

Finning reports Q2 2021 results and increases dividend

Vancouver, B.C. – Finning International Inc. (TSX: FTT) (“Finning”, “the Company”, “we”, “our” or “us”) reported second quarter 2021 results today. All monetary amounts are in Canadian dollars unless otherwise stated.

HIGHLIGHTS

All comparisons are to Q2 2020 results unless indicated otherwise.

- Q2 2021 EPS⁽¹⁾ of \$0.56 per share was a record second quarter EPS performance.
- Q2 2021 revenue of \$1.8 billion and net revenue⁽²⁾ of \$1.7 billion were up 30% and 28%, respectively, from Q2 2020 which was impacted by COVID-19-related reduction in market activity. Compared to Q1 2021, net revenue was up 16%, driven by strong recovery in new equipment demand in all regions and market sectors.
- Q2 2021 SG&A⁽¹⁾ as a percentage of net revenue⁽²⁾ was 18.3%, reflecting savings from our 2020 cost reduction program and continued productivity initiatives to further reduce fixed costs. Compared to Q2 2020, SG&A was up 2% on a 28% increase in net revenue.
- All regions delivered a strong quarter, demonstrating operating leverage in a recovering market. Q2 2021 EBIT⁽¹⁾ as a percentage of net revenue⁽²⁾ was 9.3% in Canada, 9.8% in South America, and 5.3% in the UK & Ireland, representing a step-up in profitability levels for all regions.
- Adjusted ROIC⁽¹⁾⁽²⁾⁽³⁾ of 13.3% was up 370 basis points from Q4 2020 with a significant increase in all regions driven by improved profitability and higher invested capital turnover⁽²⁾. In South America, Adjusted ROIC was 17.2% reflecting both improved profitability and significantly improved invested capital turnover.
- Consolidated equipment backlog⁽²⁾ at June 30, 2021 increased to \$1.4 billion from \$1.2 billion at March 31, 2021, with order intake⁽²⁾ in Canada and South America outpacing deliveries in Q2 2021.
- Annualized dividend was raised by approximately 10% to \$0.90 per share, reflecting our improved mid-cycle earnings capacity. This marks our 20th consecutive year of dividend increases.

“We are pleased with our strong execution and results in the second quarter. With a reduced cost base and more efficient operations and supply chain, we are confident in our improved earnings capacity, which puts us firmly on track to achieve the mid-cycle targets we set out during our Investor Day in June. Our outlook remains positive as the global economy recovers in 2021 and beyond. We are excited about the next phase of growth and our earnings potential as we continue to execute on our strategic plan to accelerate product support revenue growth, further reduce costs, and re-invest free cash flow⁽²⁾ to compound our earnings,” said Scott Thomson, president and CEO of Finning International.

Q2 2021 FINANCIAL SUMMARY

| Quarterly Overview <i>\$ millions, except per share amounts</i> | Q2 2021 | Q2 2020 | % change |
|---|----------------|---------|--------------------|
| Revenue | 1,845 | 1,419 | 30 |
| Net revenue | 1,705 | 1,335 | 28 |
| EBIT | 137 | 52 | 164 |
| <i>EBIT as a percentage of net revenue</i> | 8.0% | 3.9% | |
| EBITDA ⁽¹⁾⁽²⁾ | 215 | 130 | 65 |
| <i>EBITDA as a percentage of net revenue⁽²⁾</i> | 12.6% | 9.7% | |
| Net income | 91 | 18 | 390 |
| EPS | 0.56 | 0.12 | 390 |
| Free cash flow | (4) | 312 | n/m ⁽¹⁾ |

| Q2 2021 EBIT and EBITDA by Operation <i>\$ millions, except per share amounts</i> | Canada | South America | UK & Ireland | Corporate & Other | Finning Total | EPS |
|---|--------|---------------|--------------|-------------------|---------------|------|
| EBIT / EPS | 82 | 51 | 17 | (13) | 137 | 0.56 |
| <i>EBIT as a percentage of net revenue</i> | 9.3% | 9.8% | 5.3% | n/m | 8.0% | |
| EBITDA | 129 | 71 | 27 | (12) | 215 | |
| <i>EBITDA as a percentage of net revenue</i> | 14.7% | 13.7% | 8.5% | n/m | 12.6% | |

| Q2 2020 EBIT and EBITDA by Operation <i>\$ millions, except per share amounts</i> | Canada | South America | UK & Ireland | Corporate & Other | Finning Total | EPS |
|---|--------|---------------|--------------|-------------------|---------------|--------|
| EBIT / EPS | 63 | 2 | (5) | (8) | 52 | 0.12 |
| CEWS support | (60) | - | - | (4) | (64) | (0.30) |
| Severance costs | 20 | 17 | 4 | 1 | 42 | 0.20 |
| Facilities restructuring costs and impairment losses | 5 | 4 | - | - | 9 | 0.04 |
| Adjusted EBIT ⁽²⁾⁽³⁾ / Adjusted EPS ⁽²⁾⁽³⁾ | 28 | 23 | (1) | (11) | 39 | 0.06 |
| <i>Adjusted EBIT as a percentage of net revenue⁽²⁾⁽³⁾</i> | 4.0% | 5.1% | (1.0%) | n/m | 2.9% | |
| Adjusted EBITDA ⁽²⁾⁽³⁾ | 75 | 45 | 8 | (11) | 117 | |
| <i>Adjusted EBITDA as a percentage of net revenue⁽²⁾⁽³⁾</i> | 10.6% | 9.8% | 4.9% | n/m | 8.8% | |

Q2 2021 INVESTED CAPITAL⁽²⁾ AND ROIC⁽²⁾ SUMMARY

All comparisons are to Q4 2020 results unless indicated otherwise.

- Excluding the impact of foreign exchange, invested capital increased by \$244 million from December 31, 2020 driven primarily by higher inventory to capture market recovery and deliver on the growing equipment backlog.
- Inventory turns⁽²⁾ increased to 2.84 from 2.79 in Q4 2020 despite 11% higher inventory. Working capital to net revenue ratio⁽²⁾ of 24.0% was the lowest since 2012, down by 430 basis points from Q4 2020, reflecting improved supply chain efficiencies and working capital⁽²⁾ management.
- Adjusted ROIC of 13.3% was up 370 basis points from Q4 2020 with a significant increase in all regions driven by improved profitability and higher invested capital turnover in a recovering market.

| Invested Capital and ROIC | Q2 2021 | Q4 2020 |
|--|----------------|----------------|
| Invested capital (<i>\$ millions</i>) | | |
| Consolidated | 3,277 | 3,067 |
| Canada | 1,861 | 1,819 |
| South America (US dollars) | 854 | 731 |
| UK & Ireland (UK pound sterling) | 209 | 188 |
| Invested capital turnover (<i>times</i>) | 1.93 | 1.68 |
| Working capital to net revenue ratio | 24.0% | 28.3% |
| Inventory (<i>\$ millions</i>) | 1,643 | 1,477 |
| Inventory turns (dealership) (<i>times</i>) | 2.84 | 2.79 |
| Adjusted ROIC (%) | | |
| Consolidated | 13.3 | 9.6 |
| Canada | 14.0 | 10.5 |
| South America | 17.2 | 12.9 |
| UK & Ireland | 12.9 | 5.5 |

Q2 2021 HIGHLIGHTS BY OPERATION

All comparisons are to Q2 2020 results unless indicated otherwise. All numbers are in functional currency: Canada – Canadian dollar; South America – US dollar; UK & Ireland – UK pound sterling (GBP).

Canada

- Net revenue increased by 25% from Q2 2020 and by 14% from Q1 2021 driven by strong demand for new construction equipment in a recovering market and higher product support activity. Net revenues were still 18% below Q2 2019, with lower revenues in all lines of business, except used equipment sales.
- Product support revenue was up 18% from Q2 2020. Compared to Q1 2021, product support was up 4%, driven by improved demand in all sectors and growth in construction rebuilds. We continue to hire technicians to support increasing service volumes, with about 30 technicians added in Q2 2021 to our RRR (response, repair, rebuild) locations.
- SG&A was up 3% from Q2 2020 on a 25% increase in net revenue, reflecting savings from 2020 cost reduction program and ongoing improvements in employee and facility productivity. Our lower cost base in a recovering market drove a significant improvement in profitability - EBIT as a percentage of net revenue was 9.3% in Q2 2021.

South America

- Net revenue was up 23% from Q2 2020 and up 9% from Q1 2021 driven by market recovery across all sectors.
- New equipment sales were up 48% from Q2 2020 and up 14% from Q1 2021, driven by improved market activity, mostly in construction. Demand for new equipment continued to grow in Q2 2021 with a backlog building in both mining and construction. Our backlog in South America includes a recently awarded order for Caterpillar support equipment from Codelco's Andina mine, valued at US\$40 million, for delivery in the first half of 2022. In addition, we will be providing 27 Caterpillar R3000H underground loaders to Codelco's Chuquicamata mine, with 10 of these machines included in our Q2 backlog.
- Product support revenue in Q2 2021 increased by 16% year over year and by 8% from Q1 2021. Chilean mining customers have been lifting COVID-19 restrictions and returning to normal operations, driving higher parts and service revenues. Product support activity in construction also improved in Q2 2021 with the easing of pandemic protocols in both Chile and Argentina.

- SG&A was comparable to Q2 2020 on 23% higher net revenues. EBIT as a percentage of net revenue was 9.8%, the highest quarterly profitability since Q2 2015, driven by improved execution to capture market recovery and a lower cost base.

United Kingdom & Ireland

- Net revenue nearly doubled year over year and was up by about 50% from Q1 2021, driven by equipment deliveries to HS2 customers, power systems project deliveries to data centre customers, and a widespread demand recovery in construction, including general infrastructure, quarrying, and demolition.
- Product support revenue was up 37% year over year and up 5% compared to Q1 2021 with significantly improved activity in all sectors.
- EBIT as a percentage of net revenue was 5.3% demonstrating operating leverage on strong revenue growth.

Q2 2021 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 Caution” at the end of this news release. Actual outcomes and results may vary significantly.

Canada

A strong outlook for copper, other base metals, and precious metals is expected to support increased mining activity in Western Canada, including the development of greenfield projects in the Golden Triangle of British Columbia. We are actively quoting on multiple requests for proposals for mining equipment and product support in hard rock mining.

In the oil sands, our customers are focused on improving production efficiency, reducing costs, and lowering emissions. We expect a continued incremental increase in oil sands production to be driven by debottlenecking, improved bitumen recovery, and enhanced mine productivity. Sustained strong oil prices, increased production profiles, and an aging equipment population are expected to support stable product support activity in the oil sands. Oil sands customers remain disciplined on capital expenditures, which is expected to drive increased demand for rebuilds and rental equipment. We have recently seen a strong uptick in rebuild quotation activity in the oil sands.

The large and aging mining equipment population in Western Canada is expected to drive opportunities for future fleet renewals, rebuilds, and autonomy conversions, as well as continued demand for product support. We are well positioned to help our mining customers reduce cost per ton and improve operating efficiencies with Caterpillar’s Autonomous Haulage System and the technology solutions we provide through our Integrated Knowledge Centre. We expect about 10% of the Caterpillar ultra-class and large mining truck population in Western Canada to be autonomous by the end of 2021.

The federal and provincial governments’ fiscal stimulus programs are expected to have a positive impact on construction activity. Significant private sector investment in LNG and power projects is expected to continue to drive demand for equipment, product support, heavy rentals, and prime and standby electric power generation. We are seeing an increase in construction order intake and improved utilization of construction and heavy rental equipment.

We continue to drive our strategy to capture product support market share in construction by leveraging our digital platform, CUBIQ, and offering compelling customer value propositions, including a broader scope of Customer Value Agreements and flexible options for construction rebuilds.

South America

We continue to monitor the political and economic reform process in Chile leading to the general elections in November 2021 and the review of the mining royalty proposal. We remain constructive about copper mining growth in Chile, and our outlook assumes a moderate increase in mining royalties. While we believe that Chile will remain a competitive copper producer globally, we recognize that current political and economic uncertainty will continue to impact our customers’ investment decisions, particularly as they relate to further greenfield and expansion projects, until the situation resolves. In

the near term, we expect mining customers to resume major maintenance work as COVID-19 restrictions are gradually lifted. As the existing mines ramp up production to take advantage of the current strong copper price, we expect mining product support revenue to continue recovering in the second half of 2021.

We are seeing an increase in construction activity and order intake in Chile. Our outlook for the Chilean construction industry remains strong, driven by improved demand for mining infrastructure and the government's investment in public works.

In Argentina, we expect improved activity in construction and oil and gas, and stable activity in gold mining to continue in the near term. Given the fiscal and currency challenges, the overall business environment in Argentina remains difficult, and we are actively managing key risks, including ARS devaluation.

UK & Ireland

The outlook for general construction equipment markets in the UK has strengthened, driven by optimism about economic recovery and a ramp-up of HS2 construction activity. We started to deliver machines to HS2 customers in Q2 2021, and our backlog at June 30, 2021 includes £54 million of equipment orders related to HS2. We are well-positioned to capture a large share of opportunities for the remainder of HS2 Phase 1 and have started to quote for 2022 HS2 orders. Recent commentary from the UK government on Phase 2 is encouraging and would provide additional upside to longer-term construction activity levels in the UK.

Strong demand for our power systems solutions, particularly in the data centre market, is expected to continue. Over the next 5 years, cloud data centre capacity is projected to grow at a significant rate in the UK and Irish markets. With our growing market share and a solid track record of project execution, we are well positioned to capture opportunities related to this growth. We have a strong backlog of power systems projects, with deliveries planned for the second half of 2021 and in 2022.

Driving Improved Earnings Capacity

Our positive outlook for the remainder of 2021 is underpinned by our growing backlog and the market recovery gaining momentum in all of our regions. We continue to expect our 2021 net revenue to remain below 2019 levels.

We continue to actively manage supply chain constraints by taking appropriate mitigation steps in collaboration with Caterpillar and our customers. While the lead times for some products have extended due to strong demand recovery, we do not expect the present supply chain challenges to materially impact large project deliveries in our backlog. We have improved our supply chain capabilities, including visibility and planning with Caterpillar. We are actively sourcing used equipment and offering equipment rebuilds and rental purchase options to meet customers' needs in a tight supply environment.

Our goal is to proactively manage our business through the cycle to grow and compound our earnings at each successive mid-cycle point. As we look forward, we expect the next twelve months to approximate a mid-cycle market. From Q3 2021 to Q2 2022, we expect our net revenue to be in the range of \$7.1 billion to \$7.5 billion, driven in part by about 8% growth in product support revenue. Over this period, we expect to achieve our target of SG&A as a percent of net revenue of 17%, deliver annual EPS above \$2.00 per share, and demonstrate significant improvement in consolidated ROIC to more than 15%.

We expect to deliver strong annual free cash flow in 2021. However, the amount will depend on our backlog build and delivery schedule, and may impact our 2021 EBITDA to free cash flow conversion⁽²⁾, which we had previously projected to be modestly below 50% for the year. We are making strategic capital investments in our Canadian facilities network and our digital capabilities and expect our net capital expenditures and net rental fleet additions to be in the \$170 million to \$210 million range in 2021.

CORPORATE AND BUSINESS DEVELOPMENTS

Dividend

The Board of Directors has approved an approximately 10% increase in the quarterly dividend to \$0.225 per share from \$0.205 per share, payable on September 2, 2021 to shareholders of record on August 19, 2021. This dividend will be considered an eligible dividend for Canadian income tax purposes.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

| <i>\$ millions, except per share amounts</i> | Three months ended June 30 | | |
|--|-----------------------------------|--------------|-------------------------|
| | 2021 | 2020 | % change fav (unfav) |
| New equipment | 593 | 382 | 55 |
| Used equipment | 99 | 64 | 56 |
| Equipment rental | 54 | 41 | 30 |
| Product support | 927 | 820 | 13 |
| Net fuel and other | 32 | 28 | 15 |
| Net revenue | 1,705 | 1,335 | 28 |
| Gross profit | 449 | 344 | 30 |
| <i>Gross profit as a percentage of net revenue⁽²⁾</i> | 26.3% | 25.7% | |
| SG&A | (313) | (306) | (2) |
| <i>SG&A as a percentage of net revenue</i> | (18.3)% | (22.9)% | |
| Equity earnings of joint ventures | 1 | 1 | |
| Other income | - | 64 | |
| Other expenses | - | (51) | |
| EBIT | 137 | 52 | 164 |
| <i>EBIT as a percentage of net revenue</i> | 8.0% | 3.9% | |
| Adjusted EBIT | 137 | 39 | 252 |
| <i>Adjusted EBIT as a percentage of net revenue</i> | 8.0% | 2.9% | |
| Net income | 91 | 18 | 390 |
| Basic EPS | 0.56 | 0.12 | 390 |
| Adjusted EPS | 0.56 | 0.06 | 827 |
| EBITDA | 215 | 130 | 65 |
| <i>EBITDA as a percentage of net revenue</i> | 12.6% | 9.7% | |
| Adjusted EBITDA | 215 | 117 | 83 |
| <i>Adjusted EBITDA as a percentage of net revenue</i> | 12.6% | 8.8% | |
| Free cash flow | (4) | 312 | n/m |
| | Jun 30, 2021 | Dec 31, 2020 | |
| Invested capital | 3,277 | 3,067 | |
| Invested capital turnover (times) | 1.93 | 1.68 | |
| Net debt to EBITDA ratio ⁽²⁾ | 1.3 | 1.2 | |
| Net debt to Adjusted EBITDA ratio ⁽²⁾⁽³⁾ | 1.4 | 1.4 | |
| ROIC | 15.3% | 11.4% | |
| Adjusted ROIC | 13.3% | 9.6% | |

To access Finning's complete Q2 2021 results, please visit our website at https://www.finning.com/en_CA/company/investors.html

Q2 2021 INVESTOR CALL

The Company will hold an investor call on August 4, 2021 at 10:00 am Eastern Time. Dial-in numbers: 1-800-319-4610 (Canada and US), 1-416-915-3239 (Toronto area), 1-604-638-5340 (international). The investor call will be webcast live and archived for three months. The webcast and accompanying presentation can be accessed at https://www.finning.com/en_CA/company/investors.html.

ABOUT FINNING

Finning International Inc. (TSX: FTT) is the world's largest Caterpillar dealer delivering unrivalled service to customers since 1933. We provide Caterpillar equipment, parts, services, and performance solutions in Western Canada, Chile, Argentina, Bolivia, the United Kingdom, and Ireland.

CONTACT INFORMATION

Amanda Hobson
Senior Vice President, Investor Relations and Treasury
Phone: 604-331-4865
Email: FinningIR@finning.com
<https://www.finning.com>

FOOTNOTES

- (1) Earnings Before Finance Costs and Income Taxes (EBIT); Basic Earnings per Share (EPS); Earnings Before Finance Costs, Income Taxes, Depreciation and Amortization (EBITDA); Selling, General & Administrative Expenses (SG&A); Return on Invested Capital (ROIC); not meaningful (n/m).
- (2) These financial metrics, referred to as “non-GAAP financial measures”, do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP), and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-GAAP financial measures to their most directly comparable measure under GAAP, where available, see the heading “Description of Non-GAAP Financial Measures and Reconciliations” in the Company’s Q2 2021 management discussion and analysis (MD&A). Management believes that providing certain non-GAAP financial measures provides users of the Company’s MD&A and consolidated financial statements with important information regarding the operational performance and related trends of the Company’s business. By considering these measures in combination with the comparable IFRS financial measures (where available) set out in the MD&A, management believes that users are provided a better overall understanding of the Company’s business and its financial performance during the relevant period than if they simply considered the IFRS financial measures alone.
- (3) Certain financial metrics were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 5, 11, and 29-30 of the MD&A. The financial metrics that have been adjusted to take into account these items are referred to as “Adjusted” metrics.

FORWARD-LOOKING INFORMATION CAUTION

This news release contains information that is forward-looking. Information is forward-looking when we use what we know and expect today to give information about the future. In particular, the discussion under the heading “Q2 2021 Market Update and Business Outlook” section of this news release is forward-looking information and is subject to this disclaimer including the assumptions and material risk factors referred to below. Forward-looking information in this news release includes, but is not limited to, the following: that we are firmly on track to achieve the mid-cycle targets we set out during our Investor Day in June (assume our improved earnings capacity can be sustained); our positive outlook (assumes the global economy will continue to recover in 2021 and beyond); our strategic plan to accelerate product support revenue growth, further reduce costs, and re-invest free cash flow to compound our earnings; that we will be providing 27 Caterpillar R3000H underground loaders to Codelco’s Chuquicamata mine; expected increased mining activity in Western Canada (assumes continued strength in copper, other base metals and precious metals); an expected continued incremental increase in oil sands production (assumes debottlenecking, improved bitumen recover and enhanced mine productivity) and stable product support activity in the oil sands (assumes sustained strong oil prices and increased production profiles); increased demand for rebuilds and rental equipment in the oil sands (assumes oil sands customers will continue their discipline on capital expenditures); opportunities for future fleet renewals, rebuilds, and autonomy conversions and continued demand for product support in the Western Canada market; the expectation that about 10% of the Caterpillar ultra-class and large mining truck population in Western Canada will be autonomous by the end of 2021; the expected positive impact from federal and provincial fiscal stimulus programs; our constructive outlook for copper mining growth in Chile (assuming a moderate increase in mining royalties) our belief that Chile will remain a competitive copper producer globally; the continued impact of political and economic uncertainty in Chile on our customers’ investment decisions; our expectation that mining customers will resume major maintenance work as COVID-19 restrictions are gradually lifted; our expectation that product support revenue will continue recovering in the second half of 2021; our outlook for the Chilean construction industry, driven by improved demand for mining infrastructure and the government’s investment in public works; our expectation that improved activity in construction and oil and gas, and stable activity in gold mining will continue in the near term in Argentina and our view that the overall business environment in Argentina remains difficult; our strengthened outlook for the UK and Irish general construction equipment market (assumes economic recovery and a ramp-up of HS2 construction activity) and that we are well-positioned to capture a large share of opportunities for the remainder of HS2 Phase 1; expected continued strong demand for our power systems solutions (assumes significant growth in cloud data centre capacity in the UK and Irish markets over the next 5 years) and our ability to capture opportunities related to that growth; our positive outlook for the remainder of 2021 (assumes market recovery will continue to gain momentum in all our regions); our expectation that 2021 net revenue will remain below 2019 levels, that present supply chain challenges will not materially impact large project deliveries in our backlog (assumes our active management of supply chain constraints and related mitigating steps will be effective); our expectation that the next twelve months will approximate a mid-cycle market; our expectation that from Q3 2021 to Q2 2022 we will deliver net revenue in the range of \$7.1 billion to \$7.5 billion (assumes we can deliver 8% growth in product support revenue), achieve our target SG&A as a percent of net revenue of 17%, deliver annual EPS above \$2.00 per share, and demonstrate significant improvement in consolidated ROIC to more than 15%; our expected financial results for 2021, including strong annual free cash flow (actual free cash flow will depend on our backlog build and deliveries and 2021 EBITDA to free cash flow conversion therefore may not meet our previous projection of modestly below 50%); that our net capital expenditures and net rental fleet additions will be in the \$170 to \$210 million range; and the Canadian income tax treatment of the quarterly dividend. 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 news release reflects our expectations at the date in this news release. 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 and businesses in response; general economic and market conditions and economic and market conditions in the regions where we operate; foreign exchange rates; commodity prices; the impact of changes in the UK’s trade relationship with the European Union as a result of Brexit; 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 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 reduce costs in response to slowing activity levels; 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; fluctuations in defined benefit pension plan contributions and related pension expenses; 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; and our ability to protect our business from cybersecurity threats or incidents, and with respect to our normal course issuer bid, our share price from time to time and our decisions about use of capital. Forward-looking information is provided in this news release for the purpose of giving information about management's current expectations and plans and allowing 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 news release 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 and low and/or volatile 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 increased maintenance work by mining customers following the lessening of COVID-19 restrictions and protocols will continue; 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 improve; 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 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; that there will be a moderate increase in mining royalties in Chile; and strong recoveries 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 news release 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 our AIF and in our annual and most recent quarterly MD&A are not the only ones that could impact the Company. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 3, 2021

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, 2021, 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, 2020. 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 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 41. The first time a defined term is used in this MD&A, it is shown in bold italics.

Second Quarter Overview

| (\$ millions, except for per share amounts) | Q2 2021 | Q2 2020 | % change <i>fav (unfav)</i> |
|--|---------------|---------------|--------------------------------|
| Revenue | \$ 1,845 | \$ 1,419 | 30% |
| Net revenue ⁽¹⁾ | \$ 1,705 | \$ 1,335 | 28% |
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| Equity earnings of joint ventures | 1 | 1 | n/m |
| Other income | — | 64 | n/m |
| Other expenses | — | (51) | n/m |
| EBIT | \$ 137 | \$ 52 | 164% |
| Net income | \$ 91 | \$ 18 | 390% |
| Basic EPS | \$ 0.56 | \$ 0.12 | 390% |
| EBITDA ⁽¹⁾ | \$ 215 | \$ 130 | 65% |
| Free cash flow ⁽¹⁾ | \$ (4) | \$ 312 | n/m |
| Adjusted EBIT ⁽¹⁾⁽²⁾ | \$ 137 | \$ 39 | 252% |
| Adjusted net income ⁽¹⁾⁽²⁾ | \$ 91 | \$ 9 | 828% |
| Adjusted basic EPS ⁽¹⁾⁽²⁾ | \$ 0.56 | \$ 0.06 | 827% |
| Adjusted EBITDA ⁽¹⁾⁽²⁾ | \$ 215 | \$ 117 | 83% |
| <i>Gross profit as a % of net revenue</i> ⁽¹⁾ | 26.3% | 25.7% | |
| <i>SG&A as a % of net revenue</i> ⁽¹⁾ | 18.3% | 22.9% | |
| <i>EBIT as a % of net revenue</i> ⁽¹⁾ | 8.0% | 3.9% | |
| <i>EBITDA as a % of net revenue</i> ⁽¹⁾ | 12.6% | 9.7% | |
| <i>Adjusted EBIT as a % of net revenue</i> ⁽¹⁾⁽²⁾ | 8.0% | 2.9% | |
| <i>Adjusted EBITDA as a % of net revenue</i> ⁽¹⁾⁽²⁾ | 12.6% | 8.8% | |
| <i>Adjusted ROIC</i> ⁽¹⁾⁽²⁾ | 13.3% | 9.7% | |

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

(2) Reported financial metrics may be impacted by significant items described on pages 5 and 29 - 30 of this MD&A. Financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics. See "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

Second Quarter Highlights

- Q2 2021 revenue was \$1.8 billion. Net revenue in Q2 2021 of \$1.7 billion was up 28% from Q2 2020 which was impacted by **COVID-19**-related reduction in market activity. Q2 2021 net revenue was up 16% from Q1 2021, driven by strong recovery in new equipment demand in all regions and market sectors.
- Gross profit in Q2 2021 was up 30% compared to Q2 2020, in line with net revenue increase. SG&A increased 2% compared to Q2 2020 on a 28% increase in net revenue. SG&A as a percentage of net revenue was 18.3%, 460 basis points lower than Q2 2020, reflecting savings from our 2020 cost reduction program and continued productivity and efficiency initiatives to further reduce fixed costs.
- Q2 2021 EBIT was \$137 million and EBIT as a percentage of net revenue was 8.0%. Excluding significant items not considered indicative of operational and financial trends, Q2 2020 Adjusted EBIT was \$39 million and Adjusted EBIT as a percentage of net revenue was 2.9%.
- EBITDA was \$215 million in Q2 2021, a significant increase from Adjusted EBITDA of \$117 million in Q2 2020. EBITDA as a percentage of net revenue of 12.6% in Q2 2021 was 380 basis points higher than Q2 2020 Adjusted EBITDA as a percentage of net revenue mainly due to the improvement in SG&A as a percentage of net revenue in all regions. Q2 2021 EBITDA as a percentage of net revenue was up in all regions compared to Adjusted EBITDA in Q2 2020 and Q1 2021, demonstrating operating leverage in a recovering market.
- Q2 2021 basic EPS of \$0.56 per share was a record second quarter EPS performance.
- Adjusted ROIC at June 30, 2021 was 13.3%, an increase of 370 basis points from December 31, 2020, with higher Adjusted ROIC in all of our operations, driven by improved profitability and higher invested capital turnover. In South America, Adjusted ROIC was 17.2% reflecting both improved profitability and significantly improved invested capital turnover.
- Consolidated equipment backlog ⁽¹⁾ increased to \$1.4 billion at June 30, 2021 from \$1.2 billion at March 31, 2021, with order intake ⁽¹⁾ in Canada and South America outpacing deliveries in Q2 2021.
- Annualized dividend was raised by approximately 10% to \$0.90 per share, reflecting our improved mid-cycle earnings capacity. This marks our 20th consecutive year of dividend increases.

⁽¹⁾ These are "non-GAAP financial measures". See "Description of Non-GAAP Financial Measures and Reconciliations" later 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 framework is founded in our values, which have been articulated with the input of our employees and are: we are trusted, collaborative, innovative and passionate.

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.

Strategic Focus Areas

Our focus areas to support our strategy are: to capture growth in mining through a focus on lowest total cost of ownership and in construction through aftermarket leadership; and to improve performance through transforming service, accelerating supply chain capabilities and lowering our cost to serve. Our decisions about capital investments and allocation of resources are focused on initiatives that we believe best align with our global strategic priorities and our strategic areas of focus.

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. Our approach to sustainability is closely aligned with our purpose and covers all of 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.

In 2020, we took decisive measures to protect the interests of all our stakeholders and further strengthen our financial position as we navigated through the impacts of the COVID-19 pandemic and volatility in commodity prices. In the second year of the pandemic, we continue to advance our strategic priorities by staying focused on controlling what we can in a difficult and uncertain environment. We are confident that our resilient business model, improving execution, financial flexibility, and cost and capital discipline will serve us well as markets recover and position us for opportunities that lie ahead.

Impact of COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. COVID-19 had an impact on the Company's business beginning in Q1 2020. In 2020, the most significant impacts on our operations from disruptions related to COVID-19 included delayed equipment deliveries, lower parts sales in the construction sector, lower rental utilization, reduced productivity at our component repair facilities and lower labour recovery at our branches due to shift separation and distancing measures, temporary closure of certain facilities in South America, and additional allowances for doubtful accounts related to an increase in customer credit risk. In response to the negative economic impact of COVID-19, various government programs were announced to provide financial relief to affected businesses. The Government of Canada introduced the **CEWS** program, which subsidizes a portion of employee wages (up to a specified maximum) for Canadian employers whose businesses have met eligibility criteria. The program is intended to help employers rehire previously laid off workers, prevent job losses, and better position Canadian businesses to resume normal operations. To encourage companies to retain employees, the Government of the **UK** introduced the **CJRS** to pay a portion of salaries for employees (up to a specified maximum) who were furloughed (on paid leave). We have utilized CEWS, and in 2020 we utilized CJRS and tax deferral programs that governments in most regions where we operate made available. These government programs have supported us in retaining key technical talent and positioned us well for an economic recovery.

Refer to the Market Update and Business Outlook section in our 2020 annual MD&A and AIF for further discussion of the potential impact of the COVID-19 pandemic and volatile commodity prices on our operations and financial results.

Adjusted Metrics

Reported financial metrics may be impacted by significant items we do not consider indicative of operational and financial trends by either nature or amount; these are referred to as "Adjusted metrics". Adjusted metrics are considered non-GAAP financial measures and 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 metrics, including definitions and reconciliations from each of these Adjusted metrics to their most directly comparable measure under GAAP, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" on pages 28 - 36 of this MD&A.

There were no such significant items identified by management that affected our results for the three months ended June 30, 2021. Significant items that affected our reported results for the three months ended June 30, 2020, which we do not consider to be indicative of operational and financial trends, either by nature or amount, were:

Q2 2020 significant items:

- Finning qualified for and recorded a benefit related to the CEWS program.
- The Company accelerated existing strategies to further improve employee and facility productivity. As a result, the Company incurred:
 - Severance costs related to workforce reductions in all of the Company's operations; and
 - Restructuring and impairment losses in the Company's Canadian and South American operations.

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

| 3 months ended June 30, 2020 (\$ millions, except per share amounts) | EBIT | | | | Net | Basic |
|---|--------|---------------|--------------|-----------------------|--------|---------|
| | Canada | South America | UK & Ireland | Consol ⁽¹⁾ | Income | EPS |
| EBIT, net income, and basic EPS | \$ 63 | \$ 2 | \$ (5) | \$ 52 | \$ 18 | \$ 0.12 |
| Significant items: | | | | | | |
| CEWS support | (60) | — | — | (64) | (48) | (0.30) |
| Severance costs | 20 | 17 | 4 | 42 | 32 | 0.20 |
| Facility closure related restructuring costs and impairment losses | 5 | 4 | — | 9 | 7 | 0.04 |
| Adjusted EBIT, Adjusted net income, and Adjusted basic EPS | \$ 28 | \$ 23 | \$ (1) | \$ 39 | \$ 9 | \$ 0.06 |

⁽¹⁾ Includes Other segment

Quarterly Key Performance Measures

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

| | 2021 | | 2020 | | | | 2019 | | |
|---|--------------|-------|-------|-------|--------|-------|-------|-------|-------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| ROIC ⁽¹⁾⁽²⁾ (%) | | | | | | | | | |
| Consolidated | 15.3% | 12.5% | 11.4% | 10.7% | 10.0% | 11.9% | 11.2% | 11.3% | 10.7% |
| Canada | 17.0% | 15.6% | 14.6% | 14.3% | 13.3% | 14.2% | 13.7% | 14.2% | 14.5% |
| South America | 17.2% | 12.3% | 11.0% | 9.5% | 9.3% | 11.9% | 9.6% | 8.1% | 7.9% |
| UK & Ireland | 12.9% | 6.5% | 4.5% | 2.9% | 3.7% | 8.4% | 12.1% | 14.1% | 14.5% |
| EBIT ⁽¹⁾ (\$ millions) | | | | | | | | | |
| Consolidated | 137 | 108 | 108 | 138 | 52 | 94 | 97 | 129 | 137 |
| Canada | 82 | 69 | 72 | 93 | 63 | 60 | 72 | 82 | 92 |
| South America | 51 | 41 | 41 | 40 | 2 | 38 | 31 | 42 | 41 |
| UK & Ireland | 17 | 7 | 11 | 9 | (5) | 1 | 5 | 14 | 14 |
| EBIT as a % of net revenue ⁽¹⁾ | | | | | | | | | |
| Consolidated | 8.0% | 7.4% | 6.9% | 9.6% | 3.9% | 6.6% | 5.5% | 7.1% | 6.9% |
| Canada | 9.3% | 8.9% | 9.3% | 12.8% | 8.9% | 7.9% | 7.4% | 8.5% | 8.5% |
| South America | 9.8% | 8.6% | 8.3% | 8.2% | 0.5% | 7.8% | 6.0% | 7.3% | 6.5% |
| UK & Ireland | 5.3% | 3.2% | 3.7% | 4.1% | (3.2)% | 0.5% | 1.9% | 5.1% | 4.8% |
| EBITDA ⁽¹⁾ (\$ millions) | | | | | | | | | |
| Consolidated | 215 | 185 | 185 | 215 | 130 | 170 | 170 | 201 | 213 |
| Canada | 129 | 115 | 119 | 141 | 110 | 103 | 114 | 125 | 138 |
| South America | 71 | 61 | 61 | 59 | 24 | 60 | 51 | 62 | 62 |
| UK & Ireland | 27 | 17 | 20 | 18 | 4 | 11 | 15 | 22 | 23 |
| EBITDA as a % of net revenue ⁽¹⁾ | | | | | | | | | |
| Consolidated | 12.6% | 12.6% | 11.9% | 14.9% | 9.7% | 11.8% | 9.7% | 11.1% | 10.7% |
| Canada | 14.7% | 14.9% | 15.4% | 19.3% | 15.6% | 13.7% | 11.8% | 12.8% | 12.9% |
| South America | 13.7% | 12.8% | 12.2% | 12.2% | 5.2% | 12.4% | 10.0% | 10.8% | 9.8% |
| UK & Ireland | 8.5% | 7.9% | 7.0% | 7.9% | 2.7% | 5.2% | 5.4% | 8.3% | 7.7% |
| Invested capital ⁽²⁾ (\$ millions) | | | | | | | | | |
| Consolidated | 3,277 | 3,177 | 3,067 | 3,284 | 3,495 | 3,883 | 3,591 | 3,907 | 3,964 |
| Canada | 1,861 | 1,832 | 1,819 | 1,921 | 2,037 | 2,093 | 2,026 | 2,209 | 2,285 |
| South America | 1,058 | 982 | 931 | 1,035 | 1,106 | 1,330 | 1,192 | 1,276 | 1,287 |
| UK & Ireland | 358 | 350 | 327 | 323 | 349 | 428 | 361 | 416 | 390 |
| Invested capital turnover ⁽²⁾ (times) | | | | | | | | | |
| Consolidated | 1.93 | 1.78 | 1.68 | 1.68 | 1.71 | 1.83 | 1.92 | 1.99 | 2.04 |
| Canada | 1.70 | 1.56 | 1.50 | 1.56 | 1.63 | 1.75 | 1.81 | 1.91 | 1.95 |
| South America | 1.97 | 1.90 | 1.75 | 1.67 | 1.67 | 1.73 | 1.78 | 1.77 | 1.80 |
| UK & Ireland | 3.09 | 2.66 | 2.49 | 2.39 | 2.32 | 2.60 | 2.98 | 3.18 | 3.27 |
| Inventory (\$ millions) | 1,643 | 1,593 | 1,477 | 1,626 | 1,893 | 2,152 | 1,990 | 2,215 | 2,366 |
| Inventory turns (dealership) ⁽²⁾ (times) | 2.84 | 2.83 | 2.79 | 2.30 | 1.97 | 2.25 | 2.53 | 2.49 | 2.36 |
| Working capital to net revenue ⁽²⁾ | 24.0% | 25.9% | 28.3% | 29.2% | 29.9% | 28.9% | 27.8% | 26.9% | 26.7% |
| Free cash flow (\$ millions) | (4) | (20) | 292 | 316 | 312 | (50) | 386 | 165 | (162) |
| Net debt to EBITDA ratio ⁽¹⁾⁽²⁾ (times) | 1.3 | 1.3 | 1.2 | 1.6 | 2.0 | 2.2 | 2.1 | 2.6 | 3.0 |

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

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

Adjusted KPIs

KPIs may be impacted by significant items described on pages 5, 11, and 29 - 30 of this MD&A. KPIs that have been adjusted to take these items into account are referred to as “Adjusted” KPIs and were as follows:

| | 2021 | | 2020 | | | | 2019 | | |
|--|--------------|-------|-------|-------|--------|-------|-------|-------|-------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Adjusted ROIC | | | | | | | | | |
| Consolidated | 13.3% | 10.0% | 9.6% | 9.3% | 9.7% | 12.0% | 12.0% | 12.2% | 12.3% |
| Canada | 14.0% | 10.8% | 10.5% | 10.8% | 11.6% | 14.2% | 14.4% | 15.0% | 15.4% |
| South America | 17.2% | 14.4% | 12.9% | 11.3% | 11.2% | 12.2% | 10.5% | 9.0% | 8.5% |
| UK & Ireland | 12.9% | 7.6% | 5.5% | 3.9% | 4.6% | 8.4% | 12.1% | 14.1% | 14.5% |
| Adjusted EBIT (\$ millions) | | | | | | | | | |
| Consolidated | 137 | 93 | 94 | 101 | 39 | 94 | 97 | 132 | 137 |
| Canada | 82 | 59 | 59 | 58 | 28 | 60 | 72 | 82 | 92 |
| South America | 51 | 41 | 41 | 40 | 23 | 38 | 31 | 45 | 41 |
| UK & Ireland | 17 | 7 | 11 | 9 | (1) | 1 | 5 | 14 | 14 |
| Adjusted EBIT as a % of net revenue | | | | | | | | | |
| Consolidated | 8.0% | 6.3% | 6.1% | 7.0% | 2.9% | 6.6% | 5.5% | 7.3% | 6.9% |
| Canada | 9.3% | 7.7% | 7.7% | 8.1% | 4.0% | 7.9% | 7.4% | 8.5% | 8.5% |
| South America | 9.8% | 8.6% | 8.3% | 8.2% | 5.1% | 7.8% | 6.0% | 7.8% | 6.5% |
| UK & Ireland | 5.3% | 3.2% | 3.7% | 4.1% | (1.0)% | 0.5% | 1.9% | 5.1% | 4.8% |
| Adjusted EBITDA (\$ millions) | | | | | | | | | |
| Consolidated | 215 | 170 | 171 | 178 | 117 | 170 | 170 | 204 | 213 |
| Canada | 129 | 105 | 106 | 106 | 75 | 103 | 114 | 125 | 138 |
| South America | 71 | 61 | 61 | 59 | 45 | 60 | 51 | 65 | 62 |
| UK & Ireland | 27 | 17 | 20 | 18 | 8 | 11 | 15 | 22 | 23 |
| Adjusted EBITDA as a % of net revenue | | | | | | | | | |
| Consolidated | 12.6% | 11.6% | 11.0% | 12.3% | 8.8% | 11.8% | 9.7% | 11.2% | 10.7% |
| Canada | 14.7% | 13.6% | 13.7% | 14.6% | 10.6% | 13.7% | 11.8% | 12.8% | 12.9% |
| South America | 13.7% | 12.8% | 12.2% | 12.2% | 9.8% | 12.4% | 10.0% | 11.2% | 9.8% |
| UK & Ireland | 8.5% | 7.9% | 7.0% | 7.9% | 4.9% | 5.2% | 5.4% | 8.3% | 7.7% |
| Net debt to Adjusted EBITDA ratio ⁽¹⁾ (times) | 1.4 | 1.5 | 1.4 | 1.7 | 2.1 | 2.2 | 2.0 | 2.5 | 2.8 |

⁽¹⁾ These are “non-GAAP financial measures”. See “Description of Non-GAAP Financial Measures and Reconciliations” later in this MD&A.

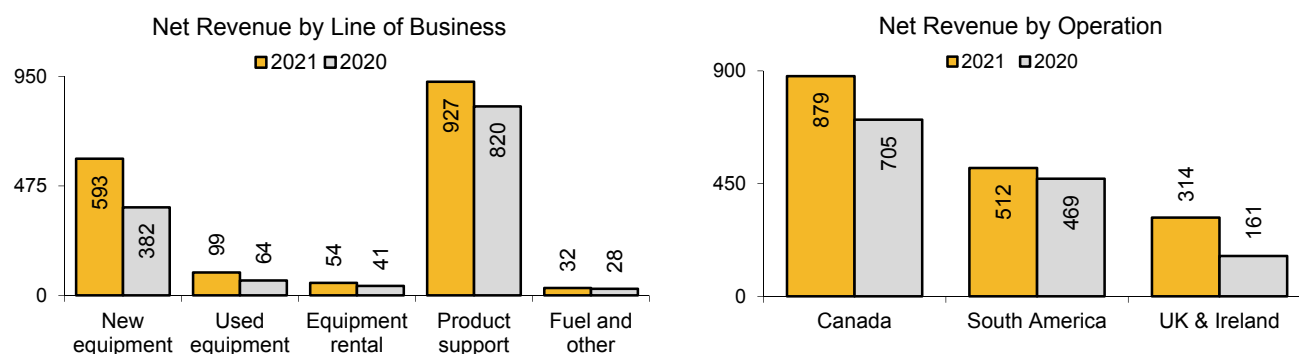
Second Quarter Results

Revenue

Net Revenue by Line of Business and by Operation

3 months ended June 30

(\$ millions)



Q2 2021 revenue was \$1.8 billion. Net revenue of \$1.7 billion in the second quarter of 2021 was up 28% from Q2 2020, an increase in all of our operations primarily driven by higher new equipment sales and product support. This increase was partially offset by an unfavourable foreign currency translation impact of approximately \$65 million on net revenue in our South American operations, due to the stronger CAD relative to the **USD** on average in Q2 2021 compared to Q2 2020. Net revenue in Q2 2020 was negatively impacted by COVID-19-related reduction in market activity. Q2 2021 net revenue was up 16% from Q1 2021, driven by a strong recovery in new equipment demand in all regions and market sectors.

Q2 2021 new equipment revenue was 55% higher than the same prior year period primarily driven by higher volumes in the construction sector in all operations. Equipment backlog of approximately \$1.4 billion at June 30, 2021 was up 78% from December 31, 2020 and 13% from March 31, 2021. Q2 2021 equipment order intake outpaced deliveries, primarily in the mining sectors of South America and Canada.

Product support revenue was up 13% in Q2 2021 from the same prior year period, up in all market sectors in all of our operations. Our product support business continues to recover, increasing sequentially since Q2 2020.

Q2 2021 used equipment revenue was up 56% from Q2 2020, primarily due to a strong market recovery and demand for equipment in the construction and mining sectors of our Canadian operations.

EBIT and EBITDA

Q2 2021 gross profit of \$449 million was 30% higher than the same period in the prior year, in line with revenue growth. Overall gross profit as a percentage of net revenue was 26.3% in Q2 2021, up from 25.7% in Q2 2020. Although there was a revenue mix shift to a higher proportion of new equipment revenue (Q2 2021: 35% compared to Q2 2020: 29%), gross profit as a percentage of net revenue was up 60 basis points. Gross margins improved in all of our lines of business due to a recovery in all of our markets and high demand.

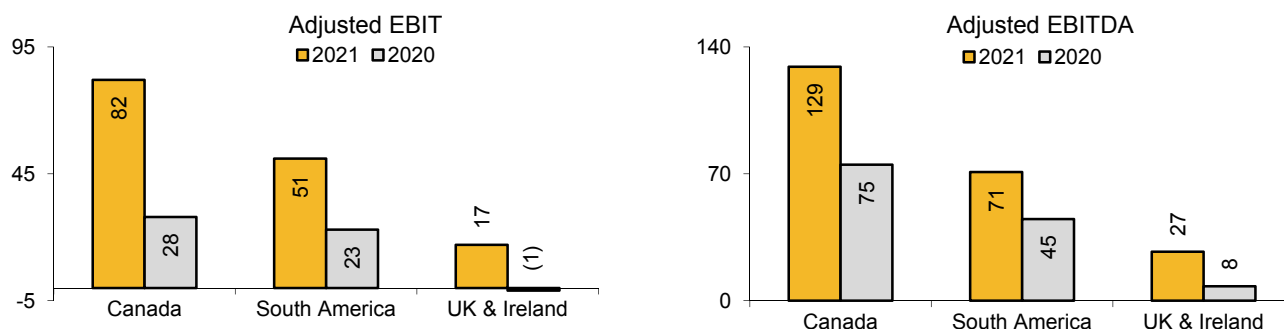
SG&A in Q2 2021 of \$313 million was 2% higher than Q2 2020 on 28% net revenue growth. SG&A costs were slightly higher primarily due to higher costs to support volumes, partially offset by a reduction in fixed costs, driven by lower headcount as well as lower provisions in Q2 2021 as we had higher collection risk related to trade receivables in Q2 2020. The stronger CAD relative to the USD on average in Q2 2021 compared to Q2 2020 had a favourable impact on foreign currency translation of SG&A from our South American operations. SG&A as a percentage of net revenue was 18.3%, a 460 basis point improvement over the same prior year period, demonstrating improved execution to capture growth opportunities and the benefit of process efficiencies.

Q2 2021 SG&A of \$313 million was over \$30 million lower than Q2 2018 which was the most recent mid-cycle quarter with similar net revenue of approximately \$1.7 billion. This demonstrates progress on realizing benefits from productivity initiatives to reduce fixed costs.

Adjusted EBIT and Adjusted EBITDA by Operation ⁽¹⁾

3 months ended June 30

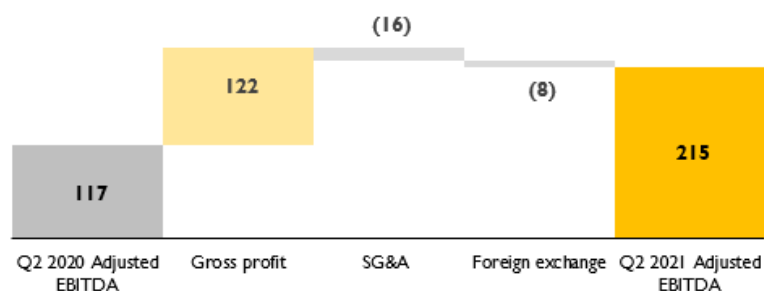
(\$ millions)



(1) Excluding Other operations

EBIT and EBIT as a percentage of net revenue in Q2 2021 were \$137 million and 8.0%, respectively. Excluding the significant items not indicative of operational and financial trends described on page 5, Q2 2020 Adjusted EBIT was \$39 million and Adjusted EBIT as a percentage of net revenue was 2.9%.

EBITDA in Q2 2021 was \$215 million, up significantly from Adjusted EBITDA of \$117 million in Q2 2020. EBITDA was up in all of our regions compared to Q2 2020, primarily from increased gross profit from a strong market recovery. EBITDA as a percentage of net revenue of 12.6% in Q2 2021 was 380 basis points higher than Adjusted EBITDA as a percentage of net revenue in the same prior year period, largely driven by the improvement in SG&A as a percentage of net revenue.



Finance Costs

Finance costs in Q2 2021 were \$18 million, down from \$24 million in Q2 2020 due to lower average debt levels.

Provision for Income Taxes

The effective income tax rate in Q2 2021 was 22.9% compared to 32.8% in Q2 2020. The effective income tax rate in Q2 2021 was lower due to the mix of income between tax jurisdictions. In addition, the effective income tax rate in Q2 2020 was higher due to the reduction in the Argentine tax rate from 30% to 25% and lower in Q2 2021 due to the increase in the Argentine tax rate to 35%. These tax rate changes resulted in one-time revaluations of our deferred tax balances in Argentina.

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 and Basic EPS

Q2 2021 net income was \$91 million and basic EPS was \$0.56 per share, a significant increase from Adjusted net income of \$9 million and Adjusted basic EPS of \$0.06 per share in Q2 2020. Q2 2021 basic EPS of \$0.56 per share was also higher than Q2 2019 Adjusted basic EPS of \$0.54 on 15% lower net revenues in Q2 2021. Q2 2021 basic EPS of \$0.56 per share was a record second quarter performance.

Year-to-Date Overview

| (\$ millions, except for per share amounts) | YTD 2021 | YTD 2020 | % change fav (unfav) |
|--|--------------|----------|-------------------------|
| Revenue | \$ 3,441 | \$ 2,977 | 16% |
| Net revenue | \$ 3,174 | \$ 2,774 | 14% |
| Gross profit | \$ 856 | \$ 762 | 12% |
| SG&A | (627) | (631) | 1% |
| Equity earnings of joint ventures | 1 | 2 | n/m |
| Other income | 15 | 64 | n/m |
| Other expenses | — | (51) | n/m |
| EBIT | \$ 245 | \$ 146 | 68% |
| Net income | \$ 161 | \$ 72 | 123% |
| Basic EPS | \$ 0.99 | \$ 0.45 | 123% |
| EBITDA | \$ 400 | \$ 300 | 33% |
| Free cash flow | \$ (24) | \$ 262 | n/m |
| Adjusted EBIT | \$ 230 | \$ 133 | 72% |
| Adjusted net income | \$ 148 | \$ 63 | 133% |
| Adjusted basic EPS | \$ 0.91 | \$ 0.39 | 134% |
| Adjusted EBITDA | \$ 385 | \$ 287 | 34% |
| <i>Gross profit as a % of net revenue</i> | 27.0% | 27.5% | |
| <i>SG&A as a % of net revenue</i> | 19.8% | 22.8% | |
| <i>EBIT as a % of net revenue</i> | 7.7% | 5.3% | |
| <i>EBITDA as a % of net revenue</i> | 12.6% | 10.8% | |
| <i>Adjusted EBIT as a % of net revenue</i> | 7.2% | 4.8% | |
| <i>Adjusted EBITDA as a % of net revenue</i> | 12.1% | 10.4% | |
| <i>Adjusted ROIC</i> | 13.3% | 9.7% | |

Significant items that affected our reported results for the six months ended June 30, 2021 and June 30, 2020 which were not considered by management to be indicative of operational and financial trends, either by nature or amount, are detailed below.

Year-to-date 2021 significant items:

- Finning qualified for and recorded a benefit related to the CEWS program.
- Final return on our investment in **Energyst** (described on page 21).

Year-to-date 2020 significant items:

- Finning qualified for and recorded a benefit related to the CEWS program.
- We accelerated existing strategies to further improve employee and facility productivity. As a result, we incurred:
 - Severance costs related to workforce reductions in all of our operations; and,
 - Restructuring and impairment losses in our Canadian and South American operations.

The following table shows the magnitude of these items and reconciliations of the non-GAAP financial measures to their most directly comparable GAAP measures:

| 6 months ended June 30, 2021 (\$ millions, except for per share amounts) | EBIT | | | | Net | EPS |
|---|--------|---------------|--------------|-----------------------|-----------------------|-----------------------|
| | Canada | South America | UK & Ireland | Consol ⁽¹⁾ | Income | |
| | | | | | Consol ⁽¹⁾ | Consol ⁽¹⁾ |
| EBIT, net income, and basic EPS | \$ 151 | \$ 92 | \$ 24 | \$ 245 | \$ 161 | \$ 0.99 |
| Significant items: | | | | | | |
| CEWS support | (10) | — | — | (10) | (8) | (0.05) |
| Final return on our investment in Energyst | — | — | — | (5) | (5) | (0.03) |
| Adjusted EBIT, Adjusted net income, and Adjusted basic EPS | \$ 141 | \$ 92 | \$ 24 | \$ 230 | \$ 148 | \$ 0.91 |

| 6 months ended June 30, 2020 (\$ millions, except for per share amounts) | EBIT | | | | Net | EPS |
|---|--------|---------------|--------------|-----------------------|-----------------------|-----------------------|
| | Canada | South America | UK & Ireland | Consol ⁽¹⁾ | Income | |
| | | | | | Consol ⁽¹⁾ | Consol ⁽¹⁾ |
| EBIT, net income, and basic EPS | \$ 123 | \$ 40 | \$ (4) | \$ 146 | \$ 72 | \$ 0.45 |
| Significant items: | | | | | | |
| CEWS Support | (60) | — | — | (64) | (48) | (0.30) |
| Severance costs | 20 | 17 | 4 | 42 | 32 | 0.20 |
| Facility closure related restructuring costs and impairment losses | 5 | 4 | — | 9 | 7 | 0.04 |
| Adjusted EBIT, Adjusted net income, and Adjusted basic EPS | \$ 88 | \$ 61 | \$ — | \$ 133 | \$ 63 | \$ 0.39 |

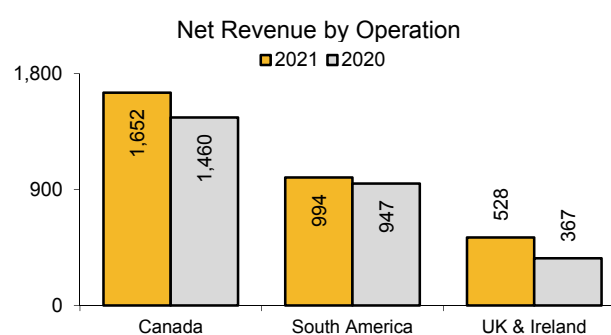
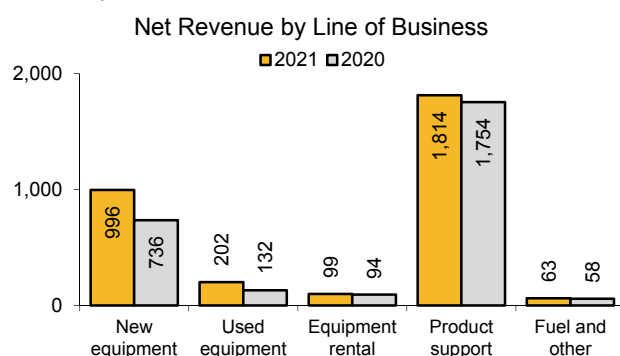
⁽¹⁾ Includes Other segment

Revenue

Net Revenue by Line of Business and by Operation

6 months ended June 30

(\$ millions)



Revenue was \$3.4 billion in the six months ended June 30, 2021. Net revenue of \$3.2 billion increased 14% from the same period last year, up in all of our operations, driven by a strong market recovery. This increase was partially offset by an unfavourable foreign currency translation impact of approximately \$90 million on net revenue in our South American operations, due to the stronger CAD relative to the USD on average in the six months ended 2021 compared to 2020. Year-to-date 2020 net revenue was negatively impacted by weaker market conditions from volatility in commodity prices and COVID-19.

New equipment revenue in the six months ended June 30, 2021 was 35% higher than the prior year period reflecting the improvement in market conditions globally, largely driven by the recovery in the construction sectors across all of our operations.

Used equipment revenue increased 53% from the same prior year period driven by strong market recovery in Canada.

Product support revenue in the six months ended June 30, 2021 was 3% higher than the first six months of 2020, primarily due to market recovery resulting in improved activity across all of our operations.

EBIT and EBITDA

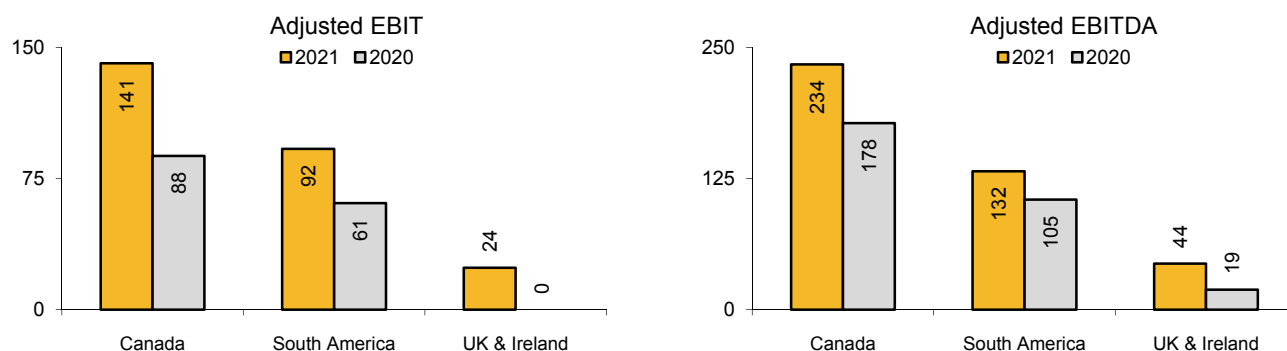
Gross profit in the first six months of 2021 of \$856 million was 12% higher than the comparative prior year period largely due to a similar increase in volumes. Overall gross profit as a percentage of net revenue of 27.0% was 50 basis points lower than the first six months of 2020, mainly due to having a higher proportion of new and used equipment revenue in all of our operations (year-to-date 2021: 38%; year-to-date 2020: 32%). In spite of having a higher proportion of equipment revenue in 2021 compared to 2020, the UK & Ireland's gross profit as a percentage of net revenue in the first six months of 2021 increased over the same prior year period due to an improvement in gross margins, positively impacted by competitive pricing for used equipment and higher rental utilization.

SG&A for the first six months of 2021 was \$627 million, 1% lower than the same prior year period on 14% higher net revenue, primarily due to the benefit of initiatives taken to improve employee and facility productivity combined with higher labour recovery in 2021 driven by demand. The stronger CAD relative to the USD on average in the first six months of 2021 compared to the first six months of 2020 had a favourable impact on the foreign currency translation of SG&A from our South American operations. In addition, 2020 year-to-date SG&A included higher provisions for customer receivables. These improvements to our 2021 year-to-date SG&A were offset by higher **LTIP** expense compared to 2020 year-to-date due to an improved share price performance in the current year period. For the first six months of 2021, SG&A as a percentage of net revenue of 19.8% was 300 basis points lower than the same prior year period, with an improvement in all of our operations, demonstrating improved execution to capture market recovery and a lower cost base.

Adjusted EBIT and Adjusted EBITDA by Operation ⁽¹⁾

6 months ended June 30

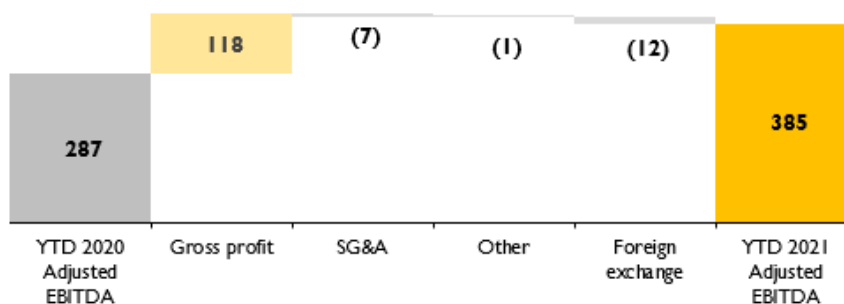
(\$ millions)



(1) Excluding Other operations

EBIT was \$245 million and EBIT as a percentage of net revenue was 7.7% in the first six months of 2021, compared to \$146 million and 5.3%, respectively, in the first six months of 2020. Excluding significant items not indicative of financial and operational trends described on page 11, Adjusted EBIT in the first six months of 2021 was \$230 million and Adjusted EBIT as a percentage of net revenue was 7.2%, significantly higher than Adjusted EBIT of \$133 million and Adjusted EBIT as a percentage of net revenue of 4.8% in the first six months of 2020.

2021 year-to-date Adjusted EBITDA was \$385 million, up from \$287 million in the same prior year period. The 34% increase was primarily due to higher gross profit in all operations from a strong market recovery. Adjusted EBITDA as a percentage of net revenue of 12.1% was higher than the 10.4% earned in the same prior year period. This increase was largely driven by operating leverage on strong revenue growth in all of our operations.



Finance Costs

Finance costs for the six months ended June 30, 2021 were \$37 million, lower than the \$45 million in the same period in 2020 due to lower average debt levels.

Provision for Income Taxes

The effective income tax rate for the first six months of 2021 was 22.3%, lower than the 28.3% effective income tax rate for the first six months of 2020. The effective income tax rate was lower in 2021 due to a higher proportion of earnings from lower tax jurisdictions compared to the prior year period. In addition, the effective income tax rates for the first six months of 2020 and 2021 were affected by one-time revaluations of our deferred tax balances in Argentina due to tax rate changes. The effective income tax rate for the first six months of 2020 was higher due to the reduction in the Argentine tax rate from 30% to 25% and lower for the first six months of 2021 due to the increase in the Argentine tax rate to 35%.

Net Income and Basic EPS

Net income was \$161 million in the first six months of 2021, compared to \$72 million earned in the comparable period in 2020 and basic EPS was \$0.99 compared to \$0.45 in the first six months of 2020. Excluding the significant items not indicative of financial and operational trends described on page 11, Adjusted net income in the first six months of 2021 was \$148 million and Adjusted basic EPS was \$0.91, higher than Adjusted net income of \$63 million and Adjusted basic EPS of \$0.39 in the same prior year period. The improvement in earnings in the first six months of 2021 reflect the benefit of a recovering market and improved profitability in all our regions due to operating leverage resulting from productivity initiatives.

Invested Capital

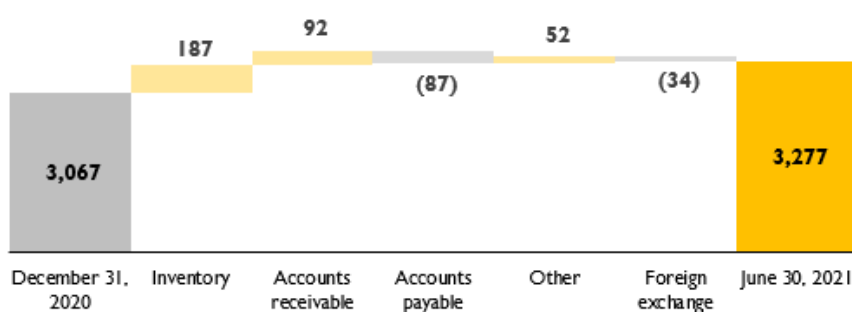
| (\$ millions, unless otherwise stated) | June 30, 2021 | December 31, 2020 | Increase from December 31, 2020 |
|---|------------------|----------------------|---------------------------------------|
| Consolidated | \$ 3,277 | \$ 3,067 | \$ 210 |
| Canada | \$ 1,861 | \$ 1,819 | \$ 42 |
| South America | \$ 1,058 | \$ 931 | \$ 127 |
| UK & Ireland | \$ 358 | \$ 327 | \$ 31 |
| <i>South America (USD)</i> | \$ 854 | \$ 731 | \$ 123 |
| <i>UK & Ireland (GBP)</i> | £ 209 | £ 188 | £ 21 |

Compared to December 31, 2020:

The \$210 million increase in consolidated invested capital from December 31, 2020 to June 30, 2021 includes a foreign exchange impact of \$34 million in translating the invested capital balances of our South American and UK & Ireland operations. The foreign exchange impact was primarily the result of the 3% stronger CAD relative to the USD at June 30, 2021 compared to December 31, 2020.

Excluding the impact of foreign exchange, consolidated invested capital increased by \$244 million from December 31, 2020 to June 30, 2021 reflecting:

- an increase in inventory levels in all operations, primarily new equipment in South America and UK & Ireland and parts inventory in Canada and South America to meet increased market demand;
- higher accounts receivable in all regions, primarily due to an increase in sales activity;
- partially offset by higher accounts payable, mainly in Canada and UK & Ireland, from higher inventory purchases.



Adjusted ROIC and Invested Capital Turnover

| | June 30, 2021 | December 31, 2020 |
|--|------------------|----------------------|
| Adjusted ROIC | | |
| Consolidated | 13.3% | 9.6% |
| Canada | 14.0% | 10.5% |
| South America | 17.2% | 12.9% |
| UK & Ireland | 12.9% | 5.5% |
| Invested Capital Turnover (times) | | |
| Consolidated | 1.93 | 1.68 |
| Canada | 1.70 | 1.50 |
| South America | 1.97 | 1.75 |
| UK & Ireland | 3.09 | 2.49 |

Adjusted ROIC

On a consolidated basis, Adjusted ROIC at June 30, 2021 improved from December 31, 2020 primarily due to higher Adjusted EBIT for the last twelve-month period combined with a reduction in average invested capital levels. There was a significant increase in Adjusted ROIC in all of our operations reflecting improved profitability in a recovering market combined with a strong focus to improve invested capital levels and invested capital turnover.

Invested Capital Turnover

Consolidated invested capital turnover at June 30, 2021 increased from December 31, 2020. All regions reported higher net revenue over the last twelve-month period and lower average invested capital levels. Higher invested capital turnover in all of our operations at June 30, 2021 reflects our focus on reducing invested capital levels and improving efficiencies and productivity which is evident in our improving metrics as markets recover.

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 - 21. 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, 2021 (\$ millions) | Canada | South America | UK & Ireland | Consol | Net Revenue % |
|--|---------------|----------------------|-------------------------|-----------------|----------------------|
| 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% | |

| 3 months ended June 30, 2020 (\$ millions) | Canada | South America | UK & Ireland | Consol | Net Revenue % |
|--|---------------|----------------------|-------------------------|-----------------|----------------------|
| New equipment | \$ 196 | \$ 106 | \$ 80 | \$ 382 | 29% |
| Used equipment | 36 | 12 | 16 | 64 | 5% |
| Equipment rental | 26 | 9 | 6 | 41 | 3% |
| Product support | 419 | 342 | 59 | 820 | 61% |
| Fuel and other | 28 | — | — | 28 | 2% |
| Net revenue | \$ 705 | \$ 469 | \$ 161 | \$ 1,335 | 100% |
| Net revenue % by operation | 53% | 35% | 12% | 100% | |

| 6 months ended June 30, 2021 (\$ millions) | Canada | South America | UK & Ireland | Consol | Net Revenue % |
|--|-----------------|----------------------|-------------------------|-----------------|----------------------|
| 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% | |

| 6 months ended June 30, 2020 (\$ millions) | Canada | South America | UK & Ireland | Consol | Net Revenue % |
|--|-----------------|----------------------|-------------------------|-----------------|----------------------|
| New equipment | \$ 358 | \$ 191 | \$ 187 | \$ 736 | 27% |
| Used equipment | 69 | 27 | 36 | 132 | 5% |
| Equipment rental | 59 | 21 | 14 | 94 | 3% |
| Product support | 916 | 708 | 130 | 1,754 | 63% |
| Fuel and other | 58 | — | — | 58 | 2% |
| Net revenue | \$ 1,460 | \$ 947 | \$ 367 | \$ 2,774 | 100% |
| Net revenue % by operation | 53% | 34% | 13% | 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 refueling services in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, and Nova Scotia and 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) | 2021 | 2020 |
| Net revenue | \$ 879 | \$ 705 |
| Operating costs | (751) | (631) |
| Equity earnings of joint ventures | 1 | 1 |
| Other income | — | 60 |
| Other expenses | — | (25) |
| EBITDA | \$ 129 | \$ 110 |
| Depreciation and amortization | (47) | (47) |
| EBIT | \$ 82 | \$ 63 |
| Adjusted EBITDA | \$ 129 | \$ 75 |
| Adjusted EBIT | \$ 82 | \$ 28 |
| <i>EBITDA as a % of net revenue</i> | 14.7% | 15.6% |
| <i>EBIT as a % of net revenue</i> | 9.3% | 8.9% |
| <i>Adjusted EBITDA as a % of net revenue</i> | 14.7% | 10.6% |
| <i>Adjusted EBIT as a % of net revenue</i> | 9.3% | 4.0% |

Second Quarter Overview

Q2 2021 net revenue of \$879 million was 25% higher than Q2 2020 and 14% higher than Q1 2021 driven by strong demand for new equipment in a recovering market and higher product support activity. Net revenue remained below Q2 2019 levels in most lines of business as Q2 2019 was an exceptionally strong quarter for revenues.

Product support revenue in Q2 2021 was up 18% compared to the same prior year period due to improved market conditions driving higher activity in the oil sands and construction sectors.

Q2 2021 new equipment revenue was 23% higher than Q2 2020 and used equipment revenue more than doubled from the same prior year period. Higher equipment revenue was due to strong market conditions in the construction sector and increased capabilities and more active sourcing in a constrained supply market.

Equipment backlog at June 30, 2021 was up 43% from Q1 2021 as strong order intake in the quarter outpaced deliveries in all sectors, particularly in the mining and construction sectors.

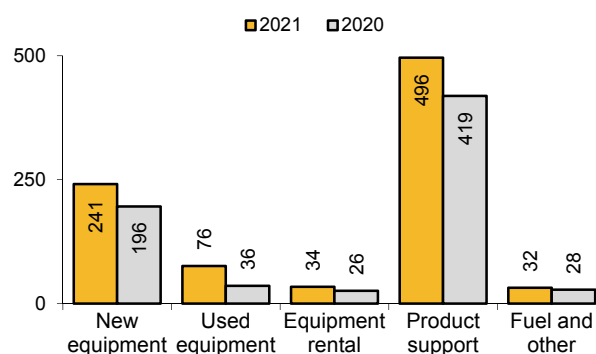
Overall gross profit as a percentage of net revenue in Q2 2021 was higher than Q2 2020 primarily due to improved gross margins across most of our lines of business partially offset by a shift to a higher proportion of equipment revenue in the revenue mix. Gross margins increased in Q2 2021 as a result of a lower proportion of mining equipment sold, higher demand for used equipment, and higher rental utilization when compared to Q2 2020.

Net revenue by Line of Business

Canada Operations

3 months ended June 30

(\$ millions)



Q2 2021 SG&A was up 3% compared to the prior year period on 25% higher net revenue and as a result, SG&A as a percentage of net revenue in Q2 2021 was 420 basis points lower than Q2 2020, reflecting the benefit of strategies taken to optimize costs and improve employee and facility productivity. Q2 2021 SG&A was 3% higher than the same prior year period primarily due to higher people-related and variable costs to support volume. This increase was partially offset by improved labour recovery and lower provisions in Q2 2021 as we had higher collection risk related to customer trade receivables in Q2 2020.

Excluding significant items not considered by management to be indicative of operational and financial trends described on page 5, Q2 2020 Adjusted EBITDA was \$75 million. Q2 2021 EBITDA was \$129 million, up 72% from Adjusted EBITDA in the same prior year period, due to higher gross profit realized from strong market demand. EBITDA as a percentage of net revenue of 14.7% in Q2 2021 was 410 basis points higher than Adjusted EBITDA as a percentage of net revenue in Q2 2020, driven by an improvement in our profitability combined with a lower cost base in a recovering market.

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

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) | 2021 | 2020 |
| Net revenue | \$ 512 | \$ 469 |
| Operating costs | (441) | (424) |
| Other expenses | — | (21) |
| EBITDA | \$ 71 | \$ 24 |
| Depreciation and amortization | (20) | (22) |
| EBIT | \$ 51 | \$ 2 |
| Adjusted EBITDA | \$ 71 | \$ 45 |
| Adjusted EBIT | \$ 51 | \$ 23 |
| <i>EBITDA as a % of net revenue</i> | 13.7% | 5.2% |
| <i>EBIT as a % of net revenue</i> | 9.8% | 0.5% |
| <i>Adjusted EBITDA as a % of net revenue</i> | 13.7% | 9.8% |
| <i>Adjusted EBIT as a % of net revenue</i> | 9.8% | 5.1% |

The stronger CAD relative to the USD on average in Q2 2021 compared to Q2 2020 had an unfavourable foreign currency translation impact of approximately \$65 million on net revenue and did not have a significant impact on EBIT in Q2 2021.

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 2021 net revenue was 23% higher than Q2 2020 and 9% higher than Q1 2021, up in both product support and new equipment, driven by market recovery.

New equipment revenue in Q2 2021 was 48% higher than the prior year quarter, mainly in the construction sector in all countries. Equipment backlog at June 30, 2021 was up from March 31, 2021 as demand for new equipment led to strong order intake, mainly in the mining sector.

Product support revenue in Q2 2021 increased 16% from Q2 2020, driven by higher demand in the construction and mining sectors in all countries. In addition, COVID-19 lockdowns of varying degrees in our South American operations negatively impacted product support revenue in the prior year. With the easing of pandemic protocols, we are starting to see customers resume major maintenance work with Q2 2021 product support revenue being 8% higher than Q1 2021.

Gross profit in Q2 2021 was 28% higher than the same period in the prior year mainly from increased volumes as well as improved gross margins. Gross profit as a percentage of net revenue in Q2 2021 was up compared to Q2 2020 despite the shift to higher new equipment sales in the revenue mix (Q2 2021: 27% compared with Q2 2020: 23%). Gross margins increased in Q2 2021 as a result of a lower proportion of mining equipment sold, a recovery in all of our market segments, and higher demand compared to Q2 2020.

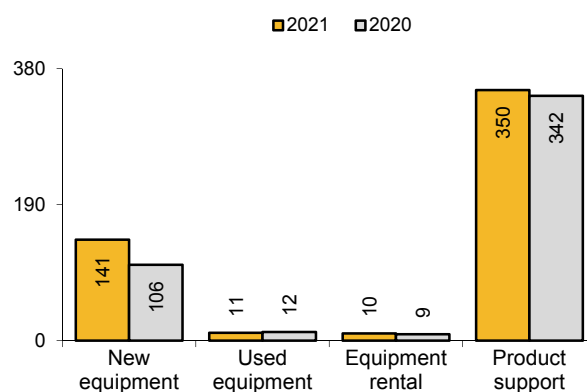
Q2 2021 SG&A was comparable to Q2 2020 despite a 23% growth in net revenue. Higher variable costs were offset by the benefit of various cost saving initiatives. SG&A as a percentage of net revenue decreased 360 basis points from Q2 2020 driven by the leverage of fixed costs on higher revenues and improved execution to capture market recovery.

Q2 2020 Adjusted EBITDA excluded severance and restructuring costs not considered indicative of operational and financial trends. Q2 2021 EBITDA improved 73% from Adjusted EBITDA in Q2 2020 primarily due to higher gross profit from improved market activity while maintaining consistent SG&A levels. Q2 2021 EBITDA as a percentage of net revenue of 13.7% was 390 basis points higher than Adjusted EBITDA as a percentage of net revenue in Q2 2020 largely due to the benefit of a lower cost base and operating efficiencies.

Discussion of the Company's 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 stronger CAD relative to the USD on average in the six months ended 2021 compared to 2020 had an unfavourable foreign currency translation impact of approximately \$90 million on net revenue and did not have a significant impact on EBIT in the first half of 2021.

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 and energy, and quarrying.

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

| 3 months ended June 30 (\$ millions) | 2021 | 2020 |
|--|-------------|--------|
| Net revenue | \$ 314 | \$ 161 |
| Operating costs | (287) | (153) |
| Other expenses | — | (4) |
| EBITDA | \$ 27 | \$ 4 |
| Depreciation and amortization | (10) | (9) |
| EBIT | \$ 17 | \$ (5) |
| Adjusted EBITDA | \$ 27 | \$ 8 |
| Adjusted EBIT | \$ 17 | \$ (1) |
| <i>EBITDA as a % of net revenue</i> | 8.5% | 2.7% |
| <i>EBIT as a % of net revenue</i> | 5.3% | (3.2)% |
| <i>Adjusted EBITDA as a % of net revenue</i> | 8.5% | 4.9% |
| <i>Adjusted EBIT as a % of net revenue</i> | 5.3% | (1.0)% |

The CAD relative to the GBP on average in Q2 2021 was comparable to Q2 2020 and as a result, there was no significant foreign currency translation impact on net revenue or EBIT in Q2 2021 when compared to Q2 2020.

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 2021 net revenue was up 95% from the same period in 2020 and up 49% from Q1 2021. Q2 2020 was significantly impacted by COVID-19 restrictions with the majority of construction sites closed and uncertainty impacting customer buying behaviours. The increase in Q2 2021 was primarily due to higher volumes in new equipment revenue.

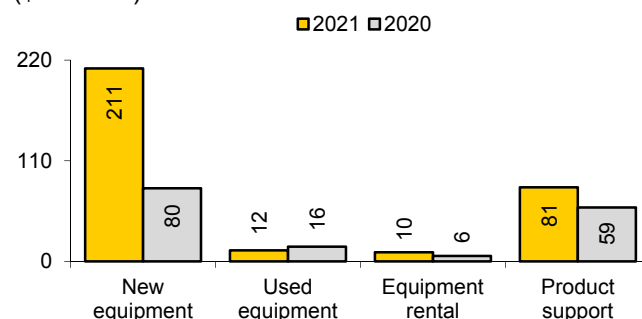
New equipment revenue was 163% higher than the second quarter of 2020, primarily driven by activity within the construction sector including the commencement of deliveries to the **HS2** project. Power systems project deliveries to data centre customers were also strong in Q2 2021 as demand for cloud services continues to increase. Equipment backlog at June 30, 2021 remains strong and consistent with March 31, 2021 record levels, with order intake in the quarter matching deliveries. Order intake reflects the increased demand for standby power solutions for data centre customers and equipment orders for the HS2 project.

Q2 2021 product support revenue increased 37% from the same prior year period, with strong activity in the construction and power systems sectors.

Gross profit in Q2 2021 was more than double what was earned in the same prior year period, largely driven by revenue growth. Overall gross profit as a percentage of net revenue increased from the same prior year period, mainly due to improved gross margins across all lines of business partially offset by the impact of a higher proportion of new equipment revenue in the revenue mix (Q2 2021: 67% compared with Q2 2020: 50%).

Net revenue by Line of Business UK & Ireland Operations

3 months ended June 30
(\$ millions)



SG&A in Q2 2021 was up 36% compared to the prior year period on 95% net revenue growth. This reflects a return to a normalized cost base following management actions and cost reductions in Q2 2020 resulting from CJRS, and volume-related decreases during the COVID-19 lockdown period. SG&A as a percentage of net revenue improved 550 basis points from Q2 2020 demonstrating the benefit of various productivity initiatives as well as operating leverage on strong revenue growth.

Q2 2020 Adjusted EBITDA excluded severance costs not considered indicative of operational and financial trends. Q2 2021 EBITDA was 236% higher than Adjusted EBITDA in the same prior year period and EBITDA as a percentage of net revenue of 8.5% improved significantly over Q2 2020 largely due to the benefit of a lower cost base and operating efficiencies.

Discussion of the Company's 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 CAD relative to the GBP on average in the six months ended 2021 was relatively consistent with 2020 and as a result, there was no significant foreign currency translation impact on year-to-date net revenue or EBIT in 2021 when compared to 2020.

Other Segment

Our Other segment includes corporate operating costs.

Q2 2021 EBITDA of this segment was a loss of \$12 million compared to a loss of \$8 million in Q2 2020, which included a \$4 million benefit from CEWS support.

In the six months ended June 30, 2021, EBITDA was a loss of \$20 million which was higher than a loss of \$12 million in the same period in 2020. Excluding the benefit of the final return on our investment in Energyst in 2021 year-to-date, EBITDA was a loss of \$25 million. Excluding CEWS support and severance costs in 2020 year-to-date, EBITDA was a loss of \$15 million. The higher loss in the current period was primarily driven by \$13 million higher LTIP expense.

Other Developments

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 three months ended March 31, 2021, we recorded a \$5 million return on our investment in Energyst.

On January 7, 2021, our UK & Ireland operations acquired 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. Other Caterpillar dealers acquired the other three regional organizations. Cash consideration of \$14 million (€9 million) was paid at the date of acquisition, funded with cash on hand. Net assets acquired include \$1 million cash, \$2 million of net working capital (comprising receivables, inventory, and payables), and \$11 million of rental assets. The purchase price allocation is not final but we expect to finalize it no later than December 31, 2021.

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

Canada Operations

A strong outlook for copper, other base metals, and precious metals is expected to support increased mining activity in Western Canada, including the development of greenfield projects in the Golden Triangle of British Columbia. We are actively quoting on multiple requests for proposals for mining equipment and product support in hard rock mining.

In the oil sands, our customers are focused on improving production efficiency, reducing costs, and lowering emissions. We expect a continued incremental increase in oil sands production to be driven by debottlenecking, improved bitumen recovery, and enhanced mine productivity. Sustained strong oil prices, increased production profiles, and an aging equipment population are expected to support stable product support activity in the oil sands. Oil sands customers remain disciplined on capital expenditures, which is expected to drive increased demand for rebuilds and rental equipment. We have recently seen a strong uptick in rebuild quotation activity in the oil sands.

The large and aging mining equipment population in Western Canada is expected to drive opportunities for future fleet renewals, rebuilds, and autonomy conversions, as well as continued demand for product support. We are well positioned to help our mining customers reduce cost per ton and improve operating efficiencies with Caterpillar’s Autonomous Haulage System and the technology solutions we provide through our Integrated Knowledge Centre. We expect about 10% of the Caterpillar ultra-class and large mining truck population in Western Canada to be autonomous by the end of 2021.

The federal and provincial governments’ fiscal stimulus programs are expected to have a positive impact on construction activity. Significant private sector investment in LNG and power projects is expected to continue to drive demand for equipment, product support, heavy rentals, and prime and standby electric power generation. We are seeing an increase in construction order intake and improved utilization of construction and heavy rental equipment.

We continue to drive our strategy to capture product support market share in construction by leveraging our digital platform, CUBIQ, and offering compelling customer value propositions, including a broader scope of Customer Value Agreements and flexible options for construction rebuilds.

South America Operations

We continue to monitor the political and economic reform process in Chile leading to the general elections in November 2021 and the review of the mining royalty proposal. We remain constructive about copper mining growth in Chile, and our outlook assumes a moderate increase in mining royalties. While we believe that Chile will remain a competitive copper producer globally, we recognize that current political and economic uncertainty will continue to impact our customers’ investment decisions, particularly as they relate to further greenfield and expansion projects, until the situation resolves. In the near term, we expect mining customers to resume major maintenance work as COVID-19 restrictions are gradually lifted. As the existing mines ramp up production to take advantage of the current strong copper price, we expect mining product support revenue to continue recovering in the second half of 2021.

We are seeing an increase in construction activity and order intake in Chile. Our outlook for the Chilean construction industry remains strong, driven by improved demand for mining infrastructure and the government’s investment in public works.

In Argentina, we expect improved activity in construction and oil and gas, and stable activity in gold mining to continue in the near term. Given the fiscal and currency challenges, the overall business environment in Argentina remains difficult, and we are actively managing key risks, including **ARS** devaluation.

UK & Ireland Operations

The outlook for general construction equipment markets in the UK has strengthened, driven by optimism about economic recovery and a ramp-up of HS2 construction activity. We started to deliver machines to HS2 customers in Q2 2021, and our backlog at June 30, 2021 includes £54 million of equipment orders related to HS2. We are well-positioned to capture a large share of opportunities for the remainder of HS2 Phase 1 and have started to quote for 2022 HS2 orders. Recent commentary from the UK government on Phase 2 is encouraging and would provide additional upside to longer-term construction activity levels in the UK.

Strong demand for our power systems solutions, particularly in the data centre market, is expected to continue. Over the next 5 years, cloud data centre capacity is projected to grow at a significant rate in the UK and Irish markets. With our growing market share and a solid track record of project execution, we are well positioned to capture opportunities related to this growth. We have a strong backlog of power systems projects, with deliveries planned for the second half of 2021 and in 2022.

Driving Improved Earnings Capacity

Our positive outlook for the remainder of 2021 is underpinned by our growing backlog and the market recovery gaining momentum in all of our regions. We continue to expect our 2021 net revenue to remain below 2019 levels.

We continue to actively manage supply chain constraints by taking appropriate mitigation steps in collaboration with Caterpillar and our customers. While the lead times for some products have extended due to strong demand recovery, we do not expect the present supply chain challenges to materially impact large project deliveries in our backlog. We have improved our supply chain capabilities, including visibility and planning with Caterpillar. We are actively sourcing used equipment and offering equipment rebuilds and rental purchase options to meet customers' needs in a tight supply environment.

Our goal is to proactively manage our business through the cycle to grow and compound our earnings at each successive mid-cycle point. As we look forward, we expect the next twelve months to approximate a mid-cycle market. From Q3 2021 to Q2 2022, we expect our net revenue to be in the range of \$7.1 billion to \$7.5 billion, driven in part by about 8% growth in product support revenue. Over this period, we expect to achieve our target of SG&A as a percent of net revenue of 17%, deliver annual EPS above \$2.00 per share, and demonstrate significant improvement in consolidated ROIC to more than 15%.

We expect to deliver strong annual free cash flow in 2021. However, the amount will depend on our backlog build and delivery schedule, and may impact our 2021 EBITDA to free cash flow conversion ⁽¹⁾, which we had previously projected to be modestly below 50% for the year. We are making strategic capital investments in our Canadian facilities network and our digital capabilities and expect our net capital expenditures and net rental fleet additions to be in the \$170 million to \$210 million range in 2021.

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

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

| (\$ millions) | 3 months ended June 30 | | | 6 months ended June 30 | | |
|----------------------|---------------------------|----------|------------|---------------------------|----------|------------|
| | 2021 | 2020 | (Decrease) | 2021 | 2020 | (Decrease) |
| | | | Increase | | | Increase |
| Operating activities | \$ 8 | \$ 319 | \$ (311) | \$ 20 | \$ 305 | \$ (285) |
| Investing activities | \$ (12) | \$ (7) | \$ (5) | \$ (44) | \$ (43) | \$ (1) |
| Financing activities | \$ (74) | \$ (211) | \$ 137 | \$ (118) | \$ (212) | \$ 94 |
| Free cash flow | \$ (4) | \$ 312 | \$ (316) | \$ (24) | \$ 262 | \$ (286) |

The most significant contributors to the changes in cash flows for 2021 over 2020 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; partially offset by higher collections driven by increased earnings in all of our operations | <ul style="list-style-type: none"> higher inventory purchases to support increased demand; partially offset by higher collections driven by increased earnings in all of our operations |
| Investing activities | <ul style="list-style-type: none"> cash used in investing activities comparable year over year | <ul style="list-style-type: none"> cash used in investing activities comparable year over year |
| Financing activities | <ul style="list-style-type: none"> \$14 million cash provided by short-term borrowings in Q2 2021 compared to \$155 million repayment of short-term borrowings in Q2 2020; \$34 million use of cash to repurchase common shares in Q2 2021 (none in Q2 2020) | <ul style="list-style-type: none"> \$25 million cash provided by short-term borrowings in 2021 compared to \$77 million repayment of short-term borrowings in 2020; \$34 million use of cash to purchase common shares in 2021 compared to \$23 million used to purchase common shares in 2020 |
| Free cash flow | <ul style="list-style-type: none"> use of cash in Q2 2021 compared with cash generated from operating activities in the prior year for the reasons outlined above | <ul style="list-style-type: none"> use of cash in 2021 compared with 2020 cash generation from operating activities for the reasons outlined above |

Capital resources and management

Our cash and cash equivalents balance at June 30, 2021 was \$378 million (December 31, 2020: \$539 million). At June 30, 2021, 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 \$1.2 billion was available at June 30, 2021. We are subject to certain covenants under our committed revolving credit facilities and were in compliance with these covenants as at June 30, 2021.

We continue to evaluate the impact of COVID-19 on our business and adapt and adjust daily to changes, as needed. We continuously monitor actual and forecasted cash flows, manage the maturity profiles of our financial liabilities and maintain committed and uncommitted credit facilities. In March 2021, we cancelled the \$500 million committed revolving credit facility that we secured in April 2020 because we are comfortable with our liquidity position utilizing our existing committed credit facility. 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, 2021 | Dec 31, 2020 | Jun 30, 2021 | Dec 31, 2020 |
| DBRS | BBB (high) | BBB (high) | R-2 (high) | R-2 (high) |
| S&P | BBB+ | BBB+ | n/a | n/a |

In April 2021, S&P affirmed our BBB+ rating, and revised our outlook from negative to stable, citing strong free cash flow generation and the resiliency of our business model.

In August 2020, DBRS reconfirmed Finning's BBB (high) long-term rating and R-2 (high) commercial paper rating both with stable trends.

During the three months ended June 30, 2021, we resumed our share repurchase program and repurchased 1,079,836 common shares for cancellation for \$34 million (at an average cost of \$31.46 per share) through an **NCIB** ⁽²⁾. No common shares were repurchased in Q1 2021. In the first three months ended March 31, 2020, 1,215,617 common shares were repurchased for cancellation at an average cost of \$19.25 per share. No common shares were repurchased in Q2 2020.

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 ⁽³⁾ and Adjusted EBITDA held constant.

Net debt to Adjusted EBITDA at June 30, 2021 and December 31, 2020 of 1.4 times was the lowest since Q4 2014.

| | Finning long-term target | Jun 30, 2021 | Dec 31, 2020 |
|---|--------------------------|--------------|--------------|
| Net debt to Adjusted EBITDA ratio (times) | < 3.0 | 1.4 | 1.4 |

⁽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.

⁽³⁾ These are "non-GAAP financial measures". See "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

Accounting Policies and Pronouncements

New Accounting Pronouncements

The adoption of recent amendments to IFRS had no impact on our financial position. For more details on recent amendments to IFRS adopted effective January 1, 2021 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 in order to 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. This review is reported to the Board quarterly. The Board reviews, in detail, all material risks 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. Key financial risks are disclosed in the annual MD&A and other key business risks are disclosed in the 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 | | |
|-----------------|---------------|--------|--------|-------------|--------|---------------|-------------------------------------|--------|---------------|-------------------------------------|--------|--|
| | 2021 | 2020 | Change | 2020 | Change | 2021 | 2020 | Change | 2021 | 2020 | Change | |
| USD/CAD | 1.2394 | 1.3628 | 9 % | 1.2732 | 3 % | 1.2282 | 1.3853 | 11 % | 1.2470 | 1.3651 | 9 % | |
| GBP/CAD | 1.7126 | 1.6832 | (2)% | 1.7381 | 1 % | 1.7171 | 1.7200 | 0 % | 1.7313 | 1.7192 | (1)% | |
| USD/ CLP | 735.28 | 816.36 | 10 % | 711.24 | (3)% | 715.73 | 822.46 | 13 % | 719.94 | 812.71 | 11 % | |
| USD/ARS | 95.72 | 70.46 | (36)% | 84.15 | (14)% | 94.05 | 67.62 | (39)% | 91.24 | 64.49 | (41)% | |

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

As at July 30, 2021

| | |
|---------------------------|-------------|
| Common shares outstanding | 161,419,029 |
| Options outstanding | 2,105,090 |

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 of the **Audit Committee** for the Audit Committee's approval 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 quarter ended June 30, 2021 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 Non-GAAP Financial Measures and Reconciliations

Non-GAAP Financial Measures

We believe that providing certain 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 non-GAAP financial measures used by management do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for GAAP measures as determined in accordance with IFRS. By considering these measures in combination with the comparable IFRS 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 IFRS financial measures alone.

We use KPIs to consistently measure performance against our priorities across the organization. KPIs, including those that are expressed as ratios, are non-GAAP 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 results provides a better understanding of our financial performance when considered in conjunction with the GAAP results. Financial metrics that have been adjusted to take into account these significant items are referred to as “Adjusted” metrics. Adjusted metrics are non-GAAP financial measures and are intended to provide additional information to readers of the MD&A.

A description of the non-GAAP financial measures used by us in this MD&A is set out below. A quantitative reconciliation from each non-GAAP financial measure to their most directly comparable measure, where available, specified, defined, or determined under GAAP and used in our consolidated financial statements (GAAP measures) can be found on pages 29 - 36 of this MD&A.

Adjusted net income and Adjusted basic EPS

Adjusted net income excludes from net income the after-tax amounts of significant items that are not considered 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.

Adjusted basic EPS is calculated by dividing Adjusted net income by the weighted average number of common shares outstanding during the period.

A reconciliation between net income and basic EPS (the most directly comparable GAAP measure) and Adjusted net income and Adjusted basic EPS can be found on pages 5 and 11 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 are not considered 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 measure to EBITDA is EBIT.

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

| 3 months ended (\$ millions) | 2021 | | 2020 | | | | 2019 | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| EBIT | 137 | 108 | 108 | 138 | 52 | 94 | 97 | 129 | 137 |
| Depreciation and amortization | 78 | 77 | 77 | 77 | 78 | 76 | 73 | 72 | 76 |
| EBITDA | 215 | 185 | 185 | 215 | 130 | 170 | 170 | 201 | 213 |
| EBITDA – last 12 months | 800 | 715 | 700 | 685 | 671 | 754 | 718 | 688 | 629 |
| EBIT | 137 | 108 | 108 | 138 | 52 | 94 | 97 | 129 | 137 |
| Significant items: | | | | | | | | | |
| CEWS support | — | (10) | (14) | (37) | (64) | — | — | — | — |
| Final return on our investment in Energyst | — | (5) | — | — | — | — | — | — | — |
| Severance costs | — | — | — | — | 42 | — | — | 2 | — |
| Facility closures, restructuring costs, and impairment losses | — | — | — | — | 9 | — | — | 1 | — |
| Adjusted EBIT | 137 | 93 | 94 | 101 | 39 | 94 | 97 | 132 | 137 |
| Depreciation and amortization | 78 | 77 | 77 | 77 | 78 | 76 | 73 | 72 | 76 |
| Adjusted EBITDA | 215 | 170 | 171 | 178 | 117 | 170 | 170 | 204 | 213 |
| Adjusted EBIT – last 12 months | 425 | 327 | 328 | 331 | 362 | 460 | 457 | 451 | 442 |
| Adjusted EBITDA – last 12 months | 734 | 636 | 636 | 635 | 661 | 757 | 750 | 720 | 688 |

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

| 3 months ended (\$ millions) | 2021 | | 2020 | | | | 2019 | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| EBIT | 82 | 69 | 72 | 93 | 63 | 60 | 72 | 82 | 92 |
| Significant items: | | | | | | | | | |
| CEWS support | — | (10) | (13) | (35) | (60) | — | — | — | — |
| Severance costs | — | — | — | — | 20 | — | — | — | — |
| Facility closures, restructuring costs, and impairment losses | — | — | — | — | 5 | — | — | — | — |
| Adjusted EBIT | 82 | 59 | 59 | 58 | 28 | 60 | 72 | 82 | 92 |
| Depreciation and amortization | 47 | 46 | 47 | 48 | 47 | 43 | 42 | 43 | 46 |
| Adjusted EBITDA | 129 | 105 | 106 | 106 | 75 | 103 | 114 | 125 | 138 |
| Adjusted EBIT – last 12 months | 258 | 204 | 205 | 218 | 242 | 306 | 313 | 312 | 308 |

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

| 3 months ended (\$ millions) | 2021 | | 2020 | | | | 2019 | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| EBIT | 51 | 41 | 41 | 40 | 2 | 38 | 31 | 42 | 41 |
| Significant items: | | | | | | | | | |
| Severance costs | — | — | — | — | 17 | — | — | 2 | — |
| Facility closures, restructuring costs, and impairment losses | — | — | — | — | 4 | — | — | 1 | — |
| Adjusted EBIT | 51 | 41 | 41 | 40 | 23 | 38 | 31 | 45 | 41 |
| Depreciation and amortization | 20 | 20 | 20 | 19 | 22 | 22 | 20 | 20 | 21 |
| Adjusted EBITDA | 71 | 61 | 61 | 59 | 45 | 60 | 51 | 65 | 62 |
| Adjusted EBIT – last 12 months | 173 | 145 | 142 | 132 | 137 | 155 | 131 | 112 | 104 |

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

| 3 months ended (\$ millions) | 2021 | | 2020 | | | | 2019 | | |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| EBIT | 17 | 7 | 11 | 9 | (5) | 1 | 5 | 14 | 14 |
| Significant item: | | | | | | | | | |
| Severance costs | — | — | — | — | 4 | — | — | — | — |
| Adjusted EBIT | 17 | 7 | 11 | 9 | (1) | 1 | 5 | 14 | 14 |
| Depreciation and amortization | 10 | 10 | 9 | 9 | 9 | 10 | 10 | 8 | 9 |
| Adjusted EBITDA | 27 | 17 | 20 | 18 | 8 | 11 | 15 | 22 | 23 |
| Adjusted EBIT – last 12 months | 44 | 26 | 20 | 14 | 19 | 34 | 46 | 53 | 54 |

EBITDA to Free Cash Flow Conversion

EBITDA to free cash flow conversion is calculated as free cash flow (defined and calculated below) divided by EBITDA (defined and calculated on pages 28 - 29). We use EBITDA to free cash flow conversion to assess our efficiency in turning EBITDA into cash.

Equipment Backlog and Order Intake

Our global equipment backlog is defined as the retail value of new equipment units ordered by customers for future deliveries. Order intake represents committed new equipment orders. We use equipment backlog and order intake as measures of projecting future new equipment deliveries. There are no directly comparable IFRS measures for equipment backlog and order intake.

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 Interim Financial Statements. We use free cash flow to assess cash operating performance and the ability to raise and service debt. A reconciliation of free cash flow is as follows:

| 3 months ended (\$ millions) | 2021 | | 2020 | | | | 2019 | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| Cash flow provided by (used in) operating activities | 8 | 12 | 317 | 340 | 319 | (14) | 438 | 204 | (127) |
| Additions to property, plant, and equipment and intangible assets | (17) | (33) | (34) | (26) | (17) | (38) | (54) | (40) | (37) |
| Proceeds on disposal of property, plant, and equipment | 5 | 1 | 9 | 2 | 10 | 2 | 2 | 1 | 2 |
| Free cash flow | (4) | (20) | 292 | 316 | 312 | (50) | 386 | 165 | (162) |

Inventory Turns (Dealership)

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

| (\$ millions, except as noted) | 2021 | | 2020 | | | | 2019 | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| Cost of sales (3 months ended) | 1,396 | 1,189 | 1,248 | 1,163 | 1,075 | 1,140 | 1,483 | 1,500 | 1,655 |
| Cost of sales related to mobile refueling operations (3 months ended) | (153) | (140) | (129) | (124) | (95) | (133) | (168) | (156) | (156) |
| Cost of sales related to the dealership (3 months ended) | 1,243 | 1,049 | 1,119 | 1,039 | 980 | 1,007 | 1,315 | 1,344 | 1,499 |
| Inventory | 1,643 | 1,593 | 1,477 | 1,626 | 1,893 | 2,152 | 1,990 | 2,215 | 2,366 |
| Fuel inventory | (3) | (3) | (3) | (2) | (2) | (3) | (3) | (3) | (3) |
| Inventory related to the dealership | 1,640 | 1,590 | 1,474 | 1,624 | 1,891 | 2,149 | 1,987 | 2,212 | 2,363 |
| Cost of sales related to the dealership – annualized | 4,583 | 4,336 | 4,319 | 4,039 | 3,973 | 4,644 | 5,317 | 5,686 | 5,559 |
| Inventory related to the dealership – 2 quarter average | 1,615 | 1,532 | 1,549 | 1,757 | 2,020 | 2,068 | 2,099 | 2,287 | 2,359 |
| Inventory turns (dealership) (number of times) | 2.84 | 2.83 | 2.79 | 2.30 | 1.97 | 2.25 | 2.53 | 2.49 | 2.36 |

Invested Capital

Invested capital is calculated as net debt plus shareholders' 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 in each reportable segment. We use invested capital in a number of different measurements in assessing financial performance against other companies and between reportable segments. Invested capital is calculated as follows:

| (\$ millions, except as noted) | 2021 | | 2020 | | | | 2019 | | |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| Cash and cash equivalents | (378) | (469) | (539) | (453) | (338) | (260) | (268) | (252) | (160) |
| Short-term debt | 114 | 103 | 92 | 217 | 158 | 329 | 226 | 532 | 751 |
| Current portion of long-term debt | 386 | 326 | 201 | 200 | 200 | 200 | 200 | 200 | — |
| Non-current portion of long-term debt | 903 | 973 | 1,107 | 1,136 | 1,348 | 1,381 | 1,318 | 1,325 | 1,321 |
| Net debt | 1,025 | 933 | 861 | 1,100 | 1,368 | 1,650 | 1,476 | 1,805 | 1,912 |
| Shareholders' equity | 2,252 | 2,244 | 2,206 | 2,184 | 2,127 | 2,233 | 2,115 | 2,102 | 2,052 |
| Invested capital | 3,277 | 3,177 | 3,067 | 3,284 | 3,495 | 3,883 | 3,591 | 3,907 | 3,964 |

Invested Capital Turnover

We use invested capital turnover to measure the efficiency of our invested capital and is calculated as net revenue (defined and calculated on page 34) for the last twelve months divided by invested capital (defined and calculated on page 32) based on an average of the last four quarters, as follows:

| (\$ millions, except as noted) | 2021 | | 2020 | | | | 2019 | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| Consolidated | | | | | | | | | |
| Net revenue – last 12 months | 6,168 | 5,798 | 5,768 | 5,974 | 6,350 | 7,010 | 7,290 | 7,375 | 7,311 |
| Invested capital – 4 quarter average | 3,201 | 3,256 | 3,432 | 3,563 | 3,719 | 3,836 | 3,804 | 3,697 | 3,578 |
| Invested capital turnover (number of times) | 1.93 | 1.78 | 1.68 | 1.68 | 1.71 | 1.83 | 1.92 | 1.99 | 2.04 |
| Canada | | | | | | | | | |
| Net revenue – last 12 months | 3,151 | 2,977 | 2,959 | 3,156 | 3,406 | 3,775 | 3,927 | 3,964 | 3,896 |
| Invested capital – 4 quarter average | 1,858 | 1,902 | 1,967 | 2,019 | 2,091 | 2,153 | 2,167 | 2,079 | 1,999 |
| Invested capital turnover (number of times) | 1.70 | 1.56 | 1.50 | 1.56 | 1.63 | 1.75 | 1.81 | 1.91 | 1.95 |
| South America | | | | | | | | | |
| Net revenue – last 12 months | 1,969 | 1,926 | 1,922 | 1,944 | 2,042 | 2,199 | 2,226 | 2,217 | 2,198 |
| Invested capital – 4 quarter average | 1,001 | 1,014 | 1,100 | 1,166 | 1,226 | 1,271 | 1,250 | 1,249 | 1,223 |
| Invested capital turnover (number of times) | 1.97 | 1.90 | 1.75 | 1.67 | 1.67 | 1.73 | 1.78 | 1.77 | 1.80 |
| UK & Ireland | | | | | | | | | |
| Net revenue – last 12 months | 1,048 | 895 | 887 | 874 | 902 | 1,036 | 1,137 | 1,194 | 1,217 |
| Invested capital – 4 quarter average | 340 | 337 | 357 | 365 | 389 | 399 | 382 | 376 | 373 |
| Invested capital turnover (number of times) | 3.09 | 2.66 | 2.49 | 2.39 | 2.32 | 2.60 | 2.98 | 3.18 | 3.27 |

Net Debt to EBITDA Ratio and Net Debt to Adjusted EBITDA Ratio

These ratios are calculated, respectively, as net debt (defined and calculated on page 32) divided by EBITDA, and net debt divided by Adjusted EBITDA, for the last twelve months. We use these ratios to assess operating leverage and ability to repay debt. These ratios approximate the length of time, in years, that it would take us to repay debt, with net debt and EBITDA or Adjusted EBITDA held constant. These ratios are calculated as follows:

| (\$ millions, except as noted) | 2021 | | 2020 | | | | 2019 | | |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| Net debt | 1,025 | 933 | 861 | 1,100 | 1,368 | 1,650 | 1,476 | 1,805 | 1,912 |
| EBITDA – last 12 months | 800 | 715 | 700 | 685 | 671 | 754 | 718 | 688 | 629 |
| Adjusted EBITDA – last 12 months | 734 | 636 | 636 | 635 | 661 | 757 | 750 | 720 | 688 |
| Net debt to EBITDA ratio | 1.3 | 1.3 | 1.2 | 1.6 | 2.0 | 2.2 | 2.1 | 2.6 | 3.0 |
| Net debt to Adjusted EBITDA ratio | 1.4 | 1.5 | 1.4 | 1.7 | 2.1 | 2.2 | 2.0 | 2.5 | 2.8 |

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 refueling operations in our Canadian operations. As these fuel costs are pass-through in nature for this business, we view net revenue as more representative 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 measures, including KPIs and ratios, to assess and evaluate the financial performance or profitability of our reportable segments. We may also calculate these financial measures using an Adjusted EBITDA and Adjusted EBIT to exclude significant items that are not considered 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 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 and these ratios are calculated as follows:

| 3 months ended (\$ millions, except as noted) | 2021 | | 2020 | | | | 2019 | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| Total revenue | 1,845 | 1,596 | 1,666 | 1,553 | 1,419 | 1,558 | 1,911 | 1,959 | 2,137 |
| Cost of fuel | (140) | (127) | (115) | (110) | (84) | (119) | (154) | (140) | (142) |
| Net revenue | 1,705 | 1,469 | 1,551 | 1,443 | 1,335 | 1,439 | 1,757 | 1,819 | 1,995 |
| Gross profit | 449 | 407 | 418 | 390 | 344 | 418 | 428 | 459 | 482 |
| Gross profit as a % of net revenue | 26.3% | 27.7% | 26.9% | 27.0% | 25.7% | 29.1% | 24.3% | 25.3% | 24.1% |
| SG&A | 313 | 314 | 324 | 290 | 306 | 325 | 334 | 333 | 350 |
| SG&A as a % of net revenue | 18.3% | 21.4% | 20.9% | 20.1% | 22.9% | 22.6% | 19.0% | 18.3% | 17.5% |
| EBITDA | 215 | 185 | 185 | 215 | 130 | 170 | 170 | 201 | 213 |
| EBITDA as a % of net revenue | 12.6% | 12.6% | 11.9% | 14.9% | 9.7% | 11.8% | 9.7% | 11.1% | 10.7% |
| Adjusted EBITDA | 215 | 170 | 171 | 178 | 117 | 170 | 170 | 204 | 213 |
| Adjusted EBITDA as a % of net revenue | 12.6% | 11.6% | 11.0% | 12.3% | 8.8% | 11.8% | 9.7% | 11.2% | 10.7% |
| EBIT | 137 | 108 | 108 | 138 | 52 | 94 | 97 | 129 | 137 |
| EBIT as a % of net revenue | 8.0% | 7.4% | 6.9% | 9.6% | 3.9% | 6.6% | 5.5% | 7.1% | 6.9% |
| Adjusted EBIT | 137 | 93 | 94 | 101 | 39 | 94 | 97 | 132 | 137 |
| Adjusted EBIT as a % of net revenue | 8.0% | 6.3% | 6.1% | 7.0% | 2.9% | 6.6% | 5.5% | 7.3% | 6.9% |

ROIC and Adjusted ROIC

ROIC is defined as EBIT for the last twelve months divided by invested capital (calculated on page 32) based on an average of the last four quarters, expressed as a percentage.

We view ROIC as a useful measure for supporting investment and resource allocation decisions, as it adjusts for certain items that may affect comparability between certain competitors and segments. We also calculate an Adjusted ROIC using Adjusted EBIT to exclude significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance.

ROIC and Adjusted ROIC are calculated as follows:

| (\$ millions, except as noted) | 2021 | | 2020 | | | | 2019 | | |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| Consolidated | | | | | | | | | |
| EBIT – last 12 months | 491 | 406 | 392 | 381 | 372 | 457 | 425 | 419 | 383 |
| Adjusted EBIT – last 12 months | 425 | 327 | 328 | 331 | 362 | 460 | 457 | 451 | 442 |
| Invested capital – 4 quarter average | 3,201 | 3,256 | 3,432 | 3,563 | 3,719 | 3,836 | 3,804 | 3,697 | 3,578 |
| ROIC | 15.3% | 12.5% | 11.4% | 10.7% | 10.0% | 11.9% | 11.2% | 11.3% | 10.7% |
| Adjusted ROIC | 13.3% | 10.0% | 9.6% | 9.3% | 9.7% | 12.0% | 12.0% | 12.2% | 12.3% |
| Canada | | | | | | | | | |
| EBIT – last 12 months | 316 | 297 | 288 | 288 | 277 | 306 | 296 | 295 | 291 |
| Adjusted EBIT – last 12 months | 258 | 204 | 205 | 218 | 242 | 306 | 313 | 312 | 308 |
| Invested capital – 4 quarter average | 1,858 | 1,902 | 1,967 | 2,019 | 2,091 | 2,153 | 2,167 | 2,079 | 1,999 |
| ROIC | 17.0% | 15.6% | 14.6% | 14.3% | 13.3% | 14.2% | 13.7% | 14.2% | 14.5% |
| Adjusted ROIC | 14.0% | 10.8% | 10.5% | 10.8% | 11.6% | 14.2% | 14.4% | 15.0% | 15.4% |
| South America | | | | | | | | | |
| EBIT – last 12 months | 173 | 124 | 121 | 111 | 113 | 152 | 120 | 101 | 96 |
| Adjusted EBIT – last 12 months | 173 | 145 | 142 | 132 | 137 | 155 | 131 | 112 | 104 |
| Invested capital – 4 quarter average | 1,001 | 1,014 | 1,100 | 1,166 | 1,226 | 1,271 | 1,250 | 1,249 | 1,223 |
| ROIC | 17.2% | 12.3% | 11.0% | 9.5% | 9.3% | 11.9% | 9.6% | 8.1% | 7.9% |
| Adjusted ROIC | 17.2% | 14.4% | 12.9% | 11.3% | 11.2% | 12.2% | 10.5% | 9.0% | 8.5% |
| UK & Ireland | | | | | | | | | |
| EBIT – last 12 months | 44 | 22 | 16 | 10 | 15 | 34 | 46 | 53 | 54 |
| Adjusted EBIT – last 12 months | 44 | 26 | 20 | 14 | 19 | 34 | 46 | 53 | 54 |
| Invested capital – 4 quarter average | 340 | 337 | 357 | 365 | 389 | 399 | 382 | 376 | 373 |
| ROIC | 12.9% | 6.5% | 4.5% | 2.9% | 3.7% | 8.4% | 12.1% | 14.1% | 14.5% |
| Adjusted ROIC | 12.9% | 7.6% | 5.5% | 3.9% | 4.6% | 8.4% | 12.1% | 14.1% | 14.5% |

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 working capital, based on an average 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.

The working capital to net revenue ratio is calculated as follows:

| (\$ millions, except as noted) | 2021 | | 2020 | | | | 2019 | | |
|---|--------------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| Total current assets | 3,416 | 3,319 | 3,214 | 3,261 | 3,416 | 3,828 | 3,659 | 3,959 | 4,217 |
| Cash and cash equivalents | (378) | (469) | (539) | (453) | (338) | (260) | (268) | (252) | (160) |
| Total current assets in working capital ⁽¹⁾ | 3,038 | 2,850 | 2,675 | 2,808 | 3,078 | 3,568 | 3,391 | 3,707 | 4,057 |
| Total current liabilities | 1,942 | 1,817 | 1,623 | 1,717 | 1,735 | 2,112 | 2,026 | 2,331 | 2,584 |
| Short-term debt | (114) | (103) | (92) | (217) | (158) | (329) | (226) | (532) | (751) |
| Current portion of long-term debt | (386) | (326) | (201) | (200) | (200) | (200) | (200) | (200) | — |
| Total current liabilities in working capital ⁽²⁾ | 1,442 | 1,388 | 1,330 | 1,300 | 1,377 | 1,583 | 1,600 | 1,599 | 1,833 |
| Working capital | 1,596 | 1,462 | 1,345 | 1,508 | 1,701 | 1,985 | 1,791 | 2,108 | 2,224 |
| Working capital – 4 quarter average | 1,478 | 1,504 | 1,635 | 1,746 | 1,896 | 2,026 | 2,026 | 1,986 | 1,950 |
| Net revenue – last 12 months | 6,168 | 5,798 | 5,768 | 5,974 | 6,350 | 7,010 | 7,290 | 7,375 | 7,311 |
| Working capital to net revenue | 24.0% | 25.9% | 28.3% | 29.2% | 29.9% | 28.9% | 27.8% | 26.9% | 26.7% |

(1) Excluding cash and cash equivalents.

(2) Excluding short-term debt and current portion of long-term debt.

Selected Quarterly Information

| (\$ millions, except for share, per share, and option amounts) | 2021 | | 2020 | | | | 2019 | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Revenue | | | | | | | | |
| Canada | \$ 1,019 | \$ 900 | \$ 886 | \$ 838 | \$ 789 | \$ 874 | \$ 1,122 | \$ 1,118 |
| South America | 512 | 482 | 496 | 479 | 469 | 478 | 518 | 577 |
| UK & Ireland | 314 | 214 | 284 | 236 | 161 | 206 | 271 | 264 |
| Total revenue | \$ 1,845 | \$ 1,596 | \$ 1,666 | \$ 1,553 | \$ 1,419 | \$ 1,558 | \$ 1,911 | \$ 1,959 |
| Net income ⁽¹⁾ | \$ 91 | \$ 70 | \$ 72 | \$ 88 | \$ 18 | \$ 54 | \$ 50 | \$ 76 |
| Earnings per share ⁽¹⁾ | | | | | | | | |
| Basic EPS | \$ 0.56 | \$ 0.43 | \$ 0.45 | \$ 0.54 | \$ 0.12 | \$ 0.33 | \$ 0.31 | \$ 0.46 |
| Diluted EPS | \$ 0.56 | \$ 0.43 | \$ 0.44 | \$ 0.54 | \$ 0.12 | \$ 0.33 | \$ 0.31 | \$ 0.46 |
| Total assets | \$ 5,615 | \$ 5,524 | \$ 5,458 | \$ 5,535 | \$ 5,716 | \$ 6,255 | \$ 5,990 | \$ 6,253 |
| Long-term debt | | | | | | | | |
| Current | \$ 386 | \$ 326 | \$ 201 | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 200 |
| Non-current | 903 | 973 | 1,107 | 1,136 | 1,348 | 1,381 | 1,318 | 1,325 |
| Total long-term debt ⁽²⁾ | \$ 1,289 | \$ 1,299 | \$ 1,308 | \$ 1,336 | \$ 1,548 | \$ 1,581 | \$ 1,518 | \$ 1,525 |
| Cash dividends paid per common share | 20.5¢ | 20.5¢ | 20.5¢ | 20.5¢ | 20.5¢ | 20.5¢ | 20.5¢ | 20.5¢ |
| Common shares outstanding (000's) | 161,419 | 162,391 | 162,107 | 162,104 | 162,104 | 162,104 | 163,319 | 163,310 |
| Options outstanding (000's) | 2,105 | 2,116 | 3,683 | 3,760 | 3,758 | 3,353 | 3,416 | 3,547 |

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

| (\$ millions except per share amounts) | 2021 ^(a) | | 2020 ^(a) | | | 2019 ^(a) |
|--|---------------------|-----------|---------------------|-----------|---------|---------------------|
| | Q1 | Q4 | Q3 | Q2 | Q3 | |
| CEWS support | \$ (10) | \$ (14) | \$ (37) | \$ (64) | \$ — | |
| Final return on our investment in Energyst | (5) | — | — | — | — | |
| Severance costs | — | — | — | 42 | 2 | |
| Facility closures, restructuring costs, and impairment losses | — | — | — | 9 | 1 | |
| Impact of significant items on EBIT | \$ (15) | \$ (14) | \$ (37) | \$ (13) | \$ 3 | |
| Significant items impacting EBIT - impact on basic EPS ^(b) | \$ (0.08) | \$ (0.07) | \$ (0.17) | \$ (0.06) | \$ 0.01 | |
| Significant items impacting net income only - impact on basic EPS ^(b) : | | | | | | |
| Tax impact of devaluation of ARS ^(c) | — | — | — | — | 0.02 | |
| Impact of significant items on basic EPS ^(b) : | \$ (0.08) | \$ (0.07) | \$ (0.17) | \$ (0.06) | \$ 0.03 | |

(a) There were no significant items impacting EBIT or basic EPS in Q2 2021, Q1 2020, and Q4 2019.

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

(c) Tax impact of devaluation of ARS Q3 2019 (\$4 million).

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

In April 2020, we secured an additional \$500 million committed revolving credit facility, which provided further financial flexibility and liquidity. This facility had a term of two years, could be used for general corporate purposes, and had substantially the same terms and conditions of the existing \$1.3 billion committed revolving credit facility. In March 2021, we cancelled this facility.

In December 2019, we amended the credit facility which was set to fully mature in December 2023 by, among other things, extending the maturity date to December 2024.

In August 2019, we issued \$200 million of 2.626% senior unsecured notes due August 14, 2026. Proceeds of the issuance were used to reduce outstanding short-term debt under our committed revolving credit facility.

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. In particular, the discussion under the heading “Market Update and Business Outlook” on pages 22-23 of this MD&A is forward-looking information and is subject to this disclaimer including the assumptions and material risk factors. Forward-looking information in this report also includes, but is not limited to, the following: our belief that we are positioned well for an economic recovery; expected results from the execution of our strategic framework, including our global strategic priorities, strategic pillars, and strategic focus areas; our belief that our capital market investments and allocation of resources are focused on initiatives that best align with our global strategic priorities and strategic areas of focus; our expectation that our resilient business model, improving execution, financial flexibility, and cost and capital discipline will serve us well as markets recover and position us for opportunities that lie ahead; that our effective tax rate will generally be within the 25-30% range on an annual basis; the plan to wind-up Energyst; the expected timing of the Energyst purchase price allocation; that we continue to have sufficient liquidity to meet operational needs; our expectations about the impact of the COVID-19 pandemic on our operations; about our plans to manage the risks and uncertainties associated with the spread of COVID-19; expected increased mining activity in Western Canada (assumes continued strength in copper, other base metals, and precious metals); an expected continued incremental increase in oil sands production (assumes debottlenecking, improved bitumen recovery and enhanced mine productivity) and stable product support activity in the oil sands (assumes sustained strong oil prices and increased production profiles); increased demand for rebuilds and rental equipment in the oil sands (assumes oil sands customers will continue their discipline on capital expenditures); opportunities for future fleet renewals, rebuilds, and autonomy conversions and continued demand for product support in the Western Canada market; the expectation that about 10% of the Caterpillar ultra-class and large mining truck population in Western Canada will be autonomous by the end of 2021; the expected positive impact from federal and provincial fiscal stimulus programs; our constructive outlook for copper mining growth in Chile (assuming a moderate increase in mining royalties); our belief that Chile will remain a competitive copper producer globally; the continued impact of political and economic uncertainty in Chile on our customers’ investment decisions; our expectation that mining customers will resume major maintenance work as COVID-19 restrictions are gradually lifted; our expectation that product support revenue will continue recovering in the second half of 2021; our outlook for the Chilean construction industry, driven by improved demand for mining infrastructure and the government’s investment in public works; our expectation that improved activity in construction and oil and gas, and stable activity in gold mining will continue in the near term in Argentina and our view that the overall business environment in Argentina remains difficult; the strengthened outlook for the UK and Irish general construction equipment market (assumes economic recovery and a ramp-up of HS2 construction activity) and that we are well-positioned to capture a large share of opportunities for the remainder of HS2 Phase 1; expected continued strong demand for our power systems solutions (assumes significant growth in cloud data centre capacity in the UK & Ireland markets over the next 5 years) and our ability to capture opportunities related to that growth; our positive outlook for the remainder of 2021 (assumes market recovery will continue to gain momentum in all our regions); our expectation that 2021 net revenue will remain below 2019 levels, that present supply chain challenges will not materially impact large project deliveries in our backlog (assumes our active management of supply chain constraints and related mitigating steps will be effective); our expectation that the next twelve months will approximate a mid-cycle market; our expectation that from Q3 2021 to Q2 2022 we will deliver net revenue in the range of \$7.1 billion to \$7.5 billion (assumes we can deliver 8% growth in product support revenue), achieve our target SG&A as a percent of net revenue of 17%, deliver annual EPS above \$2.00 per share, and demonstrate significant improvement in consolidated ROIC to more than 15%; our expected financial results for 2021, including strong annual free cash flow (actual free cash flow will depend on our backlog build and deliveries and 2021 EBITDA to free cash flow conversion therefore may not meet our previous projection of modestly below 50%); and that our net capital expenditures and net rental fleet additions will be in the \$170 million to \$210 million range.

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 in 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 and economic and market conditions in the regions where we operate; foreign exchange rates; commodity prices; the impact of changes in the UK's trade relationship with the European Union as a result of Brexit; 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 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 growth strategy effectively; our ability to effectively price and manage long-term product support contracts with our customers; our ability to reduce costs in response to slowing activity levels; 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; fluctuations in defined benefit pension plan contributions and related pension expenses; 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; the actual impact of the COVID-19 pandemic; with respect to our normal course issuer bid, 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 management's 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 and low and/or volatile 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 increased maintenance work by mining customers following the lessening of COVID-19 restrictions and protocols will continue; 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 improve; 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 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; that there will be a moderate increase in mining royalties in Chile; and strong recoveries 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.

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 way 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 |
| CJRS | Coronavirus Job Retention Scheme |
| CLP | Chilean Peso |
| Consol | Consolidated |
| COVID-19 | Novel Coronavirus |
| 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 |
| 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 |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| Interim Financial Statements | Interim condensed consolidated financial statements |
| KPI | Key performance indicator |
| LTIP | Long-term incentive plan |
| 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 |
| UK | United Kingdom |
| unfav | Unfavourable |
| US | United States of America |
| USD | US dollar |
| YTD | Year-to-date |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (Canadian \$ millions) | June 30, 2021 | December 31, 2020 |
|---|------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 378 | \$ 539 |
| Accounts receivable | 814 | 730 |
| Unbilled receivables | 249 | 231 |
| Inventory | 1,643 | 1,477 |
| Other assets | 332 | 237 |
| Total current assets | 3,416 | 3,214 |
| Property, plant, and equipment | 856 | 867 |
| Rental equipment | 432 | 430 |
| Intangible assets | 303 | 322 |
| Goodwill | 204 | 205 |
| Distribution network | 100 | 100 |
| Investment in joint ventures and associate | 84 | 85 |
| Other assets | 220 | 235 |
| Total assets | \$ 5,615 | \$ 5,458 |
| LIABILITIES | | |
| Current liabilities | | |
| Short-term debt | \$ 114 | \$ 92 |
| Accounts payable and accruals | 839 | 761 |
| Deferred revenue | 419 | 374 |
| Current portion of long-term debt | 386 | 201 |
| Other liabilities | 184 | 195 |
| Total current liabilities | 1,942 | 1,623 |
| Long-term debt | 903 | 1,107 |
| Long-term lease liabilities | 224 | 216 |
| Net post-employment obligation | 72 | 97 |
| Other liabilities | 222 | 209 |
| Total liabilities | \$ 3,363 | \$ 3,252 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | \$ 573 | \$ 566 |
| Contributed surplus | — | 1 |
| Accumulated other comprehensive income | 192 | 218 |
| Retained earnings | 1,487 | 1,421 |
| Total shareholders' equity | 2,252 | 2,206 |
| Total liabilities and shareholders' equity | \$ 5,615 | \$ 5,458 |

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

| (Canadian \$ millions, except share and per share amounts) | 3 months ended | | 6 months ended | |
|--|----------------|-------------|----------------|-------------|
| | June 30 | | June 30 | |
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | | | | |
| New equipment | \$ 593 | \$ 382 | \$ 996 | \$ 736 |
| Used equipment | 99 | 64 | 202 | 132 |
| Equipment rental | 54 | 41 | 99 | 94 |
| Product support | 927 | 820 | 1,814 | 1,754 |
| Fuel and other | 172 | 112 | 330 | 261 |
| Total revenue | 1,845 | 1,419 | 3,441 | 2,977 |
| Cost of sales | (1,396) | (1,075) | (2,585) | (2,215) |
| Gross profit | 449 | 344 | 856 | 762 |
| Selling, general, and administrative expenses | (313) | (306) | (627) | (631) |
| Equity earnings of joint ventures | 1 | 1 | 1 | 2 |
| Other income (Note 4) | — | 64 | 15 | 64 |
| Other expenses (Note 4) | — | (51) | — | (51) |
| Earnings before finance costs and income taxes | 137 | 52 | 245 | 146 |
| Finance costs (Note 5) | (18) | (24) | (37) | (45) |
| Income before provision for income taxes | 119 | 28 | 208 | 101 |
| Provision for income taxes | (28) | (10) | (47) | (29) |
| Net income | \$ 91 | \$ 18 | \$ 161 | \$ 72 |
| Earnings per share (Note 3) | | | | |
| Basic | \$ 0.56 | \$ 0.12 | \$ 0.99 | \$ 0.45 |
| Diluted | \$ 0.56 | \$ 0.12 | \$ 0.99 | \$ 0.45 |
| Weighted average number of shares outstanding (Note 3) | | | | |
| Basic | 162,213,146 | 162,103,503 | 162,219,319 | 162,477,072 |
| Diluted | 162,748,138 | 162,103,503 | 162,837,469 | 162,478,511 |

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| (Canadian \$ millions) | 3 months ended June 30 | | 6 months ended June 30 | |
|---|---------------------------|---------|---------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income | \$ 91 | \$ 18 | \$ 161 | \$ 72 |
| Other comprehensive income (loss), net of income tax | | | | |
| Items that may be subsequently reclassified to net income: | | | | |
| Foreign currency translation adjustments | (26) | (81) | (47) | 68 |
| Share of foreign currency translation adjustments of joint ventures | — | 1 | — | (1) |
| Gain (loss) on net investment hedges | 10 | 33 | 19 | (30) |
| Impact of foreign currency translation and net investment hedges, net of income tax | (16) | (47) | (28) | 37 |
| (Loss) gain on cash flow hedges | (1) | 1 | (2) | 6 |
| Gain on cash flow hedges, reclassified to net income | — | — | — | (2) |
| Recovery of (provision for) income taxes on cash flow hedges | 1 | (1) | 1 | (1) |
| Impact of cash flow hedges, net of income tax | — | — | (1) | 3 |
| Items that will not be subsequently reclassified to net income: | | | | |
| Actuarial gain (loss) (Note 8) | 9 | (56) | 25 | (11) |
| (Provision for) recovery of income taxes on actuarial gain (loss) | (11) | 12 | (15) | 2 |
| Actuarial (loss) gain, net of income tax | (2) | (44) | 10 | (9) |
| Total comprehensive income (loss) | \$ 73 | \$ (73) | \$ 142 | \$ 103 |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| (Canadian \$ millions, except number of shares) | Share Capital | | | Accumulated Other Comprehensive Income (Loss) | | | | Total Shareholders' Equity |
|---|------------------|--------|---------------------|---|---|----------------------------|-------------------|----------------------------|
| | Number of shares | Amount | Contributed Surplus | Investment Hedges | Impact of Foreign Currency Translation and Net Cash Flow Hedges | Impact of Cash Flow Hedges | Retained Earnings | |
| Balance, January 1, 2020 | 163,319,120 | \$ 570 | \$ 2 | \$ 230 | \$ (2) | \$ 1,315 | \$ 2,115 | |
| Net income | — | — | — | — | — | 72 | 72 | |
| Other comprehensive income (loss) | — | — | — | 37 | 3 | (9) | 31 | |
| Total comprehensive income | — | — | — | 37 | 3 | 63 | 103 | |
| Share option expense | — | — | 1 | — | — | — | 1 | |
| Hedging gain transferred to statement of financial position | — | — | — | — | (2) | — | (2) | |
| Repurchase of common shares | (1,215,617) | (5) | (2) | — | — | (16) | (23) | |
| Dividends on common shares | — | — | — | — | — | (67) | (67) | |
| Balance, June 30, 2020 | 162,103,503 | \$ 565 | \$ 1 | \$ 267 | \$ (1) | \$ 1,295 | \$ 2,127 | |
| Balance, January 1, 2021 | 162,107,484 | \$ 566 | \$ 1 | \$ 221 | \$ (3) | \$ 1,421 | \$ 2,206 | |
| Net income | — | — | — | — | — | 161 | 161 | |
| Other comprehensive (loss) income | — | — | — | (28) | (1) | 10 | (19) | |
| Total comprehensive (loss) income | — | — | — | (28) | (1) | 171 | 142 | |
| Issued on exercise of share options | 391,381 | 11 | (3) | — | — | (8) | — | |
| Share option expense | — | — | 2 | — | — | — | 2 | |
| Hedging loss transferred to statement of financial position | — | — | — | — | 3 | — | 3 | |
| Repurchase of common shares | (1,079,836) | (4) | — | — | — | (30) | (34) | |
| Dividends on common shares | — | — | — | — | — | (67) | (67) | |
| Balance, June 30, 2021 | 161,419,029 | \$ 573 | \$ — | \$ 193 | \$ (1) | \$ 1,487 | \$ 2,252 | |

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

| (Canadian \$ millions) | 3 months ended | | 6 months ended | |
|---|----------------|--------|----------------|--------|
| | June 30 | | June 30 | |
| | 2021 | 2020 | 2021 | 2020 |
| OPERATING ACTIVITIES | | | | |
| Net income | \$ 91 | \$ 18 | \$ 161 | \$ 72 |
| Adjusting for: | | | | |
| Depreciation and amortization | 78 | 78 | 155 | 154 |
| Loss on disposal of property, plant, and equipment | 1 | — | 2 | — |
| Impairment of long-lived assets | — | 8 | — | 9 |
| Final return on investment in Energyst B.V. (Note 10) | — | — | (5) | — |
| Equity earnings of joint ventures | (1) | (1) | (1) | (2) |
| Share-based payment expense (recovery) | 7 | 9 | 21 | (1) |
| Provision for income taxes | 28 | 10 | 47 | 29 |
| Finance costs (Note 5) | 18 | 24 | 37 | 45 |
| Net benefit cost of post-employment benefit plans in selling, general, and administrative expenses (Note 8) | 4 | 3 | 8 | 7 |
| Changes in operating assets and liabilities (Note 9) | (159) | 206 | (302) | 93 |
| Additions to rental fleet | (35) | (19) | (54) | (42) |
| Additions to rental equipment with purchase options | (21) | (35) | (34) | (51) |
| Proceeds on disposal of rental fleet | 16 | 24 | 33 | 42 |
| Proceeds on disposal of rental equipment with purchase options | 3 | 8 | 13 | 10 |
| Interest paid | (16) | (24) | (37) | (47) |
| Income tax (paid) refund | (6) | 10 | (24) | (13) |
| Cash flow provided by operating activities | 8 | 319 | 20 | 305 |
| INVESTING ACTIVITIES | | | | |
| Additions to property, plant, and equipment and intangible assets | (17) | (17) | (50) | (55) |
| Proceeds on disposal of property, plant, and equipment | 5 | 10 | 6 | 12 |
| Consideration for business acquisition, net of cash acquired (Note 10) | — | — | (13) | — |
| Decrease in long-term investment | — | — | 7 | — |
| Return on investment in Energyst B.V. | — | — | 6 | — |
| Cash flow used in investing activities | (12) | (7) | (44) | (43) |
| FINANCING ACTIVITIES | | | | |
| Increase (decrease) in short-term debt (Note 9) | 14 | (155) | 25 | (77) |
| Decrease in lease liabilities (Note 9) | (21) | (22) | (42) | (44) |
| Credit facility fee | — | (1) | — | (1) |
| Repurchase of common shares | (34) | — | (34) | (23) |
| Dividends paid | (33) | (33) | (67) | (67) |
| Cash flow used in financing activities | (74) | (211) | (118) | (212) |
| Effect of currency translation on cash balances | (13) | (23) | (19) | 20 |
| (Decrease) increase in cash and cash equivalents | (91) | 78 | (161) | 70 |
| Cash and cash equivalents, beginning of period | 469 | 260 | 539 | 268 |
| Cash and cash equivalents, end of period (Note 9) | \$ 378 | \$ 338 | \$ 378 | \$ 338 |

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

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

These unaudited interim condensed consolidated financial statements (Interim 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 Statements should be read in conjunction with the December 31, 2020 audited annual consolidated financial statements and the notes to such financial statements.

These Interim Statements are based on the IFRS issued and effective for the current year. The Interim Statements were authorized for issuance by the Company's Board of Directors on August 3, 2021. 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 IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*, collectively named 'Interest Rate Benchmark Reform – Phase 2' (effective January 1, 2021). The amendments provide relief for modifications of financial contracts and leases and the discontinuation of hedge accounting required solely by Interest Rate Benchmark Reform. The amendments include a practical expedient to apply the change in the basis for determining the contractual cash flows prospectively by revising the effective interest rate. A similar practical expedient is also provided for modifications of the cash flows of lease liabilities. In relation to hedge accounting, the amendments introduce an exception to the existing requirements so that changes in the formal designation of a hedge accounting relationship that are needed to reflect the changes required by Interest Rate Benchmark Reform do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship. These amendments did not impact the Company's 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 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. Management is currently assessing the impact of these amendments.
- 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 views net revenue (calculated as total revenue less cost of fuel) as most representative in assessing business performance as the cost of fuel is not in the Company's control and is fully passed through to the customer.

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

| 3 months ended June 30, 2021 | South | | UK & | | | |
|---|-----------------|----------------|-----------------|--------------|-----------------|--|
| (\$ millions) | Canada | America | Ireland | Other | Total | |
| Revenue | | | | | | |
| New equipment | \$ 241 | \$ 141 | \$ 211 | \$ — | \$ 593 | |
| Used equipment | 76 | 11 | 12 | — | 99 | |
| Equipment rental | 34 | 10 | 10 | — | 54 | |
| Product support | 496 | 350 | 81 | — | 927 | |
| Fuel and other | 172 | — | — | — | 172 | |
| Total revenue | \$ 1,019 | \$ 512 | \$ 314 | \$ — | \$ 1,845 | |
| Cost of fuel | (140) | — | — | — | (140) | |
| Net revenue | \$ 879 | \$ 512 | \$ 314 | \$ — | \$ 1,705 | |
| Operating costs ⁽¹⁾ | (751) | (441) | (287) | (12) | (1,491) | |
| Equity earnings of joint ventures | 1 | — | — | — | 1 | |
| Earnings (loss) before finance costs, income taxes, depreciation and amortization | \$ 129 | \$ 71 | \$ 27 | \$ (12) | \$ 215 | |
| Depreciation and amortization | (47) | (20) | (10) | (1) | (78) | |
| Earnings (loss) before finance costs and income taxes | \$ 82 | \$ 51 | \$ 17 | \$ (13) | \$ 137 | |
| Finance costs | | | | | (18) | |
| Provision for income taxes | | | | | (28) | |
| Net income | | | | | \$ 91 | |
| Invested capital ⁽²⁾ | \$ 1,861 | \$ 1,058 | \$ 358 | \$ — | \$ 3,277 | |
| Capital and rental equipment ⁽³⁾ | \$ 971 | \$ 379 | \$ 158 | \$ 83 | \$ 1,591 | |
| Gross capital expenditures ⁽³⁾⁽⁴⁾ | \$ 10 | \$ 6 | \$ 3 | \$ 5 | \$ 24 | |
| Gross rental equipment spend ⁽⁴⁾ | \$ 46 | \$ 4 | \$ 7 | \$ — | \$ 57 | |

(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.

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

| 3 months ended June 30, 2020 (\$ millions) | Canada | South America | UK & Ireland | Other | Total |
|--|---------------|------------------|-----------------|-------------|-----------------|
| Revenue | | | | | |
| New equipment | \$ 196 | \$ 106 | \$ 80 | \$ — | \$ 382 |
| Used equipment | 36 | 12 | 16 | — | 64 |
| Equipment rental | 26 | 9 | 6 | — | 41 |
| Product support | 419 | 342 | 59 | — | 820 |
| Fuel and other | 112 | — | — | — | 112 |
| Total revenue | \$ 789 | \$ 469 | \$ 161 | \$ — | \$ 1,419 |
| Cost of fuel | (84) | — | — | — | (84) |
| Net revenue | \$ 705 | \$ 469 | \$ 161 | \$ — | \$ 1,335 |
| Operating costs ⁽¹⁾ | (631) | (424) | (153) | (11) | (1,219) |
| Equity earnings of joint ventures | 1 | — | — | — | 1 |
| Other income (Note 4) | 60 | — | — | 4 | 64 |
| Other expenses (Note 4) | (25) | (21) | (4) | (1) | (51) |
| Earnings (loss) before finance costs, income taxes, depreciation and amortization | \$ 110 | \$ 24 | \$ 4 | \$ (8) | \$ 130 |
| Depreciation and amortization | (47) | (22) | (9) | — | (78) |
| Earnings (loss) before finance costs and income taxes | \$ 63 | \$ 2 | \$ (5) | \$ (8) | \$ 52 |
| Finance costs | | | | | (24) |
| Provision for income taxes | | | | | (10) |
| Net income | | | | | \$ 18 |
| Invested capital ⁽²⁾ | \$ 2,037 | \$ 1,106 | \$ 349 | \$ 3 | \$ 3,495 |
| Capital and rental equipment ⁽³⁾ | \$ 1,013 | \$ 452 | \$ 164 | \$ 83 | \$ 1,712 |
| Gross capital expenditures ⁽³⁾⁽⁴⁾ | \$ 10 | \$ 7 | \$ 2 | \$ 5 | \$ 24 |
| Gross rental equipment spend ⁽⁴⁾ | \$ 48 | \$ 6 | \$ 1 | \$ — | \$ 55 |

- (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.

The Company's revenue, results, and other segment information was as follows:

| 6 months ended June 30, 2021 (\$ millions) | Canada | South America | UK & Ireland | Other | Total |
|---|---------------|--------------------------|-----------------------------|--------------|--------------|
| Revenue | | | | | |
| New equipment | \$ 407 | \$ 267 | \$ 322 | \$ — | \$ 996 |
| Used equipment | 149 | 25 | 28 | — | 202 |
| Equipment rental | 61 | 18 | 20 | — | 99 |
| Product support | 972 | 684 | 158 | — | 1,814 |
| Fuel and other | 330 | — | — | — | 330 |
| Total revenue | \$ 1,919 | \$ 994 | \$ 528 | \$ — | \$ 3,441 |
| Cost of fuel | (267) | — | — | — | (267) |
| Net revenue | \$ 1,652 | \$ 994 | \$ 528 | \$ — | \$ 3,174 |
| Operating costs ⁽¹⁾ | (1,419) | (862) | (484) | (25) | (2,790) |
| Equity earnings of joint ventures | 1 | — | — | — | 1 |
| Other income (Note 4) | 10 | — | — | 5 | 15 |
| Earnings (loss) before finance costs | | | | | |
| income taxes, depreciation and amortization | \$ 244 | \$ 132 | \$ 44 | \$ (20) | \$ 400 |
| Depreciation and amortization | (93) | (40) | (20) | (2) | (155) |
| Earnings (loss) before finance costs | | | | | |
| and income taxes | \$ 151 | \$ 92 | \$ 24 | \$ (22) | \$ 245 |
| Finance costs | | | | | (37) |
| Provision for income taxes | | | | | (47) |
| Net income | | | | | \$ 161 |
| Invested capital ⁽²⁾ | \$ 1,861 | \$ 1,058 | \$ 358 | \$ — | \$ 3,277 |
| Capital and rental equipment ⁽³⁾ | \$ 971 | \$ 379 | \$ 158 | \$ 83 | \$ 1,591 |
| Gross capital expenditures ⁽³⁾⁽⁴⁾ | \$ 34 | \$ 20 | \$ 7 | \$ 9 | \$ 70 |
| Gross rental equipment spend ⁽⁴⁾ | \$ 71 | \$ 8 | \$ 10 | \$ — | \$ 89 |

(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.

The Company's revenue, results, and other segment information was as follows:

| 6 months ended June 30, 2020 (\$ millions) | Canada | South America | UK & Ireland | Other | Total |
|--|-----------------|------------------|-----------------|-------------|-----------------|
| Revenue | | | | | |
| New equipment | \$ 358 | \$ 191 | \$ 187 | \$ — | \$ 736 |
| Used equipment | 69 | 27 | 36 | — | 132 |
| Equipment rental | 59 | 21 | 14 | — | 94 |
| Product support | 916 | 708 | 130 | — | 1,754 |
| Fuel and other | 261 | — | — | — | 261 |
| Total revenue | \$ 1,663 | \$ 947 | \$ 367 | \$ — | \$ 2,977 |
| Cost of fuel | (203) | — | — | — | (203) |
| Net revenue | \$ 1,460 | \$ 947 | \$ 367 | \$ — | \$ 2,774 |
| Operating costs ⁽¹⁾ | (1,284) | (842) | (348) | (15) | (2,489) |
| Equity earnings of joint ventures | 2 | — | — | — | 2 |
| Other income (Note 4) | 60 | — | — | 4 | 64 |
| Other expenses (Note 4) | (25) | (21) | (4) | (1) | (51) |
| Earnings (loss) before finance costs, income taxes, depreciation and amortization | \$ 213 | \$ 84 | \$ 15 | \$ (12) | \$ 300 |
| Depreciation and amortization | (90) | (44) | (19) | (1) | (154) |
| Earnings (loss) before finance costs and income taxes | \$ 123 | \$ 40 | \$ (4) | \$ (13) | \$ 146 |
| Finance costs | | | | | (45) |
| Provision for income taxes | | | | | (29) |
| Net income | | | | | \$ 72 |
| Invested capital ⁽²⁾ | \$ 2,037 | \$ 1,106 | \$ 349 | \$ 3 | \$ 3,495 |
| Capital and rental equipment ⁽³⁾ | \$ 1,013 | \$ 452 | \$ 164 | \$ 83 | \$ 1,712 |
| Gross capital expenditures ⁽³⁾⁽⁴⁾ | \$ 25 | \$ 30 | \$ 9 | \$ 9 | \$ 73 |
| Gross rental equipment spend ⁽⁴⁾ | \$ 76 | \$ 12 | \$ 6 | \$ — | \$ 94 |

(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

| (\$ millions, except share and per share amounts) 2021 | 3 months ended June 30 | | | 6 months ended June 30 | | |
|---|------------------------|-------------|-----------|------------------------|-------------|-----------|
| | Net Income | Shares | Per Share | Net Income | Shares | Per Share |
| Basic earnings per share (EPS): | | | | | | |
| Net income, weighted average shares outstanding, EPS | \$ 91 | 162,213,146 | \$ 0.56 | \$ 161 | 162,219,319 | \$ 0.99 |
| Effect of dilutive share options | — | 534,992 | — | — | 618,150 | — |
| Diluted EPS: | | | | | | |
| Net income and assumed conversions | \$ 91 | 162,748,138 | \$ 0.56 | \$ 161 | 162,837,469 | \$ 0.99 |
| 2020 | | | | | | |
| Basic EPS: | | | | | | |
| Net income, weighted average shares outstanding, EPS | \$ 18 | 162,103,503 | \$ 0.12 | \$ 72 | 162,477,072 | \$ 0.45 |
| Effect of dilutive share options | — | — | — | — | 1,439 | — |
| Diluted EPS: | | | | | | |
| Net income and assumed conversions | \$ 18 | 162,103,503 | \$ 0.12 | \$ 72 | 162,478,511 | \$ 0.45 |

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. Anti-dilutive share options related to the three and six months ended June 30, 2021 were not significant (three and six months ended June 30, 2020: 4 million and 3 million respectively).

4. OTHER INCOME

| (\$ millions) | 3 months ended June 30 | | 6 months ended June 30 | |
|---|------------------------|---------|------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Canada Emergency Wage Subsidy (a) | \$ — | \$ 64 | \$ 10 | \$ 64 |
| Final return on investment in Energyst B.V. (Note 10) | — | — | 5 | — |
| Other income | \$ — | \$ 64 | \$ 15 | \$ 64 |
| <hr/> | | | | |
| (\$ millions) | 3 months ended June 30 | | 6 months ended June 30 | |
| | 2021 | 2020 | 2021 | 2020 |
| Severance costs (b) | \$ — | \$ (42) | \$ — | \$ (42) |
| Impairment of long-lived assets (b) | — | (7) | — | (7) |
| Facility closures and restructuring costs (b) | — | (2) | — | (2) |
| Other expenses | \$ — | \$ (51) | \$ — | \$ (51) |

- (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 meet 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.
- (b) In 2020, as part of actions taken to focus on operational efficiencies and to adjust to market conditions, the Company implemented plans to restructure its global workforce and facility footprint. As a result, the Company recorded provisions related to the reduction of its workforce. The Company also implemented plans to consolidate certain branches and exit some facilities and therefore recorded impairment losses on leased properties and any related equipment and leasehold improvements, as well as provisions for the unavoidable non-lease costs for these properties.

5. DEBT AND FINANCE COSTS

In April 2020, the Company secured a \$500 million committed revolving credit facility for general corporate purposes, which had a term of two years. In March 2021, the Company cancelled this facility and expensed \$1 million of capitalized debt issue costs related to this facility in finance costs for the three months ended March 31, 2021.

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

| (\$ millions) | 3 months ended | | 6 months ended | |
|--|----------------|-------|----------------|-------|
| | June 30 | | June 30 | |
| | 2021 | 2020 | 2021 | 2020 |
| Interest on short-term debt | \$ — | \$ 5 | \$ 1 | \$ 10 |
| Interest on long-term debt | 12 | 15 | 24 | 29 |
| Interest on debt securities | 12 | 20 | 25 | 39 |
| Net interest recovery on pension and other post-employment benefit obligations (Note 8) | (1) | (1) | (1) | (1) |
| Interest on lease liabilities | 3 | 3 | 5 | 6 |
| Other finance related expenses | 4 | 2 | 8 | 1 |
| Finance costs | \$ 18 | \$ 24 | \$ 37 | \$ 45 |

6. INCOME TAXES

The following tax rate changes were substantively enacted in the three months ended June 30, 2021:

- The Argentine government increased its corporate income tax rate from 25% to 35% effective January 1, 2021.
- The UK government will increase its corporate income tax rate from 19% to 25% effective April 1, 2023.

7. SHARE-BASED PAYMENTS

The Company has a number of share-based compensation plans in the form of share options and other share-based payment plans noted below.

Share Options

Details of the share option plans are as follows:

| 6 months ended | June 30, 2021 | | June 30, 2020 | |
|--|---------------|---------------------------------|---------------|---------------------------------|
| | Options | Weighted Average Exercise Price | Options | Weighted Average Exercise Price |
| Options outstanding, beginning of period | 3,683,449 | \$ 24.40 | 3,416,168 | \$ 25.66 |
| Granted | 366,928 | \$ 33.11 | 694,656 | \$ 17.75 |
| Exercised | (1,941,337) | \$ 25.30 | — | \$ — |
| Forfeited | — | \$ — | (76,421) | \$ 25.52 |
| Expired | (3,950) | \$ 29.17 | (275,937) | \$ 22.06 |
| Options outstanding, end of period | 2,105,090 | \$ 25.08 | 3,758,466 | \$ 24.46 |
| Options exercisable, end of period | 1,067,939 | \$ 26.05 | 2,572,127 | \$ 26.18 |

In the three and six months ended June 30, 2021, the Company granted 366,928 common share options to senior executives and management of the Company (three and six months ended June 30, 2020: 694,656 common share options). The Company only grants and prices share options when all material information has been disclosed to the market.

In the six months ended June 30, 2021, 1,941,337 options were exercised resulting in 391,381 common shares being issued; 1,549,956 options were withheld in respect of the exercise price, and returned to the option pool for future issues/grants (six months ended June 30, 2020: no options were exercised).

The fair value of the options granted has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| 3 and 6 months ended June 30 | 2021 | 2020 |
|------------------------------------|---------|---------|
| Dividend yield | 3.18% | 3.16% |
| Expected volatility ⁽¹⁾ | 31.37% | 32.22% |
| Risk-free interest rate | 0.98% | 0.38% |
| Expected life (in years) | 5.18 | 5.34 |
| Grant date fair value of options | \$ 6.70 | \$ 3.61 |

⁽¹⁾ Expected volatility is based on historical share price volatility of Finning shares

Other Share-Based Payment Plans

The Company has other share-based payment plans in the form of deferred share units, performance share units, and restricted share units that use notional common share units. Grants under these plans were as follows:

| (Share units granted) | 3 months ended June 30 | | 6 months ended June 30 | |
|--|------------------------|---------|------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Executive Deferred Share Unit Plan | — | — | 3,585 | 9,085 |
| Directors' Deferred Share Unit Plan A | 12,503 | 21,875 | 24,948 | 57,110 |
| Performance Share Unit Plan ⁽²⁾ | 318,228 | 562,080 | 318,228 | 562,080 |
| Restricted Share Unit Plan | 206,118 | 350,912 | 206,118 | 350,912 |

⁽²⁾ Based on 100% vesting

8. POST-EMPLOYMENT BENEFITS

The significant actuarial assumptions used in the valuation of the Company's defined benefit pension plans in Canada and UK and other post-employment benefit plans in South America include:

| | June 30, 2021 | | | June 30, 2020 | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Canada | UK | South America | Canada | UK | South America |
| Discount rate – obligation | 3.2% | 1.9% | 1.4% | 2.5% | 1.5% | 0.0% |
| Discount rate – expense ⁽¹⁾ | 2.7% | 1.4% | (0.2)% | 3.1% | 2.0% | 0.4% |
| Retail price inflation – obligation | n/m ⁽²⁾ | 2.9% | n/a ⁽²⁾ | n/m ⁽²⁾ | 2.9% | n/a ⁽²⁾ |
| Retail price inflation – expense ⁽¹⁾ | n/m ⁽²⁾ | 2.6% | n/a ⁽²⁾ | n/m ⁽²⁾ | 3.0% | n/a ⁽²⁾ |
| Average staff turnover – obligation | n/m ⁽²⁾ | n/m ⁽²⁾ | 7.9% | n/m ⁽²⁾ | n/m ⁽²⁾ | 9.4% |
| Rate of compensation increase – obligation | n/m ⁽²⁾ | n/a ⁽²⁾ | 3.0% | n/m ⁽²⁾ | n/a ⁽²⁾ | 3.0% |

⁽¹⁾ Used to determine the net interest cost and expense for the three and six months ended June 30, 2021 and June 30, 2020

⁽²⁾ n/m – not a material assumption used in the valuation

n/a – not applicable

The net benefit cost and actuarial (gain) loss for the Company's post-employment benefit plans were as follows:

| 3 months ended (\$ millions) | June 30, 2021 | | | | June 30, 2020 | | | |
|--|---------------|---------|---------------|---------|---------------|---------|---------------|----------|
| | Canada | UK | South America | Total | Canada | UK | South America | Total |
| Current service cost and administration costs, net of employee contributions | \$ 1 | \$ 1 | \$ 2 | \$ 4 | \$ 1 | \$ 1 | \$ 1 | \$ 3 |
| Net interest recovery | — | (1) | — | (1) | — | (1) | — | (1) |
| Net benefit cost | \$ 1 | \$ — | \$ 2 | \$ 3 | \$ 1 | \$ — | \$ 1 | \$ 2 |
| Actuarial gain on plan assets | \$ (8) | \$ (13) | \$ — | \$ (21) | (30) | \$ (84) | \$ — | \$ (114) |
| Actuarial loss (gain) on accrued benefit obligation | 6 | 12 | (6) | 12 | 42 | 123 | 5 | 170 |
| Total actuarial (gain) loss recognized in other comprehensive income | \$ (2) | \$ (1) | \$ (6) | \$ (9) | \$ 12 | \$ 39 | \$ 5 | \$ 56 |

| 6 months ended (\$ millions) | June 30, 2021 | | | | June 30, 2020 | | | |
|--|---------------|-------|---------------|---------|---------------|---------|---------------|---------|
| | Canada | UK | South America | Total | Canada | UK | South America | Total |
| Current service cost and administration costs, net of employee contributions | \$ 3 | \$ 1 | \$ 4 | \$ 8 | \$ 3 | \$ 1 | \$ 3 | \$ 7 |
| Net interest recovery | — | (1) | — | (1) | — | (1) | — | (1) |
| Net benefit cost | \$ 3 | \$ — | \$ 4 | \$ 7 | \$ 3 | \$ — | \$ 3 | \$ 6 |
| Actuarial loss (gain) on plan assets | \$ 3 | \$ 34 | \$ — | \$ 37 | \$ (11) | \$ (69) | \$ — | \$ (80) |
| Actuarial (gain) loss on accrued benefit obligation | (16) | (34) | (12) | (62) | 23 | 57 | 11 | 91 |
| Total actuarial (gain) loss recognized in other comprehensive income | \$ (13) | \$ — | \$ (12) | \$ (25) | \$ 12 | \$ (12) | \$ 11 | \$ 11 |

9. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents were as follows:

| June 30 (\$ millions) | 2021 | 2020 |
|--|-------------|-------------|
| Cash | \$ 156 | \$ 105 |
| Cash equivalents | 222 | 233 |
| Cash and cash equivalents | \$ 378 | \$ 338 |

The changes in operating assets and liabilities are as follows:

| (\$ millions) | 3 months ended June 30 | | 6 months ended June 30 | |
|---|---|-------------|---|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Accounts receivable | \$ (91) | \$ 175 | \$ (89) | 250 |
| Unbilled receivables | (18) | 39 | (23) | 36 |
| Inventory | (58) | 217 | (182) | 132 |
| Other assets | (42) | (45) | (108) | (41) |
| Accounts payable and accruals | 29 | (177) | 85 | (243) |
| Other liabilities | 21 | (3) | 15 | (41) |
| Changes in operating assets and liabilities | \$ (159) | \$ 206 | \$ (302) | \$ 93 |

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, 2021 | \$ 92 | \$ 1,308 | \$ 298 | \$ 1,698 |
| Cash flows provided by (used in) | | | | |
| Financing activities | 25 | — | (42) | (17) |
| Operating activities | — | — | (5) | (5) |
| Total cash movements | \$ 25 | \$ — | \$ (47) | \$ (22) |
| Non-cash changes | | | | |
| Additions | — | — | 21 | 21 |
| Disposals and remeasurement of liability | — | — | 30 | 30 |
| Interest expense | — | — | 5 | 5 |
| Foreign exchange rate changes | (3) | (19) | (2) | (24) |
| Total non-cash movements | \$ (3) | \$ (19) | \$ 54 | \$ 32 |
| Balance, June 30, 2021 | \$ 114 | \$ 1,289 | \$ 305 | \$ 1,708 |

| (\$ millions) | Short-term debt | Long-term debt | Lease liabilities | Total |
|--|----------------------------------|---------------------------------|------------------------------------|--------------|
| Balance, January 1, 2020 | \$ 226 | \$ 1,518 | \$ 357 | \$ 2,101 |
| Cash flows used in | | | | |
| Financing activities | (77) | — | (44) | (121) |
| Operating activities | — | — | (6) | (6) |
| Total cash movements | \$ (77) | \$ — | \$ (50) | \$ (127) |
| Non-cash changes | | | | |
| Additions | — | — | 17 | 17 |
| Disposals and remeasurement of liability | — | — | 2 | 2 |
| Interest expense | — | — | 6 | 6 |
| Foreign exchange rate changes | 9 | 30 | (1) | 38 |
| Total non-cash movements | \$ 9 | \$ 30 | \$ 24 | \$ 63 |
| Balance, June 30, 2020 | \$ 158 | \$ 1,548 | \$ 331 | \$ 2,037 |

10. INVESTMENT AND ACQUISITION

Energyst B.V. (“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 three months ended March 31, 2021, the Company recorded a \$5 million final 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, funded with cash on hand. Net assets acquired include \$1 million cash, \$2 million of net working capital (comprising receivables, inventory, and payables), and \$11 million of rental assets. The purchase price allocation is not final as management is continuing to identify assets acquired and obtaining and verifying information required to determine the fair value of certain assets and liabilities, goodwill (if appropriate), and the related amount of deferred income taxes arising on their recognition. The Company expects to finalize the amounts recognized as it obtains the information necessary to complete the analysis, but no later than December 31, 2021.