

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	295	502
Accounts receivable	911	839
Unbilled receivables	331	270
Inventory	2,101	1,687
Other assets	392	321
Total current assets	4,030	3,619
Property, plant, and equipment	910	914
Rental equipment	402	434
Intangible assets	323	306
Goodwill (Note 8)	304	237
Net post-employment assets	160	189
Distribution network	100	100
Investment in joint ventures and associate	83	84
Other assets	90	88
Total assets	6,402	5,971
LIABILITIES		
Current liabilities		
Short-term debt (Note 5)	804	374
Accounts payable and accruals	1,140	908
Deferred revenue	427	428
Current portion of long-term debt	63	190
Other liabilities	213	255
Total current liabilities	2,647	2,155
Long-term debt	909	921
Long-term lease liabilities	242	241
Deferred tax liabilities	148	149
Other liabilities	160	162
Total liabilities	4,106	3,628
EQUITY		
Share capital	555	561
Accumulated other comprehensive income	185	212
Retained earnings	1,536	1,550
Equity attributable to shareholders of Finning International Inc.	2,276	2,323
Non-controlling interests	20	20
Total equity	2,296	2,343
Total liabilities and equity	6,402	5,971

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET INCOME

3 months ended March 31		
(Canadian \$ millions, except share and per share amounts)	2022	2021
Revenue		
New equipment	527	403
Used equipment	79	103
Equipment rental	65	45
Product support	1,027	887
Fuel and other	255	158
Total revenue	1,953	1,596
Cost of sales	(1,463)	(1,189)
Gross profit	490	407
Selling, general, and administrative expenses	(351)	(314)
Equity earnings of joint ventures	1	—
Other income (Note 4)	—	15
Earnings before finance costs and income taxes	140	108
Finance costs (Note 5)	(18)	(19)
Income before provision for income taxes	122	89
Provision for income taxes	(30)	(19)
Net income and net income attributable to shareholders of Finning International Inc.	92	70
Earnings per share (Note 3)		
Basic	0.59	0.43
Diluted	0.59	0.43

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

3 months ended March 31 (Canadian \$ millions)	2022	2021
Net income	92	70
Other comprehensive income, net of income tax		
Items that may be subsequently reclassified to net income:		
Foreign currency translation adjustments	(38)	(21)
Gain on net investment hedges	14	9
Impact of foreign currency translation and net investment hedges, net of income tax	(24)	(12)
Loss on cash flow hedges	(2)	(1)
Loss on cash flow hedges, reclassified to net income	1	—
Impact of cash flow hedges, net of income tax	(1)	(1)
Items that will not be subsequently reclassified to net income:		
Actuarial (loss) gain	(9)	16
Recovery of (provision for) income taxes on actuarial (loss) gain	2	(4)
Actuarial (loss) gain, net of income tax	(7)	12
Total comprehensive income and total comprehensive income attributable to shareholders of Finning International Inc.	60	69

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Canadian \$ millions)	Attributable to Shareholders of Finning International Inc.						
	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total	Non- controlling Interests	Total
Balance, January 1, 2021	566	1	218	1,421	2,206	—	2,206
Net income	—	—	—	70	70	—	70
Other comprehensive (loss) income	—	—	(13)	12	(1)	—	(1)
Total comprehensive (loss) income	—	—	(13)	82	69	—	69
Exercise of share options	9	(2)	—	(7)	—	—	—
Share option expense	—	1	—	—	1	—	1
Hedging loss transferred to statement of financial position	—	—	2	—	2	—	2
Dividends on common shares	—	—	—	(34)	(34)	—	(34)
Balance, March 31, 2021	575	—	207	1,462	2,244	—	2,244
Balance, January 1, 2022	561	—	212	1,550	2,323	20	2,343
Net income	—	—	—	92	92	—	92
Other comprehensive loss	—	—	(25)	(7)	(32)	—	(32)
Total comprehensive (loss) income	—	—	(25)	85	60	—	60
Exercise of share options	1	(1)	—	—	—	—	—
Share option expense	—	1	—	—	1	—	1
Hedging gain transferred to statement of financial position	—	—	(2)	—	(2)	—	(2)
Repurchase of common shares (Note 6)	(6)	—	—	(55)	(61)	—	(61)
Share repurchase commitment under the automatic share purchase program (Note 6)	(1)	—	—	(8)	(9)	—	(9)
Dividends on common shares	—	—	—	(36)	(36)	—	(36)
Balance, March 31, 2022	555	—	185	1,536	2,276	20	2,296

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

3 months ended March 31 (Canadian \$ millions)	2022	2021
OPERATING ACTIVITIES		
Net income	92	70
Adjusting for:		
Depreciation and amortization	81	77
Loss on disposal of property, plant, and equipment	—	1
Return on investment in Energyst B.V. (Note 8)	—	(5)
Equity earnings of joint ventures	(1)	—
Share-based payment expense	18	14
Provision for income taxes	30	19
Finance costs	18	19
Net benefit cost of defined benefit pension plans and other post-employment benefit plans in selling, general, and administrative expenses	4	4
Changes in operating assets and liabilities (Note 7)	(455)	(143)
Additions to rental fleet	(15)	(19)
Additions to rental equipment with purchase options	(14)	(13)
Proceeds on disposal of rental fleet	10	17
Proceeds on disposal of rental equipment with purchase options	21	10
Interest paid	(15)	(21)
Income tax paid	(47)	(18)
Cash flow (used in) provided by operating activities	(273)	12
INVESTING ACTIVITIES		
Additions to property, plant, and equipment and intangible assets	(30)	(33)
Proceeds on disposal of property, plant, and equipment	—	1
Consideration paid for business acquisition, net of cash acquired (Note 8)	(84)	(13)
(Increase) decrease in short-term and long-term investments	(3)	7
Return on investment in Energyst B.V.	—	6
Cash flow used in investing activities	(117)	(32)
FINANCING ACTIVITIES		
Increase in short-term debt (Note 7)	438	11
Decrease in long-term debt (Note 7)	(125)	—
Decrease in lease liabilities (Note 7)	(19)	(21)
Repurchase of common shares	(61)	—
Dividends paid	(36)	(34)
Cash flow provided by (used in) financing activities	197	(44)
Effect of currency translation on cash balances	(14)	(6)
Decrease in cash and cash equivalents	(207)	(70)
Cash and cash equivalents, beginning of period	502	539
Cash and cash equivalents, end of period (Note 7)	295	469

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

1. SIGNIFICANT ACCOUNTING POLICIES, KEY ASSUMPTIONS, AND SIGNIFICANT JUDGMENTS

These unaudited condensed interim consolidated financial statements (Interim Financial Statements) of Finning International Inc. and its subsidiaries (together, Finning or the Company) have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and therefore these Interim Financial Statements should be read in conjunction with the December 31, 2021 audited annual consolidated financial statements and the notes to such financial statements.

These Interim Financial Statements are based on the IFRS issued and effective for the current year. The Interim Financial Statements were authorized for issuance by the Company's Board of Directors on May 9, 2022. The Company has applied the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policies disclosed below:

a) Amendments to Standards

The Company has adopted the following amendments to IFRS:

- Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* (effective January 1, 2022) clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendments apply to contracts existing at the date when the amendments are first applied. On adoption of this amendment, there was no impact to the Company's consolidated financial statements.

b) Future Accounting Pronouncements

The Company has not applied the following amendments to standards that have been issued but are not yet effective:

- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2023):
 - Clarify the presentation of liabilities in the consolidated statement of financial position. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. Management is currently assessing the impact of these amendments.
 - Require entities to disclose their material accounting policy information rather than significant accounting policy information. The amendments provide guidance on how an entity can identify material accounting policy information and clarify that information may be material because of its nature, even if the related amounts are immaterial. Management will review and update the Company's financial statements to disclose material accounting policy information as appropriate when the amendments become effective.
- Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (effective January 1, 2023) introduce a definition of 'accounting estimates' and clarify the difference between changes in accounting policies and changes in accounting estimates. These amendments will impact changes in accounting policies and changes in accounting estimates made after these amendments are adopted by the Company.
- Amendments to IAS 12, *Income Taxes* (effective January 1, 2023) clarify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of the related asset and liability. Management is currently assessing the impact of these amendments.

2. SEGMENTED INFORMATION

The Company's revenue, results, and other information by reportable segment were as follows:

3 months ended March 31, 2022 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	185	167	175	—	527
Used equipment	57	10	12	—	79
Equipment rental	40	14	11	—	65
Product support	564	380	83	—	1,027
Fuel and other	255	—	—	—	255
Total revenue	1,101	571	281	—	1,953
Cost of fuel	(217)	—	—	—	(217)
Net revenue	884	571	281	—	1,736
Operating costs ⁽¹⁾	(758)	(483)	(257)	(18)	(1,516)
Equity earnings of joint ventures	1	—	—	—	1
Earnings (loss) before finance costs, income taxes, depreciation and amortization	127	88	24	(18)	221
Depreciation and amortization	(47)	(23)	(10)	(1)	(81)
Earnings (loss) before finance costs and income taxes	80	65	14	(19)	140
Finance costs					(18)
Provision for income taxes					(30)
Net income					92
Invested capital ⁽²⁾	2,122	1,139	448	68	3,777
Gross capital expenditures ⁽³⁾⁽⁴⁾	26	11	2	3	42
Gross rental equipment spend ⁽⁴⁾	21	7	2	—	30

⁽¹⁾ Operating costs are calculated as cost of sales less cost of fuel plus selling, general, and administrative expenses less depreciation and amortization.

⁽²⁾ Invested capital is calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term debt and long-term debt, net of cash and cash equivalents.

⁽³⁾ Capital includes property, plant, and equipment and intangible assets.

⁽⁴⁾ Includes leases and borrowing costs capitalized and excludes additions through business acquisitions.

3 months ended March 31, 2021 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	166	126	111	—	403
Used equipment	73	14	16	—	103
Equipment rental	27	8	10	—	45
Product support	476	334	77	—	887
Fuel and other	158	—	—	—	158
Total revenue	900	482	214	—	1,596
Cost of fuel	(127)	—	—	—	(127)
Net revenue	773	482	214	—	1,469
Operating costs ⁽¹⁾	(668)	(421)	(197)	(13)	(1,299)
Other income	10	—	—	5	15
Earnings (loss) before finance costs, income taxes, depreciation and amortization	115	61	17	(8)	185
Depreciation and amortization	(46)	(20)	(10)	(1)	(77)
Earnings (loss) before finance costs and income taxes	69	41	7	(9)	108
Finance costs					(19)
Provision for income taxes					(19)
Net income					70
Invested capital ⁽²⁾	1,832	982	350	13	3,177
Gross capital expenditures ⁽³⁾⁽⁴⁾	24	14	4	4	46
Gross rental equipment spend ⁽⁴⁾	25	4	3	—	32

(1) Operating costs are calculated as cost of sales less cost of fuel plus selling, general, and administrative expenses less depreciation and amortization.

(2) Invested capital is calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term debt and long-term debt, net of cash and cash equivalents.

(3) Capital includes property, plant, and equipment and intangible assets.

(4) Includes leases and borrowing costs capitalized and excludes additions through business acquisitions.

3. EARNINGS PER SHARE

3 months ended March 31 (\$ millions, except share and per share amounts)	2022		2021	
	Basic	Diluted	Basic	Diluted
Net income attributable to shareholders of Finning	92	92	70	70
Weighted average shares outstanding (WASO)	157,287,663	157,287,663	162,225,560	162,225,560
Effect of dilutive share options		520,709		684,815
WASO with assumed conversions		157,808,372		162,910,375
Earnings per share	0.59	0.59	0.43	0.43

Share options granted to employees that were anti-dilutive were excluded from the weighted average number of shares for the purpose of calculating diluted earnings per share. There were no anti-dilutive share options related to the three months ended March 31, 2022 (March 31, 2021: not significant).

4. OTHER INCOME

3 months ended March 31 (\$ millions)	2022	2021
Canada Emergency Wage Subsidy (a)	—	10
Return on investment in Energyst B.V. (Note 8)	—	5
Other income	—	15

(a) In response to the negative economic impact of the novel coronavirus (COVID-19), various government programs were introduced to provide financial relief to affected businesses, including wage-subsidy programs for eligible entities that met certain criteria. The Company records government grants and subsidies when it is reasonably assured that the Company will comply with the relevant conditions and that the amount will be received.

5. DEBT AND FINANCE COSTS

At March 31, 2022, short-term debt included \$804 million drawn on the Company's committed revolving credit facility (December 31, 2021: \$370 million).

Finance costs as shown on the condensed interim consolidated statements of net income comprised the following:

3 months ended March 31 (\$ millions)	2022	2021
Interest on short-term debt	2	1
Interest on long-term debt	10	12
Interest on debt	12	13
Interest on lease liabilities	3	2
Other finance related expenses	3	4
Finance costs	18	19

6. SHARE CAPITAL

During the three months ended March 31, 2022, the Company repurchased 1,625,448 Finning common shares for cancellation for \$61 million, at an average cost of \$37.48 per share, through the Company's normal course issuer bid. No common shares were repurchased in the three months ended March 31, 2021.

In connection with the normal course issuer bid, in January 2022, the Company implemented an automatic share purchase plan with a designated broker to enable share repurchases for cancellation during selected blackout periods. At March 31, 2022, an obligation of \$9 million was recorded for the repurchase of shares from April 1, 2022 to May 10, 2022 under this automatic share purchase plan.

7. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents were as follows:

March 31 (\$ millions)	2022	2021
Cash	119	167
Cash equivalents	176	302
Cash and cash equivalents	295	469

The changes in operating assets and liabilities were as follows:

3 months ended March 31 (\$ millions)	2022	2021
Accounts receivable	(74)	2
Unbilled receivables	(65)	(5)
Inventory	(430)	(124)
Other assets	(80)	(66)
Accounts payable and accruals	220	56
Other liabilities	(26)	(6)
Changes in operating assets and liabilities	(455)	(143)

The changes in liabilities arising from financing and operating activities were as follows:

(\$ millions)	Short-term debt	Long-term debt	Lease liabilities	Total
Balance, January 1, 2022	374	1,111	328	1,813
Cash flows provided by (used in)				
Financing activities	438	(125)	(19)	294
Operating activities	—	—	(3)	(3)
Total cash movements	438	(125)	(22)	291
Non-cash changes				
Additions	—	—	12	12
Remeasurement of liability and disposals	—	—	(3)	(3)
Interest expense	—	—	3	3
Foreign exchange rate changes	(8)	(14)	—	(22)
Total non-cash movements	(8)	(14)	12	(10)
Balance, March 31, 2022	804	972	318	2,094

(\$ millions)	Short-term debt	Long-term debt	Lease liabilities	Total
Balance, January 1, 2021	92	1,308	298	1,698
Cash flows provided by (used in)				
Financing activities	11	—	(21)	(10)
Operating activities	—	—	(2)	(2)
Total cash movements	11	—	(23)	(12)
Non-cash changes				
Additions	—	—	13	13
Remeasurement of liability and disposals	—	—	(6)	(6)
Interest expense	—	—	2	2
Foreign exchange rate changes	—	(9)	(1)	(10)
Total non-cash movements	—	(9)	8	(1)
Balance, March 31, 2021	103	1,299	283	1,685

8. ACQUISITIONS AND INVESTMENT

Hydraquip Hose & Hydraulics and Hoses Direct Ltd. (Hydraquip)

On March 22, 2022, the Company's UK & Ireland operations acquired a 100% ownership interest in Hydraquip, 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. 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.

Management is currently in the process of estimating the acquisition-date fair values of certain tangible assets acquired and measuring the acquired intangible assets. The preliminary acquisition-date fair values of acquired tangible and intangible assets, and assumed liabilities were estimated to be:

Preliminary purchase price allocation	
(\$ millions)	
Cash and cash equivalents	10
Working capital ⁽¹⁾	4
Property, plant & equipment	2
Intangible assets	31
Goodwill	69
Net assets acquired	116

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

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 Finning's service capabilities across multiple industries and equipment types to both new and existing customers. The goodwill is assigned to the Company's UK & Ireland reportable segment.

Compression Technology Corporation (ComTech)

On September 3, 2021, the Company's Canadian operations acquired a 54.5% controlling ownership interest in ComTech through Finning's subsidiary, 4Refuel Holdings Limited (4Refuel). ComTech is an early-stage developer of alternative energy infrastructure and provider of proprietary mobile fuelling solutions for low-carbon fuels in North America, including compressed natural gas (CNG), renewable natural gas (RNG), and hydrogen. ComTech provides 4Refuel with the capability to be a leading provider of turn-key, low-carbon energy solutions. This acquisition expands the Company's fuelling capabilities beyond diesel and allows the Company to support customers' energy transition journey, starting with solutions for CNG and RNG. This investment in ComTech leverages 4Refuel's leading mobile on-site refuelling platform to enable customers to reduce their emissions and improve productivity.

Cash consideration for this acquisition was \$25 million, which included \$20 million cash acquired. The acquisition was funded with cash on hand. Net assets acquired consist primarily of cash, property, plant, and equipment, intangible assets, goodwill, and debt. As part of this acquisition, Finning also recorded a non-controlling interest in ComTech (45.5% ownership interest) of \$21 million.

Management is currently in the process of estimating the acquisition-date fair values of certain tangible assets acquired and measuring the acquired intangible assets. The preliminary acquisition-date fair values of acquired tangible and intangible assets, and assumed liabilities were estimated to be:

Preliminary purchase price allocation	
(\$ millions)	
Cash and cash equivalents	20
Working capital ⁽¹⁾	1
Property, plant & equipment	17
Intangible assets	9
Goodwill	25
Debt	(11)
Lease liabilities	(15)
Net identifiable assets	46
Non-controlling interests	(21)
Net assets acquired	25

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

Goodwill relates to the expected synergies from combining complementary capabilities and the expected growth potential for natural gas in Canada and the US. The goodwill is assigned to the Company's Canada reportable segment and is not deductible for tax purposes.

Energyst B.V. (Energyst)

Energyst was the Caterpillar dealer in Europe for rental power and temperature control solutions. In December 2020, the shareholders of Energyst, which included Finning, decided to restructure the company and convert its rental activities into four separate regional organizations which were sold in January 2021. A plan is in place to sell any remaining assets and wind-up Energyst, with the net proceeds from the sale to be distributed to Energyst's shareholders. During the year ended December 31, 2021, the Company received a return on its investment in Energyst.

On January 7, 2021, the Company's UK & Ireland operations acquired a 100% ownership interest in the Energyst rental business operations in the UK and Ireland, one of the four regional organizations, and is now the authorized supplier of rental services for Caterpillar power generation in these territories. This purchase has been accounted for as a business combination using the acquisition method of accounting.

Cash consideration of \$14 million (€9 million) was paid at the date of acquisition, which included \$1 million cash acquired. The Company funded the transaction with cash on hand.

The acquisition-date fair values of acquired tangible and intangible assets, and assumed liabilities were estimated to be:

Final purchase price allocation	
(\$ millions)	
Cash and cash equivalents	1
Working capital ⁽¹⁾	2
Rental equipment	9
Property, plant & equipment	1
Deferred tax asset	1
Net assets acquired	14

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