

# MANAGEMENT'S DISCUSSION AND ANALYSIS

November 7, 2022

This **MD&A** should be read in conjunction with our **Interim Financial Statements** and the accompanying notes thereto for the three and nine months ended September 30, 2022, which have been prepared in accordance with **IAS 34, Interim Financial Reporting**, and our **Annual Financial Statements** and the accompanying notes thereto for the year ended December 31, 2021. In this MD&A, unless context otherwise requires, the terms we, us, our, and **Finning** refer to Finning International Inc. and/or its subsidiaries. All dollar amounts presented in this MD&A are expressed in **CAD**, unless otherwise stated. Additional information relating to Finning, including our **AIF** and annual MD&A, can be found under our profile on the **SEDAR** website at [www.sedar.com](http://www.sedar.com) and in the investors section of our website at [www.finning.com](http://www.finning.com).

**A glossary of defined terms is included on page 38. The first time a defined term is used in this MD&A, it is shown in bold italics.**

## Third Quarter Overview

(\$ millions, except per share amounts)	Q3 2022	Q3 2021	% change <i>fav (unfav)</i>
Revenue	2,384	1,904	25%
Net revenue <sup>(1)</sup>	2,107	1,748	20%
Gross profit	577	461	25%
<b>SG&amp;A</b>	<b>(353)</b>	<b>(311)</b>	<b>(13)%</b>
<b>EBIT</b>	<b>224</b>	150	50%
Net income attributable to shareholders of Finning	149	99	52%
<b>EPS</b>	<b>0.97</b>	0.61	59%
<b>EBITDA</b> <sup>(1)</sup>	<b>308</b>	230	34%
Free cash flow <sup>(2)</sup>	<b>(57)</b>	176	<b>n/m</b>
<i>Gross profit as a % of net revenue</i> <sup>(1)</sup>	<b>27.4%</b>	26.3%	
<i>SG&amp;A as a % of net revenue</i> <sup>(1)</sup>	<b>(16.7)%</b>	(17.8)%	
<i>EBIT as a % of net revenue</i> <sup>(1)</sup>	<b>10.7%</b>	8.6%	
<i>EBITDA as a % of net revenue</i> <sup>(1)</sup>	<b>14.6%</b>	13.2%	
<b>Adjusted ROIC</b> <sup>(1)(3)(4)</sup>	<b>18.3%</b>	14.7%	

(1) See "Description of **Specified Financial Measures** and Reconciliations" in this MD&A.

(2) These are non-**GAAP** financial measures. See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

(3) Reported financial measures may be impacted by significant items described on pages 28 - 30 of this MD&A. Financial measures that have been adjusted to take these items into account are referred to as "Adjusted measures". See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

(4) There were no significant items identified by management that affected our EBIT for the twelve months ended September 30, 2022 and therefore, September 30, 2022 ROIC is the same as Adjusted ROIC.

## Third Quarter Highlights

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- Q3 2022 revenue was \$2.4 billion. Net revenue in Q3 2022 of \$2.1 billion was up 20% from Q3 2021, with higher revenues in all lines of business. Product support revenue increased 30% from Q3 2021, driven by strong demand and successful execution of our product support growth strategy.
- Gross profit in Q3 2022 was up 25%, with an increase in gross profit as a percentage of net revenue driven primarily by a higher proportion of product support in the revenue mix. Gross profit as a percentage of net revenue was 27.4%, 110 basis points higher than Q3 2021. SG&A increased 13% compared to the prior year period on 20% higher net revenue. Q3 2022 SG&A as a percentage of net revenue of 16.7% was 110 basis points lower than Q3 2021 driven by Canada and the **UK** & Ireland.
- Q3 2022 EBIT was \$224 million and EBIT as a percentage of net revenue was 10.7%. Q3 2022 EBIT was up 50% and EBIT as a percentage of net revenue was up 210 basis points from Q3 2021. Q3 2022 EBIT as a percentage of net revenue was up in all of our operations and was 11.7% in Canada, 12.3% in South America, and 6.2% in the UK & Ireland.
- EBITDA was \$308 million in Q3 2022, a 34% increase from Q3 2021. EBITDA as a percentage of net revenue of 14.6% in Q3 2022 was 140 basis points higher than Q3 2021.
- Q3 2022 EPS was \$0.97, a 59% increase from Q3 2021 EPS of \$0.61, driven primarily by higher revenues and improved operating leverage in all of our operations. Over the last four quarters, we generated record EPS of \$3.01.
- Q3 2022 free cash flow was a use of cash of \$57 million compared to free cash flow generation of \$176 million in Q3 2021, primarily due to an increase in inventory to meet strong customer demand.
- ROIC <sup>(1)</sup> at September 30, 2022 was 18.3%, an increase of 360 basis points from Adjusted ROIC at September 30, 2021 and an increase of 190 basis points from Adjusted ROIC at December 31, 2021, with higher ROIC in all of our operations, driven by improved profitability. South America's ROIC reached a record 22.7%.
- Consolidated equipment backlog <sup>(1)</sup> was a record \$2.5 billion at September 30, 2022, up 16% from June 30, 2022 and up 34% from December 31, 2021, with an increased proportion of mining orders, including trucks for 2023 delivery to **BHP's** Escondida mine and to Canadian mining customers.

<sup>(1)</sup> See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

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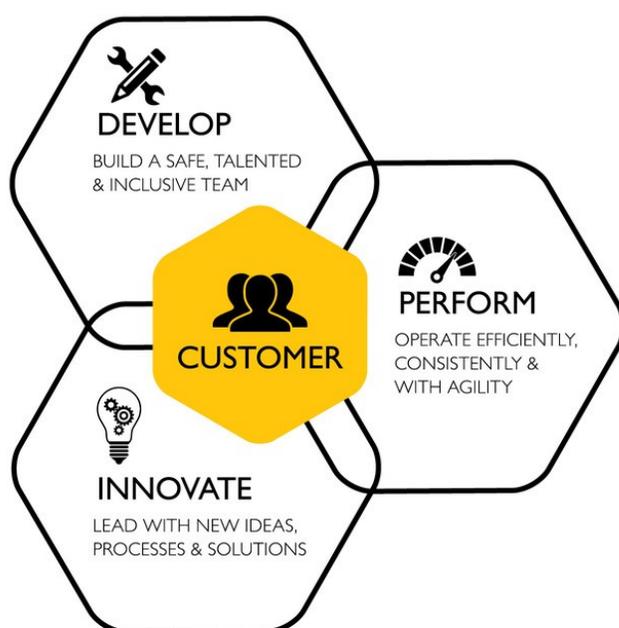
## Strategic Framework

Our customer-centric growth strategy is based on three pillars – Develop, Perform, and Innovate – which provide a strong foundation for our five global strategic priorities:

- Customer Centricity – be our customers’ trusted partner by providing consistent and innovative services that add value to their business;
- Lean & Agile Global Finning – maintain relentless focus on productivity, efficiency, and our customers’ total cost of equipment ownership;
- Global Supply Chain – leverage our global supply chain to enhance the omni-channel customer experience while maximizing working capital efficiencies and generating free cash flow;
- Digital Enterprise – advance the use of technology to improve our customers’ experience, enable data-driven decisions, and reduce cost to serve; and
- Growth & Diversification – achieve profitable and capital efficient growth.

Our strategic plan is based on our Purpose, Vision, and Values, which have been articulated with the input of our employees and comprise our strategic framework:

### STRATEGIC PILLARS



### OUR PURPOSE

We believe in partnering and innovating to build and power a better world.

### OUR VISION

Leveraging our global expertise and insight, we are a trusted partner in transforming our customers’ performance.

### OUR VALUES

**We are trusted:** We act ethically and honour our commitments.

**We are collaborative:** We build diverse and respectful partnerships.

**We are innovative:** We look for new and better ways to serve our customers.

**We are passionate:** We are driven to safely deliver results.

## Simple Execution Plan

At our 2021 Investor Day, we introduced our Simple Execution Plan designed to improve our return on invested capital performance and ultimately increase our earnings capacity.

- First, we are accelerating product support growth. Our strategy is well aligned with **Caterpillar** in driving product support growth through strengthening our value proposition to meet the rapidly evolving needs of our customers. We are leveraging our unified digital platform, CUBIQ™, to help our customers improve their productivity, costs, safety, and environmental performance.
- Second, we are reducing our cost base by becoming more efficient and agile in serving our customers and driving supply chain improvement across our global organization.
- And third, we are reinvesting our free cash flow to compound our earnings. Our strong balance sheet provides optionality to drive earnings potentially through organic growth, acquisitions, and return of capital to shareholders.

## **Sustainability**

Sustainability is an integral part of our business and is woven through our strategy and operations. We live our values every day, and they guide our behaviour in every interaction we have. Living our values means that how we do things is just as important as what we do. We have made significant progress in building a sustainable business and positioning for growth as the world transitions to cleaner energy sources. Our approach to sustainability is closely aligned with our purpose and covers the material sustainability topics discussed in our Sustainability Report. Our Sustainability Report can be found in the sustainability section of our website at [www.finning.com](http://www.finning.com).

## Quarterly Key Performance Measures

We utilize the following **KPIs** to enable consistent measurement of performance across the organization.

	2022				2021			2020	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
ROIC <sup>(1)</sup> (%)									
Consolidated	<b>18.3%</b>	17.5%	17.0%	16.8%	15.6%	15.3%	12.5%	11.4%	10.7%
Canada	<b>18.2%</b>	17.4%	17.4%	17.5%	16.5%	17.0%	15.6%	14.6%	14.3%
South America	<b>22.7%</b>	22.3%	21.7%	20.3%	19.0%	17.2%	12.3%	11.0%	9.5%
UK & Ireland	<b>16.6%</b>	16.2%	15.7%	14.8%	14.9%	12.9%	6.5%	4.5%	2.9%
EBIT <sup>(1)</sup> (\$ millions)									
Consolidated	<b>224</b>	190	140	157	150	137	108	108	138
Canada	<b>125</b>	102	80	92	84	82	69	72	93
South America	<b>85</b>	64	65	59	58	51	41	41	40
UK & Ireland	<b>21</b>	23	14	12	17	17	7	11	9
EBIT as a % of net revenue <sup>(1)</sup>									
Consolidated	<b>10.7%</b>	9.4%	8.1%	8.9%	8.6%	8.0%	7.4%	6.9%	9.6%
Canada	<b>11.7%</b>	10.0%	9.1%	10.1%	10.4%	9.3%	8.9%	9.3%	12.8%
South America	<b>12.3%</b>	10.1%	11.4%	10.1%	9.2%	9.8%	8.6%	8.3%	8.2%
UK & Ireland	<b>6.2%</b>	6.4%	5.0%	4.3%	5.6%	5.3%	3.2%	3.7%	4.1%
EBITDA <sup>(1)</sup> (\$ millions)									
Consolidated	<b>308</b>	271	221	241	230	215	185	185	215
Canada	<b>172</b>	149	127	142	132	129	115	119	141
South America	<b>110</b>	87	88	81	80	71	61	61	59
UK & Ireland	<b>32</b>	33	24	23	27	27	17	20	18
EBITDA as a % of net revenue <sup>(1)</sup>									
Consolidated	<b>14.6%</b>	13.5%	12.7%	13.6%	13.2%	12.6%	12.6%	11.9%	14.9%
Canada	<b>16.1%</b>	14.7%	14.3%	15.5%	16.5%	14.7%	14.9%	15.4%	19.3%
South America	<b>15.9%</b>	13.7%	15.4%	14.0%	12.5%	13.7%	12.8%	12.2%	12.2%
UK & Ireland	<b>9.1%</b>	9.3%	8.7%	8.3%	9.0%	8.5%	7.9%	7.0%	7.9%
EPS <sup>(1)</sup>	<b>0.97</b>	0.80	0.59	0.66	0.61	0.56	0.43	0.45	0.54
Invested capital <sup>(2)</sup> (\$ millions)									
Consolidated	<b>4,358</b>	4,076	3,777	3,326	3,335	3,277	3,177	3,067	3,284
Canada	<b>2,450</b>	2,319	2,122	1,876	1,922	1,861	1,832	1,819	1,921
South America	<b>1,438</b>	1,203	1,139	1,026	1,057	1,058	982	931	1,035
UK & Ireland	<b>400</b>	458	448	381	339	358	350	327	323
Invested capital turnover <sup>(2)</sup> (times)									
Consolidated	<b>1.96</b>	2.00	2.03	2.04	2.01	1.93	1.78	1.68	1.68
Canada	<b>1.77</b>	1.76	1.79	1.80	1.74	1.70	1.56	1.50	1.56
South America	<b>2.07</b>	2.19	2.15	2.15	2.11	1.97	1.90	1.75	1.67
UK & Ireland	<b>2.98</b>	3.00	3.09	3.11	3.25	3.09	2.66	2.49	2.39
Inventory (\$ millions)	<b>2,526</b>	2,228	2,101	1,687	1,627	1,643	1,593	1,477	1,626
Inventory turns (dealership) <sup>(2)</sup> (times)	<b>2.52</b>	2.50	2.66	3.09	3.09	2.84	2.83	2.79	2.30
Working capital to net revenue <sup>(2)</sup>	<b>27.1%</b>	25.1%	23.8%	22.9%	23.0%	24.0%	25.9%	28.3%	29.2%
Free cash flow (\$ millions)	<b>(57)</b>	(142)	(303)	148	176	(4)	(20)	292	316

<sup>(1)</sup> Certain of these reported financial measures have been impacted in some quarters by significant items management does not consider indicative of operational and financial trends either by nature or amount. Financial measures that have been adjusted to take these items into account are referred to as "Adjusted measures" and are summarized on page 7 of this MD&A.

<sup>(2)</sup> See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

## Adjusted KPIs

KPIs may be impacted by significant items described on pages 11 and 28 - 30 of this MD&A. KPIs that have been adjusted to take these items into account, referred to as "Adjusted" KPIs, were as follows:

	2022				2021			2020	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Adjusted ROIC									
Consolidated	<b>18.3%</b>	17.5%	17.0%	16.4%	14.7%	13.3%	10.0%	9.6%	9.3%
Canada	<b>18.2%</b>	17.4%	17.4%	16.9%	15.3%	14.0%	10.8%	10.5%	10.8%
South America	<b>22.7%</b>	22.3%	21.7%	20.3%	19.0%	17.2%	14.4%	12.9%	11.3%
UK & Ireland	<b>16.6%</b>	16.2%	15.7%	14.8%	14.9%	12.9%	7.6%	5.5%	3.9%
Adjusted EBIT <sup>(1)(2)</sup> (\$ millions)									
Consolidated	<b>224</b>	190	140	157	150	137	93	94	101
Canada	<b>125</b>	102	80	92	84	82	59	59	58
South America	<b>85</b>	64	65	59	58	51	41	41	40
UK & Ireland	<b>21</b>	23	14	12	17	17	7	11	9
Adjusted EBIT as a % of net revenue <sup>(2)(3)</sup>									
Consolidated	<b>10.7%</b>	9.4%	8.1%	8.9%	8.6%	8.0%	6.3%	6.1%	7.0%
Canada	<b>11.7%</b>	10.0%	9.1%	10.1%	10.4%	9.3%	7.7%	7.7%	8.1%
South America	<b>12.3%</b>	10.1%	11.4%	10.1%	9.2%	9.8%	8.6%	8.3%	8.2%
UK & Ireland	<b>6.2%</b>	6.4%	5.0%	4.3%	5.6%	5.3%	3.2%	3.7%	4.1%
Adjusted EBITDA <sup>(1)(2)</sup> (\$ millions)									
Consolidated	<b>308</b>	271	221	241	230	215	170	171	178
Canada	<b>172</b>	149	127	142	132	129	105	106	106
South America	<b>110</b>	87	88	81	80	71	61	61	59
UK & Ireland	<b>32</b>	33	24	23	27	27	17	20	18
Adjusted EBITDA as a % of net revenue <sup>(2)(3)</sup>									
Consolidated	<b>14.6%</b>	13.5%	12.7%	13.6%	13.2%	12.6%	11.6%	11.0%	12.3%
Canada	<b>16.1%</b>	14.7%	14.3%	15.5%	16.5%	14.7%	13.6%	13.7%	14.6%
South America	<b>15.9%</b>	13.7%	15.4%	14.0%	12.5%	13.7%	12.8%	12.2%	12.2%
UK & Ireland	<b>9.1%</b>	9.3%	8.7%	8.3%	9.0%	8.5%	7.9%	7.0%	7.9%
Adjusted EPS <sup>(2)(3)</sup>	<b>0.97</b>	0.80	0.59	0.66	0.61	0.56	0.35	0.38	0.37
Net debt to Adjusted EBITDA ratio <sup>(2)(3)</sup> (times)	<b>1.8</b>	1.8	1.6	1.1	1.3	1.4	1.5	1.4	1.7

(1) These are non-GAAP financial measures. See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

(2) Reported financial measures may be impacted by significant items described on pages 11 and 28 - 30 of this MD&A. Financial measures that have been adjusted to take these items into account are referred to as "Adjusted measures". See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

(3) See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

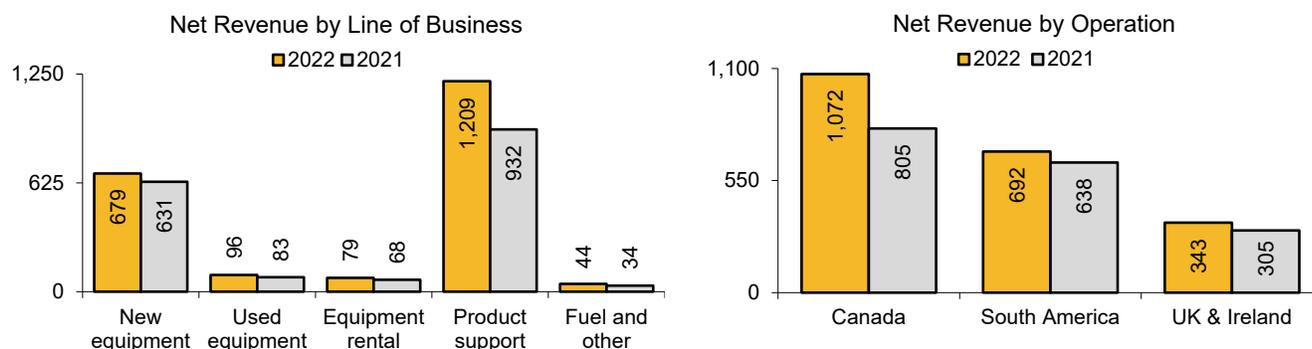
## Third Quarter Results

### Revenue

#### Net Revenue by Line of Business and by Operation

3 months ended September 30

(\$ millions)



Q3 2022 revenue was \$2.4 billion. Net revenue of \$2.1 billion in the third quarter of 2022 was up 20% from Q3 2021, an increase in all our operations primarily driven by higher product support revenue. Our strong execution and supply chain management enabled us to capitalize on continued momentum in our end markets in the third quarter and meet growing demand from our customers.

Product support revenue in Q3 2022 was up 30% from the same prior year period, higher in the mining sectors of Canada and South America, as well as the construction sectors of Canada and the UK & Ireland. Compared to the same prior year period, Q3 2022 product support revenue in the construction and mining sectors each grew at approximately 30% reflecting the execution of our product support growth strategy.

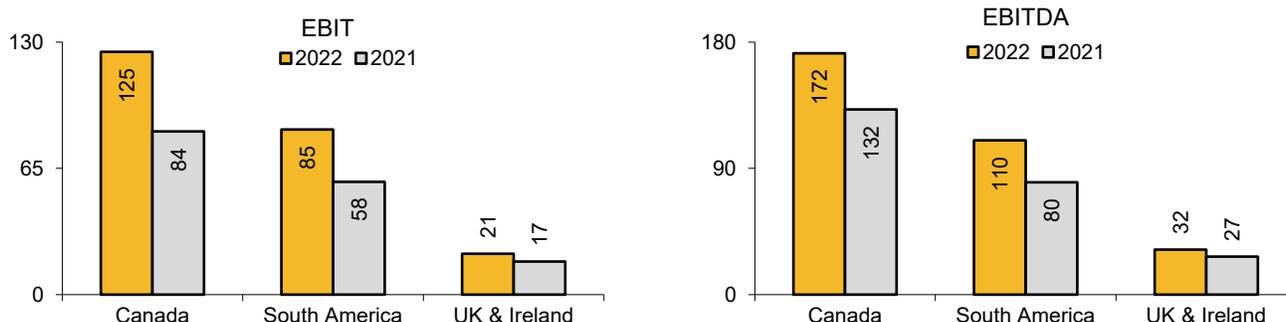
Q3 2022 new equipment revenue was 8% higher than the same prior year period mainly due to higher demand in Canada and the UK & Ireland partially offset by lower sales in South America. Equipment backlog of \$2.5 billion at September 30, 2022 was up 16% from June 30, 2022, primarily due to an increase in mining and construction orders. Q3 2022 equipment order intake was very strong, particularly in Canada and South America.

#### EBIT and EBITDA

Q3 2022 gross profit of \$577 million was 25% higher than the same period in the prior year, on net revenue growth of 20%. Overall gross profit as a percentage of net revenue of 27.4% in Q3 2022 was up from 26.3% in Q3 2021, primarily due to a revenue mix shift to a higher proportion of product support revenue.

SG&A in Q3 2022 of \$353 million was 13% higher than the same period in the prior year. The increase in SG&A was driven primarily by higher people-related and variable costs to support revenue growth. This increase was partially offset by the favourable foreign currency translation impact on SG&A from the devaluation of the **CLP** and **ARS** relative to the **USD** in Q3 2022 compared to the same prior year period in our South American operations. SG&A as a percentage of net revenue in Q3 2022 was 16.7%, a 110 basis point improvement over the same prior year period, reflecting the leverage of fixed costs on a higher revenue base, driven by Canada and the UK & Ireland.

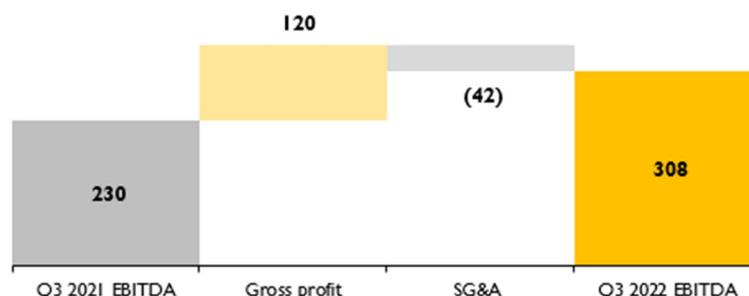
**EBIT and EBITDA by Operation <sup>(1)</sup>**  
3 months ended September 30  
(\$ millions)



(1) Excluding Other operations

EBIT and EBIT as a percentage of net revenue in Q3 2022 were \$224 million and 10.7%, respectively, and higher than EBIT and EBIT as a percentage of net revenue in Q3 2021 of \$150 million and 8.6%, respectively.

EBITDA in Q3 2022 was \$308 million, up 34% from EBITDA of \$230 million in Q3 2021, higher in all our operations primarily from increased gross profit from strong market activity. EBITDA as a percentage of net revenue of 14.6% in Q3 2022 was up 140 basis points from the same prior year period.



**Finance Costs**

Finance costs in Q3 2022 of \$23 million were higher than the \$19 million in Q3 2021 due to an increase in average net debt levels and higher interest rates.

**Provision for Income Taxes**

The effective income tax rate in Q3 2022 of 26.0% was comparable to 25.1% in Q3 2021.

We expect our effective tax rate generally to be within the 25%-30% range on an annual basis. The rate may fluctuate from period to period as a result of changes in relative income from the various jurisdictions in which we carry on business, sources of income, changes in the estimation of tax reserves, outcomes of any tax audits, or changes in tax rates and tax legislation.

**Net Income Attributable to Shareholders of Finning and EPS**

Q3 2022 net income attributable to shareholders of Finning was \$149 million. Q3 2022 EPS was a record of \$0.97, a significant increase from EPS of \$0.61 in Q3 2021, primarily due to higher earnings from all of our operations.

## Year-to-Date Overview

<b>9 months ended September 30</b> <b>(\$ millions, except per share amounts)</b>	<b>2022</b>	<b>2021</b>	<b>% change fav (unfav)</b>
Revenue	<b>6,626</b>	5,345	24%
Net revenue	<b>5,847</b>	4,922	19%
Gross profit	<b>1,595</b>	1,317	21%
SG&A	<b>(1,042)</b>	(938)	(11)%
Equity earnings of joint ventures	<b>1</b>	1	n/m
Other income	<b>—</b>	15	n/m
EBIT	<b>554</b>	395	41%
Net income attributable to shareholders of Finning	<b>367</b>	260	41%
EPS	<b>2.36</b>	1.61	47%
EBITDA	<b>800</b>	630	27%
Free cash flow	<b>(502)</b>	152	n/m
Adjusted EBIT	<b>554</b>	380	46%
Adjusted EPS	<b>2.36</b>	1.53	55%
Adjusted EBITDA	<b>800</b>	615	30%
<i>Gross profit as a % of net revenue</i>	<b>27.3%</b>	26.7%	
<i>SG&amp;A as a % of net revenue</i>	<b>(17.8)%</b>	(19.1)%	
<i>EBIT as a % of net revenue</i>	<b>9.5%</b>	8.0%	
<i>EBITDA as a % of net revenue</i>	<b>13.7%</b>	12.8%	
<i>Adjusted EBIT as a % of net revenue</i>	<b>9.5%</b>	7.7%	
<i>Adjusted EBITDA as a % of net revenue</i>	<b>13.7%</b>	12.5%	
<i>Adjusted ROIC</i>	<b>18.3%</b>	14.7%	

## Adjusted Measures

Reported financial measures may be impacted by significant items we do not consider indicative of operational and financial trends either by nature or amount; these are referred to as “Adjusted measures”. Adjusted measures are considered non-GAAP financial measures, do not have a standardized meaning under *IFRS*, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial measures, including definitions and reconciliations from each of these Adjusted measures to their most directly comparable measure under GAAP, where available, see the heading “Description of Specified Financial Measures and Reconciliations” on pages 27 - 34 of this MD&A.

There were no significant items identified by management that affected our year-to-date 2022 results.

### Year-to-date 2021 significant items:

- Finning qualified for and recorded a benefit in Q1 2021 related to **CEWS**, which was introduced by the Government of Canada in response to **COVID-19** for eligible entities that met specific criteria.
- In December 2020, the shareholders of **Energyst**, which included Finning, decided to restructure the company. A plan was put in place to sell any remaining assets and wind-up Energyst, with net proceeds from the sale to be distributed to Energyst’s shareholders. In Q1 2021, we recorded a return on our investment in Energyst.

The following table shows the magnitude of these significant items and provides reconciliations of the Adjusted measures to their most directly comparable **GAAP financial measures**:

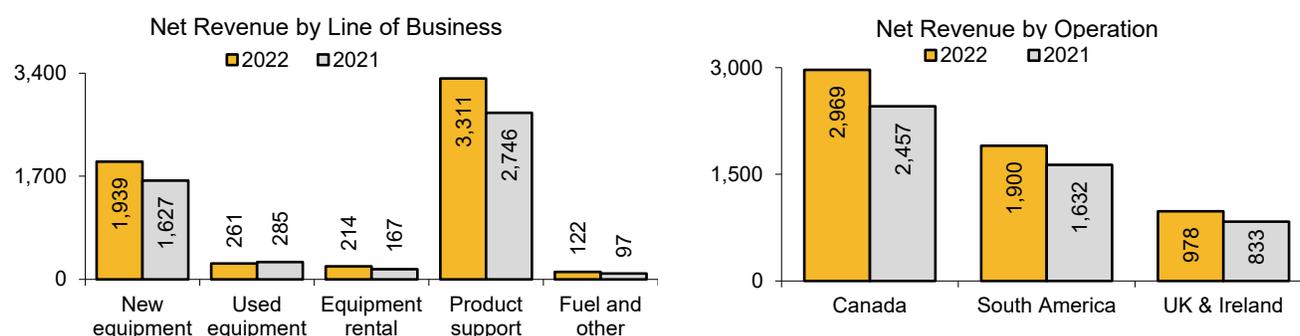
9 months ended September 30, 2021 (\$ millions, except for per share amounts)					EBIT	EPS
	Canada	South America	UK & Ireland	Other	Consol	Consol
EBIT and EPS	235	150	41	(31)	395	1.61
Significant items:						
CEWS support	(10)	—	—	—	(10)	(0.05)
Return on our investment in Energyst	—	—	—	(5)	(5)	(0.03)
Adjusted EBIT and Adjusted EPS	225	150	41	(36)	380	1.53

## Revenue

### Net Revenue by Line of Business and by Operation

9 months ended September 30

(\$ millions)



Revenue was \$6.6 billion in the nine months ended September 30, 2022. Net revenue of \$5.8 billion increased 19% from the same period last year, up in all our operations, driven by stronger market activity in the mining and construction sectors.

Product support revenue in the nine months ended September 30, 2022 was 21% higher than the first nine months of 2021, due to improved activity across all our operations, mainly in our Canadian and South American operations. Product support revenue in the construction sector increased 25% over the comparable period in the prior year as a result of our strategic focus to capture market share in this sector.

New equipment revenue in the nine months ended September 30, 2022 was 19% higher than the prior year period, driven by increased demand in all of our operations, particularly the mining sectors of our Canadian and South American operations and the construction sector of our UK & Ireland operations. Equipment backlog of \$2.5 billion at September 30, 2022 was up 34% from December 31, 2021. Strong equipment order intake in the nine months ended September 30, 2022, particularly in South America and Canada, was partially offset by strong deliveries in all regions.

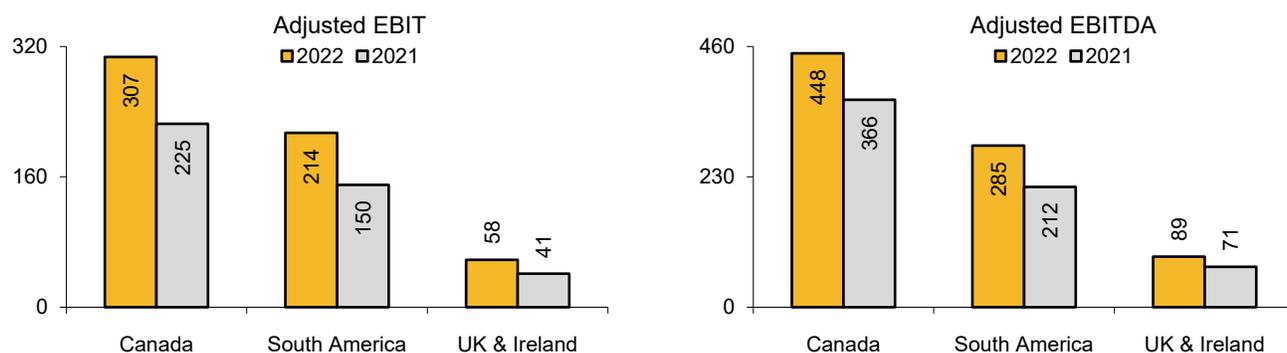
### EBIT and EBITDA

Gross profit in the first nine months of 2022 of \$1.6 billion was 21% higher than the comparative prior year period, slightly higher than net revenue growth. Overall gross profit as a percentage of net revenue of 27.3% was up 60 basis points from the first nine months of 2021, driven by an improvement in gross profit margins from higher rental utilization and competitive pricing for used equipment sales.

SG&A for the first nine months of 2022 was \$1.0 billion, 11% higher than the same prior year period on 19% net revenue growth. The increase in SG&A was mainly from higher people and variable costs to support volumes as well as additional SG&A from recently acquired businesses, **ComTech** and **Hydraquip**. This increase was partially offset by the favourable foreign currency translation impact on SG&A of our South American operations from the devaluation of the CLP and ARS relative to the USD in the first nine months of 2022 compared to the same prior year period. In the first nine months of 2022, **LTIP** was lower than the same prior year period, mainly in our Other operations. For the first nine months of 2022, SG&A as a percentage of net revenue of 17.8% was 130 basis points lower than the same prior year period, reflecting an improvement in all of our operations and the leverage of fixed costs on significant revenue growth.

## Adjusted EBIT and Adjusted EBITDA by Operation <sup>(1)</sup>

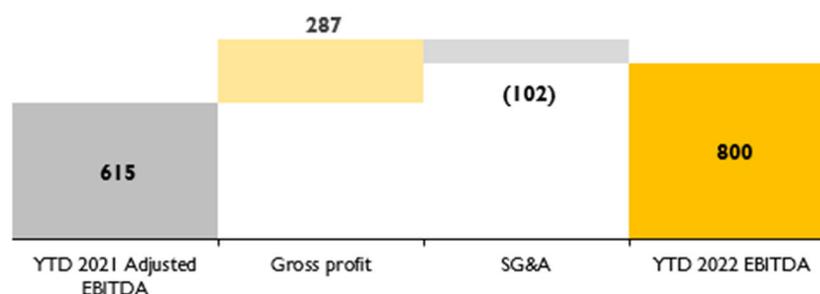
9 months ended September 30  
(\$ millions)



(1) Excluding Other operations

EBIT was \$554 million and EBIT as a percentage of net revenue was 9.5% in the first nine months of 2022, compared to \$395 million and 8.0%, respectively, in the first nine months of 2021. Excluding significant items not considered indicative of financial and operational trends as described on page 11, Adjusted EBIT for the first nine months of 2021 was \$380 million and Adjusted EBIT as a percentage of net revenue was 7.7%. 2022 year-to-date EBIT as a percentage of net revenue was 10.3% in Canada, 11.3% in South America, and 6.0% in the UK & Ireland, an increase from the prior year period for all regions.

2022 year-to-date EBITDA of \$800 million was up 30% from Adjusted EBITDA of \$615 million in the same prior year period, primarily due to higher gross profit in all operations from strong market demand. EBITDA as a percentage of net revenue of 13.7% was higher than Adjusted EBITDA as a percentage of net revenue of 12.5% earned in the same prior year period. This increase was largely driven by improved operating leverage in all regions due to productivity initiatives.



### Finance Costs

Finance costs for the nine months ended September 30, 2022 of \$62 million were higher than the \$56 million in the same period in 2021 due to an increase in average net debt levels and higher interest rates.

### Provision for Income Taxes

The effective income tax rate for the first nine months of 2022 was 25.8% and within our expected range of 25%-30% on an annual basis. The effective income tax rate for the first nine months of 2021 was 23.4% and was lower than the current year period primarily due to a higher proportion of earnings from lower tax jurisdictions in 2021 compared to 2022.

### Net Income Attributable to Shareholders of Finning and EPS

In the first nine months of 2022 net income attributable to shareholders of Finning was \$367 million and EPS was \$2.36 compared to \$260 million and \$1.61, respectively, earned in the comparable period in 2021. Excluding the significant items not considered indicative of financial and operational trends described on page 11, Adjusted EPS in the first nine months of 2021 was \$1.53. The improvement in earnings in the first nine months of 2022 reflects improved operating leverage from productivity initiatives in all our operations.

## Invested Capital

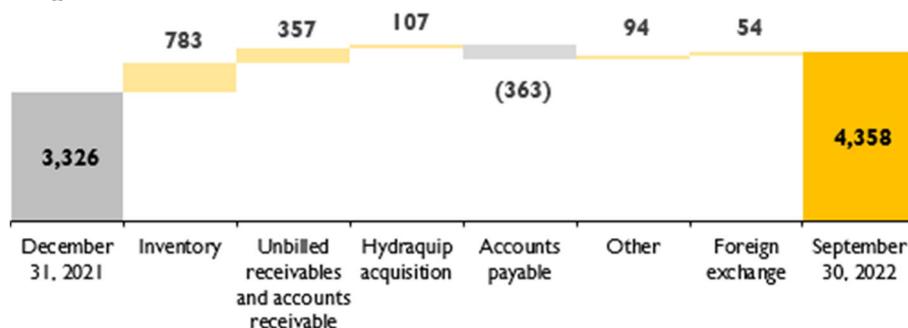
(\$ millions, unless otherwise stated)	September 2022	December 31, 2021	Increase from December 31, 2021
Consolidated	4,358	3,326	1,032
Canada	2,450	1,876	574
South America	1,438	1,026	412
UK & Ireland	400	381	19
<i>South America (USD)</i>	<i>1,049</i>	<i>809</i>	<i>240</i>
<i>UK &amp; Ireland (GBP)</i>	<i>265</i>	<i>222</i>	<i>43</i>

### Compared to December 31, 2021:

The \$1,032 million increase in consolidated invested capital from December 31, 2021 to September 30, 2022 includes a foreign exchange impact of \$54 million in translating the invested capital balances of our UK & Ireland and South American operations. The foreign exchange impact was the result of the 8% weaker CAD relative to the USD partially offset by the 12% stronger CAD relative to the GBP at September 30, 2022 compared to December 31, 2021.

Excluding the impact of foreign exchange, consolidated invested capital increased by \$978 million from December 31, 2021 to September 30, 2022 reflecting:

- higher new equipment inventory in all operations, especially Canada, and parts inventory in all operations, mainly South America and Canada, to support customer demand and product support growth;
- an increase in unbilled receivables in South America and Canada and accounts receivable in Canada, driven by an increase in demand and sales activity;
- an increase in net assets from the acquisition of Hydraquip in the UK & Ireland;
- partially offset by higher accounts payable in all operations related to higher inventory purchases.



## Adjusted ROIC and Invested Capital Turnover

	September 30, 2022	December 31, 2021
<b>Adjusted ROIC</b>		
Consolidated	<b>18.3%</b>	16.4%
Canada	<b>18.2%</b>	16.9%
South America	<b>22.7%</b>	20.3%
UK & Ireland	<b>16.6%</b>	14.8%
<b>Invested Capital Turnover (times)</b>		
Consolidated	<b>1.96</b>	2.04
Canada	<b>1.77</b>	1.80
South America	<b>2.07</b>	2.15
UK & Ireland	<b>2.98</b>	3.11

### Adjusted ROIC

On a consolidated basis, ROIC at September 30, 2022 improved 190 basis points from Adjusted ROIC at December 31, 2021. Higher EBIT for the last twelve-month period, reflecting improved profitability in all of our operations, outpaced the increase in average invested capital levels. South America reached an all-time high ROIC of 22.7%.

### Invested Capital Turnover

Consolidated invested capital turnover at September 30, 2022 of 1.96 was down from December 31, 2021, lower in all operations, as average invested capital levels outpaced the increase in net revenue over the last twelve-month period.

## Results by Reportable Segment

We operate primarily in one principal business: the sale, service, and rental of heavy equipment, engines, and related products in various markets on three continents as described on pages 17 - 20. Our reportable segments are Canada, South America, UK & Ireland, and Other.

The table below provides details of net revenue by line of business for our Canadian, South American, and UK & Ireland operations.

<b>3 months ended September 30, 2022</b>		<b>South</b>	<b>UK</b>	<b>Net Revenue</b>	
<b>(\$ millions)</b>	<b>Canada</b>	<b>America</b>	<b>&amp; Ireland</b>	<b>Consol</b>	<b>%</b>
New equipment	259	204	216	679	32%
Used equipment	69	10	17	96	5%
Equipment rental	53	15	11	79	4%
Product support	647	463	99	1,209	57%
Fuel and other	44	—	—	44	2%
<b>Net revenue</b>	<b>1,072</b>	<b>692</b>	<b>343</b>	<b>2,107</b>	<b>100%</b>
Net revenue % by operation	51%	33%	16%	100%	

<b>3 months ended September 30, 2021</b>		<b>South</b>	<b>UK</b>	<b>Net Revenue</b>	
<b>(\$ millions)</b>	<b>Canada</b>	<b>America</b>	<b>&amp; Ireland</b>	<b>Consol</b>	<b>%</b>
New equipment	170	256	205	631	36%
Used equipment	63	12	8	83	5%
Equipment rental	47	10	11	68	4%
Product support	491	360	81	932	53%
Fuel and other	34	—	—	34	2%
<b>Net revenue</b>	<b>805</b>	<b>638</b>	<b>305</b>	<b>1,748</b>	<b>100%</b>
Net revenue % by operation	46%	37%	17%	100%	

<b>9 months ended September 30, 2022</b>		<b>South</b>	<b>UK</b>	<b>Net Revenue</b>	
<b>(\$ millions)</b>	<b>Canada</b>	<b>America</b>	<b>&amp; Ireland</b>	<b>Consol</b>	<b>%</b>
New equipment	693	613	633	1,939	33%
Used equipment	197	28	36	261	4%
Equipment rental	138	43	33	214	4%
Product support	1,819	1,216	276	3,311	57%
Fuel and other	122	—	—	122	2%
<b>Net revenue</b>	<b>2,969</b>	<b>1,900</b>	<b>978</b>	<b>5,847</b>	<b>100%</b>
Net revenue % by operation	51%	32%	17%	100%	

<b>9 months ended September 30, 2021</b>		<b>South</b>	<b>UK</b>	<b>Net Revenue</b>	
<b>(\$ millions)</b>	<b>Canada</b>	<b>America</b>	<b>&amp; Ireland</b>	<b>Consol</b>	<b>%</b>
New equipment	577	523	527	1,627	33%
Used equipment	212	37	36	285	6%
Equipment rental	108	28	31	167	3%
Product support	1,463	1,044	239	2,746	56%
Fuel and other	97	—	—	97	2%
<b>Net revenue</b>	<b>2,457</b>	<b>1,632</b>	<b>833</b>	<b>4,922</b>	<b>100%</b>
Net revenue % by operation	50%	33%	17%	100%	

## Canada Operations

Our Canadian reporting segment includes **Finning (Canada)**, **OEM, 4Refuel**, and a 25% interest in **PLM**. Our Canadian operations sell, service, and rent mainly Caterpillar equipment and engines in British Columbia, Alberta, Saskatchewan, the Yukon Territory, the Northwest Territories, and a portion of Nunavut, and also provide mobile on-site refuelling services in most of the provinces of Canada, as well as in Texas, **US**. Our Canadian operations' 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 our Canadian operations:

3 months ended September 30		
(\$ millions)	2022	2021
Net revenue	1,072	805
Operating costs	(900)	(673)
EBITDA	172	132
Depreciation and amortization	(47)	(48)
EBIT	125	84
<i>EBITDA as a % of net revenue</i>	16.1%	16.5%
<i>EBIT as a % of net revenue</i>	11.7%	10.4%

## Third Quarter Overview

Q3 2022 net revenue was 33% higher than Q3 2021, with higher net revenues across all sectors and lines of business driven by strong market conditions in Western Canada.

Product support revenue in Q3 2022 was up 32% compared to the same prior year period as a result of an increase in demand from mining customers, high equipment utilization, and strong volumes in the construction sector with successful execution of our product support growth strategy.

Q3 2022 new equipment revenue was 52% higher than Q3 2021, mainly due to an increase in mining deliveries in the oil sands. Equipment backlog at September 30, 2022 was up from June 30, 2022, driven by strong order intake in the construction and mining sectors.

Gross profit in Q3 2022 increased from the same period in the prior year driven by higher volumes. Overall gross profit as a percentage of net revenue in Q3 2022 decreased from Q3 2021 reflecting lower gross profit margins in most lines of business.

Q3 2022 SG&A was up compared to the prior year period primarily due to higher people and variable costs to support volume growth across all lines of business. SG&A as a percentage of net revenue in Q3 2022 was 290 basis points lower than Q3 2021, demonstrating productivity improvements and execution of spend management.

Q3 2022 EBITDA was up 30% from the same prior year period, driven by strong market demand and volumes across all lines of business partially offset by an increase in SG&A to support those higher volumes. Q3 2022 EBITDA as a percentage of net revenue of 16.1% was down slightly from 16.5% in Q3 2021.

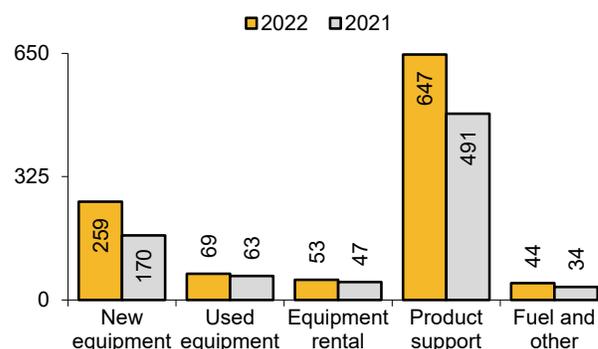
## Other Developments

On September 30, 2022, Finning (Canada)'s hourly employees represented by IAMAW Local 99 voted in support of a new collective agreement. IAMAW Local 99 represents approximately 1,400 hourly employees in Alberta and the Northwest Territories. The new three-year collective agreement will expire on April 30, 2025.

*Discussion of our Canadian operation's year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 10 - 13.*

## Net Revenue by Line of Business Canada Operations

3 months ended September 30  
(\$ millions)



## South America Operations

Our South American operations sell, service, and rent mainly Caterpillar equipment and engines in Chile, Argentina, and Bolivia. Our South American operations' markets include mining, construction, forestry, and power systems.

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

3 months ended September 30		
(\$ millions)	2022	2021
Net revenue	692	638
Operating costs	(582)	(558)
EBITDA	110	80
Depreciation and amortization	(25)	(22)
EBIT	85	58
<i>EBITDA as a % of net revenue</i>	<b>15.9%</b>	12.5%
<i>EBIT as a % of net revenue</i>	<b>12.3%</b>	9.2%

The weaker CAD relative to the USD on average in Q3 2022 compared to Q3 2021 had a favourable foreign currency translation impact on Q3 2022 net revenue of approximately \$25 million and was not significant at the EBITDA level.

All \$ figures in this section are in CAD as this is our reporting currency. All variances and ratios in this section are based on the functional currency of our South American operations, which is the USD.

### Third Quarter Overview

Q3 2022 net revenue was 5% higher than Q3 2021, primarily driven by higher product support revenue partially offset by lower new equipment sales.

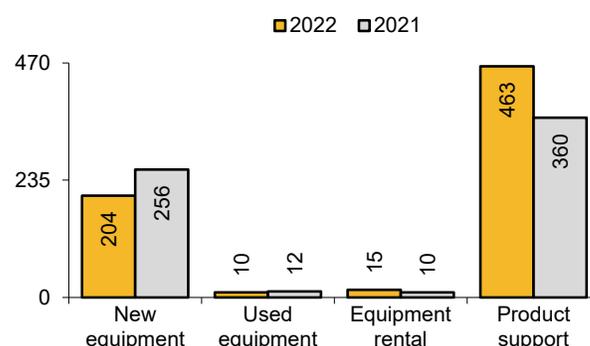
Product support revenue in Q3 2022 increased 24% from Q3 2021, largely driven by demand for component exchanges, equipment overhauls, and fleet maintenance in the Chilean mining sector. Following slow growth in product support revenue in Q2 2022 due to supply constraints, we were able to catch up on the delays during Q3 2022 and meet growing demand for product support revenue from our mining customers.

New equipment revenue in Q3 2022 was down 23% from the same prior year period, due to lower sales in the construction and mining sectors. Construction activity has slowed, impacted by higher equipment prices, a weakening CLP, and increased interest rates, prompting some customers to postpone purchasing decisions. Also, Q3 2021 included significant deliveries to Chilean mining customers. Equipment backlog at September 30, 2022 was up significantly from June 30, 2022, driven by strong order intake in the mining sector, including trucks for 2023 delivery to BHP's Escondida mine. The backlog also includes our first order for a new large-scale data centre project in Chile with a long-term global customer.

Gross profit in Q3 2022 increased from the same period in the prior year driven by improved profitability and higher volumes. Gross profit as a percentage of net revenue in Q3 2022 was up compared to Q3 2021 mainly due to a higher proportion of product support in the revenue mix (Q3 2022: 67% compared with Q3 2021: 56%) and improved gross profit margins in most lines of business.

Q3 2022 SG&A was up from Q3 2021 primarily due to higher people and variable costs to support increased volume. This increase was partially offset by the favourable foreign currency translation impact on SG&A from the devaluation of the CLP and ARS relative to the USD in Q3 2022 compared to the same prior year period. Q3 2022 SG&A as a percentage of net revenue was higher than Q3 2021, mainly due to a higher proportion of product support revenue which is more SG&A-intensive.

**Net Revenue by Line of Business**  
**South America Operations**  
3 months ended September 30  
(\$ millions)



Q3 2022 EBITDA improved 34% from Q3 2021 primarily due to higher gross profit from strong product support revenue in the mining sector partially offset by an increase in SG&A to support the higher volumes. Q3 2022 EBITDA as a percentage of net revenue of 15.9% was up from 12.5% in Q3 2021, largely driven by the shift in revenue mix to product support and the benefit from productivity initiatives.

*Discussion of our South American operation's year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 10 - 13. The weaker CAD relative to the USD on average in the nine months ended 2022 compared to 2021 had a favourable foreign currency translation impact on year-to-date 2022 net revenue of approximately \$50 million and was not significant at the EBITDA level.*

## UK & Ireland Operations

Our UK & Ireland operations sell, service, and rent mainly Caterpillar equipment and engines in England, Scotland, Wales, Northern Ireland, and the Republic of Ireland. Our UK & Ireland operations' markets include construction, power systems, and quarrying.

The table below provides details of the results from our UK & Ireland operations:

3 months ended September 30		
(\$ millions)	2022	2021
Net revenue	343	305
Operating costs	(311)	(278)
EBITDA	32	27
Depreciation and amortization	(11)	(10)
EBIT	21	17
<i>EBITDA as a % of net revenue</i>	<b>9.1%</b>	9.0%
<i>EBIT as a % of net revenue</i>	<b>6.2%</b>	5.6%

The stronger CAD relative to the GBP on average in Q3 2022 compared to Q3 2021 had an unfavourable foreign currency translation impact on Q3 2022 net revenue of approximately \$45 million and was not significant at the EBITDA level.

All \$ figures in this section are in CAD as this is our reporting currency. All variances and ratios in this section are based on the functional currency of our UK & Ireland operations, which is the GBP.

## Third Quarter Overview

Third quarter 2022 net revenue was up 27% from the same period in 2021. The increase in Q3 2022 was primarily due to higher new equipment and product support revenues.

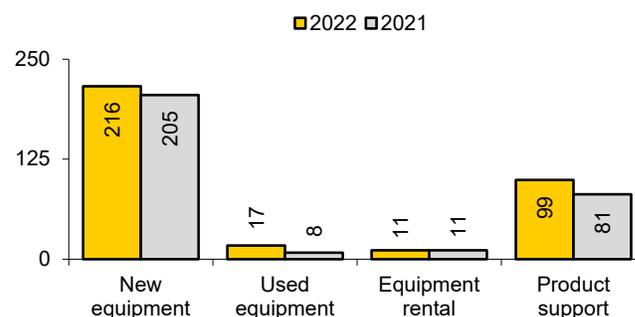
New equipment revenue was 19% higher than the third quarter of 2021, driven by demand in the construction sector, including deliveries to the **HS2** project as well as other infrastructure projects supported by government investments. Equipment backlog at September 30, 2022 decreased from June 30, 2022, due to strong deliveries in the construction sector outpacing order intake.

Q3 2022 product support revenue increased 38% from the same prior year period, driven by strong activity in the construction market and includes the contribution from Hydraquip since its acquisition at the end of March 2022.

Gross profit in Q3 2022 was up from the same prior year period, in line with revenue growth. Overall gross profit as a percentage of net revenue in Q3 2022 was comparable to the same prior year period.

SG&A in Q3 2022 was up compared to the prior year period primarily due to higher people and variable costs to support revenue growth, as well as additional SG&A from Hydraquip. SG&A as a percentage of net revenue improved 90 basis points from Q3 2021 demonstrating the benefit of various productivity initiatives on strong revenue growth.

**Net Revenue by Line of Business  
UK & Ireland Operations**  
3 months ended September 30  
(\$ millions)



Q3 2022 EBITDA was up 28% from Q3 2021 driven by strong market demand and volumes across all lines of business partially offset by an increase in SG&A to support those volumes. Q3 2022 EBITDA as a percentage of net revenue of 9.1% was slightly above Q3 2021 reflecting operating leverage on strong revenue growth and structural profitability improvements, including the addition of Hydraquip.

*Discussion of our UK & Ireland operation's year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 10 - 13. The stronger CAD relative to the GBP on average in the nine months ended 2022 compared to 2021 had an unfavourable foreign currency translation impact of approximately \$80 million on net revenue and was not significant at the EBITDA level.*

## Other Operations

Our Other operations includes corporate operating costs.

Q3 2022 EBITDA loss was \$6 million compared to an EBITDA loss of \$9 million in Q3 2021 due to lower LTIP expense in the current period.

*Discussion of year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 10 - 13.*

## Acquisition

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### Hydraquip

On March 22, 2022, our UK & Ireland operations acquired a 100% ownership interest in Hydraquip, the UK's second largest hose replacement and repair company. Hydraquip earns approximately 60% of its revenue from on-site mobile hose services and the remaining 40% from selling hydraulic and fluid power products and parts. Hydraquip's revenue is included in our product support line of business. This purchase has been accounted for as a business combination using the acquisition method of accounting.

The fair value of the total consideration at the acquisition date was estimated to be \$117 million (£70 million), which may be subject to customary post-closing adjustments. Cash consideration of \$84 million, net of \$10 million cash acquired, was paid in the three months ended March 31, 2022. The fair value of deferred consideration was \$19 million. The vendors may qualify for additional consideration (possible range of £nil to £11 million) based on the acquired business unit achieving specified levels of financial performance. The acquisition-date fair value of the contingent consideration was estimated to be \$4 million (£2 million). The deferred and contingent consideration was recognized as a liability on the consolidated statement of financial position and is payable in annual instalments over a period of three years after the acquisition. Following finalization of the purchase price allocation, any changes in the estimated fair value of the contingent consideration will be recognized in the consolidated statement of income.

The acquisition has been funded with existing credit facilities and any deferred and contingent consideration will be funded through credit facilities or cash on hand or a combination of both. The acquisition-date fair values of net assets acquired were estimated to be \$10 million of cash and cash equivalents, \$3 million of working capital<sup>(1)</sup>, \$6 million of property, plant, and equipment, \$29 million of intangible assets, \$80 million of goodwill, \$3 million of lease liabilities, and \$8 million of deferred tax liabilities.

Goodwill relates to the expected synergies from combining complementary capabilities that help customers maximize uptime and reduce operating costs and the expected growth potential for product support revenue. Hydraquip expands our service capabilities across multiple industries and equipment types to both new and existing customers.

<sup>(1)</sup> Working capital comprises accounts receivable, inventory, other assets, accounts payable and accruals, and provisions.

## Market Update and Business Outlook

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The discussion of our expectations relating to the market and business outlook in this section is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading “Forward-Looking Information Disclaimer” beginning on page 36 of this MD&A. Actual outcomes and results may vary significantly.

### Canada Operations

We expect market activity across Western Canada to remain healthy.

We expect commodity prices to remain constructive and improved capital budgets to drive investment in renewal of aging fleets and product support opportunities in the oil sands and other mining. We expect growing demand for component remanufacturing and equipment rebuilds as mining customers are looking to extend the life of their assets, as well as continued focus on productivity improvements through data integration and autonomy implementation.

In the construction sector, federal and provincial governments’ infrastructure programs and private sector investments in natural gas, carbon capture, utilization and storage, and various power projects are expected to continue driving demand for construction equipment and product support, heavy rentals, and prime and standby electric power generation.

### South America Operations

Following the rejection of the constitutional proposal by Chilean voters on September 4, 2022, the Chilean government has committed to building a new constitution together with a broader stakeholder group. We continue to monitor the constitutional reform process closely. We are also actively monitoring the process for approval of the proposal for a revised mining royalty framework, and we are encouraged by the moderation that was recently announced by the Chilean government. We expect the timing of investment decisions related to greenfield and new expansion projects will remain uncertain until the new royalty proposal is approved. Longer term, we expect Chile will remain an attractive place to invest as electrification trends drive increasing global demand for copper.

We expect significant mining deliveries in Chile going forward, driven by our recent wins with BHP and **Codelco**, as well as committed medium-term investment in fleet replacements across our mining customer base. We also expect to see continued strong demand for mining product support and technology solutions, including autonomy.

Construction activity in Chile is expected to remain soft, impacted by higher equipment prices, rising interest rates, and the weakening CLP.

We expect further opportunities for our power systems business in the data centre market in Chile, following the receipt of our first order for a new large-scale data centre project in Chile.

In Argentina, activity in construction, oil and gas, and mining is expected to remain stable, however, there is a high risk of significant ARS devaluation. We continue to manage through the challenging fiscal, regulatory, and currency environments in Argentina.

### UK & Ireland Operations

Demand for construction equipment is expected to moderate going forward due to softening macro-economic conditions in the UK. High machine utilization hours and the addition of Hydraquip are expected to continue driving strong product support activity.

We expect demand for our power systems business in the UK & Ireland to remain robust, including in the data centre market. We have a solid backlog of power systems projects for delivery into 2023, and we are well positioned to capture further opportunities.

## **Well Positioned to Navigate a Dynamic Business Environment**

Our strong execution and supply chain management enabled us to capitalize on continued momentum in our end markets in the third quarter and meet growing demand from our customers. As a result, we now expect our H2 2022 EPS to grow at a significantly higher rate compared to H2 2021 than our previously projected growth rate of above mid-teens.

In Q4 2022, we expect strong mining new equipment deliveries in Chile and Canada.

We generated significant free cash flow in September and expect strong free cash flow in Q4 2022. However, due to potential shifts in supply and delivery schedules, free cash flow may not be positive for the full year.

We continue to closely monitor leading indicators and the impact of inflation and interest rate increases on market conditions and customer activity levels. We are operating with a mid-cycle approach to our cost structure and capital investments, actively managing risks, and capturing growth opportunities in a disciplined manner. We have made sustainable improvements to our business to increase our earnings capacity through all stages of the economic cycle, which gives us confidence in our ability to successfully navigate a dynamic global business environment. Underpinned by our strong equipment backlog, product support growth strategy, and disciplined operational execution, we expect to finish the year strongly and continue that momentum into 2023.

## Liquidity and Capital Resources

We assess liquidity in terms of our ability to generate sufficient cash flow, along with other sources of liquidity including cash and borrowings, to fund operations and growth. Liquidity is affected by operating, investing, and financing activities.

Cash flows (used in) provided by each of these activities were as follows:

(\$ millions)	3 months ended September 30			9 months ended September 30		
	2022	2021	(Decrease) Increase	2022	2021	(Decrease) Increase
Operating activities	(24)	212	(236)	(409)	232	(641)
Investing activities	(42)	(68)	26	(189)	(112)	(77)
Financing activities	(40)	(15)	(25)	147	(133)	280
Free cash flow	(57)	176	(233)	(502)	152	(654)

The most significant contributors to the changes in cash flows for 2022 over 2021 were as follows (all events described were in the current quarter or year-to-date period, unless otherwise stated):

	Quarter over Quarter	YTD over YTD
Operating activities	<ul style="list-style-type: none"> <li>higher inventory purchases to support increased demand in all of our operations;</li> <li>partially offset by higher collections from increased revenues, in all of our operations, particularly in Canada</li> </ul>	<ul style="list-style-type: none"> <li>higher inventory purchases to support increased demand in all of our operations;</li> <li>partially offset by higher collections driven by increased revenues in all of our operations</li> </ul>
Investing activities	<ul style="list-style-type: none"> <li>\$34 million lower net spend on short-term and long-term investments</li> </ul>	<ul style="list-style-type: none"> <li>\$100 million net cash consideration paid to acquire Hydraquip and other businesses in Canada and the UK &amp; Ireland in 2022 compared to \$18 million net cash consideration paid for acquisitions in the UK &amp; Ireland and Canada operations in 2021</li> </ul>
Financing activities	<ul style="list-style-type: none"> <li>\$260 million lower cash provided by short-term borrowings;</li> <li>\$200 million repayment of long-term debt in Q3 2021;</li> <li>\$22 million use of cash to repurchase common shares in Q3 2022 compared to \$54 million in Q3 2021</li> </ul>	<ul style="list-style-type: none"> <li>\$323 million higher cash provided by short-term borrowings;</li> <li>\$144 million use of cash to repurchase common shares in 2022 compared to \$88 million in 2021</li> </ul>
Free cash flow	<ul style="list-style-type: none"> <li>free cash flow in Q3 2022 was a use of cash of \$57 million compared with cash generation of \$176 million in Q3 2021 due to lower cash generated from operating activities for the reasons outlined above</li> </ul>	<ul style="list-style-type: none"> <li>free cash flow in 2022 was a use of cash of \$502 million compared with cash generation of \$152 million in the prior year due to lower cash generated from operating activities for the reasons outlined above</li> </ul>

## Capital resources and management

Our cash and cash equivalents balance at September 30, 2022 was \$120 million (December 31, 2021: \$502 million). At September 30, 2022, to complement internally generated funds from operating and investing activities, we had approximately \$2.1 billion in unsecured committed and uncommitted credit facilities. Included in this amount is a committed revolving credit facility totaling \$1.3 billion with various Canadian and global financial institutions, of which approximately \$300 million was available at September 30, 2022. We are subject to certain covenants under our committed revolving credit facilities and were in compliance with these covenants at September 30, 2022. In October 2022, the Company obtained an additional \$300 million committed revolving credit facility that has a one-year term and can be used for general corporate purposes.

We continuously monitor actual and forecasted cash flows, manage the maturity profiles of our financial liabilities, and maintain committed and uncommitted credit facilities. We believe that based on cash on hand, available credit facilities, and the discretionary nature of certain cash flows, such as rental and capital expenditures, we have sufficient liquidity to meet operational needs.

Finning is rated <sup>(1)</sup> by both **DBRS** and **S&P**:

	Long-term debt		Short-term debt	
	Sep 30, 2022	Dec 31, 2021	Sep 30, 2022	Dec 31, 2021
DBRS	BBB (high)	BBB (high)	R-2 (high)	R-2 (high)
S&P	BBB+	BBB+	n/a	n/a

In April 2022, S&P affirmed our BBB+ rating with stable outlook, citing robust market demand, increased business efficiencies, and improved working capital management.

In August 2022, DBRS reconfirmed our BBB (high) long-term rating and R-2 (high) commercial paper rating both with stable trends.

During the nine months ended September 30, 2022, we repurchased 4,649,748 common shares for cancellation for \$149 million, at an average cost of \$32.04 per share, through our **NCIB** <sup>(2)</sup>. During the nine months ended September 30, 2021, we repurchased 2,879,340 common shares for cancellation for \$93 million, at an average cost of \$32.41 per share.

In connection with our NCIB, we implemented an automatic share purchase plan with a designated broker to enable share repurchases for cancellation during selected blackout periods. At September 30, 2022, we recorded an obligation of \$20 million for the repurchase of shares from October 1, 2022 to November 8, 2022, under this automatic share purchase plan.

## Net Debt to Adjusted EBITDA

We monitor net debt to Adjusted EBITDA to assess our operating leverage and ability to repay debt. This ratio approximates the length of time, in years, that it would take us to repay our debt, with net debt and Adjusted EBITDA held constant.

	Finning long-term target	Sep 30, 2022	Dec 31, 2021
Net debt to Adjusted EBITDA ratio (times)	< 3.0	1.8	1.1

<sup>(1)</sup> A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

<sup>(2)</sup> A copy of the NCIB notice is available on request directed to the Corporate Secretary, 19100 94 Avenue, Surrey, BC V4N 5C3.

## Accounting Policies and Pronouncements

### New Accounting Pronouncements

The adoption of recent amendments to IFRS had no impact on our financial results. For more details on recent amendments to IFRS that were effective January 1, 2022 as well as future accounting pronouncements and effective dates, please refer to note 1 of our Interim Financial Statements.

### Risk Factors and Management

Finning and its subsidiaries are exposed to market, credit, liquidity, and other risks in the normal course of business activities. Our **ERM** process is designed to ensure that these risks are identified, managed, and reported. The ERM framework assists us in managing risks and business activities to mitigate these risks across the organization and achieve our strategic objectives.

We maintain a strong risk management culture to protect and enhance shareholder value. On a quarterly basis, **Board** level committees review our business risk assessment and the management of key business risks, any changes to key risks and exposures, and the steps taken to monitor and control such exposures, and report their review to the Board. The Board reviews all material risks in detail on an annual basis. The Board also reviews the adequacy of disclosures of key risks in our AIF, MD&A, and financial statements on a quarterly and annual basis. All key financial risks are disclosed in our annual MD&A and other key business risks are disclosed in our AIF.

### Foreign Exchange Risk

Key exchange rates that impacted our results were as follows:

Exchange rate	September 30			December 31			3 months ended			9 months ended		
	2022	2021	Change	2021	Change	2022	2021	Change	2022	2021	Change	
USD/CAD	<b>1.3707</b>	1.2741	(8)%	1.2678	(8)%	<b>1.3056</b>	1.2600	(4)%	<b>1.2828</b>	1.2513	(3)%	
GBP/CAD	<b>1.5098</b>	1.7123	12%	1.7132	12%	<b>1.5354</b>	1.7366	12%	<b>1.6117</b>	1.7331	7%	
USD/CLP	<b>966.00</b>	798.63	(21)%	850.25	(14)%	<b>924.87</b>	771.40	(20)%	<b>856.83</b>	736.34	(16)%	
USD/ARS	<b>147.07</b>	98.72	(49)%	102.72	(43)%	<b>135.58</b>	97.23	(39)%	<b>119.05</b>	93.15	(28)%	

The impact of foreign exchange due to fluctuation in the value of the CAD relative to the USD, GBP, CLP, and ARS is expected to continue to affect our results.

### Outstanding Share Data

#### November 4, 2022

Common shares outstanding	152,408,447
Options outstanding	1,795,786

## Controls and Procedures Certification

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### Disclosure Controls and Procedures

We are responsible for establishing and maintaining a system of controls and procedures over the public disclosure of our financial and non-financial information. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the **CEO** and **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 our disclosure controls and procedures in order to provide reasonable assurance that material information relating to Finning and its consolidated subsidiaries is made known to them in a timely manner.

We have a Corporate 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 Corporate Disclosure Policy sets out accountabilities, authorized spokespersons, and our approach to the determination, preparation, and dissemination of material information. The policy also defines restrictions on insider trading and the handling of confidential information.
- The Disclosure Committee, consisting of senior management, including legal counsel, reviews all financial information prepared for communication to the public to ensure it meets all regulatory requirements. The Disclosure Committee is responsible for raising any outstanding issues it believes require the attention or approval of the **Audit Committee** prior to recommending disclosure, subject to legal requirements applicable to disclosure of material information.

### Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of our internal controls over financial reporting during the three months ended September 30, 2022 that would materially affect, or is reasonably likely to materially affect, our internal control over financial reporting.

Regular involvement of our 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 our officers have designed our disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that the objectives of the control systems are met, 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.

## Description of Specified Financial Measures and Reconciliations

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### **Specified Financial Measures**

We believe that certain specified financial measures, including non-GAAP financial measures, provide users of our MD&A and consolidated financial statements with important information regarding the operational performance and related trends of our business. The specified financial measures we use do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. Accordingly, specified financial measures should not be considered as a substitute or alternative for financial measures determined in accordance with GAAP (GAAP financial measures). By considering these specified financial measures in combination with the comparable GAAP financial measures (where available) we believe that users are provided a better overall understanding of our business and financial performance during the relevant period than if they simply considered the GAAP financial measures alone.

We use KPIs to consistently measure performance against our priorities across the organization. Some of our KPIs are specified financial measures.

There may be significant items that we do not consider indicative of our operational and financial trends, either by nature or amount. We exclude these items when evaluating our operating financial performance. These items may not be non-recurring, but we believe that excluding these significant items from GAAP financial measures provides a better understanding of our financial performance when considered in conjunction with the GAAP financial measures. Financial measures that have been adjusted to take these significant items into account are referred to as "Adjusted measures". Adjusted measures are specified financial measures and are intended to provide additional information to readers of the MD&A.

Descriptions and components of the specified financial measures we use in this MD&A are set out below. Where applicable, quantitative reconciliations from certain specified financial measures to their most directly comparable GAAP financial measures (specified, defined, or determined under GAAP and used in our consolidated financial statements) are also set out below.

### **Adjusted EPS**

Adjusted EPS excludes the after-tax per share impact of significant items that we do not consider to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance. The tax impact of each significant item is calculated by applying the relevant applicable tax rate for the jurisdiction in which the significant item occurred. The after-tax per share impact of significant items is calculated by dividing the after-tax amount of significant items by the weighted average number of common shares outstanding during the period.

A reconciliation between EPS (the most directly comparable GAAP financial measure) and Adjusted EPS can be found on page 29 of this MD&A.

### **EBITDA, Adjusted EBITDA, and Adjusted EBIT**

EBITDA is defined as earnings before finance costs, income taxes, depreciation, and amortization. We use EBITDA to assess and evaluate the financial performance of our reportable segments. We believe that EBITDA improves comparability between periods by eliminating the impact of finance costs, income taxes, depreciation, and amortization.

Adjusted EBIT and Adjusted EBITDA exclude items that we do not consider to be indicative of operational and financial trends, either by nature or amount, to provide a better overall understanding of our underlying business performance.

EBITDA is calculated by adding depreciation and amortization to EBIT. Adjusted EBITDA is calculated by adding depreciation and amortization to Adjusted EBIT.

The most directly comparable GAAP financial measure to EBITDA, Adjusted EBITDA, and Adjusted EBIT is EBIT.

A reconciliation from EBIT to EBITDA, Adjusted EBIT, and Adjusted EBITDA for our consolidated operations is as follows:

3 months ended (\$ millions)	2022				2021				2020			2019
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
EBIT	224	190	140	157	150	137	108	108	138	52	94	97
Depreciation and amortization	84	81	81	84	80	78	77	77	77	78	76	73
EBITDA	308	271	221	241	230	215	185	185	215	130	170	170
EBIT	224	190	140	157	150	137	108	108	138	52	94	97
Significant items:												
CEWS support	—	—	—	—	—	—	(10)	(14)	(37)	(64)	—	—
Return on our investment in Energyst	—	—	—	—	—	—	(5)	—	—	—	—	—
Severance costs	—	—	—	—	—	—	—	—	—	42	—	—
Facility closure-related restructuring costs and impairment losses	—	—	—	—	—	—	—	—	—	9	—	—
Adjusted EBIT	224	190	140	157	150	137	93	94	101	39	94	97
Depreciation and amortization	84	81	81	84	80	78	77	77	77	78	76	73
Adjusted EBITDA	308	271	221	241	230	215	170	171	178	117	170	170

The impact on provision for income taxes of the significant item was as follows:

3 months ended (\$ millions)	2022				2021			2020		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	
Significant item:										
CEWS support	—	—	—	—	—	—	—	2	4	10
Provision for income taxes on the significant item	—	—	—	—	—	—	—	2	4	10

A reconciliation from EPS to Adjusted EPS for our consolidated operations is as follows:

3 months ended (\$)	2022				2021			2020	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EPS	0.97	0.80	0.59	0.66	0.61	0.56	0.43	0.45	0.54
Significant items:									
CEWS support	—	—	—	—	—	—	(0.05)	(0.07)	(0.17)
Return on our investment in Energyst	—	—	—	—	—	—	(0.03)	—	—
Adjusted EPS	0.97	0.80	0.59	0.66	0.61	0.56	0.35	0.38	0.37

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for our Canadian operations is as follows:

3 months ended (\$ millions)	2022				2021			2020		2019		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
EBIT	125	102	80	92	84	82	69	72	93	63	60	72
Significant items:												
CEWS support	—	—	—	—	—	—	(10)	(13)	(35)	(60)	—	—
Severance costs	—	—	—	—	—	—	—	—	—	20	—	—
Facility closure-related restructuring costs and impairment losses	—	—	—	—	—	—	—	—	—	5	—	—
Adjusted EBIT	125	102	80	92	84	82	59	59	58	28	60	72
Depreciation and amortization	47	47	47	50	48	47	46	47	48	47	43	42
Adjusted EBITDA	172	149	127	142	132	129	105	106	106	75	103	114

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for our South American operations is as follows:

3 months ended (\$ millions)	2022				2021			2020		2019		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
EBIT	85	64	65	59	58	51	41	41	40	2	38	31
Significant items:												
Severance costs	—	—	—	—	—	—	—	—	—	17	—	—
Facility closure-related restructuring costs and impairment losses	—	—	—	—	—	—	—	—	—	4	—	—
Adjusted EBIT	85	64	65	59	58	51	41	41	40	23	38	31
Depreciation and amortization	25	23	23	22	22	20	20	20	19	22	22	20
Adjusted EBITDA	110	87	88	81	80	71	61	61	59	45	60	51

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for our UK & Ireland operations is as follows:

3 months ended (\$ millions)	2022				2021			2020			2019	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
EBIT	21	23	14	12	17	17	7	11	9	(5)	1	5
Significant item:												
Severance costs	—	—	—	—	—	—	—	—	—	4	—	—
Adjusted EBIT	21	23	14	12	17	17	7	11	9	(1)	1	5
Depreciation and amortization	11	10	10	11	10	10	10	9	9	9	10	10
Adjusted EBITDA	32	33	24	23	27	27	17	20	18	8	11	15

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for our Other operations is as follows:

3 months ended (\$ millions)	2022				2021			2020			2019	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
EBIT	(7)	1	(19)	(6)	(9)	(13)	(9)	(16)	(4)	(8)	(5)	(11)
Significant items:												
CEWS support	—	—	—	—	—	—	—	(1)	(2)	(4)	—	—
Return on our investment in Energyst	—	—	—	—	—	—	(5)	—	—	—	—	—
Severance costs	—	—	—	—	—	—	—	—	—	1	—	—
Adjusted EBIT	(7)	1	(19)	(6)	(9)	(13)	(14)	(17)	(6)	(11)	(5)	(11)
Depreciation and amortization	1	1	1	1	—	1	1	1	1	—	1	1
Adjusted EBITDA	(6)	2	(18)	(5)	(9)	(12)	(13)	(16)	(5)	(11)	(4)	(10)

### Equipment Backlog

Equipment backlog is defined as the retail value of new equipment units ordered by customers for future deliveries. We use equipment backlog as a measure of projecting future new equipment deliveries. There is no directly comparable GAAP financial measure for equipment backlog.

## Free Cash Flow

Free cash flow is defined as cash flow provided by or used in operating activities less net additions to property, plant, and equipment and intangible assets, as disclosed in our financial statements. We use free cash flow to assess cash operating performance, including working capital efficiency. Consistent positive free cash flow generation enables us to re-invest capital to grow our business and return capital to shareholders. A reconciliation from cash flow used in or provided by operating activities to free cash flow is as follows:

3 months ended (\$ millions)	2022				2021			2020	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cash flow (used in) provided by operating activities	(24)	(112)	(273)	193	212	8	12	317	340
Additions to property, plant, and equipment and intangible assets	(33)	(30)	(30)	(45)	(38)	(17)	(33)	(34)	(26)
Proceeds on disposal of property, plant, and equipment	—	—	—	—	2	5	1	9	2
Free cash flow	(57)	(142)	(303)	148	176	(4)	(20)	292	316

## Inventory Turns (Dealership)

Inventory turns (dealership) is the number of times our dealership inventory is sold and replaced over a period. We use inventory turns (dealership) to measure asset utilization. Inventory turns (dealership) is calculated as annualized cost of sales (excluding cost of sales related to the mobile refuelling operations) for the last six months divided by average inventory (excluding fuel inventory), based on an average of the last two quarters. Cost of sales related to the dealership and inventory related to the dealership are calculated as follows:

3 months ended (\$ millions)	2022				2021			2020		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cost of sales	1,807	1,761	1,463	1,465	1,443	1,396	1,189	1,248	1,163	1,075
Cost of sales related to mobile refuelling operations	(293)	(300)	(231)	(190)	(170)	(153)	(140)	(129)	(124)	(95)
Cost of sales related to the dealership <sup>(1)</sup>	1,514	1,461	1,232	1,275	1,273	1,243	1,049	1,119	1,039	980

(\$ millions)	2022				2021			2020		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Inventory	2,526	2,228	2,101	1,687	1,627	1,643	1,593	1,477	1,626	1,893
Fuel inventory	(12)	(13)	(11)	(9)	(6)	(3)	(3)	(3)	(2)	(2)
Inventory related to the dealership <sup>(1)</sup>	2,514	2,215	2,090	1,678	1,621	1,640	1,590	1,474	1,624	1,891

<sup>(1)</sup> These are non-GAAP financial measures. See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

## Invested Capital

Invested capital is calculated as net debt plus total equity. Invested capital is also calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term and long-term debt, net of cash and cash equivalents. We use invested capital as a measure of the total cash investment made in Finning and each reportable segment. Invested capital is used in a number of different measurements (ROIC, Adjusted ROIC, invested capital turnover) to assess financial performance against other companies and between reportable segments. Invested capital is calculated as follows:

(\$ millions)	2022				2021				2020				2019
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31
Cash and cash equivalents	(120)	(170)	(295)	(502)	(518)	(378)	(469)	(539)	(453)	(338)	(260)	(268)	(268)
Short-term debt	1,087	992	804	374	419	114	103	92	217	158	329	226	226
Current portion of long-term debt	106	110	63	190	191	386	326	201	200	200	200	200	200
Non-current portion of long-term debt	836	807	909	921	923	903	973	1,107	1,136	1,348	1,381	1,318	1,318
Net debt <sup>(1)</sup>	1,909	1,739	1,481	983	1,015	1,025	933	861	1,100	1,368	1,650	1,476	1,476
Total equity	2,449	2,337	2,296	2,343	2,320	2,252	2,244	2,206	2,184	2,127	2,233	2,115	2,115
Invested capital	4,358	4,076	3,777	3,326	3,335	3,277	3,177	3,067	3,284	3,495	3,883	3,591	3,591

<sup>(1)</sup> These are non-GAAP financial measures. See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

## Invested Capital Turnover

We use invested capital turnover to measure capital efficiency. Invested capital turnover is calculated as net revenue for the last twelve months divided by average invested capital of the last four quarters.

## Net Debt to Adjusted EBITDA Ratio

This ratio is calculated as net debt divided by Adjusted EBITDA for the last twelve months. We use this ratio to assess operating leverage and ability to repay debt. This ratio approximates the length of time, in years, that it would take us to repay debt, with net debt and Adjusted EBITDA held constant.

### Net Revenue, Gross Profit as a % of Net Revenue, SG&A as a % of Net Revenue, EBITDA as a % of Net Revenue, and EBIT as a % of Net Revenue

Net revenue is defined as total revenue less the cost of fuel related to the mobile refuelling operations in our Canadian operations. As these fuel costs are pass-through in nature for this business, we view net revenue as more representative than revenue in assessing the performance of the business because the rack price for the cost of fuel is fully passed through to the customer and is not in our control. For our South American and UK & Ireland operations, net revenue is the same as total revenue.

We use these specified financial measures to assess and evaluate the financial performance or profitability of our reportable segments. We may also calculate these financial measures using Adjusted EBITDA and Adjusted EBIT to exclude significant items we do not consider to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance.

The most directly comparable GAAP financial measure to net revenue is total revenue. The ratios are calculated, respectively, as gross profit divided by net revenue, SG&A divided by net revenue, EBITDA divided by net revenue, and EBIT divided by net revenue. Net revenue is calculated as follows:

3 months ended (\$ millions)	2022				2021				2020			2019
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Total revenue	<b>2,384</b>	2,289	1,953	1,949	1,904	1,845	1,596	1,666	1,553	1,419	1,558	1,911
Cost of fuel	<b>(277)</b>	(285)	(217)	(175)	(156)	(140)	(127)	(115)	(110)	(84)	(119)	(154)
Net revenue	<b>2,107</b>	2,004	1,736	1,774	1,748	1,705	1,469	1,551	1,443	1,335	1,439	1,757

### ROIC and Adjusted ROIC

ROIC is defined as EBIT for the last twelve months divided by average invested capital of the last four quarters, expressed as a percentage.

We view ROIC as a useful measure for capital allocation decisions that drive profitable growth and attractive returns to shareholders. We also calculate Adjusted ROIC using Adjusted EBIT to exclude significant items that we do not consider to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance.

### Working Capital & Working Capital to Net Revenue Ratio

Working capital is defined as total current assets (excluding cash and cash equivalents) less total current liabilities (excluding short-term debt and current portion of long-term debt). We view working capital as a measure for assessing overall liquidity.

The working capital to net revenue ratio is calculated as average working capital of the last four quarters, divided by net revenue for the last twelve months. We use this KPI to assess the efficiency in our use of working capital to generate net revenue.

Working capital is calculated as follows:

(\$ millions)	2022				2021				2020			2019
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Total current assets	<b>4,652</b>	4,098	4,030	3,619	3,620	3,416	3,319	3,214	3,261	3,416	3,828	3,659
Cash and cash equivalents	<b>(120)</b>	(170)	(295)	(502)	(518)	(378)	(469)	(539)	(453)	(338)	(260)	(268)
Total current assets in working capital	<b>4,532</b>	3,928	3,735	3,117	3,102	3,038	2,850	2,675	2,808	3,078	3,568	3,391
Total current liabilities	<b>3,196</b>	2,789	2,647	2,155	2,156	1,942	1,817	1,623	1,717	1,735	2,112	2,026
Short-term debt	<b>(1,087)</b>	(992)	(804)	(374)	(419)	(114)	(103)	(92)	(217)	(158)	(329)	(226)
Current portion of long-term debt	<b>(106)</b>	(110)	(63)	(190)	(191)	(386)	(326)	(201)	(200)	(200)	(200)	(200)
Total current liabilities in working capital	<b>2,003</b>	1,687	1,780	1,591	1,546	1,442	1,388	1,330	1,300	1,377	1,583	1,600
Working capital <sup>(1)</sup>	<b>2,529</b>	2,241	1,955	1,526	1,556	1,596	1,462	1,345	1,508	1,701	1,985	1,791

<sup>(1)</sup> These are non-**GAAP** financial measures. See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

## Selected Quarterly Information

(\$ millions, except for share, per share, and option amounts)	2022				2021			2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue								
Canada	1,349	1,298	1,101	1,089	961	1,019	900	886
South America	692	637	571	582	638	512	482	496
UK & Ireland <sup>(1)</sup>	343	354	281	278	305	314	214	284
Total revenue	2,384	2,289	1,953	1,949	1,904	1,845	1,596	1,666
Net income attributable to shareholders of Finning <sup>(1)(2)</sup>	149	126	92	104	99	91	70	72
Earnings per share <sup>(1)(2)</sup>								
EPS	0.97	0.80	0.59	0.66	0.61	0.56	0.43	0.45
Diluted earnings per share	0.97	0.80	0.59	0.65	0.61	0.56	0.43	0.44
Total assets <sup>(1)</sup>	7,024	6,470	6,402	5,971	5,936	5,615	5,524	5,458
Long-term debt								
Current	106	110	63	190	191	386	326	201
Non-current	836	807	909	921	923	903	973	1,107
Total long-term debt <sup>(3)</sup>	942	917	972	1,111	1,114	1,289	1,299	1,308
Cash dividends paid per common share	23.6¢	23.6¢	22.5¢	22.5¢	22.5¢	20.5¢	20.5¢	20.5¢
Common shares outstanding (000's)	153,248	154,272	156,249	157,808	159,659	161,419	162,391	162,107
Options outstanding (000's)	1,796	1,789	1,545	1,773	1,926	2,105	2,116	3,683

(1) In March 2022, we acquired Hydraquip in our UK & Ireland reportable segment. The results of operations and financial position of this acquired business have been included in the figures since the date of acquisition.

(2) Results were impacted by the following significant items:

(\$ millions except per share amounts)	2021 <sup>(a)</sup>	2020 <sup>(a)</sup>
	Q1	Q4
CEWS support	(10)	(14)
Return on our investment in Energyst	(5)	—
Impact of significant items on EBIT	(15)	(14)
Impact of significant items on EPS <sup>(b)</sup>	(0.08)	(0.07)

(a) There were no significant items impacting EBIT or EPS in any quarter since Q1 2021.

(b) The per share impact for each quarter has been calculated using the weighted average number of common shares outstanding during the respective quarters; therefore, quarterly amounts may not add to the annual or year-to-date total.

(3) In April 2022, we settled our 4.18% USD \$50 million note which was due April 3, 2022.

In January 2022, we settled our 3.98% USD \$100 million note which was due January 19, 2022.

In September 2021, we secured sustainability-linked terms for our \$1.3 billion committed revolving credit facility. We also extended the term of the credit facility from a maturity date of December 2024 to September 2026.

In September 2021, we settled our 2.84%, \$200 million note which was due on September 29, 2021.

## Forward-Looking Information Disclaimer

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This report contains information about our business outlook, objectives, plans, strategic priorities and other information that is not historical fact. Information is forward-looking when we use what we know and expect today to give information about the future. Forward-looking information may include terminology such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will, and variations of such terminology. All forward-looking information in this MD&A is subject to this disclaimer including the assumptions and material risk factors discussed and referred to below. Forward-looking information in this report also includes, but is not limited to, the following: expected results from the execution of our strategic framework, including our global strategic priorities, strategic pillars, and simple execution plan described on page 4 of this MD&A; our expectation that our effective tax rate will generally be within the 25-30% range on an annual basis; possible additional consideration of £nil to £11 million payable to the vendors of Hydraquip over a three year period after the acquisition based on the acquired business unit achieving specified levels of financial performance; expected synergies following the acquisition of Hydraquip from the combination of complementary capabilities and the expected growth potential for product support revenue; all information in the section entitled "Market Update and Business Outlook" on page 21 of this MD&A regarding our expectations for our Canada operations (based on assumptions of supportive commodity prices, strong project backlogs, improvements in customer capital budgets, a continued focus on productivity improvements, component remanufacturing and equipment rebuilds, government infrastructure programs and private sector investments in natural gas, carbon capture, utilization and storage, and power projects, and a continued demand for construction equipment and product support, heavy rentals, and prime and standby electric power generation), our expectations for our South America operations (based on assumptions related to Chile of electrification trends driving increased global demand for copper in the longer term, significant mining deliveries and committed medium-term investments in fleet replacements in Chile, continued strong demand for mining product support and technology solutions, including autonomy, and our ability to capture opportunities in the data centre market; and assumptions related to Argentina of activity in construction, oil and gas, and mining remaining stable and our ability to manage fiscal, regulatory, and currency environments), our expectations for our UK & Ireland operations (based on assumptions of continued high machine utilization hours on the HS2 project and the addition of Hydraquip, and projections of continued growth in the data centre market and our ability to capture opportunities in that market); our expectation to generate strong free cash flow in Q4 2022 (assumes continued strong growth in the business and our ability to deliver our backlog) and that free cash flow may not be positive for the full year due to potential shifts in supply and delivery schedules; our expectation that we will finish the year strongly and continue that momentum into 2023, and our projection for our H2 2022 EPS to grow at a significantly higher rate compared to H2 2021 than our previously projected growth rate of above mid-teens (assumes continued strong momentum in our end markets including growing customer demand, constructive commodity prices, public and private sector investment, economic forecasts, delivery of our backlog, continued growth in product support, disciplined operational execution, successful product support growth strategy, inventory management and deployment of our digital capabilities, and that we and our customers can successfully navigate supply chain, labour, inflation, and interest rate challenges); our expectation for strong mining new equipment deliveries in Chile and Canada in Q4 2022 (assumes no delays in our ability to deliver on our backlog); our belief that, based on cash on hand, available credit facilities and the discretionary nature of certain cash flows, such as rental and capital expenditures, we have sufficient liquidity to meet operational needs; and our expectation that foreign exchange fluctuations will continue to affect our results.

All such forward-looking information is provided pursuant to the 'safe harbour' provisions of applicable Canadian securities laws. Unless we indicate otherwise, forward-looking information in this report reflects our expectations at the date of this MD&A. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise.

Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on a number of assumptions. This gives rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking information and that our business outlook, objectives, plans, strategic priorities and other information that is not historical fact may not be achieved. As a result, we cannot guarantee that any forward-looking information will materialize.

Factors that could cause actual results or events to differ materially from those expressed in or implied by this forward-looking information include: the impact and duration of the COVID-19 pandemic and measures taken by governments, customers and suppliers in response; general economic and market conditions, including increasing inflationary cost pressure, and economic and market conditions in the regions where we operate; the outcome of Chile's constitutional reform process and proposed tax reform bill, including the proposal for a revised mining royalty framework; foreign exchange rates; commodity prices; interest rates; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our ability to maintain our relationship with Caterpillar; our dependence on the continued market acceptance of our products, including Caterpillar products, and the timely supply of parts and equipment; our ability to continue to sustainably reduce costs and improve productivity

and operational efficiencies while continuing to maintain customer service; our ability to manage cost pressures as growth in revenue occurs; our ability to effectively integrate and realize expected synergies from businesses that we acquire; our ability to negotiate satisfactory purchase or investment terms and prices, obtain necessary regulatory or other approvals, and secure financing on attractive terms or at all; our ability to manage our growth strategy effectively; our ability to effectively price and manage long-term product support contracts with our customers; our ability to drive continuous cost efficiency in a recovering market; our ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; our ability to negotiate and renew collective bargaining agreements with satisfactory terms for our employees and us; the intensity of competitive activity; our ability to maintain a safe and healthy work environment across all regions; our ability to raise the capital needed to implement our business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments in the regions where we carry on business; our ability to respond to climate change-related risks; the occurrence of natural disasters, pandemic outbreaks, geo-political events, acts of terrorism, social unrest or similar disruptions; the availability of insurance at commercially reasonable rates and whether the amount of insurance coverage will be adequate to cover all liability or loss that we incur; the potential of warranty claims being greater than we anticipate; the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology; our ability to protect our business from cybersecurity threats or incidents; and, with respect to our NCIB, our share price from time to time and our decisions about use of capital.

Forward-looking information is provided in this report to give information about our current expectations and plans and allow investors and others to get a better understanding of our operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information provided in this report is based on a number of assumptions that we believed were reasonable on the day the information was given, including but not limited to: the specific assumptions stated above; that we will be able to successfully manage our business through the current challenging times involving the effects of the COVID-19 response, stretched supply chains, competitive talent markets, inflationary pressures and changing commodity prices, and successfully implement our COVID-19 risk management plans; an undisrupted market recovery, for example, undisrupted by COVID-19 impacts, commodity price volatility or social unrest; the successful execution of our profitability drivers; that our cost actions to drive earnings capacity in a recovery can be sustained; that commodity prices will remain at constructive levels; that our customers will not curtail their activities; that general economic and market conditions will continue to be strong; that the level of customer confidence and spending, and the demand for, and prices of, our products and services will be maintained; that present supply chain and inflationary challenges will not materially impact large project deliveries in our backlog; our ability to successfully execute our plans and intentions; our ability to attract and retain skilled staff; market competition will remain at similar levels; the products and technology offered by our competitors will be as expected; that identified opportunities for growth will result in revenue; that we have sufficient liquidity to meet operational needs; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment and that our current good relationships with Caterpillar, our customers and our suppliers, service providers and other third parties will be maintained; sustainment of strengthened oil prices and the Alberta government will not re-impose production curtailments; quoting activity for requests for proposals for equipment and product support is reflective of opportunities; and strong recoveries in our regions, particularly in Chile and the UK.

Some of the assumptions, risks, and other factors, which could cause results to differ materially from those expressed in the forward-looking information contained in this report, are discussed in our current AIF and in our annual and most recent quarterly MD&A for the financial risks, including for updated risks related to the COVID-19 pandemic.

We caution readers that the risks described in the annual and most recent quarterly MD&A and in the AIF are not the only ones that could impact us. We cannot accurately predict the full impact that COVID-19 will have on our business, results of operations, financial condition or the demand for our services, due in part to the uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, the steps our customers and suppliers may take in current circumstances, including slowing or halting operations, the duration of travel and quarantine restrictions imposed by governments and other steps that may be taken by governments to respond to the pandemic. Additional risks and uncertainties not currently known to us or that are currently deemed to be immaterial may also have a material adverse effect on our business, financial condition, or results of operation.

Except as otherwise indicated, forward-looking information does 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 of this report. 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. We therefore cannot describe the expected impact in a meaningful way or in the same manner we present known risks affecting our business.

## Glossary of Defined Terms

<b>4Refuel</b>	4Refuel Canada and 4Refuel US
<b>AIF</b>	Annual Information Form
<b>Annual Financial Statements</b>	Audited annual consolidated financial statements
<b>ARS</b>	Argentine Peso
<b>Audit Committee</b>	Audit Committee of the Board of Directors of Finning
<b>BHP</b>	BHP Group Limited
<b>Board</b>	Board of Directors of Finning
<b>CAD</b>	Canadian dollar
<b>Caterpillar</b>	Caterpillar Inc.
<b>CEO</b>	Chief Executive Officer
<b>CEWS</b>	Canadian Emergency Wage Subsidy
<b>CFO</b>	Chief Financial Officer
<b>CLP</b>	Chilean Peso
<b>Codelco</b>	National Copper Corporation of Chile (Corporacion Nacional del Cobre de Chile)
<b>ComTech</b>	Compression Technology Corporation
<b>Consol</b>	Consolidated
<b>COVID-19</b>	Novel Coronavirus
<b>DBRS</b>	Dominion Bond Rating Service
<b>EBIT</b>	Earnings (loss) before finance costs and income tax
<b>EBITDA</b>	Earnings (loss) before finance costs, income tax, depreciation, and amortization
<b>Energyst</b>	Energyst B.V.
<b>EPS</b>	Basic earnings per share
<b>ERM</b>	Enterprise risk management
<b>fav</b>	Favourable
<b>Finning</b>	Finning International Inc.
<b>Finning (Canada)</b>	A division of Finning, with dealer territories in British Columbia, Alberta, Saskatchewan, the Yukon Territory, the Northwest Territories, and a portion of Nunavut
<b>GAAP</b>	Generally accepted accounting principles
<b>GAAP financial measures</b>	A financial measure determined in accordance with GAAP
<b>GBP</b>	UK pound sterling
<b>HS2</b>	High Speed 2, a planned high-speed railway in the UK the first phase of which is planned to connect London to Birmingham
<b>Hydraquip</b>	Hydraquip Hose & Hydraulics and Hoses Direct Ltd.
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards
<b>Interim Financial Statements</b>	Condensed interim consolidated financial statements
<b>KPI</b>	Key performance indicator
<b>LTIP</b>	Long-term incentive plan (also referred to as share-based payment)
<b>MD&amp;A</b>	Management's Discussion and Analysis
<b>n/a</b>	not applicable
<b>n/m</b>	% change not meaningful
<b>NCIB</b>	Normal course issuer bid
<b>OEM</b>	OEM Remanufacturing Company Inc.
<b>PLM</b>	PipeLine Machinery International ULC
<b>ROIC</b>	Return on invested capital
<b>S&amp;P</b>	Standard and Poor's
<b>SEDAR</b>	System for Electronic Document Analysis
<b>SG&amp;A</b>	Selling, general, and administrative costs
<b>Specified Financial Measures</b>	As defined in National Instruments 52-112
<b>UK</b>	United Kingdom
<b>unfav</b>	Unfavourable
<b>US</b>	United States of America
<b>USD</b>	US dollar
<b>YTD</b>	Year-to-date