



Q1 2012 EARNINGS RELEASE

May 8, 2012

**Finning Delivers Record Product Support Revenues in Q1 2012
and Confirms Strong Outlook**

Q1 2012 HIGHLIGHTS

- Revenue increased by 16% to \$1.5 billion as market conditions remained robust in all regions and product support revenues reached a new record.
- EBIT margin was 6.7% compared to 8.4% in Q1 2011 and 5.9% in Q4 2011. Significantly stronger results from South America and UK & Ireland were offset by a lower EBIT margin in Canada compared to Q1 2011.
- Basic EPS was \$0.39 compared to \$0.42 in Q1 2011 and included ERP related costs in Canada of approximately \$0.09 per share.
- Order intake was strong, and the backlog grew by 11% from the end of December to \$1.6 billion.
- The Company raised its quarterly dividend by 8% to \$0.14 per share, reflecting its confidence in the outlook and expectation for strong earnings growth over 2011.

Vancouver, B.C. – Finning International Inc. (TSX: FTT) reported a 16% increase in quarterly revenues to \$1.5 billion over Q1 2011, driven by strong new equipment sales in Canada and record product support revenues in South America and UK and Ireland in local currency. Earnings before finance costs and income taxes (EBIT) declined by 7% to \$99 million, and EBIT margin was 6.7% compared to 8.4% in Q1 and 5.9% in Q4 2011. Basic earnings per share (EPS) was \$0.39 compared to \$0.42 in Q1 2011.

“Strong prevailing market conditions across our regions are reflected in our excellent start to the year and provide a solid platform for growth throughout 2012. We posted another quarter of record product support revenues as robust customer activity and the large installed equipment base in our territories drove demand for parts, service and rebuilds,” said Mike Waites, president and CEO of Finning International. “With the acquisition of the former Bucyrus distribution business just completed in Finning South America and the UK and Ireland, we are already seizing sales and service opportunities related to our expanded product portfolio.”

“Based on our confidence in our growth prospects, we are pleased to increase our quarterly dividend. We will continue to drive long-term shareholder value and meet our mid-term EBIT margin targets through disciplined execution of our strategy and achievement of our priorities,” continued Mr. Waites. “This year we are relentlessly focused on realizing improved profitability in Canada, successfully integrating the former Bucyrus business and strengthening the balance sheet. I am excited about a bright future ahead as Finning stands poised to capitalize on our company’s vast growth opportunities in 2012 and beyond.”

Q1 2012 FINANCIAL SUMMARY

C\$ millions, except per share amounts (unaudited)	Three months ended Mar 31		
	2012	2011	% change
Revenue	1,472	1,275	16
Earnings before finance costs and income taxes (EBIT)	99	107	(7)
Net income	67	72	(6)
Basic EPS	0.39	0.42	(7)
Earnings before finance costs, income taxes, depreciation and amortization (EBITDA) ⁽¹⁾	147	148	(1)
Free cash flow ⁽¹⁾⁽²⁾	(223)	(156)	(42)

- Revenues grew by 16% to \$1.5 billion as market activity in most sectors remained very robust. New equipment sales were up 15%, driven by Canada. Product support was strong in all operations, and was up 14% from Q1 2011 to set a new quarterly record. Used equipment sales and rental revenues increased by 42% and 16% respectively from Q1 2011.
- Gross profit was 12% higher compared to Q1 2011. Gross profit margin declined to 30.2% from 31.2%. Overall, the Company realized slightly lower margins in new equipment and product support.
- Selling, general and administrative (SG&A) expenses as a percentage of revenue were 23.5% compared to 22.5% in Q1 2011, reflecting higher ERP system support and improvement costs. The Company is implementing a series of steps to reduce the ERP related support and improvement costs throughout 2012.
- EBIT declined by 7% to \$99 million, and consolidated EBIT margin was 6.7% compared to 8.4% in Q1 2011 and 5.9% in Q4, 2011. The South American and UK and Ireland operations delivered strong EBIT performance, which was offset by a lower EBIT in Canada compared to Q1 2011. As expected, higher operating expenses associated with the ERP support and improvement initiatives negatively impacted the Company's EBIT in Q1 2012 by approximately \$22 million.
- Net income of \$67 million was 6% lower and basic EPS was \$0.39 compared to \$0.42 in Q1 2011. The ERP support and improvement costs reduced EPS by approximately \$0.09. Foreign exchange had a positive impact of \$0.03 per share compared to Q1 2011.
- EBITDA, which is an indicator of a company's cash operating performance, was comparable to Q1 2011 at \$147 million. Quarterly free cash flow was \$223 million use of cash, compared to \$156 million use of cash in Q1 2011. The Company experienced an increase in working capital requirements which were mostly driven by higher inventory and receivables. The Company continues to closely manage its working capital levels and expects to generate approximately \$100 million in free cash flow in 2012.
- The Company's net debt to total capital ratio⁽⁵⁾ was 47.2% compared to 42.0% at the end of December 2011, reflecting higher debt levels used to fund increased working capital requirements.
- In Q1 2012, new order intake remained very strong, up 8% compared to Q4 2011, and there were no unusual order cancellations in any of the Company's operations. Backlog grew in each region and was up 11% from the end of December to \$1.6 billion at March 31, 2012. The current backlog is approximately \$100 million higher compared to March 31 of last year.
- Following the closing of the acquisition of the former Bucyrus distribution business in all of its territories, the Company expects 2012 revenue to grow by 8 to 10% over 2011, which is an increase over the previous guidance of 5% growth this year. In 2012, the Company expects new equipment sales to be comparable to 2011 levels and the large installed equipment base to drive strong growth in product support revenues over 2011. The former Bucyrus business is projected to contribute about \$270 million to 2012 revenue, be accretive to 2012 earnings, and generate an EBIT margin of 7 to 8% in the next two years. The Company expects 2013 revenue to be 10 to 15% higher than 2012 (an increase over the previous guidance of 10% growth) and remains on track to achieve its 9 to 10 percent EBIT margin target in 2013.

Q1 2012 HIGHLIGHTS BY OPERATIONS

Canada

- First quarter revenues were up 27% driven by new equipment sales, which rose by 55% over Q1 2011 and were strong across most sectors. Product support revenues were up 10% over Q1 2011, reflecting strong market activity and high utilization rates of the large installed equipment base. Canada experienced a significant shift in revenue mix to new equipment sales, which led to a lower gross profit margin in the quarter compared to Q1 2011. New equipment sales rose to 41% of total revenue compared to 33% in Q1 2011; at the same time, product support accounted for 45% of the total revenue compared to 52% in the first quarter of last year.
- Following the ERP system implementation issues, the Company continued to execute against its recovery plan. In the first quarter, ERP related support and improvement costs were reduced as user proficiency and operating efficiency continued to improve. The Company is implementing additional system enhancements to reduce manual workarounds and speed up transaction processing. Going forward, the key focus will remain on advancing the ERP system's efficiency and functionality and reducing working capital while improving customer service levels. The Company expects a gradual decline in ERP related support and improvement costs throughout 2012.
- EBIT declined by 36% to \$40 million, reflecting a shift in revenue mix to lower-margin new equipment sales and higher expenses associated with the ERP support and improvement. As expected, Canada continued to incur higher than usual costs in the first quarter, including freight, consulting and labour expenses to ensure parts flow to customers and to improve the functionality of the new ERP system. As a result, EBIT margin was 5.2% compared to 10.2% in Q1 2011. However, the EBIT margin improved from 4.4% in Q4 2011 and a negative 0.3% in Q3 2011. Finning Canada expects continued improvement in its EBIT margin performance in 2012 and remains committed to achieve the 9% to 10% EBIT margin target in 2013.

South America

- First quarter revenues increased by 3% from Q1 2011 as strong growth in product support more than offset lower new equipment sales. In functional currency (USD), revenues were comparable to Q1 2011 levels. New equipment sales declined by 17%, reflecting fewer mining deliveries in Chile and reduced construction sales in Argentina compared to a very strong Q1 2011. Product support grew by 18% to record levels driven by continued strong demand from mining.
- SG&A costs as a percentage of revenue were higher compared to Q1 2011 to support strong growth in product support revenues. The Company remains focused on improving operating efficiencies and managing cost pressures associated with growing demand and a highly competitive environment for skilled labour.
- EBIT rose by 24% to \$48 million (in functional currency, EBIT increased by 22%) and EBIT margin improved to 10.0% from 8.3% in Q1 2011, reflecting a shift in revenue mix to higher-margin product support. Finning South America is expected to continue operating near its 2013 EBIT margin target of 10% to 11%.
- In Argentina, over the last year, the government has introduced controls on importation and continues to closely manage access to foreign exchange. As a result, the Company expects there will be some impact on its ability to source and deliver parts and equipment to customers. However, the amount is not expected to be material to the Company's consolidated revenues and earnings in 2012.

United Kingdom and Ireland

- Quarterly revenues increased by 9% from Q1 2011 with higher revenues in all lines of business. New equipment sales were up 6% driven by heavy construction and power system sectors. Product support revenues rose by 13% and reached a new record, benefiting from growing demand for parts, service and large equipment rebuilds. In functional currency, the quarterly revenue growth did not differ materially from Canadian dollars.
- EBIT increased by 23% from Q1 2011 to \$14 million and quarterly EBIT margin rose to 6.4% from 5.7% a year ago, reflecting leverage to higher revenues. While uncertainty in the broader economic environment continues, Finning UK & Ireland is committed to sustaining its financial performance and driving towards 7-8 % EBIT margin target in 2013.

CORPORATE AND BUSINESS DEVELOPMENTS

Dividend

The Board of Directors has approved an increase in the quarterly dividend to \$0.14 per share from \$0.13 per share, payable on June 8, 2012 to shareholders of record on May 25, 2012. The increase in dividend reflects the Company's confidence in the outlook and expectation for revenue and earnings growth. The Company remains committed to increasing the dividend component of the total shareholder return commensurate with sustainable earnings growth. This dividend will be considered an eligible dividend for Canadian income tax purposes.

Finning completes acquisition of Bucyrus distribution business in South America and the U.K.

On May 2, 2012 the Company announced that it completed the previously announced acquisition from Caterpillar of the former Bucyrus distribution and support business in portions of South America and in the U.K. The transaction is valued at US\$306 million for Finning in South America and the U.K. An estimated US\$159 million will be paid upon completion of the transaction for Finning Canada. The acquisition will be financed with debt and is expected to be accretive to earnings in 2012. As part of the Company's sequenced integration approach, the acquisition of the Canadian portion is now tracking to close at the end of the third quarter of 2012 to ensure a smooth transition of the business. The acquired distribution and support business expands Finning's mining product offerings, provides additional product support opportunities and adds complementary customer service capabilities.

Finning employees in South America reach labour agreement

On April 5, 2012, the Company announced that its South American division and the three unions representing approximately 90 percent of its unionized workforce in Chile reached a new four-year collective agreement. The agreement replaces the previous four-year agreement, and is set to expire April 1, 2016.

Finning announces issuance of US \$300 Million of Notes in the US Private Placement Market

On April 3, 2012, Finning announced that it completed a US private placement of US \$300 million aggregate principal amount of senior unsecured notes, which will rank pari passu with Finning's existing senior unsecured obligations. Proceeds were used to fund the May 2, 2012 purchase from Caterpillar of the distribution and support business formerly carried on by Bucyrus in Finning's territories in South America.

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

	Three months ended Mar 31		
	2012	2011	% change
Revenue			
New equipment	631.4	548.8	15
Used equipment	73.4	51.6	42
Equipment rental	91.2	78.3	16
Product support	675.0	592.5	14
Other	0.8	3.4	(78)
Total revenue	1,471.8	1,274.6	16
Gross profit	444.5	397.3	12
<i>Gross profit margin⁽³⁾</i>	30.2%	31.2%	
SG&A	(345.2)	(286.3)	(21)
<i>SG&A as a percentage of revenue</i>	(23.5)%	(22.5)%	
Equity earnings	1.9	0.8	
Other expenses	(2.4)	(5.2)	
EBIT	98.8	106.6	(7)
<i>EBIT margin⁽⁴⁾</i>	6.7%	8.4%	
Net income	67.0	71.5	(6)
Basic earnings per share (EPS)	0.39	0.42	(7)
EBITDA	146.8	147.5	(1)
Free Cash Flow⁽²⁾	(222.7)	(156.4)	(42)
	Mar 31, 12	Dec 31, 11	
Total assets	4,530.0	4,085.4	
Total shareholders' equity	1,372.6	1,345.0	
Net debt to total capital ⁽⁶⁾	47.2%	42.0%	

To download Finning's complete Q1 2012 results in PDF, please open the following link:
<http://media3.marketwire.com/docs/FinningQ112results.pdf>

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

Q1 2012 RESULTS INVESTOR CALL

Management will hold an investor conference call on Wednesday, May 9 at 11:00 am Eastern Time. Dial-in numbers: 1-866-223-7781 (anywhere within Canada and the U.S.) or (416) 340-8018 (for participants dialing from Toronto and overseas).

The call will be webcast live and subsequently archived at www.finning.com. Playback recording will be available at 1-800-408-3053 from 1:00 pm Eastern Time on May 9 until May 16. The pass code to access the playback recording is 4463383 followed by the number sign.

ABOUT FINNING

Finning International Inc. (TSX: FTT) is the world's largest Caterpillar equipment dealer delivering unrivalled service to customers since 1933. Finning sells, rents and services equipment and engines to help customers maximize productivity. Headquartered in Vancouver, B.C., the Company operates in western Canada, Chile, Argentina, Bolivia, Uruguay, as well as in the United Kingdom and Ireland.

CONTACT INFORMATION

Mauk Breukels
Vice President, Investor Relations and Corporate Affairs
Phone: (604) 331-4934
Email: mauk.breukels@finning.com
www.finning.com

Footnotes

- (1) These amounts do not have a standardized meaning under generally accepted accounting principles. For a reconciliation of these amounts to net income and cash flow from operating activities, see the heading "Description of Non-GAAP and additional GAAP Measures" in the Company's management discussion and analysis that accompanies the 1st quarter consolidated financial statements.
- (2) Free cash flow is defined as cash flow provided by (used in) operating activities less net property, plant and equipment expenditures.
- (3) Gross profit margin is defined as gross profit as a percentage of total revenue.
- (4) EBIT margin is defined as earnings before finance costs and income taxes as a percentage of total revenue.
- (5) Net debt to total capital ratio is calculated as short-term debt and long-term debt, net of cash and cash equivalents (net debt) divided by total capitalization. Total capitalization is defined as the sum of net debt and all components of equity (share capital, contributed surplus, accumulated other comprehensive loss, and retained earnings).

Forward-Looking Disclaimer

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement Finning makes is forward-looking when it uses what the Company knows and expects today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; expected revenue and SG&A levels and EBIT growth; anticipated generation of free cash flow (including projected net capital and rental expenditures), and its expected use; anticipated defined benefit plan contributions; the expected target range of Debt Ratio; the impact of new and revised IFRS that have been issued but are not yet effective; the expected timetable for completion of the proposed transaction between the Company and Caterpillar to acquire the distribution and support business formerly operated by Bucyrus in Finning's Canadian dealership territory; growth prospects for the former Bucyrus business being acquired by the Company in Finning's dealership territories (Bucyrus) and the competitive advantages of the business being acquired; expected future financial and operating results generated from Bucyrus; anticipated benefits and synergies of Bucyrus; the expected financing structure for the Bucyrus transaction in Finning (Canada); and the expected impact of Bucyrus on Finning's earnings. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this report describe Finning's expectations at May 8, 2012. Except as may be required by Canadian securities laws, Finning does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking statements and that Finning's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, Finning cannot guarantee that any forward-looking statement will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by these forward-looking statements include: general economic and market conditions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; Finning's dependence on the continued market acceptance of Caterpillar's products and Caterpillar's timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenues occur; Finning's ability to attract sufficient skilled labour resources to meet growing product support demand; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to successfully integrate the distribution and support business formerly operated by Bucyrus after that transaction closes; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the integrity, reliability, and availability of information technology and the data processed by that technology; operational benefits from the new ERP system. Forward-looking statements are provided in this report for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of Finning's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this report are based on a number of assumptions that Finning believed were reasonable on the day the Company made the forward-looking statements. Refer in particular to the Outlook section of the MD&A. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in the Company's current Annual Information Form (AIF) in Section 4.

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

Except as otherwise indicated, forward-looking statements do not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date hereof. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. Finning therefore cannot describe the expected impact in a meaningful way or in the same way Finning presents known risks affecting its business.

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 8, 2012

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

Results of Operations and Significant Developments

The results described in this Management's Discussion and Analysis (MD&A) include those of acquired businesses from the acquisition date and exclude results from operations that have been disposed or are classified as discontinued. Results of operations from businesses that qualified as discontinued operations have been reclassified to that category for all periods presented unless otherwise noted.

On May 2, 2012 the Company announced that it had completed the previously announced acquisition of the former Bucyrus International Inc. distribution and support business in portions of South America and in the U.K. The purchase is valued at U.S. \$305.8 million. As part of the Company's sequenced integration approach, the acquisition for the former distribution business in Finning (Canada)'s territory is expected to close at the end of the third quarter of 2012. This is a delay of three months to better allocate resources between Finning (Canada)'s Enterprise Resource Planning (ERP) recovery plans and the information technology (IT) transition of the Bucyrus distribution business in Canada. This acquisition is strategically important for Finning as it is expected to expand the Company's leadership position in the growing mining sector and allow Finning to sell and support a comprehensive product line that meets its customers' surface and underground mining needs. The total transaction is valued at approximately U.S. \$465 million and will be financed with debt.

On February 3, 2012, the Company acquired 100% of the shares of Damar Group Ltd, (Damar), an engineering company specializing in the water utility sector in the U.K. The acquired business provides opportunities for Finning to increase market share in the U.K. and Ireland water utility industries. It also increases Finning's mechanical, electrical and civil engineering capability to deliver a wide range of projects within its target power systems markets which is a key strategic objective of the Company's U.K. and Ireland operations. The total consideration is estimated to be \$17.3 million (£11.0 million), which is subject to customary closing adjustments. Consideration of \$10.2 million (£6.4 million) was paid in the first quarter of 2012. Contingent consideration (possible range of £nil - £9.5 million) may be paid on an annual basis after acquisition, depending on the acquired business's financial performance over the next three years.

First Quarter Overview

	Q1 2012	Q1 2011	Q1 2012	Q1 2011
	(\$ millions)		(% of revenue)	
Revenue	\$ 1,471.8	\$ 1,274.6		
Gross profit	444.5	397.3	30.2%	31.2%
Selling, general & administrative expenses (SG&A)	(345.2)	(286.3)	(23.5)%	(22.5)%
Equity earnings of joint venture and associate	1.9	0.8	0.1%	0.1%
Other expenses	(2.4)	(5.2)	(0.1)%	(0.4)%
Earnings before finance costs and income taxes (EBIT)	98.8	106.6	6.7%	8.4%
Finance costs	(14.4)	(14.0)	(1.0)%	(1.1)%
Provision for income taxes	(17.4)	(21.1)	(1.1)%	(1.7)%
Net income	\$ 67.0	\$ 71.5	4.6%	5.6%
Basic earnings per share (EPS)	\$ 0.39	\$ 0.42		
Earnings before finance costs, taxes, depreciation, and amortization (EBITDA) ⁽¹⁾	\$ 146.8	\$ 147.5	10.0%	11.6%
Free Cash Flow ^{(1) (2)}	\$ (222.7)	\$ (156.4)		

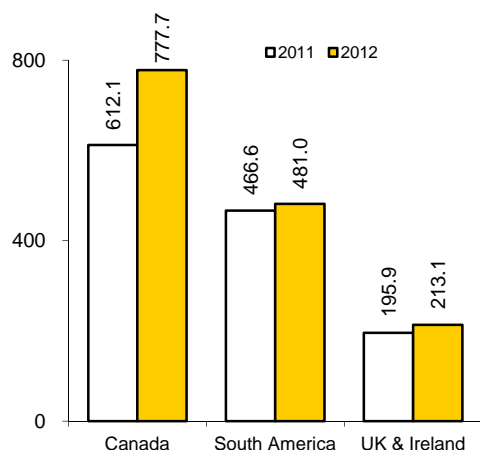
(1) These amounts do not have a standardized meaning under IFRS, which are also referred to herein as generally accepted accounting principles (GAAP). For a reconciliation of these amounts to net income and cash flow from operating activities, see the heading "Description of Non-GAAP and Additional GAAP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

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

Revenue by Operation

(\$ millions)

Three months ended March 31



First quarter consolidated revenues of \$1.5 billion were up 15.5% from the comparable quarter in 2011, with higher revenues contributed by all operations, but most significantly by the Company's Canadian operations. The increase in revenues was driven by record product support revenues and higher new equipment sales.

Revenues from the Company's Canadian operations increased 27.1% in the first quarter of 2012 compared with the same period last year, primarily due to higher new equipment sales and product support revenues. New equipment sales were 54.6% higher than the first quarter of 2011, robust across all sectors and particularly strong in mining. Product support revenues in the first quarter of 2012 were 10.1% higher than the comparative quarter in 2011, primarily driven by increased demand for parts as fleet utilizations were high, reflecting increased demand in mining and heavy construction.

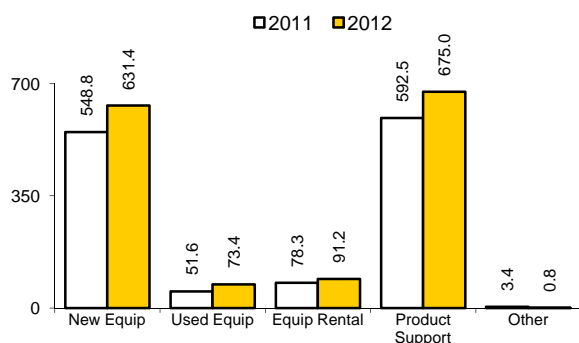
Revenues from the Company's operations in South America increased 3.1% over the first quarter of 2011, and increased 1.4% in functional currency (the U.S. dollar). This was driven mainly by strong product support revenues, up 18.3% in functional currency, with increased demand in mining. New equipment sales were lower by 16.8% in functional currency compared with the first quarter of 2011, because of fewer mining deliveries, in Chile, compared to a very strong first quarter of 2011 and reduced sales in Argentina, reflecting the impact of certain restrictions on imported goods and limitations on foreign exchange introduced by the government in 2011 and early 2012.

Revenues from the UK and Ireland operations were up 8.8% over the first quarter of 2011, and were up 9.3% in functional currency. This increase was largely due to higher product support revenues (13.0% higher in functional currency) and new equipment sales (6.0% higher in functional currency), primarily in the construction sector.

Revenue by Line of Business

(\$ millions)

Three months ended March 31



Overall, product support revenues in the first quarter of 2012 reached record levels which surpassed the last record level set in the previous quarter. Product support revenues were up 13.9% compared with the same quarter last year, with increases reported in all regions. Growth in product support revenues reflected increased demand in mining and heavy construction.

New equipment sales were up 15.1% compared with the first quarter of 2011, up significantly in the Company's Canadian operations.

Used equipment revenues were 42.1% higher compared to the prior year's first quarter, up in all regions.

Rental revenues were 16.4% higher than the first quarter of 2011 and were higher in all regions, with a significant increase in the Company's Canadian operations.

Finning's global order book or backlog (the retail value of new equipment units ordered by customers for future deliveries) was \$1.6 billion at the end of the first quarter of 2012, up from \$1.5 billion in December 2011. New order intake in the first quarter of 2012 remained very robust, up 8% compared to the fourth quarter of 2011, driven primarily by the construction sector.

All regions are affected by the pressure on the supply chain resulting from strengthened market conditions. The impact of longer lead times for products from Caterpillar Inc. (Caterpillar), Finning's key supplier, is being partially mitigated by the Company's successful efforts in finding alternative solutions to meet customers' equipment needs. Such solutions include renting equipment, selling used equipment, repairing or rebuilding equipment, and utilizing the entire Caterpillar global dealer network to source equipment. Finning continues to work closely with Caterpillar and customers to ensure that equipment demands can be met.

Earnings Before Finance Costs and Taxes (EBIT)

On a consolidated basis, EBIT was \$98.8 million in the first quarter of 2012, 7.3% lower than the EBIT of \$106.6 million in the first quarter of 2011. Higher revenues in all operations and all lines of business were offset by higher selling, general, and administrative (SG&A) costs, mainly in the Company's Canadian operations.

Gross profit of \$444.5 million in the first quarter of 2012 was up 11.9% compared to the first quarter of 2011. Quarterly gross profit margin (gross profit as a percentage of revenue) of 30.2% was down from the prior year's first quarter margin of 31.2%. Overall, the Company realized slightly lower margins in new equipment and product support.

SG&A costs were \$345.2 million or 20.6% higher than the first quarter of 2011. SG&A as a percentage of revenue was 23.5%, compared to 22.5% in the first quarter of 2011. This increase was primarily due to volume-related costs to support higher revenues as well as ERP system support and improvement costs incurred in the Company's Canadian operations.

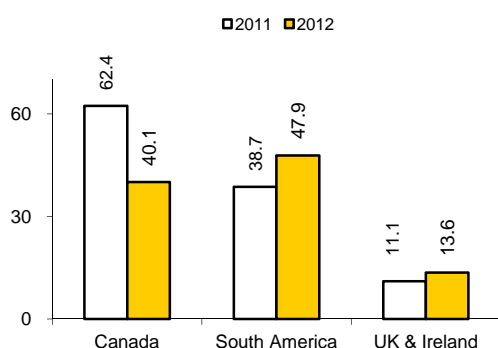
EBIT in the first quarter of 2012 included \$1.6 million of costs related to the new ERP system to be implemented in the Company's South American and UK and Ireland operations. First quarter 2012 results also included \$0.3 million of costs associated with the acquisition from Caterpillar of the distribution and support business formerly operated by Bucyrus in Finning's dealership territories, announced in January 2012. In addition, first quarter 2012 results included \$0.5 million of acquisition costs related to the acquisition of Damar in February 2012. Comparatively, first quarter 2011 results included \$5.2 million of costs related to the implementation of the new ERP system for the Company's global operations.

The Company's EBIT margin (EBIT divided by revenues) of 6.7% in the first quarter of 2012 was down from 8.4% in the first quarter of 2011. The decrease in EBIT margin was primarily driven by the Company's Canadian operations, partially offset by an improvement in the South American operation's profitability.

EBIT by Operations ⁽¹⁾

(\$ millions)

Three months ended March 31



(1) Excluding other operations – corporate head office

Major components of the EBIT variance were:

	(\$ millions)
2011 Q1 EBIT	106.6
Net change in operations	5.1
Foreign exchange impact	6.3
Finning (Canada)'s ERP system support and improvement costs in 2012	(22.0)
Lower ERP system development and implementation costs in 2012	3.6
Higher acquisition costs	(0.8)
2012 Q1 EBIT	<u>98.8</u>

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

EBITDA, which management views as an indicator of the Company's cash operating performance, was \$146.8 million in the first quarter of 2012 compared to \$147.5 million in the first quarter of 2011.

The Company's Free Cash Flow was \$222.7 million use of cash compared to \$156.4 million use of cash in the comparative period of the prior year. With stronger customer demand for equipment and parts in addition to the impact of the ERP system in the Company's Canadian operations, the Company is continuing to experience increased requirements for working capital, in particular higher inventory and accounts receivable levels. The Company remains focused on effectively managing working capital and expects to generate a positive Free Cash Flow in 2012.

Finance Costs

Finance costs for the three months ended March 31, 2012 were \$14.4 million, comparable with \$14.0 million in the first quarter of 2011.

Provision for Income Taxes

The effective income tax rate for the first quarter of 2012 was 20.6% compared to 22.8% in the comparable period of the prior year. The effective rate was lower in the first quarter of 2012 primarily due to a higher proportion of earnings from lower tax jurisdictions.

Net Income

Finning's net income was \$67.0 million in the first quarter of 2012 compared with \$71.5 million in the same period last year.

Basic EPS was \$0.39 compared with \$0.42 in the comparative period last year. The results for the first quarter 2012 reflected higher revenues in all operations, but this was more than offset by increased SG&A costs. First quarter 2012 results included approximately \$0.09 per share of incremental costs associated with the ERP system support and improvement initiatives in Canada, as well as \$0.01 per share of costs related to support costs for the global ERP system to be implemented in the Company's South American and UK and Ireland operations. Comparatively, the first quarter of 2011 included \$0.02 per share of costs related to the global ERP system implementation.

Foreign exchange had a positive impact of approximately \$0.03 per share in the first quarter of 2012 compared to the comparable period last year primarily due to the weaker Canadian dollar relative to the U.S. dollar.

Foreign Exchange

Translation

The Company's reporting currency is the Canadian dollar. However, due to the geographical diversity of the Company's operations, a significant portion of revenue and operating expenses are in different currencies. The most significant currencies in which the Company transacts business are the U.S. dollar, the Canadian dollar, the U.K. pound sterling, and the Chilean peso. Changes in the Canadian dollar / U.S. dollar and Canadian dollar / U.K. pound sterling relationship affects reported results on the translation of the financial statements of the Company's South American and UK and Ireland operations as well as U.S. dollar based earnings of the Company's Canadian operations.

Foreign exchange had a positive impact on consolidated revenues in the first quarter of 2012 of \$14.9 million due to a 1.6% weaker Canadian dollar relative to the U.S. dollar, compared to the first quarter of 2011. As a result, EBIT was positively impacted by \$6.3 million, and earnings were positively impacted by approximately \$0.03 per share in the first quarter of 2012 compared to the prior year's first quarter.

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

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

The following tables provide details of revenue, EBIT by operation and the foreign exchange impact for the three months ended March 31, 2012.

Three months ended March 31 (\$ millions)	Canada	South America	UK & Ireland	Consolidated
Revenues – Q1 2011	\$ 612.1	\$ 466.6	\$ 195.9	\$ 1,274.6
Foreign exchange impact	9.1	6.8	(1.0)	14.9
Operating revenue increase	156.5	7.6	18.2	182.3
Revenues – Q1 2012	\$ 777.7	\$ 481.0	\$ 213.1	\$ 1,471.8
Total revenue increase	\$ 165.6	\$ 14.4	\$ 17.2	\$ 197.2
- percentage increase	27.1%	3.1%	8.8%	15.5%
- percentage increase, excluding foreign exchange	25.6%	1.6%	9.3%	14.3%

Three months ended March 31 (\$ millions)	Canada	South America	UK	Other	Consolidated
EBIT – Q1 2011	\$ 62.4	\$ 38.7	\$ 11.1	\$ (5.6)	\$ 106.6
Foreign exchange impact	1.8	4.9	(0.4)	—	6.3
Operating EBIT increase (decrease)	(24.1)	4.3	2.9	2.8	(14.1)
EBIT – Q1 2012	\$ 40.1	\$ 47.9	\$ 13.6	\$ (2.8)	\$ 98.8
Total EBIT increase (decrease)	\$ (22.3)	\$ 9.2	\$ 2.5	\$ 2.8	\$ (7.8)
- percentage increase (decrease)	(35.8)%	23.5%	23.3%	n/m	(7.3)%
- percentage increase (decrease), excluding foreign exchange	(38.6)%	11.1%	26.1%	n/m	(13.2)%

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

Investment in Foreign Operations

Assets and liabilities of the Company's foreign operations which have functional currencies other than the Canadian dollar are translated into Canadian dollars using the exchange rates in effect at the statement of financial position dates. Any unrealized translation gains and losses are recorded as an item of other comprehensive income and accumulated other comprehensive income.

Currency translation adjustments arise as a result of fluctuations in foreign currency exchange rates at the period reporting date compared to the previous period reporting date. The unrealized currency translation loss of \$14.4 million recorded in the first quarter of 2012 resulted primarily from the 1.8% stronger spot Canadian dollar against the U.S. dollar at March 31, 2012 compared to December 31, 2011. For more details, refer to the Interim Condensed Consolidated Statements of Comprehensive Income (Loss).

Results by Business Segment

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

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

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

Three months ended March 31, 2012 (\$ millions)						
	Canada	South America	UK & Ireland	Consolidated	Revenue percentage	
New equipment	\$ 315.1	\$ 194.0	\$ 122.3	\$ 631.4	42.9%	
Used equipment	45.2	14.9	13.3	73.4	5.0%	
Equipment rental	65.8	18.5	6.9	91.2	6.2%	
Product support	351.6	252.8	70.6	675.0	45.9%	
Other	—	0.8	—	0.8	0.0%	
Total	\$ 777.7	\$ 481.0	\$ 213.1	\$ 1,471.8	100.0%	
Revenue percentage by operations	52.8%	32.7%	14.5%	100.0%		

Three months ended March 31, 2011 (\$ millions)						
	Canada	South America	UK	Consolidated	Revenue percentage	
New equipment	\$ 203.8	\$ 229.1	\$ 115.9	\$ 548.8	43.1%	
Used equipment	31.6	9.3	10.7	51.6	4.0%	
Equipment rental	55.3	16.5	6.5	78.3	6.1%	
Product support	319.3	210.4	62.8	592.5	46.5%	
Other	2.1	1.3	—	3.4	0.3%	
Total	\$ 612.1	\$ 466.6	\$ 195.9	\$ 1,274.6	100.0%	
Revenue percentage by operations	48.0%	36.6%	15.4%	100.0%		

Canadian Operations

The Canadian operating segment includes Finning (Canada), the Company's interest in OEM Remanufacturing Company Inc. (OEM), and a 25% interest in PipeLine Machinery International (PLM). Finning (Canada) sells, services, and rents mainly Caterpillar mobile equipment and engines in British Columbia, Alberta, Yukon, Northwest Territories, and a portion of Nunavut. The Company's end markets include mining (including the oil sands), construction, conventional oil and gas, forestry, and power systems.

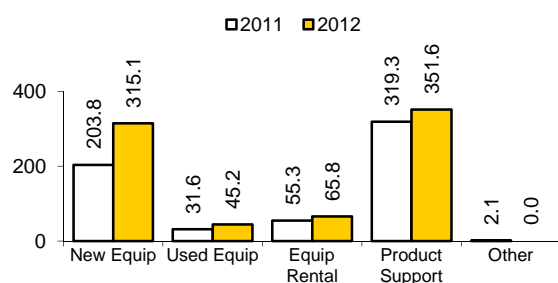
The table below provides details of the results from the Canadian operating segment:

Three months ended March 31 (\$ millions)	2012	2011
Revenue from external sources	\$ 777.7	\$ 612.1
Operating costs	(710.8)	(521.7)
Depreciation and amortization	(29.0)	(25.8)
	37.9	64.6
Equity earnings of joint venture	2.2	1.3
Other expenses		
ERP system implementation costs	—	(3.5)
Earnings before finance costs and taxes (EBIT)	\$ 40.1	\$ 62.4
EBIT		
- as a percentage of revenue	5.2%	10.2%
- as a percentage of consolidated EBIT	40.6%	58.5%
Earnings before finance costs, taxes, depreciation, and amortization (EBITDA)	\$ 69.1	\$ 88.2

Canada – Revenue by Line of Business

(\$ millions)

Three months ended March 31



First quarter 2012 revenues of \$777.7 million increased 27.1% compared with the first quarter of 2011, primarily due to higher new equipment sales and product support revenues.

New equipment sales were robust across all sectors, 54.6% higher than the first quarter of 2011, and particularly strong in mining. Order intake exceeded deliveries in the first quarter of 2012, primarily driven by heavy construction and mining industries.

Product support revenues in the first quarter of 2012 were 10.1% higher than the comparative quarter in 2011. This increase was primarily driven by increased demand for parts as customers were increasing utilization of their fleets, reflecting increased demand in mining and heavy construction.

As previously disclosed, following the launch of its new ERP system in Canada during 2011, the Company experienced implementation issues affecting parts supply, warehousing, and distribution operations, which negatively impacted the Company's ability to efficiently distribute parts and perform service work. The Canadian operations tested and successfully implemented a series of application changes and system performance enhancements to improve the functionality and reliability of the system to process and distribute parts to customers. Following the ERP system implementation issues, the Company continued to execute against its recovery plan. In the first quarter, ERP related support and improvement costs were reduced as user proficiency and operating efficiency continued to improve. The Company is implementing additional system enhancements to reduce manual workarounds and speed up transaction processing. Going forward, the key focus will remain on advancing the ERP system's efficiency and functionality and reducing working capital while improving customer service levels. The Company expects a gradual decline in ERP related support and improvement costs throughout 2012.

In Canada, gross profit in absolute dollars was higher than the first quarter of 2011, driven primarily by the significant increase in new equipment sales and parts revenues. Gross profit as a percentage of revenue was lower than the first quarter of 2011 primarily due to a shift in revenue mix to a higher proportion of new equipment sales, which typically return lower margins than product support revenues. New equipment sales made up 40.5% of total revenues in the first quarter of 2012, compared with 33.3% of total revenues in the same period last year. Comparatively, product support revenues made up 45.2% of total revenues compared with 52.2% of total revenues in the first quarter of 2011.

SG&A costs in the first quarter of 2012 were higher compared to the same period in 2011, primarily due to volume related costs for higher new equipment sales and demand for product support, as well as ERP support and improvement initiative costs. The Company's Canadian operations continued to incur higher support costs in the first quarter of 2012 related to the ERP system, such as freight, consulting, and labour expenses.

The equity earnings of joint venture of \$2.2 million in the first quarter of 2012 relate to the Company's investment in PLM, and were 67.5% higher than the comparable period in 2011.

Included in other expenses in the first quarter of the prior year was \$3.5 million of costs, representing Finning (Canada)'s share of the costs related to the implementation of the new ERP system for the Company's global dealership operations.

EBIT totalled \$40.1 million in the first quarter of 2012 compared with \$62.4 million in the same period in 2011, primarily due to higher costs associated with increased customer demand and ERP support and improvement initiative costs. EBIT margin was 5.2%, lower than the EBIT margin of 10.2% achieved in the first quarter of 2011. However, the first quarter EBIT margin showed improvement compared to the third and fourth quarters of 2011, with EBIT margins of (0.3)% and 4.4%, respectively. The decrease in EBIT margin compared to the first quarter in 2011 reflected the higher SG&A costs noted above, as well as lower margins partly driven by revenue mix.

Other Developments

In March 2012, the Company and the International Association of Machinists and Aerospace Workers (IAM) - Local Lodge 99 agreed to a one-year extension of the current collective agreement. The agreement provides for a wage increase of 5.25 percent and expires on April 30, 2013. The settlement covers approximately 1,700 hourly Finning workers in Alberta and the Northwest Territories.

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

South American Operations

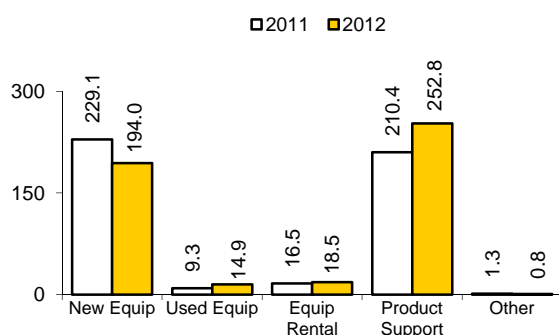
Finning's South American operation sells, services, and rents mainly Caterpillar mobile equipment and engines in Chile, Argentina, Uruguay, and Bolivia. The Company's end markets primarily consist of mining, construction, and power systems.

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

Three months ended March 31 (\$ millions)	2012	2011
Revenue from external sources	\$ 481.0	\$ 466.6
Operating costs	(420.4)	(416.5)
Depreciation and amortization	(11.7)	(9.8)
	48.9	40.3
Other expenses		
ERP system implementation costs	(1.0)	(1.6)
Earnings before finance costs and taxes (EBIT)	\$ 47.9	\$ 38.7
EBIT		
- as a percentage of revenue	10.0%	8.3%
- as a percentage of consolidated EBIT	48.5%	36.4%
Earnings before finance costs, taxes, depreciation, and amortization (EBITDA)	\$ 59.6	\$ 48.5

South America – Revenue by Line of Business (\$ millions)

Three months ended March 31



Finning South America's revenues increased 3.1% over the first quarter of 2011, and increased 1.4% in functional currency (the U.S. dollar).

First quarter 2012 revenues, in functional currency, reflected strong product support revenues, up 18.3% compared to the first quarter of 2011, with increased demand in mining. This continued growth in product support revenues more than offset the decrease in new equipment sales, which were down 16.8% from the first quarter of 2011. The decline in new equipment sales from the prior year's first quarter reflected fewer mining deliveries in Chile compared to a very strong first quarter of 2011, and reduced construction sales in Argentina resulting from government imposed import restrictions and foreign exchange controls. New equipment backlog, in functional currency, was slightly higher than at the end of December 2011. Order activity in the first quarter of 2012 was strong, driven primarily by construction.

In functional currency, gross profit in the first quarter of 2012 was higher in absolute dollars and as a percentage of revenue compared with the same period last year. This increase in gross profit margin is primarily due to a shift in revenue mix to a higher proportion of product support revenues, which typically return higher margins than new equipment sales. Product support revenues made up 52.6% of total revenues compared with 45.0% of total revenues in the first quarter of 2011. Comparatively, new equipment sales made up 40.3% of total revenues in the first quarter of 2012, compared with 49.1% of total revenues in the same period last year. The South American operations experienced slightly higher or comparable gross margins in all lines of business compared with the first quarter of 2011.

SG&A costs, in functional currency, have increased in absolute dollars and as a percentage of revenue compared to the first quarter of 2011. The increase in SG&A costs was primarily driven by the negative foreign exchange impact from a strengthening of the Chilean peso to the U.S. dollar in the quarter and an increase in labour costs to support higher revenues and the growing product support business. From March 31, 2011 to March 31, 2012, the number of employees in the Company's South American operations increased by 7% to approximately 6,600 to meet current and anticipated customer demand for product support. There is significant demand and competition for highly skilled workers which the Company is actively managing.

Included in other expenses was \$1.0 million of costs in the first quarter of 2012 (Q1 2011: \$1.6 million) representing the South American operation's share of the costs related to the implementation of the new ERP system for the Company's global operations.

EBIT from the Company's South American operations of \$47.9 million for the first three months of 2012 was 23.5% higher than the first quarter of 2011. In functional currency, EBIT increased 21.5% over the first quarter of the prior year largely due to higher product support revenues and gross profit, partly offset by higher SG&A costs noted above. EBIT as a percentage of revenue for Finning South America was 10.0%, compared with 8.3% achieved in the first quarter of 2011, reflecting the increase in higher margin product support revenues compared with the first quarter of 2011.

Other Developments

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

United Kingdom (UK) and Ireland Operations

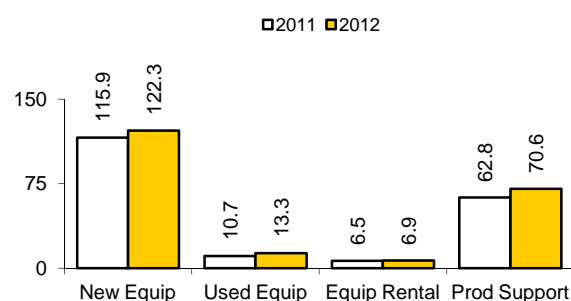
The Company's UK and Ireland operations sell, service, and rent mainly Caterpillar mobile equipment and engines in England, Scotland, Wales, Northern Ireland, the Republic of Ireland, the Falkland Islands, and the Channel Islands. The Company's markets include mining, quarrying, construction, power systems,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

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

Three months ended March 31 (\$ millions)	2012	2011
Revenue from external sources	\$ 213.1	\$ 195.9
Operating costs	(191.1)	(179.3)
Depreciation and amortization	(7.3)	(5.2)
	14.7	11.4
Other expenses		
ERP system implementation costs	(0.6)	(0.3)
Acquisition costs	(0.5)	—
Earnings before finance costs and taxes (EBIT)	\$ 13.6	\$ 11.1
EBIT		
- as a percentage of revenue	6.4%	5.7%
- as a percentage of consolidated EBIT	13.8%	10.4%
Earnings before finance costs, taxes, depreciation, and amortization (EBITDA)	\$ 20.9	\$ 16.3

UK and Ireland – Revenue by Line of Business

Three months ended March 31 (\$ millions)



The UK and Ireland revenues for the first quarter of 2012 of \$213.1 million were up 8.8% from the same period last year, and were up 9.3% in functional currency. The increase was largely due to record product support revenues and higher new equipment sales, primarily in the construction sector.

Revenues from all lines of business were higher compared to the first quarter of 2011. In functional currency, revenues from product support were 13.0% higher and reached a new record, benefiting from growing demand for parts, service, and large equipment rebuilds, and new equipment sales were up 6.0% compared to first quarter of 2011. Order backlog was the highest since the first quarter of 2008.

Gross profit, in functional currency, in the first quarter of 2012 was higher compared with the same period last year in absolute terms and as a percentage of revenue. This increase in gross profit margin is primarily due to a shift in revenue mix to a higher proportion of product support revenues, which typically return higher margins than new equipment sales. Product support revenues made up 33.1% of total revenues compared with 32.0% of total revenues in the first quarter of 2011. Comparatively, new equipment sales made up 57.4% of total revenues in the first quarter of 2012, compared with 59.2% of total revenues in the same period last year. The UK and Ireland operations experienced higher or comparable gross margins in all lines of business compared with the first quarter 2011, with the exception of rental.

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

Other expenses in the first quarter of 2012 included costs of \$0.6 million (Q1 2011: \$0.3 million) representing the UK dealership's share of costs related to the implementation of the new ERP system for the Company's global operations. In addition, the UK and Ireland operations incurred \$0.5 million of acquisition costs related to the purchase of Damar.

In the first quarter of 2012, the UK and Ireland operations generated EBIT of \$13.6 million, compared with EBIT of \$11.1 million in the first quarter of 2011. The higher EBIT in the first quarter of 2012 was primarily the result of higher product support revenues and lower relative operating cost levels. The UK and Ireland operation's EBIT margin (EBIT as a percentage of revenue) in the first quarter of 2012 was 6.4% compared with 5.7% in the first quarter of 2011.

Corporate and Other Operations

Three months ended March 31 (\$ millions)	2012	2011
Operating costs – corporate	\$ (6.0)	\$ (6.1)
Long-term incentive plan (LTIP)	3.8	0.9
Depreciation and amortization	—	(0.1)
	(2.2)	(5.3)
Equity loss of associate	(0.3)	(0.5)
Other expenses (income)		
ERP system implementation recovery	—	0.2
Acquisition costs	(0.3)	—
Earnings (loss) before finance costs and taxes	\$ (2.8)	\$ (5.6)

For the three months ended March 31, 2012, corporate operating costs of \$6.0 million were comparable to the same period last year.

The Company entered into a compensation hedge at the end of 2007 in order to offset the mark-to-market impact relating to certain stock-based compensation plans. In the first quarter of 2012, the Company's share price increased and the LTIP expense was more than offset by the positive fair value change of the LTIP hedge. The long-term incentive plan (LTIP) income recorded at the corporate level primarily reflects the fair value change of the compensation hedge.

The equity loss of associate for the three months ended March 31, 2012 and 2011 relates to the Company's investment in Energyst B.V.

Liquidity and Capital Resources

Operating Activities

For the three months ended March 31, 2012, cash flow used in operations after working capital items was \$171.8 million, compared with cash outflows of \$116.0 million during the same period in 2011. The use of cash reflected an increase in customer demand and the impact of the ERP system in the Company's Canadian operations with a corresponding increase in working capital requirements, driven by higher inventory and accounts receivable levels in the first quarter of 2012. As a result, the Company's working capital investment in the first quarter of 2012 is \$39.5 million higher than the first three months of the prior year. Throughout all operations, management continues to focus on improving cash cycle times and operating efficiencies while ensuring appropriate levels of working capital to support activity levels.

In the first quarter of 2012, the Company invested \$13.9 million in rental assets, net of disposals, comparable with the investment of \$15.3 million in the first quarter of 2011.

As a result of these items, cash flow used in operating activities was \$185.6 million in the first quarter of 2012, compared to \$130.1 million in the comparative period of 2011.

EBITDA was \$146.8 million in the first quarter of 2012 compared to \$147.5 million in the first quarter of 2011.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2012 totalled \$45.6 million compared with \$27.8 million in the first quarter of 2011. The primary use of cash in the first quarters of 2012 and 2011 related to capital asset additions, which generally reflected capital spending related to growing product support demand, primarily infrastructure spending in the Company's Canadian and South American operations.

Gross capital additions for the three months ended March 31, 2012 were \$39.1 million, which is higher compared with the \$26.4 million invested in the comparable period in 2011.

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

The acquisition of the former Bucyrus distribution business in South America and U.K. closed on May 2, 2012, and is expected to close at the end of the third quarter of 2012 in Canada. In connection with the purchase of the Bucyrus distribution business, acquisition costs of \$0.6 million were paid in the first quarter of 2012.

Financing Activities

As at March 31, 2012, the Company's short and long-term borrowings totalled approximately \$1.3 billion, up from \$1.1 billion in December 31, 2011. The increase reflected borrowings to finance the Company's higher working capital requirements.

Finning has committed bank facilities totalling approximately \$1.1 billion with various Canadian, U.S., and South American financial institutions. The largest of these, the \$1.0 billion global operating credit facility, matures in September 2015. At March 31, 2012, approximately \$625 million was available under these committed facilities.

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

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

Dividends paid to shareholders were \$22.3 million, up almost 9% compared to the first quarter of 2011. In May 2012, the Board of Directors increased the Company's quarterly dividend by 8% to \$0.14 per common share, reflecting the Company's confidence in the outlook and expectation for revenue and earnings growth.

The Company's Debt Ratio (net debt to total capitalization ratio) at March 31, 2012 was 47.2%, compared with 42.0% at December 31, 2011. The increase in the Debt Ratio is temporarily above the Company's target range of 35-45%, and reflects higher debt levels required to fund working capital requirements. Net debt to total capitalization is calculated as short-term and long-term debt, net of cash and cash equivalents (net debt) divided by total capitalization. Total capitalization is defined as the sum of net debt and all components of shareholders' equity (share capital, contributed surplus, accumulated other comprehensive loss, and retained earnings).

Outlook

Strong quotation activity continues in all the Company's regions, reflecting on-going demand for new equipment. In mining, the outlook for most commodity prices remains positive, and is expected to continue to support producers' investment plans. Low-hour used equipment remains in short supply, and demand for rental equipment continues to be solid. The Company also continues to experience very strong demand for parts and service, including equipment rebuild work for mining and construction customers.

As a result of healthy market conditions, all regions are experiencing longer lead times from Caterpillar for new equipment. Lead times appear to have stabilized and are expected to improve as Caterpillar brings more production capacity on line. The Company constantly assesses its inventory requirements in response to strong demand and is utilizing the entire Caterpillar dealer global network to source new and used equipment. The Company continues to work closely with customers to find solutions for their equipment needs, include renting, repairing or rebuilding equipment.

In Canada, business conditions remain very strong and the Company is experiencing significant demand for new, used and rental equipment. In mining, including the oil sands, new machine sales and quoting activity levels for projects remain high. The heavy construction, conventional oil, and forestry sectors are very active, driving increased demand for equipment. The gas sector is soft as a result of low gas prices. Product support is strong in all sectors; and large equipment overhaul and component remanufacturing remain very active.

Following the ERP implementation issues, the Company continued to execute against its recovery plan. In the first quarter, ERP related support and improvement costs were reduced as user proficiency and operating efficiency continued to improve. The Company is implementing additional system enhancements to reduce manual workarounds and speed up transaction processing. Going forward, the key focus will remain on advancing the ERP system's efficiency and functionality and reducing working capital while improving customer service levels. The Company expects a gradual decline in ERP related support and improvement costs throughout 2012.

In South America, long-term fundamentals are expected to remain positive and drive demand for equipment for the foreseeable future. The Company is actively quoting on new equipment and receiving new orders from customers. The growing installed base of equipment in mining, construction and power systems is expected to continue to generate strong product support growth in South America.

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

In Argentina, market conditions in mining and oil and gas sectors remain healthy; however, the construction sector has slowed as the government has reduced infrastructure spending. Over the past year, the government has introduced controls on importation and continues to closely manage access to foreign exchange. As a result, the Company expects there will be some impact on our ability to source and deliver parts and equipment to customers in 2012, but that the amount is currently not expected to be material to the Company's overall revenues or earnings. The Company is working with its customers to ensure their needs are met. The Company has taken certain steps to mitigate or reduce the impact of these restrictions, including pre-purchasing of inventory, increased sourcing of local parts where possible and various operating and capital cost containment measures. In addition, given the high demand in our other South American territories, some equipment on order can be redirected to meet this demand.

In the U.K., operating performance and order activity remains encouraging despite the uncertainties in the U.K. and European economies. Sales opportunities to coal mining, quarrying and re-handling customers remain positive. Product support activities, including equipment rebuild work for large accounts, are expected to remain at healthy levels. The Company continues to execute well on its distribution strategy for smaller new equipment. In power systems, order intake for engines and projects, particularly in the pleasure craft, industrial, oil and gas, and power and energy sectors remains strong. In Ireland the outlook for power systems business remains positive, while the construction industry remains very slow.

On May 2, 2012 the Company announced that it completed the acquisition of the former Bucyrus distribution business in portions of South America and in the U.K. As part of the Company's sequenced integration approach, the acquisition for the former distribution business in Finning (Canada)'s territory is expected to close at the end of the third quarter of 2012. This is a delay of three months to better allocate resources between Finning (Canada)'s ERP recovery plans and the IT transition of the Bucyrus distribution business in Canada. The acquisition is strategically important for Finning as it is expected to expand the Company's leadership position in the growing mining sector. Finning now sells and supports a comprehensive product line that meets its customers' needs for surface and underground mining. The acquired distribution and support business expands Finning's mining product offerings, provides additional product support opportunities and adds complementary customer service capabilities. The acquisition will be financed with debt.

In 2012, the Company expects new equipment sales to be comparable to 2011 levels and the large installed equipment base to drive strong growth in product support revenues over 2011. Following the closing of the acquisition of the former Bucyrus distribution business in all its territories, the Company expects 2012 revenue to grow by 8 to 10 percent over 2011, which is an increase over the previous guidance of 5 percent growth this year. The former Bucyrus business is projected to contribute about \$270 million to 2012 revenue, be accretive to 2012 earnings, and generate an EBIT margin of 7 to 8 percent in the next two years. The Company expects 2013 revenue to be 10 to 15 percent higher than 2012 (an increase over the previous guidance of 10 percent growth) and remains on track to achieve its 9 to 10 percent EBIT margin target in 2013.

The Company's 2012 priorities are to improve operating profitability, particularly in the Canadian operations, successfully integrate the former Bucyrus business, and strengthen the balance sheet.

Description of Non-GAAP and Additional GAAP Measures

EBIT is defined herein as earnings before finance costs and income taxes. EBITDA is defined as earnings before finance costs, taxes, depreciation, and amortization. Free Cash Flow is defined as cash flow provided by (used in) operating activities less net property, plant, and equipment. EBIT, EBITDA, and Free Cash Flow are measures of performance utilized by management to measure and evaluate the financial performance of its operating segments. EBITDA and Free Cash Flow are measures commonly reported and widely used by investors as an indicator of a company's cash operating performance and ability to raise and service debt. EBITDA is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses and is a common valuation metric.

Management believes that these measures provide important information regarding the operational performance of the Company's business. By considering these measures in combination with the comparable IFRS (also referred to as generally accepted accounting principles, or GAAP) measures set out below, management believes that shareholders are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the GAAP measures alone. EBITDA and Free Cash Flow do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with GAAP.

A reconciliation between EBITDA and net income is as follows:

Three months ended March 31 (\$ millions)	2012		2011	
Earnings before finance costs, taxes, depreciation, and amortization (EBITDA)	\$	146.8	\$	147.5
Depreciation and amortization		(48.0)		(40.9)
Earnings before finance costs and income taxes (EBIT)		98.8		106.6
Finance costs		(14.4)		(14.0)
Provision for income taxes		(17.4)		(21.1)
Net income	\$	67.0	\$	71.5

A reconciliation of Free Cash Flow is as follows:

Three months ended March 31 (\$ millions)	2012		2011	
Cash flow used in operating activities	\$	(185.6)	\$	(130.1)
Additions to property, plant, and equipment		(39.1)		(26.4)
Proceeds on disposal of property, plant, and equipment		2.0		0.1
Free Cash Flow	\$	(222.7)	\$	(156.4)

Risk Management

Finning and its subsidiaries are exposed to market, financial, and other risks in the normal course of their business activities. The Company's Enterprise Risk Management (ERM) process is designated to ensure that such risks are identified, managed, and reported. This ERM framework assists the Company in managing business activities and risks across the organization in order to achieve the Company's strategic objectives.

The Company is dedicated to a strong risk management culture to protect and enhance shareholder value. The Company discloses all of its key risks in its most recent AIF with key financial risks also included in the Company's Annual MD&A. On a quarterly basis, the Company assesses all of its key risks and any changes to key financial or business risks are disclosed in the Company's quarterly MD&A. Also on a quarterly basis, the Audit Committee reviews the Company's process with respect to risk assessment and management of key risks, including the Company's major financial risks and exposures and the steps taken to monitor and control such exposures. Changes to the key risks are also reviewed by the Audit Committee. For further details on the management of liquidity and capital resources, financial derivatives, and financial risks and uncertainties, please refer to the Company's AIF and MD&A for the year ended December 31, 2011.

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

Sensitivity to variances in foreign exchange rates

The Company is geographically diversified, with significant investments in several different countries. The Company transacts business in multiple currencies, the most significant of which are the U.S. dollar (USD), the Canadian dollar (CAD), the U.K. pound sterling (GBP), and the Chilean peso (CLP). As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies. The main types of foreign exchange risk of the Company are translation exposure and transaction exposure. These are explained further in the Foreign Exchange Risk section in the 2011 annual MD&A.

The sensitivity of the Company's net earnings to fluctuations in average annual foreign exchange rates is summarized in the table below. A 5% strengthening of the Canadian dollar against the following currencies for a full year relative to the March 31, 2012 month end rates would increase / (decrease) annual net income by the amounts shown below. This analysis assumes that all other variables, in particular volumes, relative pricing, interest rates, and hedging activities are unchanged.

Currency	March 31, 2012 month end rates	Net income \$ millions
CAD/USD	0.9991	\$ (30)
CAD/GBP	1.5970	\$ (2)
CAD/CLP	0.0020	\$ 2

A 5% weakening of the Canadian dollar against the above currencies relative to the March 31, 2012 month end rates would have an equivalent but opposite effect on the above accounts in the amounts shown on the basis that all other variables are unchanged.

The sensitivities noted above ignore the impact of exchange rate movements on other macroeconomic variables, including overall levels of demand and relative competitive advantages. If it were possible to quantify these impacts, the results would likely be different from the sensitivities shown above. The sensitivity to variances in foreign exchange rates as noted above is an annual view which takes into account annual forecasted volumes and average hedging activities which, in management's opinion, may not be representative of the inherent foreign exchange risk exposure for a quarter.

Controls and Procedures Certification

Disclosure Controls and Procedures

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

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

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

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

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of the Company's internal control over financial reporting during the quarter ended March 31, 2012, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting. In the first quarter of 2012, management did employ additional procedures to ensure key financial internal controls remained in place after the conversion to a new ERP system in the third quarter of 2011 in the Company's Canadian operations. Management also performed additional account reconciliations and other analytical and substantive procedures to mitigate any financial risks from the introduction of the new system.

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

Selected Quarterly Information

\$ millions (except for share and option data)	2012	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue from continuing operations ^{(1) (2) (3)}								
Canada	\$ 777.7	\$ 990.9	\$ 607.7	\$ 733.0	\$ 612.1	\$ 652.1	\$ 586.6	\$ 551.7
South America	481.0	592.7	528.1	532.7	466.6	505.6	462.2	352.8
UK & Ireland	213.1	227.0	193.3	214.9	195.9	188.8	157.4	160.5
Total revenue	\$1,471.8	\$ 1,810.6	\$1,329.1	\$1,480.6	\$1,274.6	\$1,346.5	\$1,206.2	\$1,065.0
Net income (loss) ^{(1) (2) (3)}								
from continuing operations	\$ 67.0	\$ 70.6	\$ 35.4	\$ 81.9	\$ 71.5	\$ 55.5	\$ 63.4	\$ 35.7
from discontinued operations	—	—	—	—	—	—	—	(123.2)
Total net income	\$ 67.0	\$ 70.6	\$ 35.4	\$ 81.9	\$ 71.5	\$ 55.5	\$ 63.4	\$ (87.5)
Basic Earnings (Loss) Per Share ^{(1) (2) (3)}								
from continuing operations	\$ 0.39	\$ 0.41	\$ 0.21	\$ 0.48	\$ 0.42	\$ 0.32	\$ 0.37	\$ 0.21
from discontinued operations	—	—	—	—	—	—	—	(0.72)
Total basic EPS	\$ 0.39	\$ 0.41	\$ 0.21	\$ 0.48	\$ 0.42	\$ 0.32	\$ 0.37	\$ (0.51)
Diluted Earnings (Loss) Per Share ^{(1) (2) (3)}								
from continuing operations	\$ 0.39	\$ 0.41	\$ 0.21	\$ 0.47	\$ 0.41	\$ 0.32	\$ 0.37	\$ 0.21
from discontinued operations	—	—	—	—	—	—	—	(0.72)
Total diluted EPS	\$ 0.39	\$ 0.41	\$ 0.21	\$ 0.47	\$ 0.41	\$ 0.32	\$ 0.37	\$ (0.51)
Total assets ^{(1) (2) (3)}	\$4,530.0	\$ 4,085.4	\$4,086.8	\$3,645.0	\$3,511.0	\$3,429.7	\$3,356.0	\$3,231.5
Long-term debt								
Current	\$ 0.5	\$ 0.5	\$ 262.3	\$ 263.2	\$ 209.0	\$ 203.1	\$ 37.9	\$ 32.4
Non-current	952.4	762.6	778.5	710.9	711.7	711.1	861.4	867.4
Total long-term debt ⁽⁴⁾	\$ 952.9	\$ 763.1	\$1,040.8	\$ 974.1	\$ 920.7	\$ 914.2	\$ 899.3	\$ 899.8
Cash dividends paid per common share	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12
Common shares outstanding (000's)	171,849	171,574	171,571	171,570	171,528	171,431	171,177	171,009
Options outstanding (000's)	4,595	5,411	5,411	5,462	5,371	5,603	6,095	6,455

- 1) In August 2010, the Company was appointed the Caterpillar dealer for Northern Ireland and the Republic of Ireland. The results of operations and financial position of these dealers have been included in the figures above since the date of acquisition.
- 2) On May 5, 2010, the Company sold Hewden, its UK equipment rental business. Results from Hewden are presented as discontinued operations and have been reclassified to that category for all periods presented. Included in the loss from discontinued operations in the second quarter of 2010 is the after-tax loss on the disposition of Hewden of \$120.8 million. Revenues from Hewden have been excluded from the revenue figures above. Assets from Hewden have been included in the total assets figures for periods prior to the sale.
- 3) The results for the third and fourth quarters of 2011 and the first quarter of 2012 were negatively impacted by the system implementation issues experienced in the Company's Canadian operations. The ERP system implementation and the five-week B.C. union strike in the third quarter of 2011 reduced earnings by approximately \$0.25 per share; the fourth quarter of 2011 and the first quarter of 2012 included costs associated with the ERP system issues of \$0.12 and \$0.09 per share, respectively.
- 4) In the second quarter of 2010, the Company utilized funds from the sale of Hewden to redeem £45 million of its £115 million Eurobond Notes.

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

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

In January 2012, the Company issued unsecured senior notes in the U.S. private placement market of U.S. \$200 million. The Company issued the notes in two series of U.S. \$100 million each: the 3.98% Senior Notes, Series A, due January 19, 2022 and the 4.08% Senior Notes, Series B, due January 19, 2024.

In April 2012, the Company issued unsecured senior notes in the U.S. private placement market of U.S. \$300 million. The Company issued the notes in three series: the U.S. \$50 million 4.18% Senior Notes, Series C, due April 3, 2022, the U.S. \$50 million 4.28% Senior Notes, Series D, due April 3, 2024 and the U.S. \$200 million 4.53% Senior Notes, Series E, due April 3, 2027.

New Accounting Pronouncements

Amended standards adopted by the Company in the quarter

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

Future Accounting Pronouncements

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

- Amendments to IAS 19, *Employee Benefits* (effective January 1, 2013) provide new requirements for the accounting for defined benefit pension plans. Most notably, the amendments mandate the immediate recognition of actuarial gains and losses, and require companies to use the same discount rate for both the defined benefit obligation and the expected asset return when calculating the interest component of pension expense. The Company already recognizes all actuarial gains and losses immediately through other comprehensive income, consequently this element of the amendments will not impact the Company. The amendments to IAS 19 will require additional disclosures in the notes to the financial statements and it is anticipated the amendments will result in an increase in expense with a corresponding decrease in other comprehensive income. The Company is currently quantifying the impact of the amendments.

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

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

Outstanding Share Data

As at May 3, 2012

Common shares outstanding	171,852,640
Options outstanding	4,586,023

Forward-Looking Disclaimer

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement Finning makes is forward-looking when it uses what the Company knows and expects today to make a statement about the future. Forward-looking statements may include words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; expected revenue and SG&A levels and EBIT growth; anticipated generation of free cash flow (including projected net capital and rental expenditures), and its expected use; anticipated defined benefit plan contributions; the expected target range of Debt Ratio; the impact of new and revised IFRS that have been issued but are not yet effective; the expected timetable for completion of the proposed transaction between the Company and Caterpillar to acquire the distribution and support business formerly operated by Bucyrus in Finning's Canadian dealership territory; growth prospects for the former Bucyrus business being acquired by the Company in Finning's dealership territories (Bucyrus) and the competitive advantages of the business being acquired; expected future financial and operating results generated from Bucyrus; anticipated benefits and synergies of Bucyrus; the expected financing structure for Bucyrus in Finning (Canada); and the expected impact of Bucyrus on Finning's earnings. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this report describe Finning's expectations at May 8, 2012. Except as may be required by Canadian securities laws, Finning does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking statements and that Finning's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, Finning cannot guarantee that any forward-looking statement will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by these forward-looking statements include: general economic and market conditions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; Finning's dependence on the continued market acceptance of Caterpillar's products and Caterpillar's timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenues occur; Finning's ability to attract sufficient skilled labour resources to meet growing product support demand; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to successfully integrate the distribution and support business formerly operated by Bucyrus after that transaction closes; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the integrity, reliability, and availability of information technology and the data processed by that technology; operational benefits from the new ERP system. Forward-looking statements are provided in this report for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of Finning's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this report are based on a number of assumptions that Finning believed were reasonable on the day the Company made the forward-looking statements. Refer in particular to the Outlook section of the MD&A. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in the Company's current Annual Information Form (AIF) in Section 4.

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

Except as otherwise indicated, forward-looking statements do not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date hereof. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. Finning therefore cannot describe the expected impact in a meaningful way or in the same way Finning presents known risks affecting its business.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ thousands)	March 31, 2012	December 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	\$ 122,814	\$ 122,745
Accounts receivable	935,594	862,698
Service work in progress	167,674	171,214
Inventories	1,766,583	1,442,829
Income tax recoverable	18,021	20,880
Derivative assets	2,643	2,287
Other assets	175,880	154,803
Total current assets	3,189,209	2,777,456
Rental equipment	397,217	402,114
Property, plant, and equipment	572,061	550,524
Intangible assets	52,174	52,032
Goodwill (Note 9)	104,152	92,501
Investment in and advances to joint venture and associate	61,032	61,600
Finance assets	35,738	33,820
Derivative assets	693	—
Deferred tax assets	83,963	81,029
Other assets	33,715	34,284
	\$ 4,529,954	\$ 4,085,360
LIABILITIES		
Current liabilities		
Short-term debt	\$ 394,554	\$ 334,525
Accounts payable and accruals	1,122,261	965,981
Income tax payable	10,411	12,511
Provisions	98,300	88,146
Deferred revenue	315,687	317,299
Derivative liabilities	12,641	23,515
Current portion of long-term debt (Note 3)	522	508
Total current liabilities	1,954,376	1,742,485
Long-term debt (Note 3)	952,422	762,571
Long-term obligations	206,208	192,410
Provisions	3,448	2,897
Deferred revenue	22,500	22,320
Deferred tax liabilities	18,437	17,723
Total liabilities	3,157,391	2,740,406
SHAREHOLDERS' EQUITY		
Share capital	570,236	566,452
Contributed surplus	33,106	35,812
Accumulated other comprehensive loss	(43,928)	(38,193)
Retained earnings	813,149	780,883
Total shareholders' equity	1,372,563	1,344,954
	\$ 4,529,954	\$ 4,085,360

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Three months ended March 31 (Canadian \$ thousands, except share and per share amounts)	2012	2011
Revenue		
New equipment	\$ 631,497	\$ 548,763
Used equipment	73,409	51,643
Equipment rental	91,172	78,293
Product support	674,988	592,518
Other	766	3,419
Total revenue	1,471,832	1,274,636
Cost of sales	(1,027,376)	(877,293)
Gross profit	444,456	397,343
Selling, general, and administrative expenses	(345,181)	(286,269)
Equity earnings of joint venture and associate	1,910	774
Other expenses (Note 2)	(2,390)	(5,224)
Earnings before finance costs and income taxes	98,795	106,624
Finance costs (Note 3)	(14,444)	(14,011)
Income before provision for income taxes	84,351	92,613
Provision for income taxes	(17,377)	(21,074)
Net income	\$ 66,974	\$ 71,539
Earnings per share - basic	\$ 0.39	\$ 0.42
- diluted	\$ 0.39	\$ 0.41
Weighted average number of shares outstanding		
Basic	171,681,976	171,497,912
Diluted	172,472,662	172,493,312

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three months ended March 31 (Canadian \$ thousands)	2012	2011
Net income	\$ 66,974	\$ 71,539
Other comprehensive income (loss), net of income tax		
Currency translation adjustments	(14,405)	(18,476)
Unrealized gain (loss) on net investment hedges	4,600	(166)
Tax expense on net investment hedges	(1,043)	(32)
Foreign currency translation and gain (loss) on net investment hedges, net of income tax	(10,848)	(18,674)
Unrealized gain (loss) on cash flow hedges	7,315	(234)
Realized gain on cash flow hedges, reclassified to earnings	(375)	(931)
Tax expense on cash flow hedges	(1,827)	(406)
Gain (loss) on cash flow hedges, net of income tax	5,113	(1,571)
Actuarial gain (loss) (Note 7)	(15,917)	12,685
Tax recovery (expense) on actuarial gain (loss)	3,544	(3,504)
Actuarial gain (loss), net of income tax	(12,373)	9,181
Comprehensive income	\$ 48,866	\$ 60,475

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(\$ Canadian thousands, except share amounts)	Share Capital			Accumulated Other Comprehensive Income (Loss)				Total
	Shares	Amount	Contributed Surplus	Foreign Currency Translation and Gain / (Loss) on Net Investment Hedges	Gain / (Loss) on Cash Flow Hedges	Retained Earnings		
Balance, January 1, 2011	171,431,349	\$ 564,973	\$ 33,128	\$ (52,316)	\$ (1,069)	\$ 658,269	\$ 1,202,985	
Net income	—	—	—	—	—	71,539	71,539	
Other comprehensive income	—	—	—	(18,674)	(1,571)	9,181	(11,064)	
Total comprehensive income (loss)	—	—	—	(18,674)	(1,571)	80,720	60,475	
Issued on exercise of share options	96,187	991	(291)	—	—	—	700	
Stock option expense	—	—	839	—	—	—	839	
Dividends on common shares	—	—	—	—	—	(20,582)	(20,582)	
Balance, March 31, 2011	171,527,536	\$ 565,964	\$ 33,676	\$ (70,990)	\$ (2,640)	\$ 718,407	\$ 1,244,417	
Balance, January 1, 2012	171,573,752	\$ 566,452	\$ 35,812	\$ (28,758)	\$ (9,435)	\$ 780,883	\$ 1,344,954	
Net income	—	—	—	—	—	66,974	66,974	
Other comprehensive income	—	—	—	(10,848)	5,113	(12,373)	(18,108)	
Total comprehensive income (loss)	—	—	—	(10,848)	5,113	54,601	48,866	
Issued on exercise of share options	275,054	3,784	(3,574)	—	—	—	210	
Stock option expense	—	—	868	—	—	—	868	
Dividends on common shares	—	—	—	—	—	(22,335)	(22,335)	
Balance, March 31, 2012	171,848,806	\$ 570,236	\$ 33,106	\$ (39,606)	\$ (4,322)	\$ 813,149	\$ 1,372,563	

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

Three months ended March 31 (Canadian \$ thousands)	2012	2011
OPERATING ACTIVITIES		
Net income	\$ 66,974	\$ 71,539
Add items not affecting cash		
Depreciation and amortization	48,666	41,418
Gain on sale of property, plant, and equipment and rental equipment	(11,926)	(11,251)
Deferred taxes	(561)	2,511
Share-based payments	(259)	1,640
Other	(801)	(245)
	102,093	105,612
Changes in working capital items (Note 6)	(244,862)	(205,388)
Interest paid	(8,140)	(5,437)
Income tax paid	(20,868)	(10,832)
Cash used after changes in working capital items	(171,777)	(116,045)
Additions to rental equipment	(68,084)	(48,931)
Proceeds on disposal of rental equipment	54,232	33,638
Equipment leased to customers, net of disposals	10	1,275
Cash flow used in operating activities	(185,619)	(130,063)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(39,139)	(26,479)
Proceeds on disposal of property, plant and equipment	2,008	99
Investment in equity investment	—	(1,375)
Net proceeds paid on acquisition (Notes 9 and 10)	(8,428)	—
Cash used in investing activities	(45,559)	(27,755)
FINANCING ACTIVITIES		
Increase (decrease) in short-term debt	64,028	(3,646)
U.S. senior notes issue (Note 3)	201,900	—
Increase (decrease) in long-term debt	(11,585)	6,645
Issue of common shares on exercise of stock options	210	700
Dividends paid	(22,335)	(20,582)
Cash provided by (used in) financing activities	232,218	(16,883)
Effect of currency translation on cash balances	(971)	(4,672)
Increase (decrease) in cash and cash equivalents	69	(179,373)
Cash and cash equivalents, beginning of period	122,745	346,387
Cash and cash equivalents, end of period (Note 6)	\$ 122,814	\$ 167,014

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Change in Accounting Policy

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

(b) Future Accounting Pronouncements

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

- Amendments to IAS 19, *Employee Benefits* (effective January 1, 2013) provide new requirements for the accounting for defined benefit pension plans. Most notably, the amendments mandate the immediate recognition of actuarial gains and losses, and require companies to use the same discount rate for both the defined benefit obligation and the expected asset return when calculating the interest component of pension expense. The Company already recognizes all actuarial gains and losses immediately through other comprehensive income, consequently this element of the amendments will not impact the Company. The amendments to IAS 19 will require additional disclosures in the notes to the financial statements and it is anticipated the amendments will result in an increase in expense with a corresponding decrease in other comprehensive income. The Company is currently quantifying the impact of the amendments.

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

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

2. OTHER EXPENSES

Other expenses include the following items:

Three months ended March 31 (\$ thousands)	2012	2011
Project costs (a)	\$ 1,563	\$ 5,224
Acquisition costs (b)	827	—
	\$ 2,390	\$ 5,224

- (a) Project costs incurred in the three months ended March 31, 2012 and 2011 relate to the implementation of a new Enterprise Resource Planning (ERP) system for the Company's global operations. The new ERP system was implemented in Finning (Canada) on July 4, 2011 and consequently, all expenses related to the system in 2012 are captured in the Canadian operation's SG&A. Subsequent implementations are planned for the U.K. and South American operations so costs related to their implementation are classified as other expenses.
- (b) Acquisition costs incurred in 2012 relate to the planned acquisition from Caterpillar of the distribution and support business formerly operated by Bucyrus International, Inc (Bucyrus) in Finning's dealership territories in South America, Canada, and the U.K., anticipated to be completed in two phases during 2012 (Note 10). In addition, acquisition costs incurred during 2012 include costs relating to the acquisition of the Damar Group Ltd by Finning (UK and Ireland) (Note 9).

3. LONG-TERM DEBT AND FINANCE COSTS

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

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

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

Three months ended March 31 (\$ thousands)	2012	2011
Interest on debt securities:		
Short-term debt	\$ 988	\$ 120
Long-term debt	11,719	11,718
	12,707	11,838
Loss on interest rate derivatives	371	366
Other finance related expenses	2,088	2,129
	15,166	14,333
Less:		
Borrowing costs capitalized to property, plant, and equipment	(722)	(322)
Finance costs	\$ 14,444	\$ 14,011

4. EARNINGS PER SHARE

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

Three months ended March 31

(\$ thousands, except share and per share amounts)

2012	Income	Shares	Per Share
Basic EPS:			
Net income	\$ 66,974	171,681,976	\$ 0.39
Effect of dilutive securities: stock options	—	790,686	—
Diluted EPS:			
Net income and assumed conversions	\$ 66,974	172,472,662	\$ 0.39
2011			
Basic EPS:			
Net income	\$ 71,539	171,497,912	\$ 0.42
Effect of dilutive securities: stock options	—	995,400	(0.01)
Diluted EPS:			
Net income and assumed conversions	\$ 71,539	172,493,312	\$ 0.41

5. CURRENCY RATES

The Company's principal subsidiaries operate in three functional currencies: Canadian dollars, U.S. dollars, and the U.K. pound sterling. The exchange rates of the Canadian dollar against the following foreign currencies were as follows:

Exchange rate	March 31, 2012	December 31, 2011	March 31, 2011
U.S. dollar	0.9991	1.0170	0.9718
U.K. pound sterling	1.5970	1.5799	1.5595
Three months ended March 31			
Average exchange rates	2012	2011	
U.S. dollar	1.0011	0.9855	
U.K. pound sterling	1.5732	1.5803	

6. SUPPLEMENTAL CASH FLOW INFORMATION

Non cash working capital changes

Three months ended March 31 (\$ thousands)	2012	2011
Accounts receivable	\$ (94,337)	\$ (85,861)
Service work in progress	3,329	(19,034)
Inventories – on-hand equipment	(213,368)	(106,620)
Inventories – parts and supplies	(111,573)	(34,061)
Accounts payable and accruals	148,948	24,948
Income tax recoverable/payable	19,833	20,305
Other	2,306	(5,065)
Changes in working capital items	\$ (244,862)	\$ (205,388)

Components of cash and cash equivalents

March 31 (\$ thousands)	2012	2011
Cash	\$ 70,197	\$ 88,429
Short-term investments	52,617	78,585
Cash and cash equivalents	\$ 122,814	\$ 167,014

7. EMPLOYEE BENEFITS

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

	March 31, 2012		December 31, 2011		March 31, 2011	
	Canada	UK	Canada	UK	Canada	UK
Discount rate – obligation	4.20%	4.80%	4.30%	4.80%	5.25%	5.40%
Discount rate – expense ⁽¹⁾	4.30%	4.80%	5.10%	5.30%	5.10%	5.30%
Expected long-term rate of return on plan assets ⁽¹⁾	6.50%	6.25%	6.75%	6.75%	6.75%	6.75%
Rate of compensation increase	3.50%	4.00%	3.50%	4.00%	3.50%	4.00%

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

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

(\$ thousands)	Three months ended March 31, 2012	Year ended December 31, 2011
Included within the statement of financial position:		
Deficit at the start of the period	\$ (125,311)	\$ (105,515)
Deficit at the end of the period	\$ (132,065)	\$ (125,311)

The amounts recognized in the unaudited interim condensed consolidated statements of income and other comprehensive income during the reporting period for the Company's defined contribution and defined benefit plans are as follows:

Three months ended March 31 (\$ thousands)	2012			2011		
	Canada	UK & Ireland	Total	Canada	UK & Ireland	Total
Amounts recognized in the statement of income:						
Defined contribution plans	\$ 8,386	\$ 650	\$ 9,036	\$ 6,391	\$ 509	\$ 6,900
Defined benefit plans	1,185	(38)	1,147	1,553	—	1,553
Total expense recognized in the statement of income	9,571	612	10,183	7,944	509	8,453
Gain (loss) recognized in other comprehensive income:						
Actuarial gain (loss) relating to pension liabilities (gross of taxation)	(3,341)	(18,789)	(22,130)	8,050	8,559	16,609
Actuarial gain (loss) relating to pension assets (gross of taxation)	2,322	3,891	6,213	(1,920)	(2,004)	(3,924)
Total actuarial gain (loss) recognized in other comprehensive income	\$ (1,019)	\$ (14,898)	\$ (15,917)	\$ 6,130	\$ 6,555	\$ 12,685

8. SEGMENTED INFORMATION

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

Three months ended March 31, 2012 (\$ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$ 777,709	\$ 481,003	\$ 213,120	\$ —	\$ 1,471,832
Operating costs	(710,839)	(420,406)	(191,134)	(2,177)	(1,324,556)
Depreciation and amortization	(28,991)	(11,734)	(7,257)	(19)	(48,001)
	37,879	48,863	14,729	(2,196)	99,275
Equity earnings (loss)	2,210	—	—	(300)	1,910
Other expenses					
ERP system implementation costs	—	(982)	(581)	—	(1,563)
Acquisition costs	—	—	(490)	(337)	(827)
Earnings (loss) before finance costs and	\$ 40,089	\$ 47,881	\$ 13,658	\$ (2,833)	\$ 98,795
Finance costs					(14,444)
Provision for income taxes					(17,377)
Net income					\$ 66,974
Identifiable assets	\$ 2,386,152	\$ 1,549,414	\$ 556,167	\$ 38,221	\$ 4,529,954
Property, plant, and equipment and intangible assets	\$ 366,453	\$ 204,911	\$ 52,666	\$ 205	\$ 624,235
Gross capital expenditures ⁽¹⁾	\$ 25,532	\$ 12,889	\$ 4,380	\$ 3	\$ 42,804
Gross rental asset expenditures	\$ 49,990	\$ 13,789	\$ 4,440	\$ —	\$ 68,219

Three months ended March 31, 2011 (\$ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$ 612,115	\$ 466,614	\$ 195,907	\$ —	\$ 1,274,636
Operating costs	(521,658)	(416,564)	(179,291)	(5,160)	(1,122,673)
Depreciation and amortization	(25,821)	(9,724)	(5,225)	(119)	(40,889)
	64,636	40,326	11,391	(5,279)	111,074
Equity earnings (loss)	1,320	—	—	(546)	774
Other expenses					
ERP system implementation costs	(3,534)	(1,566)	(310)	186	(5,224)
Earnings (loss) before finance costs and	\$ 62,422	\$ 38,760	\$ 11,081	\$ (5,639)	\$ 106,624
Finance costs					(14,011)
Provision for income taxes					\$ (21,074)
Net income					\$ 71,539
Identifiable assets	\$ 1,679,427	\$ 1,258,637	\$ 460,671	\$ 112,274	\$ 3,511,009
Property, plant, and equipment and intangible assets	\$ 308,681	\$ 138,922	\$ 43,591	\$ 492	\$ 491,686
Gross capital expenditures ⁽¹⁾	\$ 5,757	\$ 12,037	\$ 1,564	\$ 11	\$ 19,369
Gross rental asset expenditures	\$ 49,287	\$ 6,082	\$ 779	\$ —	\$ 56,148

⁽¹⁾ includes finance leases and borrowing costs capitalized

9. ACQUISITION

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

The fair value of the total consideration at the acquisition date is estimated to be \$17.3 million (£11.0 million), which may be subject to customary closing adjustments. Cash consideration of \$10.2 million (£6.4 million) was paid in the first quarter of 2012, with \$2.9 million (£1.8 million) cash acquired. Acquisition costs of \$0.5 million (£0.3 million) were incurred and paid on the transaction. Further contingent consideration (possible range of £nil - £9.5 million) may be paid on an annual basis after acquisition, contingent upon the financial performance of the acquired business over the next three years. The acquisition-date fair value of the contingent consideration is \$7.2 million (£4.6 million). The contingent consideration is recognized as a liability on the consolidated statement of financial position and will be subsequently re-measured to fair value with any changes in fair value recognized in the consolidated statement of income.

Acquisition costs related to the transaction are estimated to be \$0.5 million (£0.3 million) and are recorded in other expenses on the consolidated interim condensed statement of income. The total purchase price and acquisition costs will be paid in cash; in the first quarter of 2012, \$7.8 million (£4.9 million) was paid.

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

Preliminary purchase price allocation (\$ millions)	
Cash	\$ 2.9
Accounts and other receivables	4.6
Inventory	6.6
Property, plant, and equipment	1.1
Intangible assets	0.7
Goodwill	11.8
Accounts payable and accruals	(10.4)
Net assets acquired	\$ 17.3

The intangible assets acquired represent customer relationships valued at \$0.7 million (£0.5 million) and are being amortized on a straight-line basis over their estimated life of 3 years. Goodwill recognized relates to expected synergies from combining the operations of Finning UK and Ireland and Damar, with Damar's ability to gain access to larger projects with water utility companies in the U.K. and Ireland. These intangible assets and goodwill are assigned to the Finning UK and Ireland reporting segment.

The amount of revenue and profit or loss of the acquiree since the acquisition date and the beginning of the reporting period are not material.

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

10. SUBSEQUENT EVENT

In January 2012, the Company reached an agreement to acquire from Caterpillar the distribution and support business formerly operated by Bucyrus International, Inc (Bucyrus) in the Company's dealership territories in South America, Canada, and the U.K. The transaction closes in two phases. Finning South America and Finning UK closed on May 2, 2012. Subject to customary closing conditions, it is anticipated that the acquisition by Finning (Canada) will close at the end of the third quarter of 2012. Upon the close of this acquisition, the Company will provide sales, service, and support for former Bucyrus mining products in all of Finning's dealership territories.

The transaction is valued at approximately U.S. \$465 million, representing the fair value of assets acquired and liabilities assumed and is subject to customary closing adjustments. Acquisition costs related to the transaction are estimated to be approximately \$5.6 million. In the first quarter of 2012, \$0.3 million was recorded in other expenses on the consolidated statement of income with \$5.0 million recognized during 2011. The total purchase price and acquisition costs will be paid in cash; in the fourth quarter of 2011, \$0.7 million was paid and in the first quarter of 2012, \$0.6 million was paid. Proceeds from the Company's recent U.S. \$300 million debt issuance were used to fund the acquisition of Bucyrus in its South American operations. The acquisition in the U.K. was funded by drawings on the global credit facility and cash on hand. Finning expects to fund the acquisition in its Canadian operations through the issuance of Canadian dollar denominated debt.

The purchase will be accounted for as a business combination using the acquisition method of accounting. The impact of applying the acquisition method is expected to result in a preliminary purchase price allocation as follows:

Preliminary purchase price allocation (U.S. \$millions):	Chile	Argentina	UK & Ireland	Canada	Total
Working capital	\$ 79.2	\$ —	\$ 2.1	\$ 36.5	\$ 117.8
Property, plant and equipment	8.6	—	—	14.0	22.6
Deferred tax liabilities	—	—	—	(7.0)	(7.0)
Intangible assets	211.8	1.4	2.7	108.7	324.6
Goodwill	—	—	—	7.0	7.0
Net assets acquired	\$ 299.6	\$ 1.4	\$ 4.8	\$ 159.2	\$ 465.0

The working capital primarily comprises inventory.

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

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

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