

Finning reports Q3 2021 results

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

HIGHLIGHTS

All comparisons are to Q3 2020 results unless indicated otherwise.

- Q3 2021 EPS⁽¹⁾ of \$0.61 per share was a record third quarter EPS performance.
- Q3 2021 revenue of \$1.9 billion and net revenue⁽²⁾ of \$1.7 billion were up 23% and 21%, respectively, from Q3 2020, driven by stronger new equipment sales in South America and the UK & Ireland and product support revenue growth in all regions.
- Q3 2021 SG&A⁽¹⁾ as a percentage of net revenue⁽²⁾ was 17.8%, down 230 basis points from Q3 2020, and down 50 basis points from Q2 2021, reflecting savings from our 2020 cost reduction program and ongoing initiatives to further reduce fixed costs.
- All regions delivered improved operating leverage in Q3 2021, with consolidated EBIT⁽¹⁾ as a percentage of net revenue⁽²⁾ of 8.6%, up 160 basis points compared to Adjusted EBIT as a percentage of net revenue⁽²⁾⁽³⁾ in Q3 2020. Q3 2021 EBIT as a percentage of net revenue was 10.4% in Canada, 9.2% in South America, and 5.6% in the UK & Ireland.
- Adjusted ROIC⁽¹⁾⁽²⁾⁽³⁾ of 14.7% was up 510 basis points from Q4 2020, with a significant increase in all regions. In South America, Adjusted ROIC of 19.0% was the highest since 2012.
- Strong free cash flow⁽²⁾ conversion in Q3 2021 resulted in free cash flow of \$176 million, bringing year-to-date free cash flow to \$152 million. Our net debt to Adjusted EBITDA⁽¹⁾ ratio⁽²⁾⁽³⁾ was 1.3 at September 30, 2021, down from 1.4 at December 31, 2020.
- Consolidated equipment backlog⁽²⁾ was \$1.6 billion at September 30, 2021, up from \$1.4 billion at June 30, 2021, driven by increases in the UK & Ireland and Canada.

“Our global team continues to successfully execute on our strategic plan to grow product support, reduce costs, and re-invest free cash flow to compound our earnings. Strong operating leverage drove a record third quarter EPS, and we now expect to achieve our mid-cycle EPS and ROIC⁽²⁾ targets ahead of schedule. We are working closely with our customers to meet their equipment needs in an environment of increasingly constrained supply. We have been proactively managing our inventory, increasing it by \$150 million year to date, sourcing used equipment, and offering equipment rebuilds and rental options. Our revenue outlook remains positive, supported by our healthy backlog and strong market conditions, and we continue to expect the mid-cycle environment to transition to up-cycle in 2022,” said Scott Thomson, president and CEO of Finning International.

“As part of our growth strategy, we are expanding our 4Refuel capabilities to support our customers in their transition to low-carbon fuels, including CNG⁽¹⁾, RNG⁽¹⁾, and hydrogen. Natural gas, hydrogen, and electrification are becoming an increasingly important aspect of our business as our customers are progressing towards their long-term goals of achieving net zero greenhouse gas emissions. With Caterpillar accelerating the development of battery-powered mining equipment as well as natural gas blending and fully hydrogen-capable power solutions, we are excited about future opportunities to help our customers meet their goals and utilize sustainable energy sources. In 2022, we will start using natural gas to power a portion of 4Refuel and Finning service vehicle fleets, which will help us achieve our own greenhouse gas emission reduction target set out in our Sustainability Report.” concluded Mr. Thomson.

Q3 2021 FINANCIAL SUMMARY

Quarterly Overview <i>\$ millions, except per share amounts</i>	Q3 2021	Q3 2020	% change
Revenue	1,904	1,553	23
Net revenue	1,748	1,443	21
EBIT	150	138	9
<i>EBIT as a percentage of net revenue</i>	8.6%	9.6%	
EBITDA ⁽²⁾	230	215	7
<i>EBITDA as a percentage of net revenue⁽²⁾</i>	13.2%	14.9%	
Net income attributable to owners of Finning	99	88	12
EPS	0.61	0.54	13
Free cash flow	176	316	(44)

Q3 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	84	58	17	(9)	150	0.61
<i>EBIT as a percentage of net revenue</i>	10.4%	9.2%	5.6%	<i>n/m⁽¹⁾</i>	8.6%	
EBITDA	132	80	27	(9)	230	
<i>EBITDA as a percentage of net revenue</i>	16.5%	12.5%	9.0%	<i>n/m</i>	13.2%	

Q3 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	93	40	9	(4)	138	0.54
CEWS support	(35)	-	-	(2)	(37)	(0.17)
Adjusted EBIT ⁽²⁾⁽³⁾ / Adjusted EPS ⁽²⁾⁽³⁾	58	40	9	(6)	101	0.37
<i>Adjusted EBIT as a percentage of net revenue</i>	8.1%	8.2%	4.1%	<i>n/m</i>	7.0%	
Adjusted EBITDA ⁽²⁾⁽³⁾	106	59	18	(5)	178	
<i>Adjusted EBITDA as a percentage of net revenue⁽²⁾⁽³⁾</i>	14.6%	12.2%	7.9%	<i>n/m</i>	12.3%	

Q3 2021 INVESTED CAPITAL⁽²⁾ AND ROIC SUMMARY

All comparisons are to Q4 2020 results unless indicated otherwise.

- Excluding the impact of foreign exchange, invested capital increased by \$272 million from December 31, 2020 driven primarily by higher inventory, proactively ordered and sourced to meet growing customer demand.
- While our inventory increased by 10% from Q4 2020, our inventory turns⁽²⁾ improved to 3.09 from 2.79 in Q4 2020. Working capital to net revenue ratio⁽²⁾ of 23.0% was at a historical low level, down by 530 basis points from Q4 2020, reflecting improved supply chain efficiencies.
- Adjusted ROIC of 14.7% was up 510 basis points from Q4 2020 with a significant increase in all regions driven by improved profitability and higher invested capital turnover⁽²⁾.

Invested Capital and ROIC	Q3 2021	Q4 2020
Invested capital (<i>\$ millions</i>)		
Consolidated	3,335	3,067
Canada	1,922	1,819
South America (US dollars)	829	731
UK & Ireland (UK pound sterling)	198	188
Invested capital turnover (<i>times</i>)	2.01	1.68
Working capital to net revenue ratio	23.0%	28.3%
Inventory (<i>\$ millions</i>)	1,627	1,477
Inventory turns (dealership) (<i>times</i>)	3.09	2.79
Adjusted ROIC (%)		
Consolidated	14.7	9.6
Canada	15.3	10.5
South America	19.0	12.9
UK & Ireland	14.9	5.5

Q3 2021 HIGHLIGHTS BY OPERATION

All comparisons are to Q3 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 11% from Q3 2020, driven primarily by higher product support revenue, as well as strong used equipment sales and rental revenue.
- Product support revenue was up 12% from Q3 2020, higher across all sectors. Construction product support revenue was up 16%, driven by a growing market share, including a significant increase in construction rebuilds.
- Used equipment sales were up 35% and rental revenue was up 27% from Q3 2020 with higher used equipment sales to mining customers and stronger demand for used and rental equipment in construction. We are proactively sourcing used equipment to meet customer needs in a constrained supply environment.
- New equipment sales were down 3% from Q3 2020 due to lower mining deliveries. New equipment sales in construction were up 13%.
- Improved gross profit margin and higher rental utilization, combined with lower SG&A as a percentage of net revenue, resulted in a significantly higher profitability. Q3 2021 EBIT as a percentage of net revenue was 10.4%, up 230 basis points from Adjusted EBIT as a percentage of net revenue in Q3 2020.

South America

- Net revenue was up 41% from Q3 2020 reflecting stronger market activity in Chile.
- New equipment sales were up 126% from Q3 2020, driven by deliveries to Chilean mining customers and improved demand for construction equipment to support mining infrastructure and general construction projects.
- Product support revenue increased by 16% year over year, up across all sectors. Construction product support revenues increased in both Chile and Argentina, with improved economic conditions.
- SG&A was up 6% from Q3 2020 on a 41% increase in net revenues. EBIT as a percentage of net revenue was 9.2%, up 100 basis points year over year, largely due to the benefit of a lower cost base and improved operating efficiencies.

United Kingdom & Ireland

- Net revenue increased by 28% from Q3 2020, driven by equipment deliveries to HS2 customers and stronger product support activity in all sectors. New equipment sales were up 45% and product support revenue was up 8% from Q3 2020.
- EBIT as a percentage of net revenue was 5.6% demonstrating operating leverage on strong revenue growth and improved gross profit margins.

Q3 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

The federal and provincial governments’ fiscal stimulus programs are expected to continue supporting construction activity. We are seeing robust demand for construction equipment with many projects underway in Western Canada. Significant private sector investment in LNG and power projects is expected to drive demand for equipment, product support, heavy rentals, and prime and standby electric power generation. We continue to successfully execute our strategy to capture product support market share in construction by leveraging our digital platform, CUBIQ, and offering a broader scope of Customer Value Agreements and rebuild options to construction customers.

We expect continued broad-based strength in commodity markets, including base and precious metals, oil, natural gas, metallurgical coal, lumber, uranium, and potash to provide a positive backdrop for market activity in Western Canada.

We are actively quoting multiple requests for proposals for equipment in hard rock mining. Oil sands customers are focused on improving production efficiency, reducing costs, and lowering emissions, while remaining disciplined on capital expenditures. We expect the large and aging mining equipment population in Western Canada to drive stable demand for product support, including rebuilds, and opportunities for future fleet renewals.

South America

We are monitoring 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 greenfield and new expansion projects. In the near term, we expect mining customers to continue taking advantage of the current strong copper price and the low peso. The projected increase in copper production⁽⁴⁾, mature equipment population, and declining ore grades are expected to drive improved demand for product support.

Our outlook for the Chilean construction activity remains strong, driven by improved demand for mining infrastructure and the government’s investment in public works.

In Argentina, we expect to continue capturing improved activity in construction, oil and gas, and gold mining, while managing fiscal, regulatory, and currency risks, including ARS devaluation. The overall business environment in the country remains challenging due to ongoing fiscal, regulatory, and currency headwinds and added uncertainty ahead of the legislative elections in November 2021.

UK & Ireland

The outlook for general construction equipment markets in the UK remains strong, supported by the economic recovery and HS2 construction activity. Our backlog at September 30, 2021 includes about £110 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 are actively quoting for 2022 HS2 orders.

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

Demonstrating Improved Earnings Capacity

We are proactively managing our business through the cycle with the objective of growing and compounding our earnings at each successive mid-cycle point.

We are closely monitoring inflationary pressures from price and wage increases. Productivity initiatives are underway in our regions to further reduce fixed costs and make our operations more efficient. While we continue to make progress on our fixed cost reduction program focused on people, facility, and supply chain categories, it is becoming increasingly difficult to be deflationary, particularly for our near-term incentive compensation, transportation, and procurement initiatives. We are also taking proactive steps to mitigate technical labour shortages by leveraging our improved network capacity and newly implemented continuous shifts in our larger facilities, conducting targeted recruitment campaigns, and expanding our apprenticeship programs.

Looking ahead, we expect ongoing challenges in the global supply chain to result in longer lead times for equipment and parts in all regions. We continue to actively manage supply chain constraints by taking appropriate mitigation steps in collaboration with Caterpillar and our customers, such as actively sourcing used equipment, optimizing preparation time on equipment, and offering rebuilds and rental options. We expect a tight supply environment to continue driving strong demand for used equipment, rentals, and rebuilds. We have also improved our supply chain capabilities, including visibility and planning with Caterpillar. The use of data and insights from connected machines has significantly improved our planning processes and enables us to order the right inventory at the right time. While we expect some delays in delivering equipment to customers, we expect our current inventory strategy will enable us to meet our mid-cycle revenue targets.

Our revenue outlook remains positive, and we continue to expect the mid-cycle market conditions to transition to up-cycle in 2022. We now expect to achieve our mid-cycle EPS and ROIC targets ahead of schedule. In the fourth quarter, we expect strong new equipment deliveries in Chile mining and UK construction, while, consistent with prior years, both rental and labour utilization are expected to be lower than in the third quarter. We expect to deliver strong annual free cash flow in 2021, with positive free cash flow generation in Q4 2021.

CORPORATE AND BUSINESS DEVELOPMENTS

Dividend

The Board of Directors has approved a quarterly dividend of \$0.225 per share, payable on December 9, 2021 to shareholders of record on November 25, 2021. This dividend will be considered an eligible dividend for Canadian income tax purposes.

Investment in ComTech Energy, a leading provider of low-carbon fueling solutions

In September 2021, we acquired a 54.5% controlling ownership interest in Compression Technology Corporation (ComTech) through our subsidiary, 4Refuel. Cash consideration for this acquisition was \$25 million, of which \$20 million is to support future growth. ComTech is an early-stage developer of alternative energy infrastructure and provider of proprietary mobile fueling solutions for low-carbon fuels, including CNG, RNG, and hydrogen, in North America.

ComTech provides 4Refuel with the capability to be a leading provider of turn-key, low-carbon energy solutions. It expands our fueling capabilities beyond diesel and allows us to support our customers' energy transition journey, starting with solutions for CNG and RNG. Our investment in ComTech leverages 4Refuel's leading mobile on-site refueling platform to enable customers to reduce their emissions and improve productivity.

Sustainability-Linked Credit Facility

In September 2021, we secured sustainability-linked terms for our \$1.3 billion syndicated revolving credit facility. The amended facility aligns cost of borrowing to our progress towards achieving our absolute greenhouse gas (GHG) emissions reduction target. We also extended the term of the credit facility from December 2024 to September 2026. Our sustainability-linked credit facility further demonstrates our commitment to reduce our absolute GHG emissions by 20% by 2027 from 2017 levels. Our initiatives focus primarily on minimizing the environmental footprint of our facilities and fleets, including the use of natural gas and hydrogen. In 2022, we will start using natural gas to power a portion of 4Refuel and Finning service vehicle fleets, which will help us achieve our GHG emission reduction target.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

<i>\$ millions, except per share amounts</i>	Three months ended September 30		
	2021	2020	% change fav (unfav)
New equipment	631	435	45
Used equipment	83	83	0
Equipment rental	68	53	29
Product support	932	842	11
Net fuel and other	34	30	11
Net revenue	1,748	1,443	21
Gross profit	461	390	18
<i>Gross profit as a percentage of net revenue⁽²⁾</i>	26.3%	27.0%	
SG&A	(311)	(290)	(7)
<i>SG&A as a percentage of net revenue</i>	(17.8)%	(20.1)%	
Equity earnings of joint ventures	-	1	
Other income	-	37	
EBIT	150	138	9
<i>EBIT as a percentage of net revenue</i>	8.6%	9.6%	
Adjusted EBIT	150	101	48
<i>Adjusted EBIT as a percentage of net revenue</i>	8.6%	7.0%	
Net income attributable to owners of Finning	99	88	12
Basic EPS	0.61	0.54	13
Adjusted basic EPS	0.61	0.37	65
EBITDA	230	215	7
<i>EBITDA as a percentage of net revenue</i>	13.2%	14.9%	
Adjusted EBITDA	230	178	29
<i>Adjusted EBITDA as a percentage of net revenue</i>	13.2%	12.3%	
Free cash flow	176	316	(44)
	Sep 30, 2021	Dec 31, 2020	
Invested capital	3,335	3,067	
Invested capital turnover (times)	2.01	1.68	
Net debt to Adjusted EBITDA ratio	1.3	1.4	
ROIC	15.6%	11.4%	
Adjusted ROIC	14.7%	9.6%	

To access Finning's complete Q3 2021 results, please visit our website at https://www.finning.com/en_CA/company/investors.html

Q3 2021 INVESTOR CALL

The Company will hold an investor call on November 9, 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 for nearly 90 years. Headquartered in Surrey, British Columbia, we provide Caterpillar equipment, parts, services, and performance solutions in Western Canada, Chile, Argentina, Bolivia, the United Kingdom, and Ireland.

CONTACT INFORMATION

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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); Compressed Natural Gas (CNG); Renewable Natural Gas (RNG).
- (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 Q3 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 29-31 of the MD&A. The financial metrics that have been adjusted to take into account these items are referred to as “Adjusted” metrics.
- (4) The Chilean Copper Commission (Cochilco) - Proyección de la producción de cobre en Chile 2020 – 2031; DEPP 29/2020; Registro Propiedad Intelectual © N° 2020-A-10631
- (5) UK Data Center Market – Investment Analysis and Growth Opportunities Publication (2020-2025); Ireland Data Center Market – Growth, Trends and Forecasts Publication (2020-2025)

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, all information in the “Q3 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: our expectation to achieve our mid-cycle EPS and ROIC targets ahead of schedule; our proactive management of inventory; our expectation that the mid-cycle environment will transition to up-cycle in 2022; our positive revenue outlook (relies on our healthy backlog and strong market conditions) and expectation that the mid-cycle environment will transition to up-cycle in 2022; expansion of 4Refuel capabilities to support customers’ transition to low-carbon fuels, including CNG, RNG, and hydrogen and future opportunities to help customers meet their goals to achieve net zero greenhouse gas emissions and utilize more sustainable energy sources; our intention in 2022 to start using natural gas to power a portion of 4Refuel and Finning service vehicle fleets, to help achieve our own greenhouse gas emission reduction target; our proactive sourcing of used equipment to meet customer needs in a constrained supply environment; the expectation that federal and provincial fiscal stimulus programs will continue supporting construction activity and private sector investment in LNG and power projects will drive demand for equipment, product support, heavy rentals and prime and standby electric power generation in Western Canada; expected positive market activity in Western Canada (assumes continued broad-based strength in commodity markets); expected stable demand for product support, including rebuilds, and opportunities for future fleet renewals due to the large and aging mining equipment population in Western Canada; the political and economic reform process in Chile leading to the general elections in November 2021 and the review of the mining royalty proposal in Chile; our constructive outlook for copper mining growth in Chile (assumes there will be 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; expectation that in the near term mining customers will continue taking advantage of the current strong copper price and low peso; expectation that the projected increase in copper production, mature equipment population, and declining ore grades will drive improved demand for product support in Chile; 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 we will continue capturing improved activity in construction and oil and gas, and gold mining in Argentina and manage fiscal, regulatory and currency risks, including ARS devaluation, and our view that the overall business environment in Argentina remains challenging, risks being related to fiscal, regulatory and currency headwinds and added uncertainty related to the legislative elections to be held in November 2021; the continued strong outlook for the UK general construction equipment market (assumes continuing economic recovery and HS2 construction activity) and our position to capture a large share of opportunities for the remainder of HS2 Phase 1 and 2022 HS2 orders; expected continued strong demand for our power systems solutions, particularly in the data centre market (assumes projected significant growth in cloud data centre capacity in the UK & Ireland markets over the next 5 years will materialize) and our ability to capture opportunities related to that growth trend; our proactive management of our business through the cycle with the objective of growing and compounding our earnings at each successive mid-cycle point; our close monitoring of inflationary pressures from price and wage increases and productivity initiatives to further reduce fixed costs and make our operations more efficient; progress on our fixed cost reduction program and anticipated difficulty to be deflationary; our proactive steps to mitigate technical labour shortages; our expectation that challenges in global supply chain will be ongoing and result in longer lead times for equipment and parts in all regions and our management of these constraints (assumes our mitigation steps, including collaboration with Caterpillar and our customers, will be successful) and continue to drive strong demand for used equipment, rentals and rebuilds; our ability to order the right inventory at the right time (assumes our successful visibility and planning processes through the use of data and insights from connected machines); our expectation that our current inventory strategy will enable us to meet our mid-cycle revenue targets; our expectation to achieve our mid-cycle EPS and ROIC targets ahead of schedule; expected strong new equipment deliveries in the fourth quarter in Chile mining and UK construction; our expectation that, consistent with prior years, both rental and labour utilization will be lower than in the third quarter; our expected strong annual free cash flow in 2021 and positive free cash flow generation in Q4 2021; the Canadian income tax treatment of the quarterly dividend; and our commitment to reduce our absolute GHG emissions by 20% by 2027 from 2017 levels. 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; the actual impact of the COVID-19 pandemic; 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 our 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, stretched supply chains, competitive talent markets, and changing commodity prices, and successfully implement our COVID-19 risk management plans; an undisrupted market recovery, for example, undisrupted by COVID-19 impacts, commodity price volatility or social unrest; the successful execution of our profitability drivers; that 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 in our regions, particularly in Chile and the UK. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this 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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 8, 2021

This **MD&A** should be read in conjunction with our **Interim Financial Statements** and the accompanying notes thereto for the three and nine months ended September 30, 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 annual MD&A, can be found under our profile on the **SEDAR** website at www.sedar.com and in the investors section of our website at www.finning.com.

A glossary of defined terms is included on page 41. The first time a defined term is used in this MD&A, it is shown in bold italics.

Third Quarter Overview

(\$ millions, except for per share amounts)	Q3 2021	Q3 2020	% change <i>fav (unfav)</i>
Revenue	\$ 1,904	\$ 1,553	23%
Net revenue ⁽¹⁾	\$ 1,748	\$ 1,443	21%
Gross profit	\$ 461	\$ 390	18%
SG&A	(311)	(290)	(7)%
Equity earnings of joint ventures	—	1	n/m
Other income	—	37	n/m
EBIT	\$ 150	\$ 138	9%
Net income attributable to shareholders of Finning	\$ 99	\$ 88	12%
Basic EPS	\$ 0.61	\$ 0.54	13%
EBITDA ⁽¹⁾	\$ 230	\$ 215	7%
Free cash flow ⁽¹⁾	\$ 176	\$ 316	(44)%
Adjusted EBIT ⁽¹⁾⁽²⁾	\$ 150	\$ 101	48%
Adjusted basic EPS ⁽¹⁾⁽²⁾	\$ 0.61	\$ 0.37	65%
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 230	\$ 178	29%
<i>Gross profit as a % of net revenue</i> ⁽¹⁾	26.3%	27.0%	
<i>SG&A as a % of net revenue</i> ⁽¹⁾	17.8%	20.1%	
<i>EBIT as a % of net revenue</i> ⁽¹⁾	8.6%	9.6%	
<i>EBITDA as a % of net revenue</i> ⁽¹⁾	13.2%	14.9%	
<i>Adjusted EBIT as a % of net revenue</i> ⁽¹⁾⁽²⁾	8.6%	7.0%	
<i>Adjusted EBITDA as a % of net revenue</i> ⁽¹⁾⁽²⁾	13.2%	12.3%	
<i>Adjusted ROIC</i> ⁽¹⁾⁽²⁾	14.7%	9.3%	

(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 - 31 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.

Third Quarter Highlights

- Q3 2021 revenue was \$1.9 billion. Net revenue in Q3 2021 of \$1.7 billion was up 21% from Q3 2020, primarily due to strong new equipment sales in South America and the **UK** & Ireland as well as increased product support activity in all operations.
- Gross profit in Q3 2021 was up 18% compared to Q3 2020 and SG&A increased 7% compared to Q3 2020 on 21% higher net revenue. SG&A as a percentage of net revenue was 17.8%, 230 basis points lower than Q3 2020, and down 50 basis points from Q2 2021, reflecting savings from our 2020 cost reduction program and ongoing initiatives to further reduce fixed costs.
- Q3 2021 EBIT of \$150 million was a quarterly record, driven primarily by the benefit of productivity initiatives and market recovery. EBIT as a percentage of net revenue was 8.6%, up 160 basis points compared to Q3 2020 Adjusted EBIT as a percentage of net revenue, up in all of our operations. Q3 2021 EBIT as a percentage of net revenue was 10.4% in Canada, 9.2% in South America, and 5.6% in the UK & Ireland.
- EBITDA was \$230 million in Q3 2021, a significant increase from Adjusted EBITDA of \$178 million in Q3 2020. EBITDA as a percentage of net revenue of 13.2% in Q3 2021 was 90 basis points higher than Q3 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 operations.
- Q3 2021 basic EPS of \$0.61 per share was a record third quarter EPS performance.
- Adjusted ROIC at September 30, 2021 was 14.7%, an increase of 510 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 of 19.0% was the highest since Q4 2012.
- Strong free cash flow conversion in Q3 2021 resulted in free cash flow of \$176 million. Our net debt to Adjusted EBITDA ⁽¹⁾⁽²⁾ ratio was 1.3 times at September 30, 2021, down from 1.4 times at December 31, 2020.
- Consolidated equipment backlog ⁽¹⁾ at September 30, 2021 increased to \$1.6 billion from \$1.4 billion at June 30, 2021, driven by increases in the UK & Ireland and Canada.

⁽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 - 31 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.

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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 cost per tonne 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 our 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 subsidized a portion of employee wages (up to a specified maximum) for Canadian employers whose businesses met eligibility criteria. The program was 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 utilized the CEWS program in 2020 and in Q1 of 2021. In 2020 we also utilized CJRS and tax deferral programs that governments in most regions where we operate made available. These government programs 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 September 30, 2021. One significant item that affected our reported results for the three months ended September 30, 2020, which we do not consider to be indicative of operational and financial trends, either by nature or amount, was:

Q3 2020 significant item:

- Finning qualified for and recorded a benefit related to the CEWS program.

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

3 months ended September 30, 2020 (\$ millions, except per share amounts)	EBIT					Consol	Basic EPS
	Canada	South America	UK & Ireland	Other	Consol		Consol
EBIT and basic EPS	\$ 93	\$ 40	\$ 9	\$ (4)	\$ 138	\$ 0.54	
Significant item:							
CEWS support	(35)	—	—	(2)	(37)	(0.17)	
Adjusted EBIT and Adjusted basic EPS	\$ 58	\$ 40	\$ 9	\$ (6)	\$ 101	\$ 0.37	

Quarterly Key Performance Measures

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

	2021			2020				2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
ROIC ⁽¹⁾⁽²⁾ (%)									
Consolidated	15.6%	15.3%	12.5%	11.4%	10.7%	10.0%	11.9%	11.2%	11.3%
Canada	16.5%	17.0%	15.6%	14.6%	14.3%	13.3%	14.2%	13.7%	14.2%
South America	19.0%	17.2%	12.3%	11.0%	9.5%	9.3%	11.9%	9.6%	8.1%
UK & Ireland	14.9%	12.9%	6.5%	4.5%	2.9%	3.7%	8.4%	12.1%	14.1%
EBIT ⁽¹⁾ (\$ millions)									
Consolidated	150	137	108	108	138	52	94	97	129
Canada	84	82	69	72	93	63	60	72	82
South America	58	51	41	41	40	2	38	31	42
UK & Ireland	17	17	7	11	9	(5)	1	5	14
EBIT as a % of net revenue ⁽¹⁾									
Consolidated	8.6%	8.0%	7.4%	6.9%	9.6%	3.9%	6.6%	5.5%	7.1%
Canada	10.4%	9.3%	8.9%	9.3%	12.8%	8.9%	7.9%	7.4%	8.5%
South America	9.2%	9.8%	8.6%	8.3%	8.2%	0.5%	7.8%	6.0%	7.3%
UK & Ireland	5.6%	5.3%	3.2%	3.7%	4.1%	(3.2)%	0.5%	1.9%	5.1%
EBITDA ⁽¹⁾ (\$ millions)									
Consolidated	230	215	185	185	215	130	170	170	201
Canada	132	129	115	119	141	110	103	114	125
South America	80	71	61	61	59	24	60	51	62
UK & Ireland	27	27	17	20	18	4	11	15	22
EBITDA as a % of net revenue ⁽¹⁾									
Consolidated	13.2%	12.6%	12.6%	11.9%	14.9%	9.7%	11.8%	9.7%	11.1%
Canada	16.5%	14.7%	14.9%	15.4%	19.3%	15.6%	13.7%	11.8%	12.8%
South America	12.5%	13.7%	12.8%	12.2%	12.2%	5.2%	12.4%	10.0%	10.8%
UK & Ireland	9.0%	8.5%	7.9%	7.0%	7.9%	2.7%	5.2%	5.4%	8.3%
Basic EPS ⁽¹⁾	0.61	0.56	0.43	0.45	0.54	0.12	0.33	0.31	0.46
Invested capital ⁽²⁾ (\$ millions)									
Consolidated	3,335	3,277	3,177	3,067	3,284	3,495	3,883	3,591	3,907
Canada	1,922	1,861	1,832	1,819	1,921	2,037	2,093	2,026	2,209
South America	1,057	1,058	982	931	1,035	1,106	1,330	1,192	1,276
UK & Ireland	339	358	350	327	323	349	428	361	416
Invested capital turnover ⁽²⁾ (times)									
Consolidated	2.01	1.93	1.78	1.68	1.68	1.71	1.83	1.92	1.99
Canada	1.74	1.70	1.56	1.50	1.56	1.63	1.75	1.81	1.91
South America	2.11	1.97	1.90	1.75	1.67	1.67	1.73	1.78	1.77
UK & Ireland	3.25	3.09	2.66	2.49	2.39	2.32	2.60	2.98	3.18
Inventory (\$ millions)	1,627	1,643	1,593	1,477	1,626	1,893	2,152	1,990	2,215
Inventory turns (dealership) ⁽²⁾ (times)	3.09	2.84	2.83	2.79	2.30	1.97	2.25	2.53	2.49
Working capital to net revenue ⁽²⁾	23.0%	24.0%	25.9%	28.3%	29.2%	29.9%	28.9%	27.8%	26.9%
Free cash flow (\$ millions)	176	(4)	(20)	292	316	312	(50)	386	165

⁽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	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Adjusted ROIC									
Consolidated	14.7%	13.3%	10.0%	9.6%	9.3%	9.7%	12.0%	12.0%	12.2%
Canada	15.3%	14.0%	10.8%	10.5%	10.8%	11.6%	14.2%	14.4%	15.0%
South America	19.0%	17.2%	14.4%	12.9%	11.3%	11.2%	12.2%	10.5%	9.0%
UK & Ireland	14.9%	12.9%	7.6%	5.5%	3.9%	4.6%	8.4%	12.1%	14.1%
Adjusted EBIT (\$ millions)									
Consolidated	150	137	93	94	101	39	94	97	132
Canada	84	82	59	59	58	28	60	72	82
South America	58	51	41	41	40	23	38	31	45
UK & Ireland	17	17	7	11	9	(1)	1	5	14
Adjusted EBIT as a % of net revenue									
Consolidated	8.6%	8.0%	6.3%	6.1%	7.0%	2.9%	6.6%	5.5%	7.3%
Canada	10.4%	9.3%	7.7%	7.7%	8.1%	4.0%	7.9%	7.4%	8.5%
South America	9.2%	9.8%	8.6%	8.3%	8.2%	5.1%	7.8%	6.0%	7.8%
UK & Ireland	5.6%	5.3%	3.2%	3.7%	4.1%	(1.0)%	0.5%	1.9%	5.1%
Adjusted EBITDA (\$ millions)									
Consolidated	230	215	170	171	178	117	170	170	204
Canada	132	129	105	106	106	75	103	114	125
South America	80	71	61	61	59	45	60	51	65
UK & Ireland	27	27	17	20	18	8	11	15	22
Adjusted EBITDA as a % of net revenue									
Consolidated	13.2%	12.6%	11.6%	11.0%	12.3%	8.8%	11.8%	9.7%	11.2%
Canada	16.5%	14.7%	13.6%	13.7%	14.6%	10.6%	13.7%	11.8%	12.8%
South America	12.5%	13.7%	12.8%	12.2%	12.2%	9.8%	12.4%	10.0%	11.2%
UK & Ireland	9.0%	8.5%	7.9%	7.0%	7.9%	4.9%	5.2%	5.4%	8.3%
Adjusted basic EPS	0.61	0.56	0.35	0.38	0.37	0.06	0.33	0.31	0.49
Net debt to Adjusted EBITDA ratio (times)	1.3	1.4	1.5	1.4	1.7	2.1	2.2	2.0	2.5

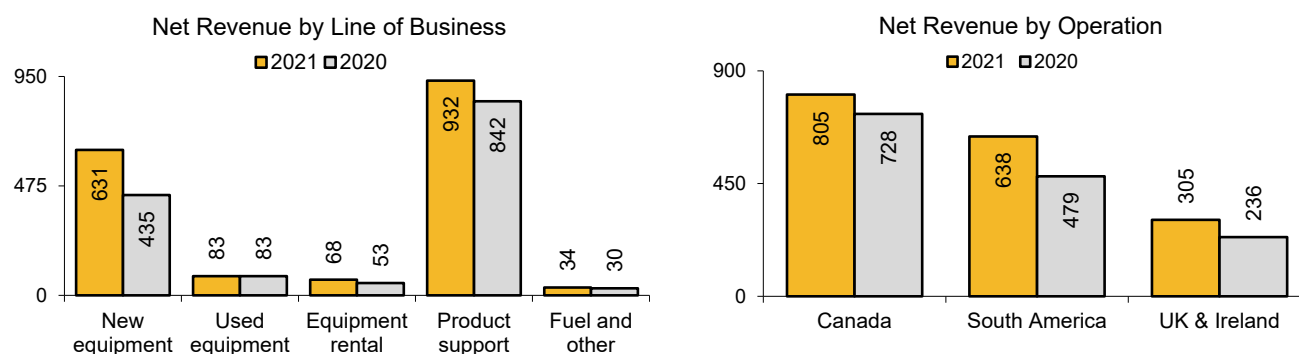
Third Quarter Results

Revenue

Net Revenue by Line of Business and by Operation

3 months ended September 30

(\$ millions)



Q3 2021 revenue was \$1.9 billion. Net revenue of \$1.7 billion in the third quarter of 2021 was up 21% from Q3 2020, an increase in all 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 \$35 million on net revenue in our South American operations, due to the stronger CAD relative to the **USD** on average in Q3 2021 compared to Q3 2020. Net revenue in Q3 2020 was negatively impacted by a reduction in market activity due to COVID-19. Q3 2021 net revenue was up 3% from Q2 2021, driven by increased demand for new equipment in South America.

Q3 2021 new equipment revenue was 45% higher than the same prior year period mainly due to increased volumes in the construction sector in all operations. Equipment backlog of approximately \$1.6 billion at September 30, 2021 was more than double that of December 31, 2020 levels and was up 16% from June 30, 2021. Q3 2021 equipment order intake ⁽¹⁾ was very strong and outpaced deliveries, primarily in the construction sector of UK & Ireland.

Product support revenue was up 11% in Q3 2021 from the same prior year period, up in all market sectors in all our operations. Product support revenue in the construction sector in Q3 2021 increased 17% over the comparable period in the prior year as a result of our strategic focus to capture market share in this sector. Our product support business continues to recover, increasing sequentially since Q2 2020 and was at pre-COVID-19 levels.

Q3 2021 rental revenue was up 29% from Q3 2020, mainly in the power systems and construction sectors.

EBIT and EBITDA

Q3 2021 gross profit of \$461 million was 18% higher than the same period in the prior year. Overall gross profit as a percentage of net revenue was 26.3% in Q3 2021, down from 27.0% in Q3 2020, largely due to a revenue mix shift to a higher proportion of new equipment revenue (Q3 2021: 36% compared to Q3 2020: 30%). The decrease due to revenue mix was partially offset by higher gross margins mainly from competitive pricing for used equipment and higher rental utilization.

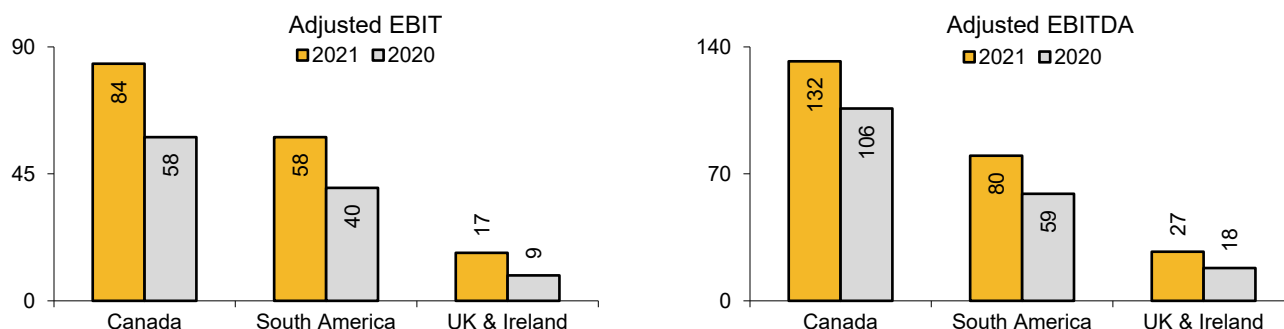
SG&A in Q3 2021 of \$311 million was 7% higher than Q3 2020 on 21% net revenue growth. The increase in SG&A was driven primarily by higher labour and variable costs to support increased volume. In addition, Q3 2020 SG&A included the benefit of temporary salary reductions and targeted cost control in all of our operations. SG&A as a percentage of net revenue was 17.8%, a 230 basis point improvement over the same prior year period, demonstrating improved execution to capture growth opportunities and continued productivity improvements.

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

Adjusted EBIT and Adjusted EBITDA by Operation ⁽¹⁾

3 months ended September 30

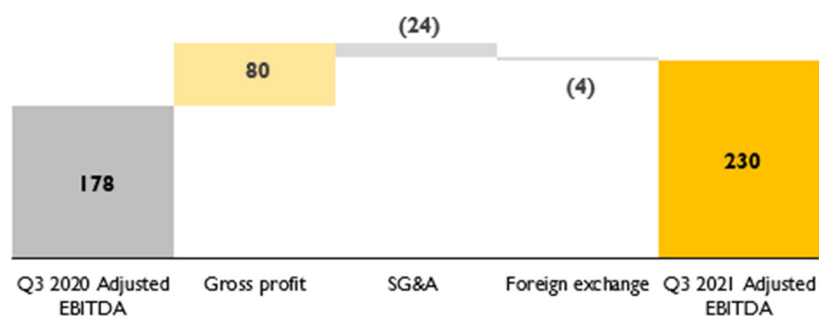
(\$ millions)



(1) Excluding Other operations

EBIT and EBIT as a percentage of net revenue in Q3 2021 were \$150 million and 8.6%, respectively. Excluding the significant items not indicative of operational and financial trends described on page 5, Q3 2020 Adjusted EBIT was \$101 million and Adjusted EBIT as a percentage of net revenue was 7.0%.

EBITDA in Q3 2021 was \$230 million, up 29% from Adjusted EBITDA of \$178 million in Q3 2020. EBITDA was up in all our operations compared to Adjusted EBITDA in Q3 2020, primarily from increased gross profit from a strong market recovery. EBITDA as a percentage of net revenue of 13.2% in Q3 2021 was 90 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 Q3 2021 were \$19 million, down from \$22 million in Q3 2020 due to lower average net debt levels.

Provision for Income Taxes

The Q3 2021 effective income tax rate of 25.1% was comparable to 24.5% in Q3 2020.

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

Net Income Attributable to Shareholders of Finning and Basic EPS

Q3 2021 net income attributable to shareholders of Finning was \$99 million. Q3 2021 basic EPS was \$0.61 per share, a significant increase from Adjusted basic EPS of \$0.37 per share in Q3 2020. Q3 2021 basic EPS of \$0.61 per share was also higher than Q3 2019 Adjusted basic EPS of \$0.49 per share on 4% lower net revenues in Q3 2021.

Year-to-Date Overview

(\$ millions, except for per share amounts)	YTD 2021	YTD 2020	% change fav (unfav)
Revenue	\$ 5,345	\$ 4,530	18%
Net revenue	\$ 4,922	\$ 4,217	17%
Gross profit	\$ 1,317	\$ 1,152	14%
SG&A	(938)	(921)	(2)%
Equity earnings of joint ventures	1	3	(64)%
Other income	15	101	n/m
Other expenses	—	(51)	n/m
EBIT	\$ 395	\$ 284	39%
Net income attributable to shareholders of Finning	\$ 260	\$ 160	62%
Basic EPS	\$ 1.61	\$ 0.99	63%
EBITDA	\$ 630	\$ 515	22%
Free cash flow	\$ 152	\$ 578	(74)%
Adjusted EBIT	\$ 380	\$ 234	62%
Adjusted basic EPS	\$ 1.53	\$ 0.76	100%
Adjusted EBITDA	\$ 615	\$ 465	32%
<i>Gross profit as a % of net revenue</i>	26.7%	27.3%	
<i>SG&A as a % of net revenue</i>	19.1%	21.8%	
<i>EBIT as a % of net revenue</i>	8.0%	6.7%	
<i>EBITDA as a % of net revenue</i>	12.8%	12.2%	
<i>Adjusted EBIT as a % of net revenue</i>	7.7%	5.6%	
<i>Adjusted EBITDA as a % of net revenue</i>	12.5%	11.0%	
<i>Adjusted ROIC</i>	14.7%	9.3%	

Significant items that affected our reported results for the nine months ended September 30, 2021 and September 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:

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

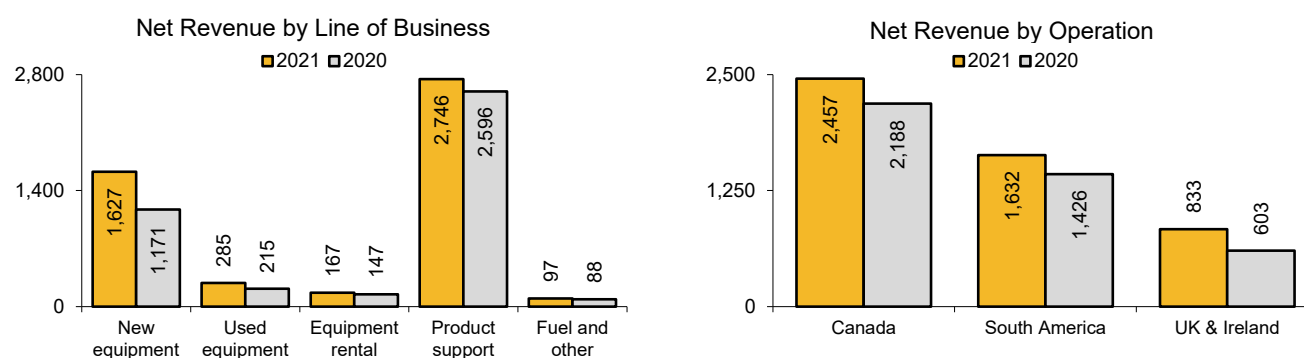
9 months ended September 30, 2020 (\$ millions, except for per share amounts)	EBIT					EPS
	Canada	South America	UK & Ireland	Other	Consol	Consol
EBIT and basic EPS	\$ 216	\$ 80	\$ 5	\$ (17)	\$ 284	\$ 0.99
Significant items:						
CEWS Support	(95)	—	—	(6)	(101)	(0.47)
Severance costs	20	17	4	1	42	0.20
Facility closure related restructuring costs and impairment losses	5	4	—	—	9	0.04
Adjusted EBIT and Adjusted basic EPS	\$ 146	\$ 101	\$ 9	\$ (22)	\$ 234	\$ 0.76

Revenue

Net Revenue by Line of Business and by Operation

9 months ended September 30

(\$ millions)



Revenue was \$5.3 billion in the nine months ended September 30, 2021. Net revenue of \$4.9 billion increased 17% from the same period last year, up in all our operations, driven by a strong market recovery. This increase was partially offset by an unfavourable foreign currency translation impact of approximately \$125 million on net revenue in our South American operations, due to the stronger CAD relative to the USD on average in the nine months ended September 30, 2021 compared to the same period in 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 nine months ended September 30, 2021 was 39% higher than the prior year period reflecting the improvement in market conditions globally, largely driven by the recovery in the construction sectors of all our operations.

Product support revenue in the nine months ended September 30, 2021 was 6% higher than the first nine months of 2020, due to improved activity across all our operations, mainly in our Canadian operations. Product support revenue in the construction sector increased 18% over the comparable period in the prior year as a result of our strategic focus to capture market share in this sector.

Used equipment revenue increased 33% from the same prior year period driven by strong market demand in Canada.

EBIT and EBITDA

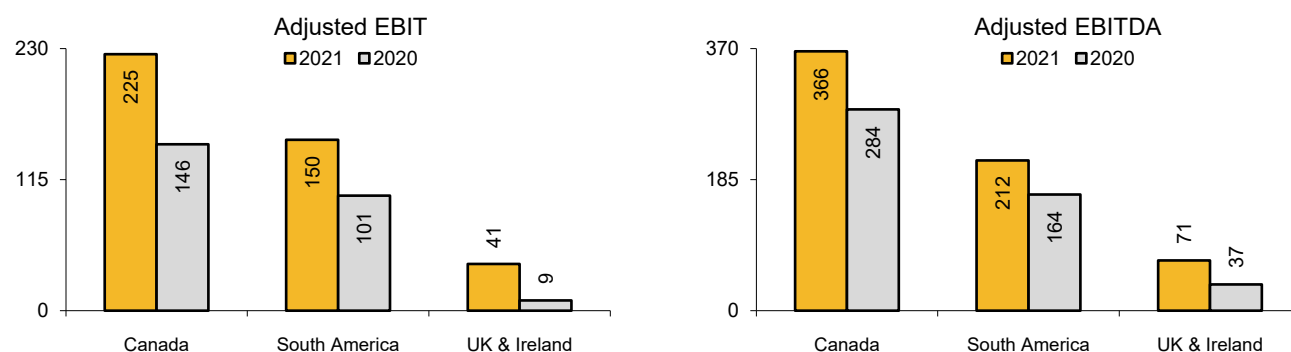
Gross profit in the first nine months of 2021 of \$1.3 billion was 14% higher than the comparative prior year period largely due to a similar increase in volumes. Overall gross profit as a percentage of net revenue of 26.7% was 60 basis points lower than the first nine months of 2020, mainly due to having a higher proportion of new equipment revenue (year-to-date 2021: 33%; year-to-date 2020: 28%) in our operations in South America and UK & Ireland. In spite of having a higher proportion of new equipment revenue in 2021 compared to 2020, the UK & Ireland's gross profit as a percentage of net revenue in the first nine months of 2021 increased over the same prior year period due to an improvement in gross margins in all lines of business, positively impacted by higher rental utilization and competitive pricing for equipment sales.

SG&A for the first nine months of 2021 was \$938 million, 2% higher than the same prior year period on 17% net revenue growth. The increase in SG&A was mainly from higher **LTIP** expense, largely due to an improved share price performance in the current year period, and higher labour costs to support volumes. 2020 year-to-date SG&A included higher provisions in Canada and South America for increased collection risk related to customer receivables partially offset by support received under the CJRS in the UK & Ireland. For the first nine months of 2021, SG&A as a percentage of net revenue of 19.1% was 270 basis points lower than the same prior year period, with an improvement in all our operations, demonstrating improved execution to capture market recovery and a lower cost base.

Adjusted EBIT and Adjusted EBITDA by Operation ⁽¹⁾

9 months ended September 30

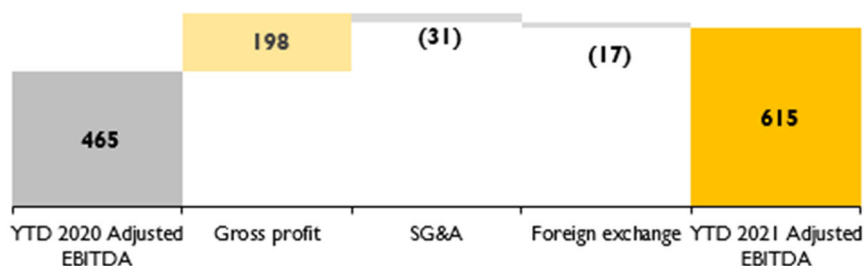
(\$ millions)



⁽¹⁾ Excluding Other operations

EBIT was \$395 million and EBIT as a percentage of net revenue was 8.0% in the first nine months of 2021, compared to \$284 million and 6.7%, respectively, in the first nine months of 2020. Excluding significant items not considered indicative of financial and operational trends described on page 11, Adjusted EBIT in the first nine months of 2021 was \$380 million and Adjusted EBIT as a percentage of net revenue was 7.7%, significantly higher than Adjusted EBIT of \$234 million and Adjusted EBIT as a percentage of net revenue of 5.6% in the first nine months of 2020. 2021 year-to-date Adjusted EBIT as a percentage of net revenue was 9.2% in Canada, 9.2% in South America, and 4.9% in the UK & Ireland.

2021 year-to-date Adjusted EBITDA was \$615 million, up 32% from the same prior year period, primarily due to higher gross profit in all operations from a strong market recovery. Adjusted EBITDA as a percentage of net revenue of 12.5% was higher than the 11.0% earned in the same prior year period. This increase was largely driven by operating leverage in 2021 due to our productivity initiatives, reduced fixed costs, and improved profitability.



Finance Costs

Finance costs for the nine months ended September 30, 2021 were \$56 million, lower than the \$67 million in the same period in 2020 due to lower average net debt levels.

Provision for Income Taxes

The effective income tax rate for the first nine months of 2021 was 23.4%, lower than the 26.3% effective income tax rate for the first nine 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 nine months of 2020 and 2021 were affected by one-time revaluations of our deferred tax balances in Argentina due to tax rate changes.

Net Income Attributable to Shareholders of Finning and Basic EPS

In the first nine months of 2021 net income attributable to shareholders of Finning was \$260 million and basic EPS was \$1.61 per share compared to \$160 million and \$0.99 per share, respectively, earned in the comparable period in 2020. Excluding the significant items not considered indicative of financial and operational trends described on page 11, Adjusted basic EPS in the first nine months of 2021 was \$1.53, more than double the Adjusted basic EPS of \$0.76 per share in the same prior year period. The improvement in earnings in the first nine months of 2021 reflects improved operating leverage and profitability in all our operations, as well as the benefit of a recovering market.

Invested Capital

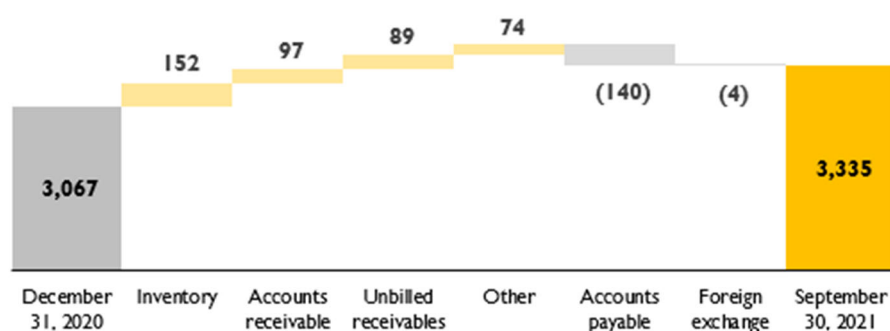
(\$ millions, unless otherwise stated)	September 2021	December 31, 2020	Increase from December 31, 2020
Consolidated	\$ 3,335	\$ 3,067	\$ 268
Canada	\$ 1,922	\$ 1,819	\$ 103
South America	\$ 1,057	\$ 931	\$ 126
UK & Ireland	\$ 339	\$ 327	\$ 12
<i>South America (USD)</i>	\$ 829	\$ 731	\$ 98
<i>UK & Ireland (GBP)</i>	£ 198	£ 188	£ 10

Compared to December 31, 2020:

The \$268 million increase in consolidated invested capital from December 31, 2020 to September 30, 2021 includes a foreign exchange impact of \$4 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 1% stronger CAD relative to the GBP at September 30, 2021 compared to December 31, 2020.

Excluding the impact of foreign exchange, consolidated invested capital increased by \$272 million from December 31, 2020 to September 30, 2021 reflecting:

- higher inventory in all operations, mainly in South America and Canada, proactively ordered and sourced to meet growing customer demand
- an increase in accounts receivables in Canada and unbilled receivables in South America, primarily due to an increase in sales activity
- partially offset by higher accounts payable in all operations related to higher inventory purchases.



Adjusted ROIC and Invested Capital Turnover

	September 30, 2021	December 31, 2020
Adjusted ROIC		
Consolidated	14.7%	9.6%
Canada	15.3%	10.5%
South America	19.0%	12.9%
UK & Ireland	14.9%	5.5%
Invested Capital Turnover (times)		
Consolidated	2.01	1.68
Canada	1.74	1.50
South America	2.11	1.75
UK & Ireland	3.25	2.49

Adjusted ROIC

On a consolidated basis, Adjusted ROIC at September 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 reduce invested capital levels and improve invested capital turnover. Adjusted ROIC at September 30, 2021 in South America was the highest since Q4 2012.

Invested Capital Turnover

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

3 months ended September 30, 2020	South			UK	Net Revenue	
(\$ millions)	Canada	America	& Ireland	Consol	%	
New equipment	\$ 176	\$ 120	\$ 139	\$ 435	30%	
Used equipment	46	23	14	83	6%	
Equipment rental	38	7	8	53	4%	
Product support	438	329	75	842	58%	
Fuel and other	30	—	—	30	2%	
Net revenue	\$ 728	\$ 479	\$ 236	\$ 1,443	100%	
Net revenue % by operation	51%	33%	16%	100%		

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

9 months ended September 30, 2020	South			UK	Net Revenue	
(\$ millions)	Canada	America	& Ireland	Consol	%	
New equipment	\$ 534	\$ 311	\$ 326	\$ 1,171	28%	
Used equipment	115	50	50	215	5%	
Equipment rental	97	28	22	147	3%	
Product support	1,354	1,037	205	2,596	62%	
Fuel and other	88	—	—	88	2%	
Net revenue	\$ 2,188	\$ 1,426	\$ 603	\$ 4,217	100%	
Net revenue % by operation	52%	34%	14%	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 September 30			
(\$ millions)	2021		2020
Net revenue	\$	805	\$ 728
Operating costs		(673)	(623)
Equity earnings of joint ventures		—	1
Other income		—	35
EBITDA	\$	132	\$ 141
Depreciation and amortization		(48)	(48)
EBIT	\$	84	\$ 93
Adjusted EBITDA	\$	132	\$ 106
Adjusted EBIT	\$	84	\$ 58
<i>EBITDA as a % of net revenue</i>		16.5%	19.3%
<i>EBIT as a % of net revenue</i>		10.4%	12.8%
<i>Adjusted EBITDA as a % of net revenue</i>		16.5%	14.6%
<i>Adjusted EBIT as a % of net revenue</i>		10.4%	8.1%

Third Quarter Overview

Q3 2021 net revenue of \$805 million was 11% higher than Q3 2020 driven primarily by an increase in product support and used equipment revenue. Q3 2020 was impacted by COVID-19 and resulted in customers' reduced activity, restricted capital spending, and implementation of cost containment measures.

Product support revenue in Q3 2021 was up 12% compared to the same prior year period, driven by a market recovery in all sectors. Construction product support revenue increased 16% over the comparable period in the prior year, driven by a growing market share, including an increase in construction rebuilds.

Used equipment revenue increased 35% and rental revenue was up 27% from the same prior year period.

These increases were mainly due to higher used equipment sales to mining customers and stronger demand for used and rental equipment in the

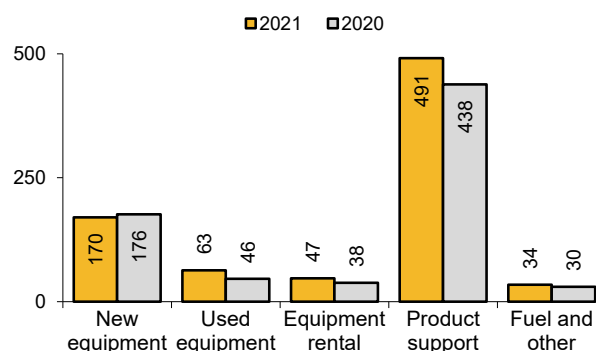
construction sector, supported by favourable construction conditions. We are proactively sourcing used equipment to meet customer needs in a constrained supply environment.

Q3 2021 new equipment revenue was 3% lower than Q3 2020 due to lower deliveries in the mining sector partly offset by strong construction market conditions. Equipment backlog at September 30, 2021 was up from Q2 2021 as order intake outpaced deliveries.

Overall gross profit as a percentage of net revenue in Q3 2021 was higher than Q3 2020 mainly from improved gross margins in most lines of business, due to productivity improvements and higher rental utilization.

Net Revenue by Line of Business Canada Operations

3 months ended September 30
(\$ millions)



Q3 2021 SG&A was up 7% compared to the prior year period primarily due to higher labour and variable costs to support volume. This increase was lower than the revenue increase of 11% and as a result, SG&A as a percentage of net revenue in Q3 2021 was 70 basis points lower than Q3 2020 reflecting the benefit of strategies taken to optimize costs and improve employee and facility productivity.

Excluding significant items not considered by management to be indicative of operational and financial trends described on page 5, Q3 2020 Adjusted EBITDA was \$106 million. Q3 2021 EBITDA of \$132 million was up 25% from Adjusted EBITDA in the same prior year period, primarily due to higher gross profit realized from strong market demand. EBITDA as a percentage of net revenue of 16.5% in Q3 2021 was 190 basis points higher than Adjusted EBITDA as a percentage of net revenue in Q3 2020, driven by an improvement in our profitability combined with a lower cost base in a recovering market.

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

South America Operations

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

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

3 months ended September 30		
(\$ millions)	2021	2020
Net revenue	\$ 638	\$ 479
Operating costs	(558)	(420)
EBITDA	\$ 80	\$ 59
Depreciation and amortization	(22)	(19)
EBIT	\$ 58	\$ 40
<i>EBITDA as a % of net revenue</i>	12.5%	12.2%
<i>EBIT as a % of net revenue</i>	9.2%	8.2%

The stronger CAD relative to the USD on average in Q3 2021 compared to Q3 2020 had an unfavourable foreign currency translation impact of approximately \$35 million on net revenue and did not have a significant impact on EBIT in Q3 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.

Third Quarter Overview

Q3 2021 net revenue was 41% higher than Q3 2020, largely driven by stronger market activity in Chile.

New equipment revenue in Q3 2021 was more than double that of the same prior year period, driven by deliveries to Chilean mining customers and improved demand for construction equipment to support mining infrastructure and general construction projects. Compared to Q2 2021, Q3 2021 new equipment revenue was up 78%, mainly driven by demand in the construction and mining sectors in Chile and Argentina. Equipment backlog at September 30, 2021 remains strong but was down from June 30, 2021 as deliveries exceeded order intake.

Product support revenue in Q3 2021 increased 16% from Q3 2020 as mining customers in Chile resumed major maintenance work and the construction markets of Chile and Argentina recovered. In addition, COVID-19 lockdowns of varying degrees in our South American operations negatively impacted product support revenue in the prior year. Q3 2021 product support revenue was comparable with Q2 2021 with easing pandemic protocols.

Q3 2021 used equipment revenue was 43% lower than Q3 2020, which included higher sales of surplus equipment.

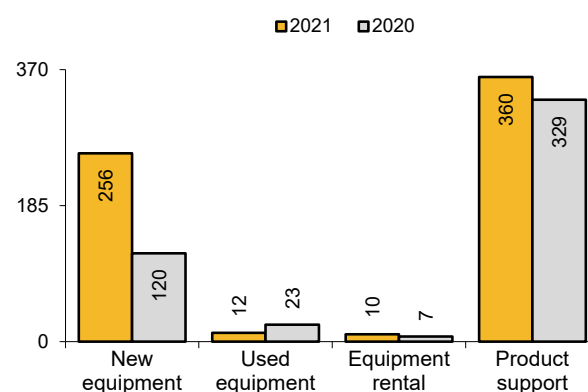
Gross profit in Q3 2021 increased from the same period in the prior year mainly from increased volumes. Gross profit as a percentage of net revenue in Q3 2021 was down compared to Q3 2020 mainly due to the significant shift to higher new equipment sales in the revenue mix (Q3 2021: 40% compared with Q3 2020: 25%). In addition, new equipment gross margins decreased in Q3 2021 mainly due to a higher proportion of mining equipment sold compared to Q3 2020.

Q3 2021 SG&A was up 6% from Q3 2020 on 41% higher net revenue. SG&A increased from the same prior year period primarily due to higher people-related costs and variable costs to support increased volume. Higher variable costs were partially offset by the benefit of various cost saving initiatives. Also, Q3 2020 SG&A included higher provisions reflecting increased collection risk related to customer trade receivables. Q3 2021 SG&A as a percentage of net revenue decreased 440 basis points from Q3 2020 driven by the leverage of fixed costs and a higher proportion of new equipment revenue in the mix.

Q3 2021 EBITDA improved 43% from EBITDA in Q3 2020 primarily due to higher gross profit from improved market activity. Q3 2021 EBITDA as a percentage of net revenue of 12.5% was 30 basis points higher than EBITDA as a percentage of net revenue in Q3 2020 largely due to the benefit of a lower cost base and operating efficiencies partially offset by a higher proportion of new equipment revenue in the revenue mix.

Discussion of our South American operation's year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 10 - 13. The stronger CAD relative to the USD on average in the nine months ended 2021 compared to 2020 had an unfavourable foreign currency translation impact on the results of our South American operations of approximately \$125 million on net revenue and approximately \$10 million on EBIT in the first nine months of 2021.

Net Revenue by Line of Business South America Operations 3 months ended September 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 September 30 (\$ millions)	2021	2020
Net revenue	\$ 305	\$ 236
Operating costs	(278)	(218)
EBITDA	\$ 27	\$ 18
Depreciation and amortization	(10)	(9)
EBIT	\$ 17	\$ 9
<i>EBITDA as a % of net revenue</i>	9.0%	7.9%
<i>EBIT as a % of net revenue</i>	5.6%	4.1%

The CAD relative to the GBP on average in Q3 2021 was comparable to Q3 2020 and as a result, there was no significant foreign currency translation impact on net revenue or EBIT in Q3 2021 when compared to Q3 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.

Third Quarter Overview

Third quarter 2021 net revenue was up 28% from the same period in 2020. Q3 2020 was impacted by COVID-19 restrictions and uncertainty impacting customer buying behaviours. The increase in Q3 2021 was primarily due to higher new equipment revenue.

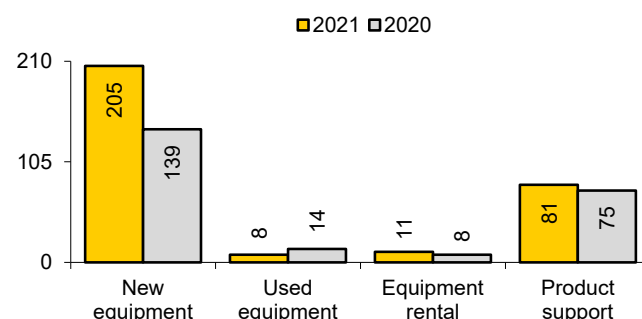
New equipment revenue was 45% higher than the third quarter of 2020, primarily driven by the construction sector which included deliveries to the **HS2** project. Revenue in the power systems sector was down from the same prior year period due to the timing of project deliveries. Equipment backlog at September 30, 2021 and order intake for Q3 2021 were at record levels. Order intake reflects the increased demand for equipment orders for the HS2 project.

Q3 2021 product support revenue increased 8% from the same prior year period, mainly in the construction sector.

Gross profit in Q3 2021 was up from 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 sales in the revenue mix (Q3 2021: 67% compared with Q3 2020: 59%).

Net Revenue by Line of Business UK & Ireland Operations

3 months ended September 30
(\$ millions)



SG&A in Q3 2021 was up 19% compared to the prior year period on 28% net revenue growth. The increase reflected a return to a normalized cost base and increased variable costs to support volumes. Q3 2020 SG&A included lower costs from volume-related decreases during the COVID-19 lockdown period. SG&A as a percentage of net revenue improved 100 basis points from Q3 2020 demonstrating the benefit of various productivity initiatives as well as operating leverage on strong revenue growth.

Q3 2021 EBITDA was up 45% from Q3 2020 and was the highest since Q4 2007. Q3 2021 EBITDA as a percentage of net revenue of 9.0% improved 110 basis points over Q3 2020 largely due to operating leverage of SG&A costs as well as improved gross margins.

Discussion of our UK & Ireland operation's year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 10 - 13. The CAD relative to the GBP on average in the nine months ended 2021 was relatively consistent with 2020 and did not have a significant foreign currency translation impact on year-to-date 2021 net revenue or EBIT of our UK & Ireland operations when compared to 2020.

Other Operations

Our Other operations includes corporate operating costs.

Excluding significant items not considered by management to be indicative of operational and financial trends, described on page 5, Q3 2020 Adjusted EBITDA was a loss of \$5 million. Q3 2021 EBITDA of this segment was a loss of \$9 million. Q3 2021 EBITDA included higher operating costs compared to the prior year period partially offset by lower LTIP expense.

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

Other Developments

ComTech

On September 3, 2021, our Canadian operations acquired a 54.5% controlling ownership interest in **ComTech** through our subsidiary, 4Refuel. ComTech is an early-stage developer of alternative energy infrastructure and provider of proprietary mobile fueling solutions for low-carbon fuels, including **CNG, RNG**, and hydrogen, in North America. ComTech provides 4Refuel with the capability to be a leading provider of turn-key, low-carbon energy solutions. This acquisition expands our fueling capabilities beyond diesel and allows us to support customers' energy transition journey, starting with solutions for CNG and RNG. Our investment in ComTech leverages 4Refuel's leading mobile on-site refueling platform to enable customers to reduce their emissions and improve productivity. Cash consideration for this acquisition was \$25 million, of which \$20 million is to support future growth. The acquisition was funded with cash on hand. Net assets acquired consist primarily of cash, property, plant, and equipment, intangible assets, goodwill, and debt. Also, non-controlling interests (45.5% ownership interest in ComTech) of \$21 million was recorded. The purchase price allocation is not final but we expect to finalize it no later than June 30, 2022.

Energyst

Energyst was the Caterpillar dealer in Europe for rental power and temperature control solutions. In December 2020, the shareholders of Energyst, which included Finning, decided to restructure the company and convert its rental activities into four separate regional organizations which were sold in January 2021. A plan is in place to sell any remaining assets and wind-up Energyst, with the net proceeds from the sale to be distributed to Energyst's shareholders. During the 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. We paid cash consideration of \$14 million (€9 million) at the date of acquisition, funded with cash on hand. Net assets acquired consist primarily of rental equipment and working capital. We expect to finalize the purchase price allocation by 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

The federal and provincial governments’ fiscal stimulus programs are expected to continue supporting construction activity. We are seeing robust demand for construction equipment with many projects underway in Western Canada. Significant private sector investment in **LNG** and power projects is expected to drive demand for equipment, product support, heavy rentals, and prime and standby electric power generation. We continue to successfully execute our strategy to capture product support market share in construction by leveraging our digital platform, CUBIQ, and offering a broader scope of Customer Value Agreements and rebuild options to construction customers.

We expect continued broad-based strength in commodity markets, including base and precious metals, oil, natural gas, metallurgical coal, lumber, uranium, and potash to provide a positive backdrop for market activity in Western Canada.

We are actively quoting multiple requests for proposals for equipment in hard rock mining. Oil sands customers are focused on improving production efficiency, reducing costs, and lowering emissions, while remaining disciplined on capital expenditures. We expect the large and aging mining equipment population in Western Canada to drive stable demand for product support, including rebuilds, and opportunities for future fleet renewals.

South America Operations

We are monitoring 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 greenfield and new expansion projects. In the near term, we expect mining customers to continue taking advantage of the current strong copper price and the low peso. The projected increase in copper production, mature equipment population, and declining ore grades are expected to drive improved demand for product support.

Our outlook for the Chilean construction activity remains strong, driven by improved demand for mining infrastructure and the government’s investment in public works.

In Argentina, we expect to continue capturing improved activity in construction, oil and gas, and gold mining, while managing fiscal, regulatory, and currency risks, including **ARS** devaluation. The overall business environment in the country remains challenging due to ongoing fiscal, regulatory, and currency headwinds and added uncertainty ahead of the legislative elections in November 2021.

UK & Ireland Operations

The outlook for general construction equipment markets in the UK remains strong, supported by the economic recovery and HS2 construction activity. Our backlog at September 30, 2021 includes about £110 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 are actively quoting for 2022 HS2 orders.

Strong demand for our power systems solutions, particularly in the data centre market, is expected to continue. We have a strong backlog of power systems projects, with deliveries extending into 2022. 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 strong track record of project execution, we are well positioned to capture opportunities related to this growth trend.

Demonstrating Improved Earnings Capacity

We are proactively managing our business through the cycle with the objective of growing and compounding our earnings at each successive mid-cycle point.

We are closely monitoring inflationary pressures from price and wage increases. Productivity initiatives are underway in our regions to further reduce fixed costs and make our operations more efficient. While we continue to make progress on our fixed cost reduction program focused on people, facility, and supply chain categories, it is becoming increasingly difficult to be deflationary, particularly for our near-term incentive compensation, transportation, and procurement initiatives. We are also taking proactive steps to mitigate technical labour shortages by leveraging our improved network capacity and newly implemented continuous shifts in our larger facilities, conducting targeted recruitment campaigns, and expanding our apprenticeship programs.

Looking ahead, we expect ongoing challenges in the global supply chain to result in longer lead times for equipment and parts in all regions. We continue to actively manage supply chain constraints by taking appropriate mitigation steps in collaboration with Caterpillar and our customers, such as actively sourcing used equipment, optimizing preparation time on equipment, and offering rebuilds and rental options. We expect a tight supply environment to continue driving strong demand for used equipment, rentals, and rebuilds. We have also improved our supply chain capabilities, including visibility and planning with Caterpillar. The use of data and insights from connected machines has significantly improved our planning processes and enables us to order the right inventory at the right time. While we expect some delays in delivering equipment to customers, we expect our current inventory strategy will enable us to meet our mid-cycle revenue targets.

Our revenue outlook remains positive, and we continue to expect the mid-cycle market conditions to transition to up-cycle in 2022. We now expect to achieve our mid-cycle EPS and ROIC targets ahead of schedule. In the fourth quarter, we expect strong new equipment deliveries in Chile mining and UK construction, while, consistent with prior years, both rental and labour utilization are expected to be lower than in the third quarter. We expect to deliver strong annual free cash flow in 2021, with positive free cash flow generation in Q4 2021.

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 September 30			9 months ended September 30		
	2021	2020	(Decrease)	2021	2020	(Decrease)
			Increase			Increase
Operating activities	\$ 212	\$ 340	\$ (128)	\$ 232	\$ 645	\$ (413)
Investing activities	\$ (68)	\$ (24)	\$ (44)	\$ (112)	\$ (67)	\$ (45)
Financing activities	\$ (15)	\$ (188)	\$ 173	\$ (133)	\$ (400)	\$ 267
Free cash flow	\$ 176	\$ 316	\$ (140)	\$ 152	\$ 578	\$ (426)

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 driven primarily by Canada and South America; • partially offset by higher collections in all of our operations 	<ul style="list-style-type: none"> • higher inventory purchases to support increased demand in all of our operations; • partially offset by higher collections in all of our operations
Investing activities	<ul style="list-style-type: none"> • \$27 million invested in highly liquid investments in South America • \$12 million higher net spend on capital expenditures 	<ul style="list-style-type: none"> • \$27 million invested in highly liquid investments in South America • \$18 million net cash consideration paid for acquisitions in the UK & Ireland and Canada operations • \$13 million higher net spend on capital expenditures
Financing activities	<ul style="list-style-type: none"> • \$297 million cash provided by short-term borrowings in Q3 2021 compared to \$66 million provided by short-term borrowings in Q3 2020; • \$54 million use of cash to repurchase common shares in Q3 2021 compared to no common shares repurchased in Q3 2020 	<ul style="list-style-type: none"> • \$322 million cash provided by short-term borrowings in 2021 compared to \$11 million repayment of short-term borrowings in 2020; • \$88 million use of cash to repurchase common shares in Q2 and Q3 2021 compared to \$23 million used to purchase common shares in Q1 2020
Free cash flow	<ul style="list-style-type: none"> • Free cash flow in Q3 2021 was \$140 million lower than Q3 2020 due to lower cash generated from operating activities for the reasons outlined above 	<ul style="list-style-type: none"> • Free cash flow in 2021 was \$426 million lower than the prior year due to lower cash generated from operating activities for the reasons outlined above

Capital resources and management

Our cash and cash equivalents balance at September 30, 2021 was \$518 million (December 31, 2020: \$539 million). At September 30, 2021 we had approximately \$2.1 billion in unsecured committed and uncommitted credit facilities. Included in this amount was a committed revolving credit facility totaling \$1.3 billion with various Canadian and global financial institutions, of which approximately \$0.9 billion was available at September 30, 2021. We are subject to certain covenants under our committed revolving credit facilities and were in compliance with these covenants as at September 30, 2021.

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.

In September 2021, we secured sustainability-linked terms for our \$1.3 billion committed revolving credit facility. The amended credit facility aligns cost of borrowing to our progress towards achieving our absolute greenhouse gas emissions reduction target set in our Sustainability Report. We also extended the term of the credit facility from December 2024 to September 2026.

Finning is rated ⁽¹⁾ by both **DBRS** and **S&P**:

	Long-term debt		Short-term debt	
	Sep 30, 2021	Dec 31, 2020	Sep 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 2021, DBRS reconfirmed our BBB (high) long-term rating and R-2 (high) commercial paper rating, both with stable trends.

During Q2 2021, we resumed our share repurchase program and during Q2 and Q3 2021 repurchased 2,879,340 common shares for cancellation for \$93 million (at an average cost of \$32.41 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 for \$23 million at an average cost of \$19.25 per share. No common shares were repurchased in Q2 or Q3 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 September 30, 2021 of 1.3 times was the lowest since Q4 2014.

	Finning long-term target	Sep 30, 2021	Dec 31, 2020
Net debt to Adjusted EBITDA ratio (times)	< 3.0	1.3	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	September 30			December 31			3 months ended			9 months ended		
	September 30			December 31			September 30 – average			September 30 – average		
	2021	2020	Change	2020	Change	2021	2020	Change	2021	2020	Change	
USD/CAD	1.2741	1.3339	4%	1.2732	—	1.2600	1.3321	5%	1.2513	1.3541	8%	
GBP/CAD	1.7123	1.7199	—	1.7381	1%	1.7366	1.7208	(1)%	1.7331	1.7197	(1)%	
USD/ CLP	798.63	784.46	(2)%	711.24	(12)%	771.40	780.48	1%	736.34	801.86	8%	
USD/ARS	98.72	76.18	(30)%	84.15	(17)%	97.23	73.26	(33)%	93.15	67.13	(39)%	

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 November 4, 2021

Common shares outstanding	159,670,231
Options outstanding	1,865,481

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 September 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.

On September 3, 2021, we acquired a 54.5% ownership interest in ComTech. In keeping with scope limitation provisions of applicable securities laws, we intend to exclude the design and operating effectiveness assessment of internal control over financial reporting of ComTech from our annual assessment of the effectiveness of our internal control over financial reporting for 2021. Additional information regarding the acquisition can be found on page 21 of this MD&A.

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 basic EPS

Adjusted basic EPS excludes the after-tax per share impact 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 after-tax per share impact of significant items are calculated by dividing the after-tax amount of significant items by the weighted average number of common shares outstanding during the period.

A reconciliation between basic EPS (the most directly comparable GAAP measure) and Adjusted basic EPS can be found on page 30 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 was as follows:

3 months ended (\$ millions)	2021			2020			2019		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	150	137	108	108	138	52	94	97	129
Depreciation and amortization	80	78	77	77	77	78	76	73	72
EBITDA	230	215	185	185	215	130	170	170	201
EBITDA – last 12 months	815	800	715	700	685	671	754	718	688
EBIT	150	137	108	108	138	52	94	97	129
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	150	137	93	94	101	39	94	97	132
Depreciation and amortization	80	78	77	77	77	78	76	73	72
Adjusted EBITDA	230	215	170	171	178	117	170	170	204
Adjusted EBIT – last 12 months	474	425	327	328	331	362	460	457	451
Adjusted EBITDA – last 12 months	786	734	636	636	635	661	757	750	720

The tax impact of each significant item noted above for the last nine quarters was as follows:

3 months ended (\$ millions)	2021			2020			2019		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Significant items:									
CEWS support	—	—	2	4	10	16	—	—	—
Final return on our investment in Energyst	—	—	—	—	—	—	—	—	—
Severance costs	—	—	—	—	—	(10)	—	—	(1)
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	(2)	—	—	(1)
Total tax expense (recovery) on significant items	—	—	2	4	10	4	—	—	(2)

A reconciliation from basic EPS to Adjusted basic EPS for our consolidated operations for the last nine quarters was as follows:

3 months ended (\$)	2021			2020				2019	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Basic EPS	0.61	0.56	0.43	0.45	0.54	0.12	0.33	0.31	0.46
Significant items:									
CEWS support	—	—	(0.05)	(0.07)	(0.17)	(0.30)	—	—	—
Final return on our investment in Energyst	—	—	(0.03)	—	—	—	—	—	—
Severance costs	—	—	—	—	—	0.20	—	—	0.01
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	0.04	—	—	—
Tax impact of devaluation of ARS	—	—	—	—	—	—	—	—	0.02
Adjusted basic EPS	0.61	0.56	0.35	0.38	0.37	0.06	0.33	0.31	0.49

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

3 months ended (\$ millions)	2021			2020				2019	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	84	82	69	72	93	63	60	72	82
Significant items:									
CEWS support	—	—	(10)	(13)	(35)	(60)	—	—	—
Severance costs	—	—	—	—	—	20	—	—	—
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	5	—	—	—
Adjusted EBIT	84	82	59	59	58	28	60	72	82
Depreciation and amortization	48	47	46	47	48	47	43	42	43
Adjusted EBITDA	132	129	105	106	106	75	103	114	125
Adjusted EBIT – last 12 months	284	258	204	205	218	242	306	313	312

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

3 months ended (\$ millions)	2021			2020				2019	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	58	51	41	41	40	2	38	31	42
Significant items:									
Severance costs	—	—	—	—	—	17	—	—	2
Facility closures, restructuring costs, and impairment losses	—	—	—	—	—	4	—	—	1
Adjusted EBIT	58	51	41	41	40	23	38	31	45
Depreciation and amortization	22	20	20	20	19	22	22	20	20
Adjusted EBITDA	80	71	61	61	59	45	60	51	65
Adjusted EBIT – last 12 months	191	173	145	142	132	137	155	131	112

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

3 months ended (\$ millions)	2021			2020			2019		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	17	17	7	11	9	(5)	1	5	14
Significant item:									
Severance costs	—	—	—	—	—	4	—	—	—
Adjusted EBIT	17	17	7	11	9	(1)	1	5	14
Depreciation and amortization	10	10	10	9	9	9	10	10	8
Adjusted EBITDA	27	27	17	20	18	8	11	15	22
Adjusted EBIT – last 12 months	52	44	26	20	14	19	34	46	53

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

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

EBITDA to Free Cash Flow Conversion

EBITDA to free cash flow conversion is calculated as free cash flow (defined and calculated on page 32) 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 was as follows:

3 months ended (\$ millions)	2021			2020			2019		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cash flow provided by (used in) operating activities	212	8	12	317	340	319	(14)	438	204
Additions to property, plant, and equipment and intangible assets	(38)	(17)	(33)	(34)	(26)	(17)	(38)	(54)	(40)
Proceeds on disposal of property, plant, and equipment	2	5	1	9	2	10	2	2	1
Free cash flow	176	(4)	(20)	292	316	312	(50)	386	165

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		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cost of sales (3 months ended)	1,443	1,396	1,189	1,248	1,163	1,075	1,140	1,483	1,500
Cost of sales related to mobile refueling operations (3 months ended)	(170)	(153)	(140)	(129)	(124)	(95)	(133)	(168)	(156)
Cost of sales related to the dealership (3 months ended)	1,273	1,243	1,049	1,119	1,039	980	1,007	1,315	1,344
Inventory	1,627	1,643	1,593	1,477	1,626	1,893	2,152	1,990	2,215
Fuel inventory	(6)	(3)	(3)	(3)	(2)	(2)	(3)	(3)	(3)
Inventory related to the dealership	1,621	1,640	1,590	1,474	1,624	1,891	2,149	1,987	2,212
Cost of sales related to the dealership – annualized	5,034	4,583	4,336	4,319	4,039	3,973	4,644	5,317	5,686
Inventory related to the dealership – 2 quarter average	1,630	1,615	1,532	1,549	1,757	2,020	2,068	2,099	2,287
Inventory turns (dealership) (number of times)	3.09	2.84	2.83	2.79	2.30	1.97	2.25	2.53	2.49

Invested Capital

Invested capital is calculated as net debt plus total equity. Invested capital is also calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term and long-term debt, net of cash and cash equivalents. We use invested capital as a measure of the total cash investment made in Finning and 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 was calculated as follows:

(\$ millions, except as noted)	2021			2020			2019		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cash and cash equivalents	(518)	(378)	(469)	(539)	(453)	(338)	(260)	(268)	(252)
Short-term debt	419	114	103	92	217	158	329	226	532
Current portion of long-term debt	191	386	326	201	200	200	200	200	200
Non-current portion of long-term debt	923	903	973	1,107	1,136	1,348	1,381	1,318	1,325
Net debt	1,015	1,025	933	861	1,100	1,368	1,650	1,476	1,805
Total equity	2,320	2,252	2,244	2,206	2,184	2,127	2,233	2,115	2,102
Invested capital	3,335	3,277	3,177	3,067	3,284	3,495	3,883	3,591	3,907

Invested Capital Turnover

We use invested capital turnover to measure 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 33) based on an average of the last four quarters, as follows:

(\$ millions, except as noted)	2021			2020			2019		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Consolidated									
Net revenue – last 12 months	6,473	6,168	5,798	5,768	5,974	6,350	7,010	7,290	7,375
Invested capital – 4 quarter average	3,214	3,201	3,256	3,432	3,563	3,719	3,836	3,804	3,697
Invested capital turnover (number of times)	2.01	1.93	1.78	1.68	1.68	1.71	1.83	1.92	1.99
Canada									
Net revenue – last 12 months	3,228	3,151	2,977	2,959	3,156	3,406	3,775	3,927	3,964
Invested capital – 4 quarter average	1,858	1,858	1,902	1,967	2,019	2,091	2,153	2,167	2,079
Invested capital turnover (number of times)	1.74	1.70	1.56	1.50	1.56	1.63	1.75	1.81	1.91
South America									
Net revenue – last 12 months	2,128	1,969	1,926	1,922	1,944	2,042	2,199	2,226	2,217
Invested capital – 4 quarter average	1,007	1,001	1,014	1,100	1,166	1,226	1,271	1,250	1,249
Invested capital turnover (number of times)	2.11	1.97	1.90	1.75	1.67	1.67	1.73	1.78	1.77
UK & Ireland									
Net revenue – last 12 months	1,117	1,048	895	887	874	902	1,036	1,137	1,194
Invested capital – 4 quarter average	344	340	337	357	365	389	399	382	376
Invested capital turnover (number of times)	3.25	3.09	2.66	2.49	2.39	2.32	2.60	2.98	3.18

Net Debt to Adjusted EBITDA Ratio

This ratio is calculated as net debt (defined and calculated on page 33) divided by Adjusted EBITDA, for the last twelve months. We use this ratio to assess operating leverage and ability to repay debt. This ratio approximates the length of time, in years, that it would take us to repay debt, with net debt and Adjusted EBITDA held constant. This ratio was calculated as follows:

(\$ millions, except as noted)	2021			2020			2019		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Net debt	1,015	1,025	933	861	1,100	1,368	1,650	1,476	1,805
Adjusted EBITDA – last 12 months	786	734	636	636	635	661	757	750	720
Net debt to Adjusted EBITDA ratio	1.3	1.4	1.5	1.4	1.7	2.1	2.2	2.0	2.5

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 were calculated as follows:

3 months ended (\$ millions, except as noted)	2021			2020			2019		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total revenue	1,904	1,845	1,596	1,666	1,553	1,419	1,558	1,911	1,959
Cost of fuel	(156)	(140)	(127)	(115)	(110)	(84)	(119)	(154)	(140)
Net revenue	1,748	1,705	1,469	1,551	1,443	1,335	1,439	1,757	1,819
Gross profit	461	449	407	418	390	344	418	428	459
Gross profit as a % of net revenue	26.3%	26.3%	27.7%	26.9%	27.0%	25.7%	29.1%	24.3%	25.3%
SG&A	311	313	314	324	290	306	325	334	333
SG&A as a % of net revenue	17.8%	18.3%	21.4%	20.9%	20.1%	22.9%	22.6%	19.0%	18.3%
EBITDA	230	215	185	185	215	130	170	170	201
EBITDA as a % of net revenue	13.2%	12.6%	12.6%	11.9%	14.9%	9.7%	11.8%	9.7%	11.1%
Adjusted EBITDA	230	215	170	171	178	117	170	170	204
Adjusted EBITDA as a % of net revenue	13.2%	12.6%	11.6%	11.0%	12.3%	8.8%	11.8%	9.7%	11.2%
EBIT	150	137	108	108	138	52	94	97	129
EBIT as a % of net revenue	8.6%	8.0%	7.4%	6.9%	9.6%	3.9%	6.6%	5.5%	7.1%
Adjusted EBIT	150	137	93	94	101	39	94	97	132
Adjusted EBIT as a % of net revenue	8.6%	8.0%	6.3%	6.1%	7.0%	2.9%	6.6%	5.5%	7.3%

ROIC and Adjusted ROIC

ROIC is defined as EBIT for the last twelve months divided by invested capital (calculated on page 33) 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 were calculated as follows:

(\$ millions, except as noted)	2021			2020				2019	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Consolidated									
EBIT – last 12 months	503	491	406	392	381	372	457	425	419
Adjusted EBIT – last 12 months	474	425	327	328	331	362	460	457	451
Invested capital – 4 quarter average	3,214	3,201	3,256	3,432	3,563	3,719	3,836	3,804	3,697
ROIC	15.6%	15.3%	12.5%	11.4%	10.7%	10.0%	11.9%	11.2%	11.3%
Adjusted ROIC	14.7%	13.3%	10.0%	9.6%	9.3%	9.7%	12.0%	12.0%	12.2%
Canada									
EBIT – last 12 months	307	316	297	288	288	277	306	296	295
Adjusted EBIT – last 12 months	284	258	204	205	218	242	306	313	312
Invested capital – 4 quarter average	1,858	1,858	1,902	1,967	2,019	2,091	2,153	2,167	2,079
ROIC	16.5%	17.0%	15.6%	14.6%	14.3%	13.3%	14.2%	13.7%	14.2%
Adjusted ROIC	15.3%	14.0%	10.8%	10.5%	10.8%	11.6%	14.2%	14.4%	15.0%
South America									
EBIT – last 12 months	191	173	124	121	111	113	152	120	101
Adjusted EBIT – last 12 months	191	173	145	142	132	137	155	131	112
Invested capital – 4 quarter average	1,007	1,001	1,014	1,100	1,166	1,226	1,271	1,250	1,249
ROIC	19.0%	17.2%	12.3%	11.0%	9.5%	9.3%	11.9%	9.6%	8.1%
Adjusted ROIC	19.0%	17.2%	14.4%	12.9%	11.3%	11.2%	12.2%	10.5%	9.0%
UK & Ireland									
EBIT – last 12 months	52	44	22	16	10	15	34	46	53
Adjusted EBIT – last 12 months	52	44	26	20	14	19	34	46	53
Invested capital – 4 quarter average	344	340	337	357	365	389	399	382	376
ROIC	14.9%	12.9%	6.5%	4.5%	2.9%	3.7%	8.4%	12.1%	14.1%
Adjusted ROIC	14.9%	12.9%	7.6%	5.5%	3.9%	4.6%	8.4%	12.1%	14.1%

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 was calculated as follows:

(\$ millions, except as noted)	2021			2020			2019		
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total current assets	3,620	3,416	3,319	3,214	3,261	3,416	3,828	3,659	3,959
Cash and cash equivalents	(518)	(378)	(469)	(539)	(453)	(338)	(260)	(268)	(252)
Total current assets in working capital ⁽¹⁾	3,102	3,038	2,850	2,675	2,808	3,078	3,568	3,391	3,707
Total current liabilities	2,156	1,942	1,817	1,623	1,717	1,735	2,112	2,026	2,331
Short-term debt	(419)	(114)	(103)	(92)	(217)	(158)	(329)	(226)	(532)
Current portion of long-term debt	(191)	(386)	(326)	(201)	(200)	(200)	(200)	(200)	(200)
Total current liabilities in working capital ⁽²⁾	1,546	1,442	1,388	1,330	1,300	1,377	1,583	1,600	1,599
Working capital	1,556	1,596	1,462	1,345	1,508	1,701	1,985	1,791	2,108
Working capital – 4 quarter average	1,490	1,478	1,504	1,635	1,746	1,896	2,026	2,026	1,986
Net revenue – last 12 months	6,473	6,168	5,798	5,768	5,974	6,350	7,010	7,290	7,375
Working capital to net revenue	23.0%	24.0%	25.9%	28.3%	29.2%	29.9%	28.9%	27.8%	26.9%

(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	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue								
Canada	\$ 961	\$ 1,019	\$ 900	\$ 886	\$ 838	\$ 789	\$ 874	\$ 1,122
South America	638	512	482	496	479	469	478	518
UK & Ireland	305	314	214	284	236	161	206	271
Total revenue	\$ 1,904	\$ 1,845	\$ 1,596	\$ 1,666	\$ 1,553	\$ 1,419	\$ 1,558	\$ 1,911
Net income attributable to shareholders of Finning ⁽¹⁾	\$ 99	\$ 91	\$ 70	\$ 72	\$ 88	\$ 18	\$ 54	\$ 50
Earnings per share ⁽¹⁾								
Basic EPS	\$ 0.61	\$ 0.56	\$ 0.43	\$ 0.45	\$ 0.54	\$ 0.12	\$ 0.33	\$ 0.31
Diluted EPS	\$ 0.61	\$ 0.56	\$ 0.43	\$ 0.44	\$ 0.54	\$ 0.12	\$ 0.33	\$ 0.31
Total assets	\$ 5,936	\$ 5,615	\$ 5,524	\$ 5,458	\$ 5,535	\$ 5,716	\$ 6,255	\$ 5,990
Long-term debt								
Current	\$ 191	\$ 386	\$ 326	\$ 201	\$ 200	\$ 200	\$ 200	\$ 200
Non-current	923	903	973	1,107	1,136	1,348	1,381	1,318
Total long-term debt ⁽²⁾	\$ 1,114	\$ 1,289	\$ 1,299	\$ 1,308	\$ 1,336	\$ 1,548	\$ 1,581	\$ 1,518
Cash dividends paid per common share	22.5¢	20.5¢	20.5¢	20.5¢	20.5¢	20.5¢	20.5¢	20.5¢
Common shares outstanding (000's)	159,659	161,419	162,391	162,107	162,104	162,104	162,104	163,319
Options outstanding (000's)	1,926	2,105	2,116	3,683	3,760	3,758	3,353	3,416

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

(\$ millions except per share amounts)	2021 ^(a)		2020 ^(a)	
	Q1	Q4	Q3	Q2
CEWS support	\$ (10)	\$ (14)	\$ (37)	\$ (64)
Final return on our investment in Energyst	(5)	—	—	—
Severance costs	—	—	—	42
Facility closures, restructuring costs, and impairment losses	—	—	—	9
Impact of significant items on EBIT	\$ (15)	\$ (14)	\$ (37)	\$ (13)
Impact of significant items on basic EPS ^(b)	\$ (0.08)	\$ (0.07)	\$ (0.17)	\$ (0.06)

(a) There were no significant items impacting EBIT or basic EPS in Q3 2021, Q2 2021, Q1 2020, and Q4 2019.

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

⁽²⁾ In September 2021, we secured sustainability-linked terms for our \$1.3 billion committed revolving credit facility. We also extended the term of the credit facility from December 2024 to September 2026.

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

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

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.

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 discussed and referred to below. Forward-looking information in this report also includes, but is not limited to, the following: expected results from the execution of our strategic framework, including our global strategic priorities, strategic pillars, and strategic focus areas; 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; our belief that we are positioned well for an economic recovery; our expectation that our effective tax rate will generally be within the 25-30% range on an annual basis; our expectation of future growth for ComTech and timing of the ComTech purchase price allocation; the plan to sell remaining assets of Energyst and wind-up Energyst, the expectation that the sale of remaining assets will result in net proceeds to be distributed to Energyst’s shareholders and the expected timing of the Energyst purchase price allocation; the expectation that federal and provincial fiscal stimulus programs will continue supporting construction activity and private sector investment in LNG and power projects will drive demand for equipment, product support, heavy rentals and prime and standby electric power generation in Western Canada; expected positive market activity in Western Canada (assumes continued broad-based strength in commodity markets); expected stable demand for product support, including rebuilds, and opportunities for future fleet renewals due to the large and aging mining equipment population in Western Canada; the political and economic reform process in Chile leading to the general elections in November 2021 and the review of the mining royalty proposal in Chile; our constructive outlook for copper mining growth in Chile (assumes there will be 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; expectation that in the near term mining customers will continue taking advantage of the current strong copper price and low peso; expectation that the projected increase in copper production, mature equipment population, and declining ore grades will drive improved demand for product support in Chile; 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 we will continue capturing improved activity in construction and oil and gas, and gold mining in Argentina and manage fiscal, regulatory and currency risks, including ARS devaluation, and our view that the overall business environment in Argentina remains challenging, risks being related to fiscal, regulatory and currency headwinds and added uncertainty related to the legislative elections to be held in November 2021; the continued strong outlook for the UK general construction equipment market (assumes continuing economic recovery and HS2 construction activity) and our position to capture a large share of opportunities for the remainder of HS2 Phase 1 and 2022 HS2 orders; expected continued strong demand for our power systems solutions, particularly in the data centre market (assumes projected significant growth in cloud data centre capacity in the UK & Ireland markets over the next 5 years will materialize) and our ability to capture opportunities related to that growth trend; our proactive management of our business through the cycle with the objective of growing and compounding our earnings at each successive mid-cycle point; our close monitoring of inflationary pressures from price and wage increases and productivity initiatives to further reduce fixed costs and make our operations more efficient; progress on our fixed cost reduction program and anticipated difficulty to be deflationary; our proactive steps to mitigate technical labour shortages; our expectation that challenges in global supply chain will be ongoing and result in longer lead times for equipment and parts in all regions and our management of these constraints (assumes our mitigation steps, including collaboration with Caterpillar and our customers, will be successful) and continue to drive strong demand for used equipment, rentals and rebuilds; our ability to order the right inventory at the right time (assumes our successful visibility and planning processes through the use of data and insights from connected machines); our expectation that our current inventory strategy will enable us to meet our mid-cycle revenue targets; our positive revenue outlook; our expectation that the mid-cycle market conditions will transition to up-cycle in 2022; our expectation to achieve our mid-cycle EPS and ROIC targets ahead of schedule; expected strong new equipment deliveries in the fourth quarter in Chile mining and UK construction; our expectation that, consistent with prior years, both rental and labour utilization will be lower than in the third quarter; our expected strong annual free cash flow in 2021 and positive free cash flow generation in Q4 2021; our positive revenue outlook and expectation that mid-cycle market conditions will transition to up-cycle in 2022; our belief that, based on cash on hand, available credit facilities and the discretionary nature of certain cash flows, such as rental and capital expenditures, we have sufficient liquidity to meet operational needs; our expectation that foreign exchange fluctuations will continue to affect our results; and our intention to exclude the design and operating effectiveness assessment of internal control over financial reporting of ComTech from our annual assessment of the effectiveness of our internal control over financial reporting for 2021.

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 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; our ability to protect our business from cybersecurity threats or incidents; the actual impact of the COVID-19 pandemic; 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 report to give information about our current expectations and plans and allow investors and others to get a better understanding of our operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information provided in this report is based on a number of assumptions that we believed were reasonable on the day the information was given, including but not limited to: the specific assumptions stated above; that we will be able to successfully manage our business through the current challenging times involving the effects of the COVID-19 response, stretched supply chains, competitive talent markets, and changing commodity prices, and successfully implement our COVID-19 risk management plans; an undisrupted market recovery, for example, undisrupted by COVID-19 impacts, commodity price volatility or social unrest; the successful execution of our profitability drivers; that 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 in our regions, particularly in Chile and the UK. Some of the assumptions, risks, and other factors, which could cause results to differ materially from those expressed in the forward-looking information contained in this report, are discussed in our current AIF and in our annual and most recent quarterly MD&A for the financial risks, including for updated risks related to the COVID-19 pandemic.

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

Except as otherwise indicated, forward-looking information does not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date of this report. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same 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
CNG	Compressed natural gas
ComTech	Compression Technology Corporation
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
LNG	Liquefied natural gas
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
RNG	Renewable natural gas
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)	September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 518	\$ 539
Accounts receivable	825	730
Unbilled receivables	319	231
Inventory	1,627	1,477
Other assets	331	237
Total current assets	\$ 3,620	\$ 3,214
Property, plant, and equipment	902	867
Rental equipment	459	430
Intangible assets	305	322
Goodwill	233	205
Distribution network	100	100
Investment in joint ventures and associate	86	85
Other assets	231	235
Total assets	\$ 5,936	\$ 5,458
LIABILITIES		
Current liabilities		
Short-term debt (Note 5)	\$ 419	\$ 92
Accounts payable and accruals	898	761
Deferred revenue	432	374
Current portion of long-term debt	191	201
Other liabilities	216	195
Total current liabilities	\$ 2,156	\$ 1,623
Long-term debt	923	1,107
Long-term lease liabilities	247	216
Net post-employment obligation	59	97
Other liabilities	231	209
Total liabilities	\$ 3,616	\$ 3,252
EQUITY		
Share capital	\$ 567	\$ 566
Contributed surplus	—	1
Accumulated other comprehensive income	218	218
Retained earnings	1,514	1,421
Equity attributable to shareholders of Finning International Inc.	\$ 2,299	\$ 2,206
Non-controlling interests (Note 11)	21	—
Total equity	2,320	2,206
Total liabilities and equity	\$ 5,936	\$ 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		9 months ended	
	September 30		September 30	
	2021	2020	2021	2020
Revenue				
New equipment	\$ 631	\$ 435	\$ 1,627	\$ 1,171
Used equipment	83	83	285	215
Equipment rental	68	53	167	147
Product support	932	842	2,746	2,596
Fuel and other	190	140	520	401
Total revenue	\$ 1,904	\$ 1,553	\$ 5,345	\$ 4,530
Cost of sales	(1,443)	(1,163)	(4,028)	(3,378)
Gross profit	\$ 461	\$ 390	\$ 1,317	\$ 1,152
Selling, general, and administrative expenses	(311)	(290)	(938)	(921)
Equity earnings of joint ventures	—	1	1	3
Other income (Note 4)	—	37	15	101
Other expenses (Note 4)	—	—	—	(51)
Earnings before finance costs and income taxes	\$ 150	\$ 138	\$ 395	\$ 284
Finance costs (Note 5)	(19)	(22)	(56)	(67)
Income before provision for income taxes	\$ 131	\$ 116	\$ 339	\$ 217
Provision for income taxes	(32)	(28)	(79)	(57)
Net income and net income attributable to shareholders of Finning International Inc.	\$ 99	\$ 88	\$ 260	\$ 160

Earnings per share (Note 3)

Basic	\$ 0.61	\$ 0.54	\$ 1.61	\$ 0.99
Diluted	\$ 0.61	\$ 0.54	\$ 1.60	\$ 0.99

Weighted average number of shares outstanding (Note 3)

Basic	160,819,146	162,103,503	161,747,466	162,351,640
Diluted	161,289,234	162,177,022	162,318,877	162,362,739

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		9 months ended	
	September 30		September 30	
	2021	2020	2021	2020
Net income	\$ 99	\$ 88	\$ 260	\$ 160
Other comprehensive income (loss), net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	41	(24)	(6)	44
Share of foreign currency translation adjustments of joint ventures	—	1	—	—
(Loss) gain on net investment hedges	(17)	12	2	(18)
Impact of foreign currency translation and net investment hedges, net of income tax	\$ 24	\$ (11)	\$ (4)	\$ 26
Gain (loss) on cash flow hedges	3	(3)	1	3
Loss on cash flow hedges, reclassified to net income	—	3	—	1
Provision for income taxes on cash flow hedges	(1)	—	—	(1)
Impact of cash flow hedges, net of income tax	\$ 2	\$ —	\$ 1	\$ 3
Items that will not be subsequently reclassified to net income:				
Actuarial gain (Note 9)	24	17	49	6
Provision for income taxes on actuarial gain	(6)	(4)	(21)	(2)
Actuarial gain, net of income tax	\$ 18	\$ 13	\$ 28	\$ 4
Total comprehensive income and total comprehensive income attributable to shareholders of Finning International Inc.	\$ 143	\$ 90	\$ 285	\$ 193

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Canadian \$ millions)	Attributable to Shareholders of Finning International Inc.						
	Accumulated					Non-controlling	
	Share Capital	Contributed Surplus	Other Comprehensive Income	Retained Earnings	Total		
Balance, January 1, 2020	\$ 570	\$ 2	\$ 228	\$ 1,315	\$ 2,115	\$ —	\$ 2,115
Net income	\$ —	\$ —	\$ —	\$ 160	\$ 160	\$ —	\$ 160
Other comprehensive income	—	—	29	4	33	—	33
Total comprehensive income	\$ —	\$ —	\$ 29	\$ 164	\$ 193	—	\$ 193
Share option expense	—	1	—	—	1	—	1
Hedging gain transferred to statement of financial position	—	—	(2)	—	(2)	—	(2)
Repurchase of common shares (Note 7)	(5)	(2)	—	(16)	(23)	—	(23)
Dividends on common shares	—	—	—	(100)	(100)	—	(100)
Balance, September 30, 2020	\$ 565	\$ 1	\$ 255	\$ 1,363	\$ 2,184	\$ —	\$ 2,184
Balance, January 1, 2021	\$ 566	\$ 1	\$ 218	\$ 1,421	\$ 2,206	\$ —	\$ 2,206
Net income	\$ —	\$ —	\$ —	\$ 260	\$ 260	\$ —	\$ 260
Other comprehensive (loss) income	—	—	(3)	28	25	—	25
Total comprehensive (loss) income	\$ —	\$ —	\$ (3)	\$ 288	\$ 285	\$ —	\$ 285
Issued on exercise of share options	11	(2)	—	(9)	—	—	—
Share option expense	—	1	—	—	1	—	1
Hedging loss transferred to statement of financial position	—	—	3	—	3	—	3
Non-controlling interests on acquisition of subsidiary	—	—	—	—	—	21	21
Repurchase of common shares (Note 7)	(10)	—	—	(83)	(93)	—	(93)
Dividends on common shares	—	—	—	(103)	(103)	—	(103)
Balance, September 30, 2021	\$ 567	\$ —	\$ 218	\$ 1,514	\$ 2,299	\$ 21	\$ 2,320

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		9 months ended	
	September 30		September 30	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Net income	\$ 99	\$ 88	\$ 260	\$ 160
Adjusting for:				
Depreciation and amortization	80	77	235	231
Loss on disposal of property, plant, and equipment	1	1	3	1
Impairment of long-lived assets	—	—	—	9
Final return on investment in Energyst B.V. (Note 11)	—	—	(5)	—
Equity earnings of joint ventures	—	(1)	(1)	(3)
Share-based payment expense	4	6	25	5
Provision for income taxes	32	28	79	57
Finance costs (Note 5)	19	22	56	67
Net benefit cost of post-employment benefit plans in selling, general, and administrative expenses (Note 9)	2	—	10	7
Changes in operating assets and liabilities (Note 10)	55	173	(247)	266
Additions to rental fleet	(30)	(27)	(84)	(69)
Additions to rental equipment with purchase options	(53)	(21)	(87)	(72)
Proceeds on disposal of rental fleet	13	16	46	58
Proceeds on disposal of rental equipment with purchase options	15	9	28	19
Interest paid	(16)	(21)	(53)	(68)
Income tax paid	(9)	(10)	(33)	(23)
Cash flow provided by operating activities	\$ 212	\$ 340	\$ 232	\$ 645
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	\$ (38)	\$ (26)	\$ (88)	\$ (81)
Proceeds on disposal of property, plant, and equipment	2	2	8	14
Consideration for business acquisition, net of cash acquired (Note 11)	(5)	—	(18)	—
Increase in short-term investments	(27)	—	(27)	—
Decrease in long-term investment	—	—	7	—
Return on investment in Energyst B.V.	—	—	6	—
Cash flow used in investing activities	\$ (68)	\$ (24)	\$ (112)	\$ (67)
FINANCING ACTIVITIES				
Increase (decrease) in short-term debt (Note 10)	\$ 297	\$ 66	\$ 322	\$ (11)
Decrease in long-term debt (Note 10)	(200)	(200)	(200)	(200)
Decrease in lease liabilities (Note 10)	(21)	(21)	(63)	(65)
Credit facility fee	(1)	—	(1)	(1)
Repurchase of common shares	(54)	—	(88)	(23)
Dividends paid	(36)	(33)	(103)	(100)
Cash flow used in financing activities	\$ (15)	\$ (188)	\$ (133)	\$ (400)
Effect of currency translation on cash balances	\$ 11	\$ (13)	\$ (8)	\$ 7
Increase (decrease) in cash and cash equivalents	\$ 140	\$ 115	\$ (21)	\$ 185
Cash and cash equivalents, beginning of period	\$ 378	\$ 338	\$ 539	\$ 268
Cash and cash equivalents, end of period (Note 10)	\$ 518	\$ 453	\$ 518	\$ 453

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 November 8, 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 consolidated financial statements.

b) Future Accounting Pronouncements

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

- Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* (effective January 1, 2022) clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendments apply to contracts existing at the date when the amendments are first applied. On adoption of this amendment, management expects there will be no impact to the Company's consolidated financial statements.
- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2023):
 - Clarify the presentation of liabilities in the consolidated statement of financial position. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. Management is currently assessing the impact of these amendments.
 - Require entities to disclose their material accounting policy information rather than significant accounting policy information. The amendments provide guidance on how an entity can identify material accounting policy information and clarify that information may be material because of its nature, even if the related amounts are immaterial. Management will review and update the Company's financial statements to disclose material accounting policy information as appropriate when the amendments become effective.

- Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (effective January 1, 2023) introduce a definition of 'accounting estimates' and clarify the difference between changes in accounting policies and changes in accounting estimates. These amendments will impact changes in accounting policies and changes in accounting estimates made after these amendments are adopted by the Company.
- Amendments to IAS 12, *Income Taxes* (effective January 1, 2023) clarify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of the related asset and liability. Management is currently assessing the impact of these amendments.

2. SEGMENTED INFORMATION

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

3 months ended September 30, 2021 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 170	\$ 256	\$ 205	\$ —	\$ 631
Used equipment	63	12	8	—	83
Equipment rental	47	10	11	—	68
Product support	491	360	81	—	932
Fuel and other	190	—	—	—	190
Total revenue	\$ 961	\$ 638	\$ 305	\$ —	\$ 1,904
Cost of fuel	(156)	—	—	—	(156)
Net revenue	\$ 805	\$ 638	\$ 305	\$ —	\$ 1,748
Operating costs ⁽¹⁾	(673)	(558)	(278)	(9)	(1,518)
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 132	\$ 80	\$ 27	\$ (9)	\$ 230
Depreciation and amortization	(48)	(22)	(10)	—	(80)
Earnings (loss) before finance costs and income taxes	\$ 84	\$ 58	\$ 17	\$ (9)	\$ 150
Finance costs					(19)
Provision for income taxes					(32)
Net income					\$ 99
Invested capital ⁽²⁾	\$ 1,922	\$ 1,057	\$ 339	\$ 17	\$ 3,335
Capital and rental equipment ⁽³⁾	\$ 1,029	\$ 403	\$ 150	\$ 84	\$ 1,666
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 27	\$ 33	\$ —	\$ 5	\$ 65
Gross rental equipment spend ⁽⁴⁾	\$ 71	\$ 9	\$ 3	\$ —	\$ 83

(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 September 30, 2020 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 176	\$ 120	\$ 139	\$ —	\$ 435
Used equipment	46	23	14	—	83
Equipment rental	38	7	8	—	53
Product support	438	329	75	—	842
Fuel and other	140	—	—	—	140
Total revenue	\$ 838	\$ 479	\$ 236	\$ —	\$ 1,553
Cost of fuel	(110)	—	—	—	(110)
Net revenue	\$ 728	\$ 479	\$ 236	\$ —	\$ 1,443
Operating costs ⁽¹⁾	(623)	(420)	(218)	(5)	(1,266)
Equity earnings of joint ventures	1	—	—	—	1
Other income (Note 4)	35	—	—	2	37
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 141	\$ 59	\$ 18	\$ (3)	\$ 215
Depreciation and amortization	(48)	(19)	(9)	(1)	(77)
Earnings (loss) before finance costs and income taxes	\$ 93	\$ 40	\$ 9	\$ (4)	\$ 138
Finance costs					(22)
Provision for income taxes					(28)
Net income					\$ 88
Invested capital ⁽²⁾	\$ 1,921	\$ 1,035	\$ 323	\$ 5	\$ 3,284
Capital and rental equipment ⁽³⁾	\$ 1,001	\$ 426	\$ 162	\$ 86	\$ 1,675
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 9	\$ 14	\$ 2	\$ 5	\$ 30
Gross rental equipment spend ⁽⁴⁾	\$ 41	\$ 3	\$ 3	\$ —	\$ 47

- (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:

9 months ended September 30, 2021 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 577	\$ 523	\$ 527	\$ —	\$ 1,627
Used equipment	212	37	36	—	285
Equipment rental	108	28	31	—	167
Product support	1,463	1,044	239	—	2,746
Fuel and other	520	—	—	—	520
Total revenue	\$ 2,880	\$ 1,632	\$ 833	\$ —	\$ 5,345
Cost of fuel	(423)	—	—	—	(423)
Net revenue	\$ 2,457	\$ 1,632	\$ 833	\$ —	\$ 4,922
Operating costs ⁽¹⁾	(2,092)	(1,420)	(762)	(34)	(4,308)
Equity earnings of joint ventures	1	—	—	—	1
Other income (Note 4)	10	—	—	5	15
Earnings (loss) before finance costs					
income taxes, depreciation and amortization	\$ 376	\$ 212	\$ 71	\$ (29)	\$ 630
Depreciation and amortization	(141)	(62)	(30)	(2)	(235)
Earnings (loss) before finance costs and income taxes	\$ 235	\$ 150	\$ 41	\$ (31)	\$ 395
Finance costs					(56)
Provision for income taxes					(79)
Net income					\$ 260
Invested capital ⁽²⁾	\$ 1,922	\$ 1,057	\$ 339	\$ 17	\$ 3,335
Capital and rental equipment ⁽³⁾	\$ 1,029	\$ 403	\$ 150	\$ 84	\$ 1,666
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 61	\$ 53	\$ 7	\$ 14	\$ 135
Gross rental equipment spend ⁽⁴⁾	\$ 142	\$ 17	\$ 13	\$ —	\$ 172

(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:

9 months ended September 30, 2020 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 534	\$ 311	\$ 326	\$ —	\$ 1,171
Used equipment	115	50	50	—	215
Equipment rental	97	28	22	—	147
Product support	1,354	1,037	205	—	2,596
Fuel and other	401	—	—	—	401
Total revenue	\$ 2,501	\$ 1,426	\$ 603	\$ —	\$ 4,530
Cost of fuel	(313)	—	—	—	(313)
Net revenue	\$ 2,188	\$ 1,426	\$ 603	\$ —	\$ 4,217
Operating costs ⁽¹⁾	(1,907)	(1,262)	(566)	(20)	(3,755)
Equity earnings of joint ventures	3	—	—	—	3
Other income (Note 4)	95	—	—	6	101
Other expenses (Note 4)	(25)	(21)	(4)	(1)	(51)
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 354	\$ 143	\$ 33	\$ (15)	\$ 515
Depreciation and amortization	(138)	(63)	(28)	(2)	(231)
Earnings (loss) before finance costs and income taxes	\$ 216	\$ 80	\$ 5	\$ (17)	\$ 284
Finance costs					(67)
Provision for income taxes					(57)
Net income					\$ 160
Invested capital ⁽²⁾	\$ 1,921	\$ 1,035	\$ 323	\$ 5	\$ 3,284
Capital and rental equipment ⁽³⁾	\$ 1,001	\$ 426	\$ 162	\$ 86	\$ 1,675
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 34	\$ 44	\$ 11	\$ 14	\$ 103
Gross rental equipment spend ⁽⁴⁾	\$ 117	\$ 15	\$ 9	\$ —	\$ 141

- (1) Operating costs are calculated as cost of sales less cost of fuel plus selling, general, and administrative expenses less depreciation and amortization.
- (2) Invested capital is calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term debt and long-term debt, net of cash and cash equivalents.
- (3) Capital includes property, plant and equipment and intangible assets.
- (4) Includes leases and borrowing costs capitalized and excludes additions through business acquisitions.

3. EARNINGS PER SHARE

3 months ended (\$ millions, except share and per share amounts)	September 30, 2021		September 30, 2020	
	Basic	Diluted	Basic	Diluted
Net income attributable to shareholders of Finning	\$ 99	\$ 99	\$ 88	\$ 88
Weighted average shares outstanding (WASO)	160,819,146	160,819,146	162,103,503	162,103,503
Effect of dilutive share options		470,088		73,519
WASO with assumed conversions		161,289,234		162,177,022
Earnings per share	\$ 0.61	\$ 0.61	\$ 0.54	\$ 0.54

9 months ended (\$ millions, except share and per share amounts)	September 30, 2021		September 30, 2020	
	Basic	Diluted	Basic	Diluted
Net income attributable to shareholders of Finning	\$ 260	\$ 260	\$ 160	\$ 160
WASO	161,747,466	161,747,466	162,351,640	162,351,640
Effect of dilutive share options		571,411		11,099
WASO with assumed conversions		162,318,877		162,362,739
Earnings per share	\$ 1.61	\$ 1.60	\$ 0.99	\$ 0.99

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 nine months ended September 30, 2021 were 1 million (three and nine months ended September 30, 2020: 3 million).

4. OTHER INCOME AND OTHER EXPENSES

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
Canada Emergency Wage Subsidy (a)	\$ —	\$ 37	\$ 10	\$ 101
Final return on investment in Energyst B.V. (Note 11)	—	—	5	—
Other income	\$ —	\$ 37	\$ 15	\$ 101

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
Severance costs (b)	\$ —	\$ —	\$ —	\$ (42)
Impairment of long-lived assets (b)	—	—	—	(7)
Facility closures and restructuring costs (b)	—	—	—	(2)
Other expenses	\$ —	\$ —	\$ —	\$ (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

At September 30, 2021, short-term debt included \$415 million drawn on the Company's committed revolving credit facility and \$4 million in local bank borrowings (December 31, 2020: \$92 million drawn on the Company's revolving credit facility).

In September 2021, the Company secured sustainability-linked terms for its \$1.3 billion committed revolving credit facility. The amended credit facility aligns cost of borrowing to progress towards achieving the Company's absolute greenhouse gas emissions reduction target. In addition, the term of the credit facility, which was set to fully mature in December 2024, was extended to September 2026.

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 September 30		9 months ended September 30	
	2021	2020	2021	2020
Interest on short-term debt	\$ —	\$ 2	\$ 1	\$ 12
Interest on long-term debt	13	13	37	42
Interest on debt securities	\$ 13	\$ 15	\$ 38	\$ 54
Net interest recovery on pension and other post-employment benefit obligations (Note 9)	—	—	(1)	(1)
Interest on lease liabilities	3	2	8	8
Other finance related expenses	3	5	11	6
Finance costs	\$ 19	\$ 22	\$ 56	\$ 67

6. INCOME TAXES

In June 2021, the following tax rate changes were substantively enacted:

- 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 CAPITAL

During the nine months ended September 30, 2021, the Company repurchased 2,879,340 common shares for cancellation for \$93 million. During the nine months ended September 30, 2020, 1,215,617 common shares were repurchased for cancellation for \$23 million.

8. 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:

9 months ended	September 30, 2021		September 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	370,776	\$ 33.11	724,739	\$ 17.75
Exercised	(2,049,289)	\$ 25.10	—	\$ —
Forfeited	(71,001)	\$ 26.77	(104,703)	\$ 25.13
Expired	(8,160)	\$ 30.83	(275,937)	\$ 22.06
Options outstanding, end of period	1,925,775	\$ 25.21	3,760,267	\$ 24.41
Options exercisable, end of period	947,817	\$ 26.39	2,565,570	\$ 26.18

In the three and nine months ended September 30, 2021, the Company granted 3,848 and 370,776 common share options, respectively, to senior executives and management of the Company (three and nine months ended September 30, 2020: 30,083 and 724,739 common share options, respectively). The Company only grants and prices share options when all material information has been disclosed to the market.

In the nine months ended September 30, 2021, 2,049,289 options were exercised resulting in 430,626 common shares being issued; 1,618,663 options were withheld in respect of the exercise price, and returned to the option pool for future issues/grants (nine months ended September 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 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
Dividend yield	3.14%	3.19%	3.18%	3.16%
Expected volatility ⁽¹⁾	31.23%	32.17%	31.37%	32.21%
Risk-free interest rate	0.79%	0.39%	0.97%	0.38%
Expected life (in years)	5.24	5.62	5.18	5.35
Grant date fair value of options	\$ 6.53	3.94	\$ 6.70	\$ 3.63

⁽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 September 30		9 months ended September 30	
	2021	2020	2021	2020
Executive Deferred Share Unit Plan	—	—	3,585	9,085
Directors' Deferred Share Unit Plan A	12,851	19,537	37,799	76,647
Performance Share Unit Plan ⁽²⁾	2,188	16,158	320,416	578,238
Restricted Share Unit Plan	1,312	9,737	207,430	360,649

⁽²⁾ Based on 100% vesting

9. 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:

	September 30, 2021			September 30, 2020		
	Canada	UK	South America	Canada	UK	South America
Discount rate – obligation	3.4%	2.1%	2.1%	2.7%	1.6%	(0.2)%
Discount rate – expense ⁽¹⁾	2.7%	1.4%	(0.2)%	3.1%	2.0%	0.4%
Retail price inflation – obligation	n/m ⁽²⁾	3.1%	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 nine months ended September 30, 2021 and September 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)	September 30, 2021				September 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	\$ 2	\$ —	\$ 1	\$ 3
Gain on settlement of accrued benefit obligation	—	—	—	—	(3)	—	—	(3)
Net benefit cost (recovery)	\$ 1	\$ —	\$ 1	\$ 2	\$ (1)	\$ —	\$ 1	\$ —
Actuarial loss (gain) on plan assets	\$ 2	\$ (13)	\$ —	\$ (11)	(3)	\$ 6	\$ —	\$ 3
Actuarial gain on accrued benefit obligation	(6)	(2)	(5)	(13)	(2)	(17)	(1)	(20)
Total actuarial gain recognized in other comprehensive income	\$ (4)	\$ (15)	\$ (5)	\$ (24)	\$ (5)	\$ (11)	\$ (1)	\$ (17)

9 months ended (\$ millions)	September 30, 2021				September 30, 2020			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 4	\$ 1	\$ 5	\$ 10	\$ 5	\$ 1	\$ 4	\$ 10
Gain on settlement of accrued benefit obligation	—	—	—	—	(3)	—	—	(3)
Net interest recovery	—	(1)	—	(1)	—	(1)	—	(1)
Net benefit cost	\$ 4	\$ —	\$ 5	\$ 9	\$ 2	\$ —	\$ 4	\$ 6
Actuarial loss (gain) on plan assets	\$ 5	\$ 21	\$ —	\$ 26	\$ (14)	\$ (63)	\$ —	\$ (77)
Actuarial (gain) loss on accrued benefit obligation	(22)	(36)	(17)	(75)	21	40	10	71
Total actuarial (gain) loss recognized in other comprehensive income	\$ (17)	\$ (15)	\$ (17)	\$ (49)	\$ 7	\$ (23)	\$ 10	\$ (6)

10. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents were as follows:

September 30 (\$ millions)	2021	2020
Cash	\$ 207	\$ 238
Cash equivalents	311	215
Cash and cash equivalents	\$ 518	\$ 453

The changes in operating assets and liabilities are as follows:

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
Accounts receivable	\$ —	\$ 22	\$ (89)	\$ 272
Unbilled receivables	(66)	(17)	(89)	19
Inventory	38	255	(144)	387
Other assets	59	(17)	(49)	(58)
Accounts payable and accruals	45	(28)	130	(271)
Other liabilities	(21)	(42)	(6)	(83)
Changes in operating assets and liabilities	\$ 55	\$ 173	\$ (247)	\$ 266

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	322	(200)	(63)	59
Operating activities	—	—	(8)	(8)
Total cash movements	\$ 322	\$ (200)	\$ (71)	\$ 51
Non-cash changes				
Additions	—	—	49	49
Additions through business combination	3	8	14	25
Disposals and remeasurement of liability	—	—	34	34
Interest expense	—	—	8	8
Foreign exchange rate changes	2	(2)	(2)	(2)
Total non-cash movements	\$ 5	\$ 6	\$ 103	\$ 114
Balance, September 30, 2021	\$ 419	\$ 1,114	\$ 330	\$ 1,863

(\$ 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	(11)	(200)	(65)	(276)
Operating activities	—	—	(8)	(8)
Total cash movements	\$ (11)	\$ (200)	\$ (73)	\$ (284)
Non-cash changes				
Additions	—	—	19	19
Disposals and remeasurement of liability	—	—	(2)	(2)
Interest expense	—	—	8	8
Foreign exchange rate changes	2	18	1	21
Total non-cash movements	\$ 2	\$ 18	\$ 26	\$ 46
Balance, September 30, 2020	\$ 217	\$ 1,336	\$ 310	\$ 1,863

11. ACQUISITIONS AND INVESTMENT

Compression Technology Corporation

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

Cash consideration for this acquisition was \$25 million, which included \$20 million cash acquired. The acquisition was funded with cash on hand. Net assets acquired consist primarily of cash, property, plant, and equipment, intangible assets, goodwill, and debt. Also, non-controlling interests (45.5% ownership interest in ComTech) of \$21 million was recorded. The Company expects to finalize the purchase price allocation no later than June 30, 2022.

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

Energyst B.V.

Energyst 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, which included \$1 million cash acquired. The Company funded the transaction with cash on hand.

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

Preliminary purchase price allocation (\$ millions)	September 30, 2021
Cash and cash equivalents	\$ 1
Accounts receivable	3
Inventory and other assets	1
Rental equipment	9
Property, plant & equipment	1
Goodwill	1
Accounts payable and accruals and other liabilities	(2)
Net assets acquired	\$ 14

The Company expects to finalize the purchase price allocation by December 31, 2021.

Goodwill relates to the expected synergies from being the authorized supplier of rental services for Caterpillar power generation in the Company's UK & Ireland territories. The goodwill is assigned to the Company's UK & Ireland reportable segment and is not deductible for tax purposes.