David Smith, EVP & CFO
Finning International Inc.

Remarks - Annual General Meeting - May 14, 2009
(check against delivery)

Thank you Mike.

Good morning everyone. Let me begin by saying that I am very pleased to have joined Finning International earlier this year. One of the things that attracted me to Finning is that this is a company with a highly successful business model; an excellent partnership with Caterpillar, plus the right strategy to drive future growth.

I've also now had the opportunity to visit all of our operations and I was struck by the consistently high caliber of people that I met across our organization and their relentless desire to be the best in the industry. Today, it is my pleasure to report to you on our 2008 results and first quarter results for 2009.

I'd like to remind everyone that some of the information being presented is “Forward Looking Information”, which is subject to risks and uncertainties as outlined in our annual information form under ‘key business risks’. Please treat this information with caution as actual results may differ materially from our current expectations.

Starting with revenue, for the sixth consecutive year, our consolidated revenue reached record levels. Compared to 2007, revenue increased by 6% to just under $6 billion. This was primarily driven by strong new equipment sales in Canada, as well as by an increase in customer support services revenues at all of our dealerships. Customer support revenue represented a record $1.9 billion of our 2008 revenue result, up 12% from 2007.

Our net income reflected significant non-recurring items, including a goodwill write-down and restructuring and integration costs in response to weaker economic conditions. Adjusting for these items, net income from continuing operations would have been $258 million, down about 8 per cent from 2007.

Excluding these items, our diluted earnings per share were $1.49, compared to $1.55 per share in 2007. These were the second best earnings results in Finning's history and represent an attractive return on equity of 15.4%. These results reflect the positive steps taken across our operations to advance our growth strategy.

Looking briefly at some of the highlights from our country operations - In Canada, our record revenues were largely due to strong demand from our oil sands customers.

In South America, we achieved record revenue and EBIT, with the region's large mining fleet generating strong product support revenues.

While our UK Group faced very challenging market conditions, there were bright spots in Power Systems, coal mining and customer support.

And results from all three of our geographic regions were supported by strong revenue from Power Systems. Power Systems' revenues grew over 9% to nearly $900 million and EBIT was up 26% in 2008 moving us closer to our goal of making this a one billion dollar a year business.

So overall, considering the rapidly declining market conditions in the latter part of the year, a very solid 2008 for Finning, with increased machine sales, product support and our continued success in the Power Systems business delivering strong operating earnings.

In response to weaker economic conditions, we are working hard to address our cost structure and rebalance resources. We have made excellent progress in identifying significant cost savings with several initiatives that will improve our operating efficiencies.

In Canada, where we have been pursuing rapid growth for the past couple of years, the sudden shift in market conditions resulted in lower EBIT results for the year. We acted quickly in the fourth quarter to counter these effects and we took additional measures in the first quarter of 2009 to enhance our management focus, increase efficiency and lower our cost base to reflect current market conditions.

We also continue to rationalize our UK business in response to weak market conditions and this included the closure of 22 Hewden locations and back office integration.

Globally, we expect that our cost reduction measures will result in annual savings of approximately $150 million. And, we will continue to focus on improving efficiency and tighter cost management throughout our operations.

I am also pleased to report that we ended 2008 in strong financial condition. Our increased focus on free cash flow towards the end of the year enabled us to generate over $152 million of free cash flow in the fourth quarter of 2008.

Our net debt to total capital was 49% at year-end, which is within our target range, albeit at the high end and our investment grade credit ratings were recently reconfirmed again.

For 2009, we intend to generate significant free cash flow by actively managing our working capital, reducing net rental expenditures and controlling capital expenditures.

Our intention is to continue strengthening our balance sheet by bringing our net debt-to-total capital ratio down into the lower end of our 40-to-50 per cent target range. We'll do this by applying free cash flow to debt reduction.

Lastly, let me touch on our financial results for the first quarter of 2009 which we just released this morning. Our consolidated revenues were down 5% compared to the first quarter of 2008 reflecting an expected decline in new equipment sales. At the same time, customer support revenues were up in all our dealerships for a 16% increase overall. This underscores the resiliency of this part of our business as the large fleet of CAT equipment in our territories continues to provide revenue growth even during a market downturn.

The first quarter also saw us reduce our SG&A costs as we aligned our cost structure to market conditions. We expect to see the full benefits of our cost savings measures in the quarters ahead.

Looking at EBIT, EBIT was down $34 million or 31% from the first quarter of last year. This was driven largely by lower gross profits, a $15 million non-recurring property gain, and $6 million in restructuring charges during the period. Diluted earnings per share for the quarter were 26 cents compared to 40 cents in the first quarter of 2008.

Turning to free cash flow, which is a key financial focus this year, we are off to a very good start. Free cash flow for the first quarter was negative $2 million compared to negative $83 million a year ago. This is a significant improvement, especially considering that first quarter expenditures tend to be comparatively high as we build up inventory for deliveries in the summer season.

Let me close by saying that it was generally a good quarter with the main highlights being strong performance in our South American operations, solid growth in our customer support business, progress on cost reduction and good free cash flow generation.

And on that note, I'll turn the podium back to Mike.