand for new equipment has increased dramatically. We've been working around the clock to meet it.

This economic strength contributed to record revenues and near-record EBIT results for Finning (Canada) in 2004. New equipment sales, power systems sales, parts and service revenues, used equipment sales, and equipment rentals were all up over 2003. This was despite the fact that Finning (Canada) did not benefit from the sale of any major mining equipment packages in 2004, as we did in 2003. The good news is that our order backlog for 2005 now contains a significant number of mining truck deliveries—indicating an even stronger year ahead for Finning Canada.

South America has been another very successful growth story for us. Thanks to rising copper and gold prices, mining is booming in South America, with the economic benefits supporting construction and infrastructure spending as well. Our acquisitions of Cat dealerships in Argentina, Uruguay and Bolivia in 2003 really couldn't have been better timed. The new dealerships have helped us increase market share and respond to growing demand in all of our South American territories. This, in turn, contributed to dramatic growth - to record levels - in revenues and EBIT contribution. And the growth has continued into Q1 2005. South America is a very exciting market for us...but the speed of our growth has come at a price. We added over 1000 new employees to this division in 2004, 700 of whom are mechanics. While our investment in hiring and training will certainly pay off in the coming years, in the short term, these expenses contributed to a modest erosion in the profit margins from this region in 2004. But things are going in the right direction again this year with Q1 EBIT margins improving to 11.3%.

Turning to our UK dealership operations, results from this region were disappointing in 2004. Although we saw revenue growth, our costs also increased, and as a result, profitability declined. But we are making progress on some important initiatives. During 2004, we continued to integrate our Lex Harvey acquisition, which has now made us one of the top players in Europe's materials handling industry. There is still considerable

work to be done in this area to make sure these operations are running as efficiently as possible. On the power systems front, we won the distribution rights for Perkins Engines in the UK, effective in December 2004. This business is now up and running, although we are going through the usual start-up pains that accompany a business in its early months.

Over at Hewden, we invested \$190 million into rental assets in 2004 to help guarantee service levels and secure significant new contracts. This was part of an overriding strategy of enhancing our service to customers in the UK. These investments are now paying off. Hewden's Q1 results were better than last year's Q1, and results have been steadily improving in recent quarters. There is still a lot of work to be done, but we are making progress.

So overall, it was a busy year for each of our divisions. And we're pleased with how Finning is growing and evolving as a whole. We now have a large presence on three continents, and we're continuing to build our customer base in a broad range of industry sectors. This slide illustrates our new equipment deliveries to various industries in 2004. As you can see, a significant portion of our sales is diversified away from resource-based industries.

In addition to our geographic and industry diversification, we are also diversified across different aspects of the heavy equipment business. We want to be involved with customers through the entire equipment lifecycle—not just at the initial point of sale. This helps us build stronger relationships, and it enhances our value and service to customers. Our commitment to service is what sets Finning apart from our competitors.

From a financial perspective, focusing on the entire equipment lifecycle also provides more ways for us to generate revenue—and more profitable revenue at that. Margins on rentals, parts and service are typically higher than on new equipment sales. Accordingly, we've been increasing our focus on the profitable after-sales aspects of our business. Parts, service and rental activity contributed 54% of our total revenues and about 78% of our gross profit in 2004.

Now one other achievement I'm very pleased to tell you about is our continued progress with employee safety. Finning has made a commitment to provide a safe and fulfilling work environment for the 13,000 people who work here. We have set goals to continually reduce our lost time injuries, and I'm proud to say we are achieving these objectives, even as the number of employees grows with our expanding operations. Safety is a key item on the agenda in every monthly operating meeting. During 2004, we achieved a record 2 million hours without a lost time injury at Finning (Canada). On an overall corporate basis, our lost time injury frequency rate has declined to 0.78 lost time injuries per 200,000 work hours – an outstanding performance.

At this point, I'll turn the podium over to Wayne Bingham to tell you more about our financial performance.

Wayne Bingham
Executive Vice President & CFO
Finning International Inc.

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Thank you Doug. Good morning everyone.

It's my pleasure to report to our shareholders on our 2004 results, provide a few comments on some important financial issues, and take a closer look at our first quarter results for 2005.

2004 was a very busy year for Finning, with strong demand for our equipment and services driving record revenue. Revenue increased by almost 16% to approximately \$4.2 billion. This continues a very attractive revenue growth trend and exceeds our long-term financial objective of 15% per annum top line growth.

2004 net income was approximately \$115 million, down from \$132 million in 2003. Keep in mind that a number of the factors that reduced our profitability in 2004, such as charges related to redeeming a non-controlling interest and unwinding related interest rate swaps, are not reflective of our normal business operations. If we take a closer look and analyse our results, we calculate what we refer to as our "normalized" net income. While this is a non-GAAP measure, it is a useful measure of the health of our normal business operations.

Our normalized earnings per share in 2004 totaled \$1.75, which was on par with 2003. Where strong commodity prices provided a tailwind for our earnings, our results also encountered headwinds in the areas of foreign exchange costs and pension expense. We also incurred long-term incentive plan costs as a result of the appreciation of our share-price. These items had an impact of approximately \$0.30 per share. In addition, we incurred \$0.03 of additional costs as we worked on the necessary documentation and assessment of processes and systems to meet the requirements of Bill 198, Canada's

equivalent of the Sarbanes Oxley legislation. While 2004 was a year of flat earnings compared to 2003, our outlook for 2005 is for a return to more attractive growth rates -- likely in the range of 15 – 20% off of our \$1.75, 2004 earnings per share base.

Cash flow in 2004 totaled slightly under a half a billion dollars, approximately the same level as in 2003. Cash flow after changes in working capital amounted to \$244 million, compared to \$384 million in 2003. This reduction reflects planned investments in working capital to support higher levels of parts and equipment inventories, and higher accounts receivable as a result of our growing business volumes.

As Doug mentioned at the outset, owning Finning shares provided shareholders with an 18% return in 2004. Taking a longer-term view of shareholder value creation, you can see that Finning shares have outperformed the TSX index by a considerable margin.

As a reflection of management and the board's confidence in the ongoing profitability of our business, we increased our dividend again in February 2005. This was the fifth increase in just over three years and takes the annual indicated dividend to \$0.44 per share. That works out to a yield of approximately 1.3% based on the current stock price. Our view is that an attractive and growing dividend is an important component of total shareholder return.

In 2004, the company successfully accessed the equity markets and we welcomed new shareholders to Finning in the fourth quarter. The \$305 million in gross proceeds from that offering enabled us to redeem a non-controlling partnership interest in Hewden, dating back to our acquisition of the business in 2001. The equity issue was done at a modest dilution to shareholders against the backdrop of significant benefits. This redemption allowed us to begin a series of business changes aimed at unlocking value in the UK operations, and it has also enabled us to pursue further growth opportunities with a new business model. The equity offering itself had benefits for us helping to strengthen our financial position and support our credit rating. Finning has grown considerably in recent years, and most of this growth had been funded with prudent use of debt. Adding new equity to support the debt has improved our financial flexibility and enhanced our

ability to grow the company going forward. In addition, after refinancing the non-controlling interest, we now have a cleaner, more transparent balance sheet — something that's important to us and to the financial community.

Finning has long been recognized as one of the best-governed companies in Canada. Now, with new regulations coming into effect for public companies in Canada, we're welcoming the opportunity to further improve our processes and systems. We want to give shareholders comfort that they can trust our corporate governance and internal control procedures, and we're on track to meet all the requirements of the new regulations.

Risk management is also part of our culture at Finning. In 2004 we implemented an enterprise risk management system through which we actively review and manage a wide range of business risks and ensure that, where possible, adequate mitigation measures are in place. We not only manage risk, we seek opportunities to provide shareholder value by taking on controlled amounts of risk. An example would be some of the maintenance and repair, or MARC, contracts to guarantee equipment availability, with rewards where we reduce equipment downtime. We are dedicated to working to safeguard our business and the shareholders who have invested in Finning.

Turning now to the first quarter 2005 results, as Doug mentioned, we are off to an excellent start. Revenue has grown 19% over the same period last year, to \$1.15 billion dollars, and earnings per share are up 35% to \$0.42 per share. Items that are not considered reflective of the Company's ongoing operations largely offset one another, so our normalized earnings per share are also \$0.42 per share, an increase of 14% from the first quarter last year. In the first quarter, our financing costs were down by \$9.5 million reflecting lower costs due to:

- long term debt that was refinanced at a more attractive interest rate,
- no negative mark-to-market charges from interest rate swaps, [as we experienced last year,] because these swaps were unwound in late 2004.

As well, the elimination of the non-controlling interest distributions saved a further \$4.5 million compared to Q1 2004. These lower financing charges were partially offset by higher short term borrowing costs arising from funding higher inventory levels, higher accounts receivable, and higher rental fleets--all related to our growing volume of business activity. Our quarterly results continued to be affected by about \$2.7 million from a negative foreign exchange impact from a strong Canadian dollar, and by \$2 million from higher pension expense. As well, as our stock price increased, two tranches of shares from our long-term incentive plan vested, and our earnings were impacted by \$2.6 million as a result.

However, higher results from operations and lower finance charges offset these items. Our first quarter revenue and net income amounts are both record first quarter results and ones that we are very pleased with, and supports our earnings guidance for the year which is in the range of 15 – 20% growth in earnings per share.

Turning to cash flow...before working capital changes, cash flow was \$122.0 million for the first quarter of 2005, up from \$116.5 million in the comparative period of 2004. With \$33.0 million higher investments in new equipment inventories to support customer demand, and about \$47 million higher accounts receivable from strong customer activity at the end of the first quarter, cash used by operating activities was \$9 million in the quarter, compared to cash provided of about \$25 million in the corresponding period last year.

One of the ways we'll support further earnings growth is through an extensive program designed to save \$60 million a year in ongoing costs by 2006. How are we achieving this? First, we are driving a series of major cost-cutting initiatives at Hewden.

Every aspect of that business has been under the microscope and a major change to our business model is underway. Second, we plan to identify and divest non-strategic assets and reduce working capital. We're targeting more than \$200 million of reductions under this initiative. And third, we have launched a broad range of company-wide cost savings

initiatives. In partnership with Caterpillar, we have adopted the “6 Sigma” system of analyzing business processes to find ways of improving efficiencies and to quantify these improvements. Our cost-control initiatives require rigorous analysis and in some cases tough decisions. But I’m confident the result will be to see more top-line growth translated into bottom-line growth as well.

We are pleased with our strong start to the year, and we are excited and confident that we will achieve our earnings expectations in 2005. As well, we have yet to see the positive benefit of higher customer service revenues and 2005 pricing increases.

I’ll turn the podium back to Doug now.

Doug Whitehead - Conclusion

Thanks Wayne. Our outlook for 2005 is very promising, and we're looking forward to continued growth. As our customers in mining, forestry, and oil and gas ramp up their businesses in response to attractive commodity prices, the demand for new equipment increases. We are in an excellent position to meet that demand.

Our order book provides the best visibility for expected revenue levels in 2005 and 2006, and what we're seeing looks very promising for new equipment sales. In 2004, our order backlog almost doubled, reaching a record level of \$835 million at December 31st. At March 31st, the backlog increased again and now stands at a new record of \$945 million, up 13% from December.

Turning to opportunities within our specific markets...

Western Canada's rich and diverse resource base, solid general construction market and growing power systems market are providing a strong revenue base for Finning Canada.

Our positive outlook for this region is anchored by the very large capital expenditures planned for the oil sands operations in northern Alberta.

In South America, attractive copper and gold prices are continuing to drive mine expansions and new mine openings. We're also expecting general construction to be strong as Chile and Argentina prosper and modernize their infrastructure. Chile is among the world's lowest-cost copper mining regions. Even if copper prices moderate, the mines in this area should continue to operate at high levels with the Finning operations remaining very busy.

In the U.K., we anticipate continued growth, driven by a healthy economy, a large population base and government investment in infrastructure. Both Finning (UK) and Hewden should benefit from new government spending on highways, railways and

airports. As well, Finning (UK) and Caterpillar are working on a major market initiative with a goal to double unit sales by 2007 and improve Finning UK's profitability. 2004 was a difficult year for Finning UK, but the signs for improvement are encouraging. Sales levels are increasing and the order backlog is growing. We are optimistic that we'll get these challenging times behind us.

At Hewden, our initiatives to change the business model and make the operations more efficient and responsive to customers are improving results. We expect to see these improvements continue.

And opportunities for our Power Systems business are numerous with strong economies creating demand for engines for a diverse range of applications--from electric power generation and marine operations, to natural gas compression and on-highway truck fleets.

Finning is strong and ready for the future. All signs point to continued growth for the major industries we serve. And we expect to build on our market share in all areas. But, impressive "top line" growth aside, it's the bottom line that matters at the end of the day. So, while we continue to grow our business, we also have a strong focus on cost-control as we pursue the \$60 million a year in ongoing savings that Wayne told you about.

As always, we will also be focusing on corporate governance –ensuring we maintain our position as one of Canada's best-governed companies. While I'm on the subject of governance, our Corporate Secretary, John Struthers, has announced his retirement. John, together with the Corporate Governance Committee of the Board, has led our governance initiative at Finning. This will be his last annual meeting as Corporate Secretary and I'd like to take this opportunity to thank John for his 35 years of dedicated service. Thank you, John.

I also want to thank all of our Directors for their ongoing support and counsel.

Finally, I want to thank our employees for their continued hard work and commitment to excellence.

At Finning we pride ourselves on customer service that goes beyond just very good. Our ability to deliver this level of service is a reflection of the quality of the Caterpillar equipment we sell-- and even more so--the quality of the people who work at Finning. My thanks to each of you.

That wraps up our formal remarks for today. At this point, we'll open the meeting to questions.