

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 2, 2022

This **MD&A** should be read in conjunction with our **Interim Financial Statements** and the accompanying notes thereto for the three and six months ended June 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 and in the investors section of our website at www.finning.com.

A glossary of defined terms is included on page 37. The first time a defined term is used in this MD&A, it is shown in bold italics.

Second Quarter Overview

(\$ millions, except per share amounts)	Q2 2022	Q2 2021	% change <i>fav (unfav)</i>
Revenue	2,289	1,845	24%
Net revenue ⁽¹⁾	2,004	1,705	18%
Gross profit	528	449	18%
SG&A	(338)	(313)	(8)%
Equity earnings of joint ventures	—	1	n/m
EBIT	190	137	39%
Net income attributable to shareholders of Finning	126	91	37%
Basic EPS	0.80	0.56	43%
EBITDA ⁽¹⁾	271	215	27%
Free cash flow ⁽²⁾	(142)	(4)	n/m
<i>Gross profit as a % of net revenue</i> ⁽¹⁾	26.3%	26.3%	
<i>SG&A as a % of net revenue</i> ⁽¹⁾	(16.9)%	(18.3)%	
<i>EBIT as a % of net revenue</i> ⁽¹⁾	9.4%	8.0%	
<i>EBITDA as a % of net revenue</i> ⁽¹⁾	13.5%	12.6%	
<i>Adjusted ROIC</i> ⁽¹⁾⁽³⁾⁽⁴⁾	17.5%	13.3%	

(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 27 - 29 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 June 30, 2022 and therefore, June 30, 2022 ROIC is the same as Adjusted ROIC.

Second Quarter Highlights

- Q2 2022 revenue was \$2.3 billion. Net revenue in Q2 2022 of \$2.0 billion was up 18% from Q2 2021, driven by strong market conditions in all regions, equipment backlog⁽¹⁾ deliveries, and continued execution of our product support growth strategy.
- Gross profit in Q2 2022 was up 18% compared to Q2 2021 and SG&A increased 8% compared to Q2 2021 on 18% higher net revenue. SG&A as a percentage of net revenue was 16.9%, 140 basis points lower than Q2 2021 reflecting improved operating leverage in all regions, mainly in **UK** & Ireland and South America, as well as the positive impact of **L TIP** in Other operations.
- Q2 2022 EBIT was \$190 million and EBIT as a percentage of net revenue was 9.4%. Q2 2022 EBIT was up 39% and EBIT as a percentage of net revenue was up 140 basis points from Q2 2021. Q2 2022 EBIT as a percentage of net revenue was up in all of our operations and was 10.0% in Canada, 10.1% in South America, and 6.4% in the UK & Ireland.
- EBITDA was \$271 million in Q2 2022, a 27% increase from Q2 2021. EBITDA as a percentage of net revenue of 13.5% in Q2 2022 was 90 basis points higher than Q2 2021.
- Q2 2022 basic EPS was \$0.80 per share, a 43% increase from Q2 2021 basic EPS of \$0.56 per share, driven primarily by higher earnings in all of our operations. Over the last four quarters, we generated EPS of \$2.66 per share.
- Q2 2022 free cash flow was a use of cash of \$142 million compared to a use of cash of \$4 million in Q2 2021, primarily due to an increase in inventory to meet strong customer demand.
- ROIC⁽¹⁾ at June 30, 2022 was 17.5%, an increase of 110 basis points from Adjusted ROIC at December 31, 2021, with higher ROIC in all of our operations, driven by improved profitability.
- Consolidated equipment backlog was \$2.1 billion at June 30, 2022, up 4% from March 31, 2022 and up 15% from December 31, 2021, with an increasing proportion of mining orders.

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

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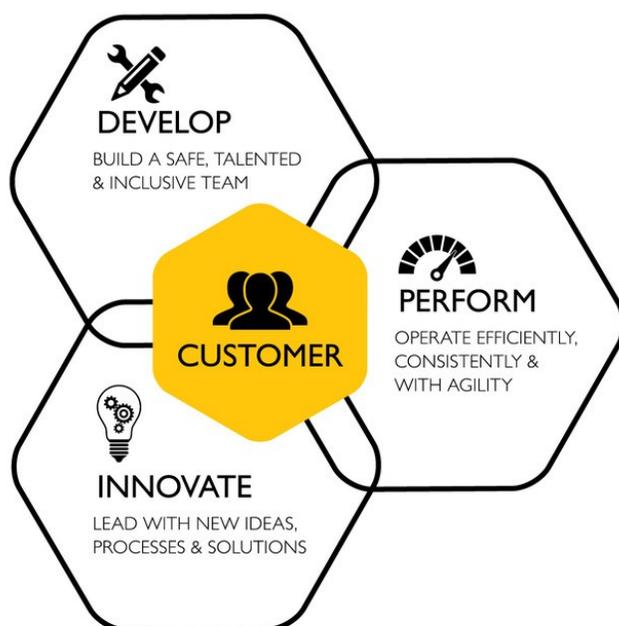
Strategic Framework

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.

Quarterly Key Performance Measures

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

	2022		2021				2020		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
ROIC ⁽¹⁾ (%)									
Consolidated	17.5%	17.0%	16.8%	15.6%	15.3%	12.5%	11.4%	10.7%	10.0%
Canada	17.4%	17.4%	17.5%	16.5%	17.0%	15.6%	14.6%	14.3%	13.3%
South America	22.3%	21.7%	20.3%	19.0%	17.2%	12.3%	11.0%	9.5%	9.3%
UK & Ireland	16.2%	15.7%	14.8%	14.9%	12.9%	6.5%	4.5%	2.9%	3.7%
EBIT ⁽¹⁾ (\$ millions)									
Consolidated	190	140	157	150	137	108	108	138	52
Canada	102	80	92	84	82	69	72	93	63
South America	64	65	59	58	51	41	41	40	2
UK & Ireland	23	14	12	17	17	7	11	9	(5)
EBIT as a % of net revenue ⁽¹⁾									
Consolidated	9.4%	8.1%	8.9%	8.6%	8.0%	7.4%	6.9%	9.6%	3.9%
Canada	10.0%	9.1%	10.1%	10.4%	9.3%	8.9%	9.3%	12.8%	8.9%
South America	10.1%	11.4%	10.1%	9.2%	9.8%	8.6%	8.3%	8.2%	0.5%
UK & Ireland	6.4%	5.0%	4.3%	5.6%	5.3%	3.2%	3.7%	4.1%	(3.2)%
EBITDA ⁽¹⁾ (\$ millions)									
Consolidated	271	221	241	230	215	185	185	215	130
Canada	149	127	142	132	129	115	119	141	110
South America	87	88	81	80	71	61	61	59	24
UK & Ireland	33	24	23	27	27	17	20	18	4
EBITDA as a % of net revenue ⁽¹⁾									
Consolidated	13.5%	12.7%	13.6%	13.2%	12.6%	12.6%	11.9%	14.9%	9.7%
Canada	14.7%	14.3%	15.5%	16.5%	14.7%	14.9%	15.4%	19.3%	15.6%
South America	13.7%	15.4%	14.0%	12.5%	13.7%	12.8%	12.2%	12.2%	5.2%
UK & Ireland	9.3%	8.7%	8.3%	9.0%	8.5%	7.9%	7.0%	7.9%	2.7%
Basic EPS ⁽¹⁾	0.80	0.59	0.66	0.61	0.56	0.43	0.45	0.54	0.12
Invested capital ⁽²⁾ (\$ millions)									
Consolidated	4,076	3,777	3,326	3,335	3,277	3,177	3,067	3,284	3,495
Canada	2,319	2,122	1,876	1,922	1,861	1,832	1,819	1,921	2,037
South America	1,203	1,139	1,026	1,057	1,058	982	931	1,035	1,106
UK & Ireland	458	448	381	339	358	350	327	323	349
Invested capital turnover ⁽²⁾ (times)									
Consolidated	2.00	2.03	2.04	2.01	1.93	1.78	1.68	1.68	1.71
Canada	1.76	1.79	1.80	1.74	1.70	1.56	1.50	1.56	1.63
South America	2.19	2.15	2.15	2.11	1.97	1.90	1.75	1.67	1.67
UK & Ireland	3.00	3.09	3.11	3.25	3.09	2.66	2.49	2.39	2.32
Inventory (\$ millions)	2,228	2,101	1,687	1,627	1,643	1,593	1,477	1,626	1,893
Inventory turns (dealership) ⁽²⁾ (times)	2.50	2.66	3.09	3.09	2.84	2.83	2.79	2.30	1.97
Working capital to net revenue ⁽²⁾	25.1%	23.8%	22.9%	23.0%	24.0%	25.9%	28.3%	29.2%	29.9%
Free cash flow (\$ millions)	(142)	(303)	148	176	(4)	(20)	292	316	312

⁽¹⁾ 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.

⁽²⁾ 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 27 - 29 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		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Adjusted ROIC									
Consolidated	17.5%	17.0%	16.4%	14.7%	13.3%	10.0%	9.6%	9.3%	9.7%
Canada	17.4%	17.4%	16.9%	15.3%	14.0%	10.8%	10.5%	10.8%	11.6%
South America	22.3%	21.7%	20.3%	19.0%	17.2%	14.4%	12.9%	11.3%	11.2%
UK & Ireland	16.2%	15.7%	14.8%	14.9%	12.9%	7.6%	5.5%	3.9%	4.6%
Adjusted EBIT ⁽¹⁾⁽²⁾ (\$ millions)									
Consolidated	190	140	157	150	137	93	94	101	39
Canada	102	80	92	84	82	59	59	58	28
South America	64	65	59	58	51	41	41	40	23
UK & Ireland	23	14	12	17	17	7	11	9	(1)
Adjusted EBIT as a % of net revenue ⁽²⁾⁽³⁾									
Consolidated	9.4%	8.1%	8.9%	8.6%	8.0%	6.3%	6.1%	7.0%	2.9%
Canada	10.0%	9.1%	10.1%	10.4%	9.3%	7.7%	7.7%	8.1%	4.0%
South America	10.1%	11.4%	10.1%	9.2%	9.8%	8.6%	8.3%	8.2%	5.1%
UK & Ireland	6.4%	5.0%	4.3%	5.6%	5.3%	3.2%	3.7%	4.1%	(1.0)%
Adjusted EBITDA ⁽¹⁾⁽²⁾ (\$ millions)									
Consolidated	271	221	241	230	215	170	171	178	117
Canada	149	127	142	132	129	105	106	106	75
South America	87	88	81	80	71	61	61	59	45
UK & Ireland	33	24	23	27	27	17	20	18	8
Adjusted EBITDA as a % of net revenue ⁽²⁾⁽³⁾									
Consolidated	13.5%	12.7%	13.6%	13.2%	12.6%	11.6%	11.0%	12.3%	8.8%
Canada	14.7%	14.3%	15.5%	16.5%	14.7%	13.6%	13.7%	14.6%	10.6%
South America	13.7%	15.4%	14.0%	12.5%	13.7%	12.8%	12.2%	12.2%	9.8%
UK & Ireland	9.3%	8.7%	8.3%	9.0%	8.5%	7.9%	7.0%	7.9%	4.9%
Adjusted basic EPS ⁽²⁾⁽³⁾	0.80	0.59	0.66	0.61	0.56	0.35	0.38	0.37	0.06
Net debt to Adjusted EBITDA ratio ⁽²⁾⁽³⁾ (times)	1.8	1.6	1.1	1.3	1.4	1.5	1.4	1.7	2.1

(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 27 - 29 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.

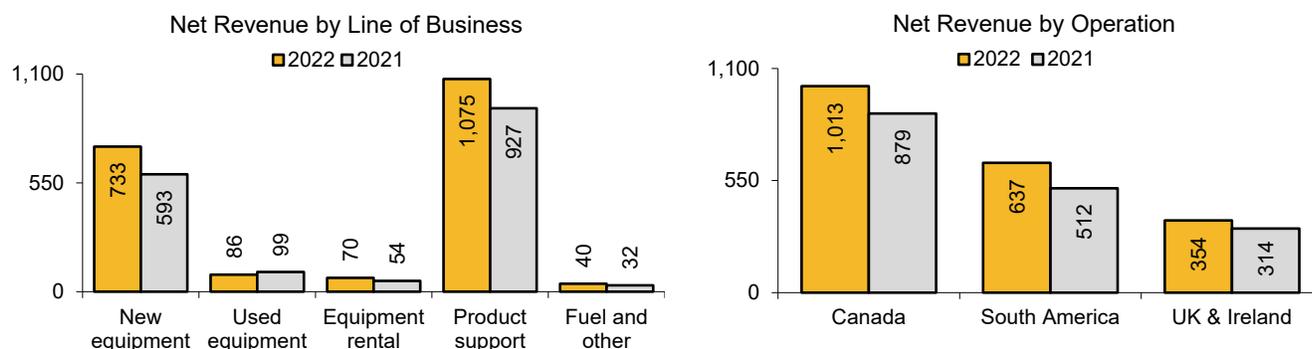
Second Quarter Results

Revenue

Net Revenue by Line of Business and by Operation

3 months ended June 30

(\$ millions)



Q2 2022 revenue was \$2.3 billion. Net revenue of \$2.0 billion in the second quarter of 2022 was up 18% from Q2 2021, an increase in all our operations primarily driven by higher product support revenue and new equipment sales.

Product support revenue in Q2 2022 was up 16% from the same prior year period, higher in the mining and construction sectors, largely driven by Canada. Product support revenue in the construction sector in Q2 2022 increased 25% over the comparable period in the prior year as a result of our strategic focus to capture market share in this sector.

Q2 2022 new equipment revenue was 24% higher than the same prior year period mainly due to higher demand and volumes in the Chilean mining sector and the UK & Ireland construction sector. Equipment backlog of \$2.1 billion at June 30, 2022 was up 4% from March 31, 2022. Q2 2022 strong equipment order intake, particularly in South America, was partially offset by strong deliveries, particularly in UK & Ireland.

EBIT and EBITDA

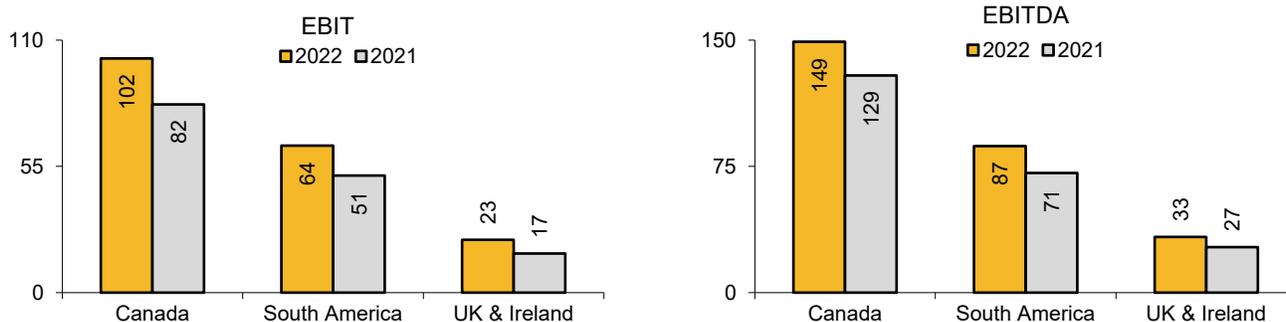
Q2 2022 gross profit of \$528 million was 18% higher than the same period in the prior year, in line with revenue growth. Overall gross profit as a percentage of net revenue of 26.3% in Q2 2022 was consistent with Q2 2021, with higher rental utilization and competitive pricing for used equipment offset by a revenue mix shift to a lower proportion of product support revenue.

SG&A in Q2 2022 of \$338 million was 8% 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, the impact of inflation, as well as additional SG&A from **Hydraquip**. This increase was partially offset by the benefit of a \$10 million LTIP recovery in Q2 2022 compared to LTIP expense of \$7 million in the prior year period, as well as the favourable foreign currency translation impact on SG&A from the devaluation of the **CLP** and **ARS** relative to the **USD** in Q2 2022 compared to the same prior year period in our South American operations. SG&A as a percentage of net revenue in Q2 2022 was 16.9%, a 140 basis point improvement over the same prior year period, reflecting improved operating leverage in all regions.

EBIT and EBITDA by Operation ⁽¹⁾

3 months ended June 30

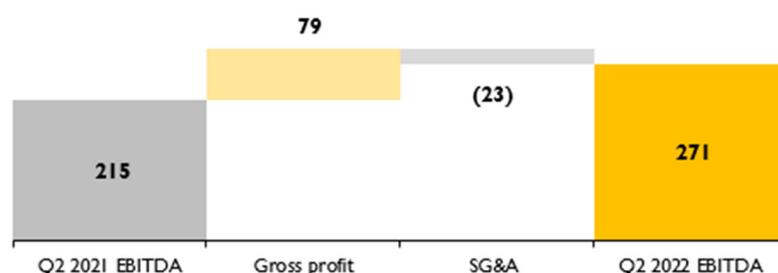
(\$ millions)



(1) Excluding Other operations

EBIT and EBIT as a percentage of net revenue in Q2 2022 were \$190 million and 9.4%, respectively, and higher than EBIT and EBIT as a percentage of net revenue in Q2 2021 of \$137 million and 8.0%, respectively.

EBITDA in Q2 2022 was \$271 million, up 27% from EBITDA of \$215 million in Q2 2021, higher in all our operations primarily from increased gross profit from strong market activity. EBITDA as a percentage of net revenue of 13.5% in Q2 2022 was up 90 basis points from the same prior year period, driven by the improvement in SG&A as a percentage of net revenue, primarily in South America and the UK & Ireland, partially offset by lower gross profit as a percentage of net revenue in South America due to revenue mix.



Finance Costs

Finance costs in Q2 2022 of \$21 million are higher than \$18 million in Q2 2021 due to higher average net debt levels.

Provision for Income Taxes

The effective income tax rate in Q2 2022 was 26.3% compared to 22.9% in Q2 2021. The effective income tax rate in Q2 2021 was lower due to the benefit of the revaluation of our deferred tax balances in Argentina due to tax rate changes and a higher proportion of income from lower tax jurisdictions.

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 Basic EPS

Q2 2022 net income attributable to shareholders of Finning was \$126 million. Q2 2022 basic EPS was \$0.80 per share, a significant increase from basic EPS of \$0.56 per share in Q2 2021, primarily due to higher earnings from all of our operations.

Year-to-Date Overview

(\$ millions, except per share amounts)	YTD 2022	YTD 2021	% change fav (unfav)
Revenue	4,242	3,441	23%
Net revenue	3,740	3,174	18%
Gross profit	1,018	856	19%
SG&A	(689)	(627)	(10)%
Equity earnings of joint ventures	1	1	n/m
Other income	—	15	n/m
EBIT	330	245	35%
Net income attributable to shareholders of Finning	218	161	35%
Basic EPS	1.39	0.99	40%
EBITDA	492	400	23%
Free cash flow	(445)	(24)	n/m
Adjusted EBIT	330	230	44%
Adjusted basic EPS	1.39	0.91	52%
Adjusted EBITDA	492	385	28%
<i>Gross profit as a % of net revenue</i>	<i>27.2%</i>	<i>27.0%</i>	
<i>SG&A as a % of net revenue</i>	<i>(18.4)%</i>	<i>(19.8)%</i>	
<i>EBIT as a % of net revenue</i>	<i>8.8%</i>	<i>7.7%</i>	
<i>EBITDA as a % of net revenue</i>	<i>13.2%</i>	<i>12.6%</i>	
<i>Adjusted EBIT as a % of net revenue</i>	<i>8.8%</i>	<i>7.2%</i>	
<i>Adjusted EBITDA as a % of net revenue</i>	<i>13.2%</i>	<i>12.1%</i>	
<i>Adjusted ROIC</i>	<i>17.5%</i>	<i>13.3%</i>	

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 26 - 33 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**:

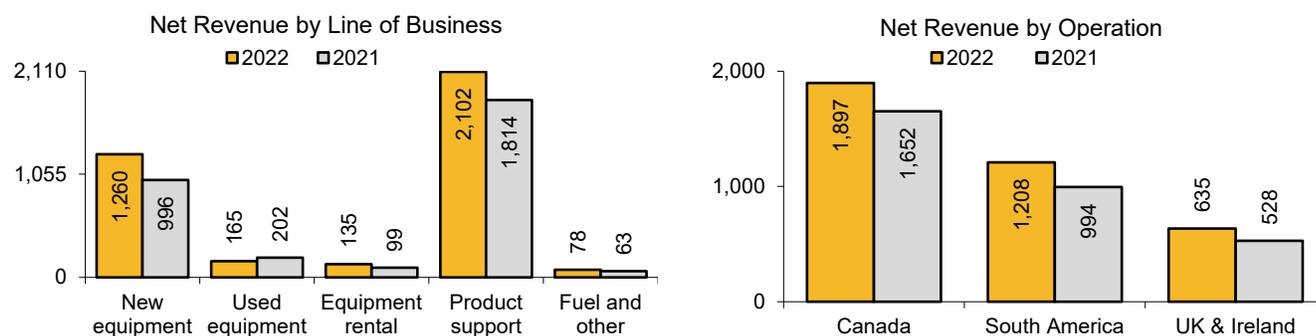
6 months ended June 30, 2021 (\$ millions, except for per share amounts)					EBIT	Basic EPS
	Canada	South America	UK & Ireland	Other	Consol	Consol
EBIT and basic EPS	151	92	24	(22)	245	0.99
Significant items:						
CEWS support	(10)	—	—	—	(10)	(0.05)
Return on our investment in Energyst	—	—	—	(5)	(5)	(0.03)
Adjusted EBIT and Adjusted basic EPS	141	92	24	(27)	230	0.91

Revenue

Net Revenue by Line of Business and by Operation

6 months ended June 30

(\$ millions)



Revenue was \$4.2 billion in the six months ended June 30, 2022. Net revenue of \$3.7 billion increased 18% from the same period last year, up in all our operations, driven by market activity in the mining and construction sectors.

Product support revenue in the six months ended June 30, 2022 was 16% higher than the first six months of 2021, due to improved activity across all our operations, mainly in our Canadian operations. Product support revenue in the construction sector increased 23% 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 six months ended June 30, 2022 was 27% higher than the prior year period, driven by increased demand in the construction sector in UK & Ireland and the mining sector in Chile. Equipment backlog of \$2.1 billion at June 30, 2022 was up 15% from December 31, 2021. Strong equipment order intake in the six months ended June 30, 2022, particularly in South America and Canada, was partially offset by strong deliveries in all regions.

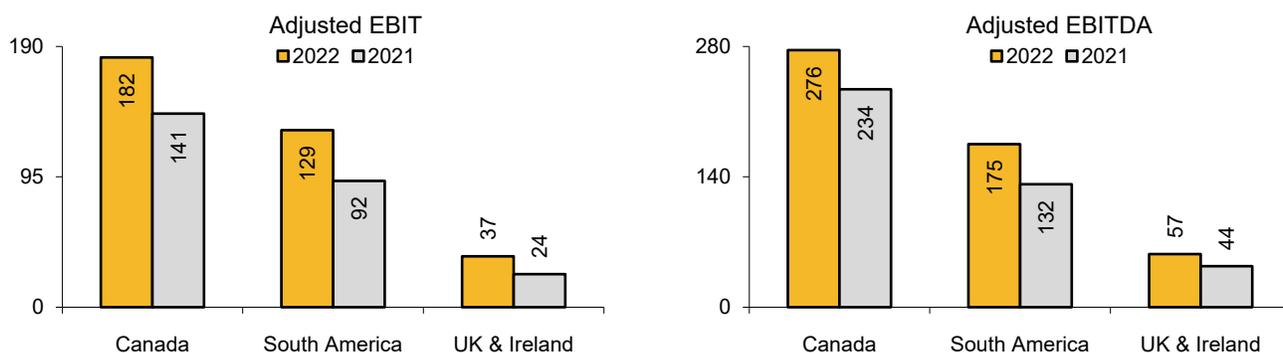
EBIT and EBITDA

Gross profit in the first six months of 2022 of \$1.0 billion was 19% higher than the comparative prior year period, in line with revenue growth. Overall gross profit as a percentage of net revenue of 27.2% was up slightly from the first six months of 2021. An improvement in gross profit margins from higher rental utilization and competitive pricing for used equipment sales was partially offset by a lower proportion of product support revenue in the revenue mix, particularly in South America.

SG&A for the first six months of 2022 was \$689 million, 10% higher than the same prior year period on 18% 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 six months of 2022 compared to the same prior year period. In the first half of 2022, LTIP was lower than the same prior year period, mainly in our Other operations. For the first six months of 2022, SG&A as a percentage of net revenue of 18.4% was 140 basis points lower than the same prior year period, driven by an improvement in South America and UK & Ireland.

Adjusted EBIT and Adjusted EBITDA by Operation ⁽¹⁾

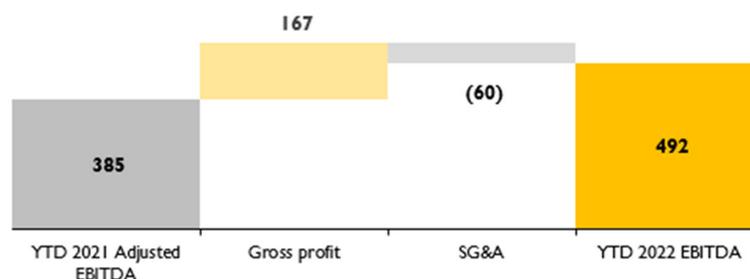
6 months ended June 30
(\$ millions)



⁽¹⁾ Excluding Other operations

EBIT was \$330 million and EBIT as a percentage of net revenue was 8.8% in the first six months of 2022, compared to \$245 million and 7.7%, respectively, in the first six months of 2021. Excluding significant items not considered indicative of financial and operational trends as described on page 11, Adjusted EBIT for the first six months of 2021 was \$230 million and Adjusted EBIT as a percentage of net revenue was 7.2%. 2022 year-to-date EBIT as a percentage of net revenue was 9.6% in Canada, 10.7% in South America, and 5.8% in the UK & Ireland, an increase from the prior year period for all regions.

2022 year-to-date EBITDA of \$492 million was up 28% from Adjusted EBITDA of \$385 million in the same prior year period, primarily due to higher gross profit in all operations from a strong market. EBITDA as a percentage of net revenue of 13.2% was higher than Adjusted EBITDA as a percentage of net revenue of 12.1% 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 six months ended June 30, 2022 were \$39 million, higher than the \$37 million in the same period in 2021 due to higher average net debt levels.

Provision for Income Taxes

The effective income tax rate for the first six months of 2022 was 25.6%, higher than the 22.3% effective income tax rate for the first six months of 2021. The effective income tax rate was lower in 2021 due to the benefit of the revaluation of our deferred tax balances in Argentina due to tax rate changes and the return on our investment in Energyst not being taxable.

Net Income Attributable to Shareholders of Finning and Basic EPS

In the first six months of 2022 net income attributable to shareholders of Finning was \$218 million and basic EPS was \$1.39 per share compared to \$161 million and \$0.99 per share, 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 basic EPS in the first six months of 2021 was \$0.91 per share. The improvement in earnings in the first six months of 2022 reflects improved operating leverage and profitability in all our operations, as well as the benefit of a recovering market.

Invested Capital

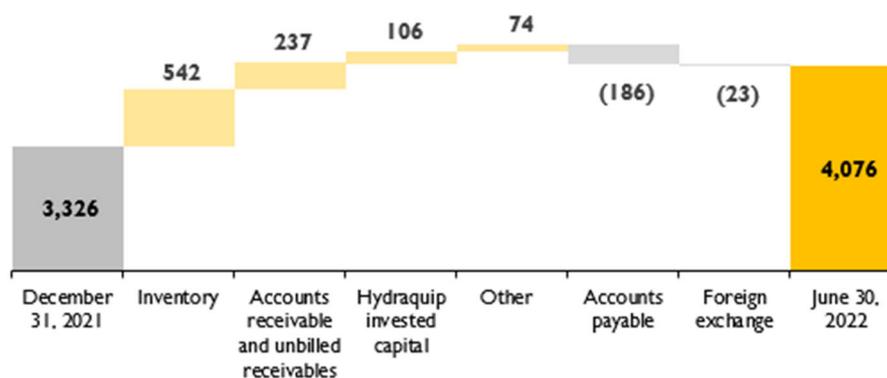
(\$ millions, unless otherwise stated)	June 30, 2022	December 31, 2021	Increase from December 31, 2021
Consolidated	4,076	3,326	750
Canada	2,319	1,876	443
South America	1,203	1,026	177
UK & Ireland	458	381	77
<i>South America (USD)</i>	934	809	125
<i>UK & Ireland (GBP)</i>	292	222	70

Compared to December 31, 2021:

The \$750 million increase in consolidated invested capital from December 31, 2021 to June 30, 2022 includes a foreign exchange impact of \$23 million in translating the invested capital balances of our UK & Ireland and South American operations. The foreign exchange impact was the result of the 9% stronger CAD relative to the GBP partially offset by the 2% weaker CAD relative to the USD at June 30, 2022 compared to December 31, 2021.

Excluding the impact of foreign exchange, consolidated invested capital increased by \$773 million from December 31, 2021 to June 30, 2022 reflecting:

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



Adjusted ROIC and Invested Capital Turnover

	June 30, 2022	December 31, 2021
Adjusted ROIC		
Consolidated	17.5%	16.4%
Canada	17.4%	16.9%
South America	22.3%	20.3%
UK & Ireland	16.2%	14.8%
Invested Capital Turnover (times)		
Consolidated	2.00	2.04
Canada	1.76	1.80
South America	2.19	2.15
UK & Ireland	3.00	3.11

Adjusted ROIC

On a consolidated basis, ROIC at June 30, 2022 improved 110 basis points from Adjusted ROIC at December 31, 2021 driven by higher EBIT for the last twelve-month period outpacing the increase in average invested capital levels. June 30, 2022 ROIC was higher than Adjusted ROIC in December 31, 2021 in all of our operations reflecting improved profitability in a recovering market. In South America, ROIC of 22.3% was driven by strong execution.

Invested Capital Turnover

Consolidated invested capital turnover at June 30, 2022 of 2.00 was down slightly from December 31, 2021. The increase in average invested capital levels outpaced the increase in net revenue over the last twelve-month period in the UK & Ireland and Canada. In South America, invested capital turnover improved as net revenue growth exceeded the increase in average invested capital levels.

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 lines of business for our Canadian, South American, and UK & Ireland operations.

3 months ended June 30, 2022		South	UK		Net Revenue
(\$ millions)	Canada	America	& Ireland	Consol	%
New equipment	249	242	242	733	37%
Used equipment	71	8	7	86	4%
Equipment rental	45	14	11	70	3%
Product support	608	373	94	1,075	54%
Fuel and other	40	—	—	40	2%
Net revenue	1,013	637	354	2,004	100%
Net revenue % by operation	50%	32%	18%	100%	

3 months ended June 30, 2021		South	UK		Net Revenue
(\$ millions)	Canada	America	& Ireland	Consol	%
New equipment	241	141	211	593	35%
Used equipment	76	11	12	99	6%
Equipment rental	34	10	10	54	3%
Product support	496	350	81	927	54%
Fuel and other	32	—	—	32	2%
Net revenue	879	512	314	1,705	100%
Net revenue % by operation	52%	30%	18%	100%	

6 months ended June 30, 2022		South	UK		Net Revenue
(\$ millions)	Canada	America	& Ireland	Consol	%
New equipment	434	409	417	1,260	34%
Used equipment	128	18	19	165	4%
Equipment rental	85	28	22	135	4%
Product support	1,172	753	177	2,102	56%
Fuel and other	78	—	—	78	2%
Net revenue	1,897	1,208	635	3,740	100%
Net revenue % by operation	51%	32%	17%	100%	

6 months ended June 30, 2021		South	UK		Net Revenue
(\$ millions)	Canada	America	& Ireland	Consol	%
New equipment	407	267	322	996	32%
Used equipment	149	25	28	202	6%
Equipment rental	61	18	20	99	3%
Product support	972	684	158	1,814	57%
Fuel and other	63	—	—	63	2%
Net revenue	1,652	994	528	3,174	100%
Net revenue % by operation	52%	31%	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 June 30 (\$ millions)	2022	2021
Net revenue	1,013	879
Operating costs	(864)	(751)
Equity earnings of joint ventures	—	1
EBITDA	149	129
Depreciation and amortization	(47)	(47)
EBIT	102	82
<i>EBITDA as a % of net revenue</i>	14.7%	14.7%
<i>EBIT as a % of net revenue</i>	10.0%	9.3%

Second Quarter Overview

Q2 2022 net revenue of \$1.0 billion was 15% higher than Q2 2021 driven primarily by an increase in product support revenue reflecting strong market demand.

Product support revenue in Q2 2022 was up 23% compared to the same prior year period as a result of increased spending by mining customers, high equipment utilization, and strong volumes in the construction sector reflecting the successful execution of our strategy to grow construction product support market share.

Rental revenue was up 32% from the same prior year period driven by strong customer demand in all market sectors, primarily the construction sector, and higher utilization rates due to low availability of new and used machines.

Q2 2022 new equipment revenue was 3% higher than Q2 2021, mainly due to an increase in mining deliveries partially offset by lower construction sales which were impacted by supply constraints. Equipment backlog at June 30, 2022 was up from March 31, 2022 in all market sectors.

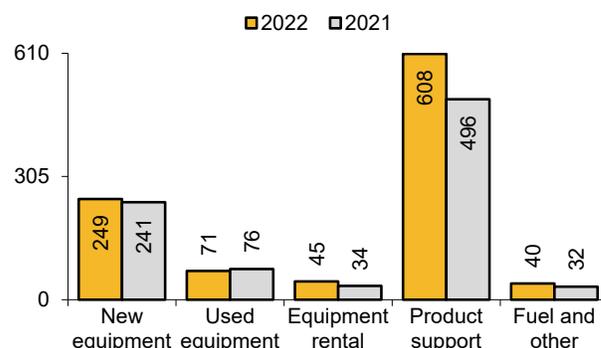
Gross profit in Q2 2022 increased from the same period in the prior year mainly from increased volumes. Overall gross profit as a percentage of net revenue in Q2 2022 increased from Q2 2021 due to a revenue mix shift to higher product support revenue.

Q2 2022 SG&A was up compared to the prior year period primarily due to higher labour and variable costs to support volume growth, especially in product support, which is more SG&A intensive. SG&A as a percentage of net revenue in Q2 2022 was comparable to Q2 2021.

Q2 2022 EBITDA of \$149 million was up 16% from the same prior year period, primarily due to higher gross profit realized from strong market demand partially offset by an increase in SG&A. Q2 2022 EBITDA as a percentage of net revenue of 14.7% was the same as Q2 2021.

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 June 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 June 30		
(\$ millions)	2022	2021
Net revenue	637	512
Operating costs	(550)	(441)
EBITDA	87	71
Depreciation and amortization	(23)	(20)
EBIT	64	51
<i>EBITDA as a % of net revenue</i>	13.7%	13.7%
<i>EBIT as a % of net revenue</i>	10.1%	9.8%

The weaker CAD relative to the USD on average in Q2 2022 compared to Q2 2021 had a favourable foreign currency translation impact on 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.

Second Quarter Overview

Q2 2022 net revenue was 20% higher than Q2 2021, primarily driven by higher new equipment sales.

New equipment revenue in Q2 2022 increased 66% from the same prior year period, driven by higher demand from Chilean mining customers and the construction sector in Argentina. Equipment backlog at June 30, 2022 was up significantly from March 31, 2022, primarily in the mining and construction sectors. The increase in mining includes the recently announced deal with Codelco for the Ministro Hales copper mine.

Although the supply chain environment was challenging, product support revenue in Q2 2022 increased 2% from Q2 2021 driven by higher parts sales in the construction and mining sectors.

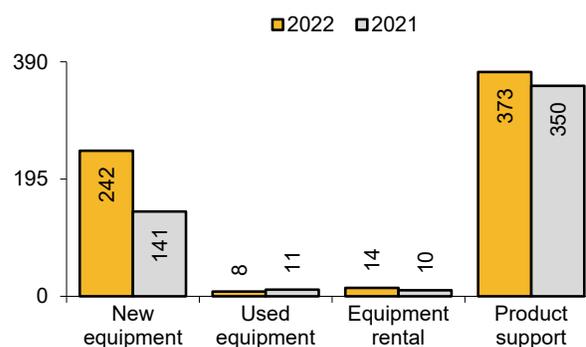
Gross profit in Q2 2022 increased from the same period in the prior year driven by higher volumes. Gross profit as a percentage of net revenue in Q2 2022 was down compared to Q2 2021 mainly due to a lower proportion of product support in the revenue mix (Q2 2022: 59% compared with Q2 2021: 68%).

Q2 2022 SG&A was up from Q2 2021 primarily due to higher people and variable costs to support increased volume, as well as higher costs due to inflationary pressures. 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 Q2 2022 compared to the same prior year period. Q2 2022 SG&A as a percentage of net revenue decreased 170 basis points from Q2 2021 due to the favourable impact of foreign exchange, as well as productivity improvements and efficiencies allowing us to support higher revenues with a lower fixed cost base.

Q2 2022 EBITDA improved 19% from Q2 2021 primarily due to higher gross profit from strong market demand in all lines of business partially offset by an increase in SG&A. Despite the shift in revenue mix to a higher proportion of new equipment sales, Q2 2022 EBITDA as a percentage of net revenue of 13.7% was consistent with Q2 2021.

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 six months ended 2022 compared to 2021 had a favourable foreign currency translation impact on year-to-date 2022 net revenue of approximately \$25 million and was not significant at the EBITDA level.

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



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 June 30 (\$ millions)	2022	2021
Net revenue	354	314
Operating costs	(321)	(287)
EBITDA	33	27
Depreciation and amortization	(10)	(10)
EBIT	23	17
<i>EBITDA as a % of net revenue</i>	9.3%	8.5%
<i>EBIT as a % of net revenue</i>	6.4%	5.3%

The stronger CAD relative to the GBP on average in Q2 2022 compared to Q2 2021 had an unfavourable foreign currency translation impact on Q2 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 UK & Ireland operations, which is the GBP.

Second Quarter Overview

Second quarter 2022 net revenue was up 21% from the same period in 2021. The increase in Q2 2022 was primarily due to higher new equipment and product support revenues.

New equipment revenue was 23% higher than the second 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. New equipment revenue in the power systems sector was down from the same prior year period due to the timing of project deliveries. Equipment backlog at June 30, 2022 decreased from March 31, 2022, due to deliveries outpacing order intake, primarily related to the HS2 project.

Q2 2022 product support revenue increased 25% from the same prior year period, driven by a strong construction market and an increase in **CVAs**, and includes the contribution from Hydraquip since its acquisition at the end of March 2022.

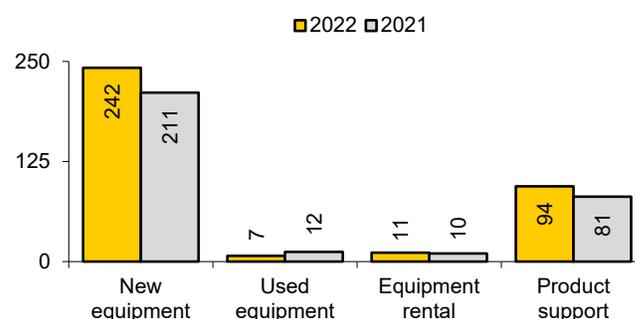
Gross profit in Q2 2022 was up from the same prior year period, largely driven by revenue growth. Overall gross profit as a percentage of net revenue in Q2 2022 was slightly higher than the same prior year period.

SG&A in Q2 2022 was up compared to the prior year period primarily due to higher people and variable costs to support revenue growth and included additional SG&A from Hydraquip. SG&A as a percentage of net revenue improved 90 basis points from Q2 2021 demonstrating the benefit of various productivity initiatives on strong revenue growth.

Q2 2022 EBITDA was up 32% from Q2 2021 driven by higher gross profit in most lines of business partially offset by an increase in SG&A. Q2 2022 EBITDA as a percentage of net revenue of 9.3% improved 80 basis points over Q2 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 six months ended 2022 compared to 2021 had an unfavourable foreign currency translation impact of approximately \$35 million on net revenue and was not significant at the EBITDA level.

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



Other Operations

Our Other operations includes corporate operating costs.

Q2 2022 EBITDA was \$2 million compared to an EBITDA loss of \$12 million in Q2 2021 due to the benefit of LTIP recovery in the current period compared to LTIP expense in the prior year period, as well as lower facility expenses in Q2 2022.

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

Other Developments

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 \$116 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 and is payable in annual instalments over a period of three years after the acquisition. 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 \$3 million (£2 million). The deferred and contingent consideration was recognized as a liability on the consolidated statement of financial position. 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, \$3 million working capital⁽¹⁾, \$2 million of property, plant, and equipment, \$31 million of intangible assets, and \$70 million of goodwill.

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.

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

Market Update and Business Outlook

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 35 of this MD&A. Actual outcomes and results may vary significantly.

Canada Operations

We expect elevated energy prices, project backlogs, healthy customer balance sheets, and high machine utilization to continue supporting a strong demand environment across Western Canada.

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.

In the mining sector, customer balance sheet health and steady increases in capital budgets are expected to drive product support opportunities, renewals of aging fleets to sustain production levels, and greenfield project developments. We expect growing demand for component remanufacturing and equipment rebuilds as customers are looking to extend the life of their assets, as well as continued focus on productivity improvements through data integration and autonomy implementation.

South America Operations

We continue to closely monitor the constitutional reform process in Chile and the recently proposed tax reform bill, including the proposal for a revised mining royalty framework, which remains under discussion. Until this process is completed, the timing of investment decisions related to greenfield and new expansion projects will remain uncertain.

In the near term, we expect stable mining activity in Chile to continue driving demand for maintenance and replacement of maturing equipment fleets. Quoting activity for partial fleet replacement remains strong across our customer base. Delivery activity remains strong including for Teck’s QB2 mine as they approach first production, as well as Codelco where we have won several truck and support equipment packages. Longer term, we expect Chile will remain an attractive place to invest as electrification trends drive increasing global demand for copper.

Our order intake for construction equipment in Chile has softened, impacted by higher equipment prices, elevated interest rates, and the weakening CLP. However, we expect construction machine utilization to remain strong supporting infrastructure projects.

In Argentina, activity in construction, oil and gas, and mining is expected to remain stable, however, the risk of significant ARS devaluation has increased. We are focused on managing through challenging fiscal, regulatory, and currency environments in Argentina.

UK & Ireland Operations

Deliveries to HS2 customers, investments in other infrastructure projects, and high machine utilization hours are expected to continue driving strong construction equipment sales and product support in the UK.

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 deliveries in the second half of 2022 and in 2023, and we are well positioned to capture further opportunities in the growing data centre market.

The addition of Hydraquip, which we acquired in March 2022, is expected to contribute to the structural improvement in the UK & Ireland’s profitability going forward.

Well Positioned to Continue Navigating a Dynamic Business Environment

We expect demand conditions to remain favourable for the remainder of 2022. Underpinned by our large and diverse backlog, continued growth in product support, and disciplined operational execution, we are projecting above mid-teens EPS growth in the second half of 2022 compared to the second half of 2021.

While activity levels remain robust, we are closely monitoring leading indicators and the impact of ongoing supply chain, labour, inflation, and interest rate challenges on our customer activity levels. We remain focused on actively managing these risks and are capturing growth opportunities in a very disciplined manner.

As we deliver our large backlog, we expect to generate positive annual free cash flow in 2022, with the amount of free cash flow dependent on supply and delivery schedules.

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			6 months ended		
	June 30			June 30		
	2022	2021	(Decrease) Increase	2022	2021	(Decrease) Increase
Operating activities	(112)	8	(120)	(385)	20	(405)
Investing activities	(30)	(12)	(18)	(147)	(44)	(103)
Financing activities	(10)	(74)	64	187	(118)	305
Free cash flow	(142)	(4)	(138)	(445)	(24)	(421)

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 annual period, unless otherwise stated):

	Quarter over Quarter	YTD over YTD
Operating activities	<ul style="list-style-type: none"> • higher inventory purchases to support increased demand driven primarily by Canada and the UK & Ireland; • partially offset by higher collections from increased earnings, in all of our operations 	<ul style="list-style-type: none"> • higher inventory purchases to support increased demand in all of our operations; • partially offset by higher collections driven by increased earnings in all of our operations
Investing activities	<ul style="list-style-type: none"> • \$18 million higher net spend on capital expenditures 	<ul style="list-style-type: none"> • \$16 million higher net spend on capital expenditures • \$84 million net cash consideration paid to acquire Hydraquip in 2022 compared to \$13 million net cash consideration paid to acquire Energyst in 2021
Financing activities	<ul style="list-style-type: none"> • \$156 million higher cash provided by short-term borrowings; • \$63 million repayment of long-term debt; • \$61 million use of cash to repurchase common shares in Q2 2022 compared to \$34 million in Q2 2021 	<ul style="list-style-type: none"> • \$583 million higher cash provided by short-term borrowings; • \$188 million repayment of long-term debt; • \$122 million use of cash to repurchase common shares in 2022 compared to \$34 million in 2021
Free cash flow	<ul style="list-style-type: none"> • free cash flow in Q2 2022 was a use of cash of \$142 million, higher than Q2 2021 due to lower cash generated from operating activities for the reasons outlined above 	<ul style="list-style-type: none"> • free cash flow in 2022 was a use of cash of \$445 million, higher than the prior year due to lower cash generated from operating activities for the reasons outlined above

Capital resources and management

Our cash and cash equivalents balance at June 30, 2022 was \$170 million (December 31, 2021: \$502 million). At June 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 \$0.3 billion was available at June 30, 2022. We are subject to certain covenants under our committed revolving credit facilities and were in compliance with these covenants at June 30, 2022.

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 ⁽¹⁾ by both **DBRS** and **S&P**:

	Long-term debt		Short-term debt	
	Jun 30, 2022	Dec 31, 2021	Jun 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 2021, DBRS reconfirmed our BBB (high) long-term rating and R-2 (high) commercial paper rating both with stable trends.

During the six months ended June 30, 2022, we repurchased 3,625,448 common shares for cancellation for \$123 million, at an average cost of \$33.89 per share, through our **NCIB** ⁽²⁾. During the six months ended June 30, 2021, we repurchased 1,079,836 common shares for cancellation for \$34 million, at an average cost of \$31.46 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 June 30, 2022, we recorded an obligation of \$10 million for the repurchase of shares from July 1, 2022 to August 3, 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	Jun 30, 2022	Dec 31, 2021
Net debt to Adjusted EBITDA ratio (times)	< 3.0	1.8	1.1

(1) 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.

(2) 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 processes for 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	June 30			December 31			3 months ended June 30 – average			6 months ended June 30 – average		
	2022	2021	Change	2021	Change	2022	2021	Change	2022	2021	Change	
	USD/CAD	1.2886	1.2394	(4)%	1.2678	(2)%	1.2768	1.2282	(4)%	1.2715	1.2470	(2)%
GBP/CAD	1.5668	1.7126	9%	1.7132	9%	1.6023	1.7171	7%	1.6495	1.7313	5%	
USD/CLP	932.08	735.28	(27)%	850.25	(10)%	843.55	715.73	(18)%	825.89	719.94	(15)%	
USD/ARS	125.23	95.72	(31)%	102.72	(22)%	117.92	94.05	(25)%	112.09	91.24	(23)%	

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

July 29, 2022

Common shares outstanding	153,723,747
Options outstanding	1,788,966

Controls and Procedures Certification

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 June 30, 2022 that would materially affect, or is reasonably likely to materially affect, our internal control over financial reporting. We have taken additional steps to ensure key financial internal controls remained in place during the financial reporting period and these controls were completed electronically.

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

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 basic EPS

Adjusted basic 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 basic EPS (the most directly comparable GAAP financial measure) and Adjusted basic EPS can be found on page 28 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	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	190	140	157	150	137	108	108	138	52	94	97	129
Depreciation and amortization	81	81	84	80	78	77	77	77	78	76	73	72
EBITDA	271	221	241	230	215	185	185	215	130	170	170	201
EBIT	190	140	157	150	137	108	108	138	52	94	97	129
Significant items:												
CEWS support	—	—	—	—	—	(10)	(14)	(37)	(64)	—	—	—
Return on our investment in Energyst	—	—	—	—	—	(5)	—	—	—	—	—	—
Severance costs	—	—	—	—	—	—	—	—	42	—	—	2
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	—	—	—	9	—	—	1
Adjusted EBIT	190	140	157	150	137	93	94	101	39	94	97	132
Depreciation and amortization	81	81	84	80	78	77	77	77	78	76	73	72
Adjusted EBITDA	271	221	241	230	215	170	171	178	117	170	170	204

The impact on provision for (recovery of) income taxes of significant items was as follows:

3 months ended (\$ millions)	2022				2021		2020	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Significant items:								
CEWS support	—	—	—	—	—	2	4	10
Severance costs	—	—	—	—	—	—	—	(10)
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	—	—	(2)
Provision for income taxes on significant items	—	—	—	—	—	2	4	4

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

3 months ended (\$)	2022				2021			2020		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	
Basic EPS	0.80	0.59	0.66	0.61	0.56	0.43	0.45	0.54	0.12	
Significant items:										
CEWS support	—	—	—	—	—	(0.05)	(0.07)	(0.17)	(0.30)	
Return on our investment in Energyst	—	—	—	—	—	(0.03)	—	—	—	
Severance costs	—	—	—	—	—	—	—	—	0.20	
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	—	—	—	0.04	
Adjusted basic EPS	0.80	0.59	0.66	0.61	0.56	0.35	0.38	0.37	0.06	

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	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	102	80	92	84	82	69	72	93	63	60	72	82
Significant items:												
CEWS support	—	—	—	—	—	(10)	(13)	(35)	(60)	—	—	—
Severance costs	—	—	—	—	—	—	—	—	20	—	—	—
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	—	—	—	5	—	—	—
Adjusted EBIT	102	80	92	84	82	59	59	58	28	60	72	82
Depreciation and amortization	47	47	50	48	47	46	47	48	47	43	42	43
Adjusted EBITDA	149	127	142	132	129	105	106	106	75	103	114	125

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	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	64	65	59	58	51	41	41	40	2	38	31	42
Significant items:												
Severance costs	—	—	—	—	—	—	—	—	17	—	—	2
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	—	—	—	4	—	—	1
Adjusted EBIT	64	65	59	58	51	41	41	40	23	38	31	45
Depreciation and amortization	23	23	22	22	20	20	20	19	22	22	20	20
Adjusted EBITDA	87	88	81	80	71	61	61	59	45	60	51	65

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	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	23	14	12	17	17	7	11	9	(5)	1	5	14
Significant item:												
Severance costs	—	—	—	—	—	—	—	—	4	—	—	—
Adjusted EBIT	23	14	12	17	17	7	11	9	(1)	1	5	14
Depreciation and amortization	10	10	11	10	10	10	9	9	9	10	10	8
Adjusted EBITDA	33	24	23	27	27	17	20	18	8	11	15	22

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

EBITDA to Free Cash Flow Conversion

EBITDA to free cash flow conversion is calculated as free cash flow divided by EBITDA. We use EBITDA to free cash flow conversion to assess our efficiency in turning EBITDA into cash.

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
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cash flow (used in) provided by operating activities	(112)	(273)	193	212	8	12	317	340	319
Additions to property, plant, and equipment and intangible assets	(30)	(30)	(45)	(38)	(17)	(33)	(34)	(26)	(17)
Proceeds on disposal of property, plant, and equipment	—	—	—	2	5	1	9	2	10
Free cash flow	(142)	(303)	148	176	(4)	(20)	292	316	312

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	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Cost of sales	1,761	1,463	1,465	1,443	1,396	1,189	1,248	1,163	1,075	1,140
Cost of sales related to mobile refuelling operations	(300)	(231)	(190)	(170)	(153)	(140)	(129)	(124)	(95)	(133)
Cost of sales related to the dealership	1,461	1,232	1,275	1,273	1,243	1,049	1,119	1,039	980	1,007

(\$ millions)	2022				2021				2020	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Inventory	2,228	2,101	1,687	1,627	1,643	1,593	1,477	1,626	1,893	2,152
Fuel inventory	(13)	(11)	(9)	(6)	(3)	(3)	(3)	(2)	(2)	(3)
Inventory related to the dealership	2,215	2,090	1,678	1,621	1,640	1,590	1,474	1,624	1,891	2,149

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			
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cash and cash equivalents	(170)	(295)	(502)	(518)	(378)	(469)	(539)	(453)	(338)	(260)	(268)	(252)
Short-term debt	992	804	374	419	114	103	92	217	158	329	226	532
Current portion of long-term debt	110	63	190	191	386	326	201	200	200	200	200	200
Non-current portion of long-term debt	807	909	921	923	903	973	1,107	1,136	1,348	1,381	1,318	1,325
Net debt	1,739	1,481	983	1,015	1,025	933	861	1,100	1,368	1,650	1,476	1,805
Total equity	2,337	2,296	2,343	2,320	2,252	2,244	2,206	2,184	2,127	2,233	2,115	2,102
Invested capital	4,076	3,777	3,326	3,335	3,277	3,177	3,067	3,284	3,495	3,883	3,591	3,907

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	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total revenue	2,289	1,953	1,949	1,904	1,845	1,596	1,666	1,553	1,419	1,558	1,911	1,959
Cost of fuel	(285)	(217)	(175)	(156)	(140)	(127)	(115)	(110)	(84)	(119)	(154)	(140)
Net revenue	2,004	1,736	1,774	1,748	1,705	1,469	1,551	1,443	1,335	1,439	1,757	1,819

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	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total current assets	4,098	4,030	3,619	3,620	3,416	3,319	3,214	3,261	3,416	3,828	3,659	3,959
Cash and cash equivalents	(170)	(295)	(502)	(518)	(378)	(469)	(539)	(453)	(338)	(260)	(268)	(252)
Total current assets in working capital	3,928	3,735	3,117	3,102	3,038	2,850	2,675	2,808	3,078	3,568	3,391	3,707
Total current liabilities	2,789	2,647	2,155	2,156	1,942	1,817	1,623	1,717	1,735	2,112	2,026	2,331
Short-term debt	(992)	(804)	(374)	(419)	(114)	(103)	(92)	(217)	(158)	(329)	(226)	(532)
Current portion of long-term debt	(110)	(63)	(190)	(191)	(386)	(326)	(201)	(200)	(200)	(200)	(200)	(200)
Total current liabilities in working capital	1,687	1,780	1,591	1,546	1,442	1,388	1,330	1,300	1,377	1,583	1,600	1,599
Working capital	2,241	1,955	1,526	1,556	1,596	1,462	1,345	1,508	1,701	1,985	1,791	2,108

Selected Quarterly Information

(\$ millions, except for share, per share, and option amounts)	2022		2021			2020		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue								
Canada	1,298	1,101	1,089	961	1,019	900	886	838
South America	637	571	582	638	512	482	496	479
UK & Ireland ⁽¹⁾	354	281	278	305	314	214	284	236
Total revenue	2,289	1,953	1,949	1,904	1,845	1,596	1,666	1,553
Net income attributable to shareholders of Finning ⁽¹⁾⁽²⁾	126	92	104	99	91	70	72	88
EPS ⁽¹⁾⁽²⁾								
Basic EPS	0.80	0.59	0.66	0.61	0.56	0.43	0.45	0.54
Diluted EPS	0.80	0.59	0.65	0.61	0.56	0.43	0.44	0.54
Total assets ⁽¹⁾	6,470	6,402	5,971	5,936	5,615	5,524	5,458	5,535
Long-term debt								
Current	110	63	190	191	386	326	201	200
Non-current	807	909	921	923	903	973	1,107	1,136
Total long-term debt ⁽³⁾	917	972	1,111	1,114	1,289	1,299	1,308	1,336
Cash dividends paid per common share	23.6¢	22.5¢	22.5¢	22.5¢	20.5¢	20.5¢	20.5¢	20.5¢
Common shares outstanding (000's)	154,272	156,249	157,808	159,659	161,419	162,391	162,107	162,104
Options outstanding (000's)	1,789	1,545	1,773	1,926	2,105	2,116	3,683	3,760

(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 ^(a)	2020 ^(a)	
	Q1	Q4	Q3
CEWS support	(10)	(14)	(37)
Return on our investment in Energyst	(5)	—	—
Impact of significant items on EBIT	(15)	(14)	(37)
Impact of significant items on basic EPS ^(b)	(0.08)	(0.07)	(0.17)

(a) There were no significant items impacting EBIT or basic EPS in Q2 2022, Q1 2022, Q4 2021, Q3 2021, and Q2 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.

In July 2020, we settled our 3.232%, \$200 million note which was due July 3, 2020.

Forward-Looking Information Disclaimer

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 elevated energy prices, project backlogs, healthy customer balance sheets and increases in capital budgets, high machine utilization, government infrastructure programs and private sector investments in natural gas, carbon capture, utilization and storage, and power projects, and a continued focus on productivity improvements, component remanufacturing and rebuilds), our expectations for our South America operations (based on assumptions related to Chile of continued stable mining activity driving demand for maintenance and replacement of maturing equipment fleets, expectations that construction machine utilization will remain strong supporting infrastructure projects, and electrification trends driving increased global demand for copper in the longer term; 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 HS2 deliveries and investments in other infrastructure projects, projections of continued growth in the data centre market and our ability to capture opportunities in that market, and our ability to successfully integrate Hydraquip into our business and realize the expected synergies from the acquisition); our expectation to generate positive annual free cash flow in 2022 (assumes no disruptions to our ability to deliver our backlog); our expectation for demand conditions to remain favourable for the remainder of 2022 and our projections of above mid-teens EPS growth in the second half of 2022 compared to the second half of 2021 (assumes continued strong commodity prices, public and private sector investment, economic forecasts, delivery of our backlog, continued growth in product support, disciplined operational execution, 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 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

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