FINNING

Q1 2022 EARNINGS RELEASE **May 9, 2022**

Finning reports Q1 2022 results

Vancouver, B.C. – Finning International Inc. (TSX: FTT) ("Finning", "the Company", "we", "our" or "us") reported first quarter 2022 results today. All monetary amounts are in Canadian dollars unless otherwise stated.

HIGHLIGHTS

All comparisons are to Q1 2021 results unless indicated otherwise.

- Q1 2022 EPS (1) was $0.59 per share, representing a 68% increase from Q1 2021 Adjusted EPS (2)(4) of $0.35 per share, and a 37% increase from Q1 2021 Basic EPS of $0.43 per share. Over the last four quarters, we generated EPS of $2.42 per share.
- Q1 2022 revenue of $2.0 billion and net revenue (2) of $1.7 billion were up 22% and 18%, respectively, from Q1 2021, driven by increased market activity in all operations and strong execution of our product support growth strategy.
- All regions demonstrated improved operating leverage compared to Q1 2021. Consolidated EBIT (1) was up 51% and EBIT as a percentage of net revenue (2) was up 180 basis points compared to Adjusted EBIT (3)(4) results in Q1 2021.
- Adjusted ROIC (1)(2)(4) of 17.0% was up 700 basis points from Q1 2021 and up 60 basis points from Q4 2021, with increases in all regions driven by higher profitability.
- Consolidated equipment backlog (2) was $2.1 billion at March 31, 2022, up from $1.9 billion at December 31, 2021 driven by upcycle demand conditions.
- Quarterly dividend was raised by 5% to $0.236 per share, which marks 21 years of consecutive dividend growth.

"We are pleased with the strong start to 2022 as our global teams remain focused on capturing market opportunities in a disciplined manner and executing on our plan to grow product support, reduce costs, and reinvest free cash flow to compound our earnings. Our Q1 2022 product support revenue was up significantly across all our regions and market sectors compared to Q1 2021. We continued to build a healthy inventory position to support backlog delivery, grow our rebuild business, and provide used and rental options to meet our customers' needs as equipment availability remained constrained. We are actively managing inflationary pressures through our continued focus on productivity gains, resulting in improved operating leverage in all regions compared to Q1 2021.

The market outlook remains positive in all our regions, supported by strong commodity prices, public and private sector investment, and economic growth forecasts. With a very strong equipment backlog, increasing arrival of inventory, and growing demand for product support, we are ramping up for increased activity for the remainder of the year and targeting above mid-teens EPS growth in 2022," said Scott Thomson, president and CEO of Finning International.

Q1 2022 FINANCIAL SUMMARY

Quarterly Overview **($ millions, except per share amounts)**	**Q1 2022**	Q1 2021	% change fav (unfav)
Revenue	**1,953**	1,596	22%
Net revenue	**1,736**	1,469	18%
EBIT	**140**	108	29%
EBIT as a percentage of net revenue	***8.1%***	*7.4%*	
EBITDA (1)(2)	**221**	185	19%
EBITDA as a percentage of net revenue (2)	***12.7%***	*12.6%*	
Net income attributable to shareholders of Finning	**92**	70	33%
EPS	**0.59**	0.43	37%
Free cash flow (3)	**(303)**	(20)	n/m (1)

Q1 2022 EBIT and EBITDA by Operation **($ millions, except per share amounts)**	**Canada**	**South America**	**UK & Ireland**	**Other**	**Finning Total**	**EPS**
EBIT / EPS	**80**	**65**	**14**	**(19)**	**140**	**0.59**
EBIT as a percentage of net revenue	***9.1%***	***11.4%***	***5.0%***	***n/m***	***8.1%***	
EBITDA	**127**	**88**	**24**	**(18)**	**221**	
EBITDA as a percentage of net revenue	***14.3%***	***15.4%***	***8.7%***	***n/m***	***12.7%***	

Q1 2021 EBIT and EBITDA by Operation ($ millions, except per share amounts)	Canada	South America	UK & Ireland	Other	Finning Total	EPS
EBIT / EPS	69	41	7	(9)	108	0.43
CEWS support	(10)	—	—	—	(10)	(0.05)
Return on Energyst	—	—	—	(5)	(5)	(0.03)
Adjusted EBIT / Adjusted EPS	59	41	7	(14)	93	0.35
Adjusted EBIT as a percentage of net revenue (2)(4)	*7.7%*	*8.6%*	*3.2%*	*n/m*	*6.3%*	
Adjusted EBITDA (3)(4)	105	61	17	(13)	170	
Adjusted EBITDA as a percentage of net revenue (2)(4)	*13.6%*	*12.8%*	*7.9%*	*n/m*	*11.6%*	

Q1 INVESTED CAPITAL AND ROIC SUMMARY

All comparisons are to Q1 2021 results unless indicated otherwise.

Invested capital (2) increased by about $450 million from Q4 2021, driven mostly by higher inventory and the acquisition of Hydraquip (£70 million total consideration).

Inventory increased by $414 million from Q4 2021, reflecting higher new equipment inventory to meet strong customer demand and deliver a growing backlog and higher parts inventory in line with strong product support volumes. As a result, Q1 2022 free cash flow was a use of cash of $303 million compared to a use of cash of $20 million in Q1 2021.

Adjusted ROIC of 17.0% was up 60 basis points from Q4 2021, with higher Adjusted ROIC in all regions, driven by improved profitability.

Key Performance Measures ($ millions, unless otherwise stated)	Q1 2022	Q4 2021
Invested capital		
Consolidated	**3,777**	3,326
Canada	**2,122**	1,876
South America	**1,139**	1,026
UK & Ireland	**448**	381
South America (US dollars)	***912***	*809*
UK & Ireland (UK pound sterling)	***273***	*222*
Adjusted ROIC *(%)*		
Consolidated	**17.0%**	16.4%
Canada	**17.4%**	16.9%
South America	**21.7%**	20.3%
UK & Ireland	**15.7%**	14.8%
Invested capital turnover [(2)] *(times)*	**2.03**	2.04
Inventory	**2,101**	1,687
Inventory turns (dealership) [(2)] *(times)*	**2.66**	3.09
Working capital to net revenue [(2)] ratio	**23.8%**	22.9%
Net debt to Adjusted EBITDA ratio [(2)(4)] *(times)*	**1.6**	1.1

All comparisons are to Q1 2021 results unless indicated otherwise. All numbers, except ROIC, are in functional currency: Canada – Canadian dollar; South America – USD; UK & Ireland – UK pound sterling (GBP). These variances and ratios for South America and UK & Ireland exclude the foreign currency translation impact from the CAD relative to the USD and GBP, respectively, and are therefore, considered to be specified financial measures. We believe the variances and ratios in functional currency provide meaningful information about operational performance of the reporting segment.

Canada Operations

- Net revenue increased by 14% from Q1 2021, driven by product support, as well as higher new equipment and rental revenues. Used equipment sales were below Q1 2021 mostly due to a large fleet of used mining equipment delivered in Q1 2021 and tight used equipment availability in Q1 2022.
- Product support revenue was up 18% from Q1 2021, reflecting increased spending by our customers in the mining sector and strong execution of our product support growth strategy in construction.
- New equipment sales were up 11% from Q1 2021, driven largely by mining deliveries.
- Rental revenue was up 54% from Q1 2021, reflecting strong customer demand in a constrained supply environment in Q1 2022, compared to softer market conditions including certain pipeline and construction work stoppages in Q1 2021.
- EBIT as a percentage of net revenue was 9.1%, up 140 basis points from Adjusted EBIT as a percentage of net revenue in Q1 2021, mostly due to higher equipment and rental margins compared to Q1 2021.
- We have continued to support our customers in reaching their emissions reduction targets by providing alternative fuel engines. Since the beginning of 2021, we have sold 72 Caterpillar Tier 4 DGB (Dynamic Gas Blending) engines in Western Canada, including the orders we have received so far this year. These engines allow oil & gas customers to substitute up to 85% of diesel with natural gas and are capable of operating with up to 20% hydrogen blend, resulting in significant cost savings and emissions reduction.

South America Operations

- Net revenue increased by 18% from Q1 2021, with higher activity across all sectors, especially in mining. New equipment sales were up 32% and product support revenue increased by 14%, with construction product support up 31% from Q1 2021.

- SG&A as a percentage of net revenue decreased 180 basis points from Q1 2021 due to a streamlined cost structure and improved productivity.

- EBIT as a percentage of net revenue was 11.4%, up 280 basis points year over year, driven by strong operating leverage from an improved cost structure, combined with higher margins in all lines of business compared to Q1 2021.

- Q1 2022 ROIC (2) was 21.7%, driven by a significant improvement in profitability.

UK & Ireland Operations

- Net revenue increased by 35% from Q1 2021, driven by new equipment deliveries to construction customers, including HS2, and stronger product support activity in all sectors. New equipment sales were up 63% and product support revenue was up 10% from Q1 2021.

- Despite a higher proportion of new equipment sales in the revenue mix compared to Q1 2021, EBIT as a percentage of net revenue was 5.0%, up 180 basis points from Q1 2021, reflecting the benefit of various productivity initiatives as well as operating leverage on strong revenue growth.

- Q1 2022 ROIC was 15.7%, driven by revenue growth and strong profitability. An increase in invested capital from Q4 2021 reflects the acquisition of Hydraquip.

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 Operations

Strong commodity prices and a combination of public and private sector investment are expected to continue to support a healthy demand environment across all sectors in Western Canada.

The federal and provincial governments' infrastructure programs and private sector investments in natural gas, carbon capture, utilization and storage, and various power projects are expected to drive demand for construction equipment and product support, heavy rentals, and prime and standby electric power generation. We remain focused on growing our product support market share in construction by driving rebuilds and customer value agreements (CVAs), as well as leveraging our digital platform CUBIQ™.

Healthy commodity markets, including base and precious metals, oil, natural gas, metallurgical coal, lumber, uranium, and potash provide a positive backdrop for mining activity in Western Canada and support increased capital spending, including in the oil sands. We expect the large and aging mining equipment population in our territory to continue driving demand for product support, including rebuilds, and opportunities for fleet renewals.

South America Operations

We expect a strong copper price, large and mature equipment population, and declining ore grades to continue driving healthy mining activity in Chile. We continue to closely monitor the constitutional reform process and expect a moderate increase in mining royalties. While the timing of investment decisions related to greenfield and new expansion projects remains uncertain, we are constructive about long-term copper mining growth in Chile. We are in a great position to capture opportunities for new mining equipment and autonomous solutions for brownfield expansions and greenfield projects.

We expect robust activity in the Chilean construction sector to be driven by growing demand for mining infrastructure and the government's infrastructure investment program.

In Argentina, we are benefitting from improved activity in construction, oil and gas, and mining, however, the overall business environment continues to be challenging. We remain focused on managing fiscal, regulatory, and currency risks, including high inflation and ARS devaluation.

UK & Ireland Operations

Ongoing HS2 construction activity, coupled with government investments in other infrastructure projects, are expected to drive strong demand for construction equipment and product support in the UK. We are leveraging our digital solutions on the CUBIQ™ platform to continue capturing a large share of opportunities for the remainder of HS2 Phase 1 and other construction projects.

We expect demand for our power systems business in the UK & Ireland to remain strong, including in the data centre market, which is projected to continue to grow over the next few years (5). We have a solid backlog of power systems projects for deliveries in 2022 and are well positioned to capture further opportunities in the growing data centre market.

Executing On Our Strategic Plan

Our market outlook remains positive. We expect upcycle demand conditions in 2022 to be supported by strong commodity prices, public and private sector spending, and economic growth forecasts in all our regions.

Constraints in the global supply chain are expected to continue impacting availability of new equipment and parts for most of the year. To meet our customers' needs in this environment, we continue to offer rebuilds and rental options, and proactively source used equipment. Our data-driven inventory forecasting and improved supply chain efficiencies position us well to successfully navigate industry-wide supply constraints.

Underpinned by backlog deliveries, growth in product support, and strong market activity, we expect higher revenue and higher new equipment mix for the remainder of the year compared to Q1 2022. We are closely monitoring inflationary pressures, including further price increases from our key suppliers in the second quarter, and are working with customers to implement those changes. We remain committed to delivering fixed cost reduction initiatives, productivity gains, and strong operating leverage going forward. We expect above mid-teens EPS growth in 2022 compared to 2021.

CORPORATE AND BUSINESS DEVELOPMENTS

Dividend

The Board of Directors has approved a 5% increase in the quarterly dividend to $0.236 per share from $0.225 per share, payable on June 9, 2022 to shareholders of record on May 26, 2022. This dividend will be considered an eligible dividend for Canadian income tax purposes.

Renewal of Share Repurchase Program

We have received approval from the Toronto Stock Exchange ("TSX") to renew our normal course issuer bid ("NCIB") to purchase for cancellation up to 8,000,000 of our common shares, representing 5.1% of the public float of 155,646,910 common shares as at May 5, 2022. As of May 5, 2022, Finning had a total of 156,217,581 common shares issued and outstanding.

The NCIB, which will begin on May 13, 2022 and end no later than May 12, 2023, will be conducted through the facilities of the TSX or other Canadian marketplaces or alternative trading systems, if eligible, and will conform to their rules and regulations.

Our Board of Directors believe that, from time to time, the purchase by Finning of its common shares represents a desirable use of its available cash to increase shareholder value.

The average daily trading volume of our common shares over the six-month period ending April 30, 2022, as calculated in accordance with TSX rules, was 373,403 common shares. Consequently, under TSX rules, we will be allowed to purchase daily, through the facilities of the TSX, a maximum of 93,350 common shares representing 25% of such average daily trading volume, subject to certain exceptions for block purchases. All shares purchased pursuant to the normal course issuer bid will be cancelled.

Purchases under the normal course issuer bid will be made by means of open market transactions or such other means as the TSX may permit. The price to be paid by Finning for any common share will be the market price at the time of acquisition, plus brokerage fees, or such other price as the TSX may permit.

In connection with the NCIB, we will enter into an automatic share purchase plan ("ASPP") with a designated broker. The ASPP will allow for the purchase of shares under the NCIB at times when we would ordinarily not be permitted to purchase shares due to regulatory restrictions and customary self-imposed blackout restrictions.

The ASPP will provide a set of standard instructions to the designated broker to make purchases under the NCIB in accordance with the limits and other terms set out in the ASPP. The designated broker will determine the timing of these purchases in its sole discretion based on purchasing parameters set by Finning and subject to the rules of the TSX, applicable securities laws, and the terms of the ASPP. The ASPP has been pre-cleared by the TSX and will be implemented as of May 13, 2022. All purchases made under the ASPP will be included in computing the number of shares purchased and cancelled by Finning under the NCIB. Outside of pre-determined blackout periods, shares may be purchased under the NCIB based on management's discretion, in compliance with TSX rules, and applicable securities laws.

Under the current NCIB, which expires on May 12, 2022, we obtained approval to purchase up to 8,000,000 common shares. As of May 5, 2022, we purchased and cancelled 6,443,088 common shares under the current NCIB on the open market through the facilities of the TSX and other Canadian marketplaces at a weighted average price paid of $33.99 per common share (excluding commissions).

SELECTED CONSOLIDATED FINANCIAL INFORMATION

($ millions, except per share amounts)	Three months ended March 31 2022	2021	% change fav (unfav)
New equipment	**527**	403	31%
Used equipment	**79**	103	(23)%
Equipment rental	**65**	45	45%
Product support	**1,027**	887	16%
Net fuel and other	**38**	31	25%
Net revenue	**1,736**	1,469	18%
Gross profit	**490**	407	20%
Gross profit as a percentage of net revenue (2)	***28.2%***	*27.7%*	
SG&A (1)	**(351)**	(314)	(12)%
SG&A as a percentage of net revenue (2)	***(20.2)%***	*(21.4)%*	
Equity earnings of joint ventures	**1**	-	
Other income	**—**	15	
EBIT	**140**	108	29%
EBIT as a percentage of net revenue	***8.1%***	*7.4%*	
Adjusted EBIT	**140**	93	51%
Adjusted EBIT as a percentage of net revenue	***8.1%***	*6.3%*	
Net income attributable to shareholders of Finning	**92**	70	33%
Basic EPS	**0.59**	0.43	37%
Adjusted EPS	**0.59**	0.35	68%
EBITDA	**221**	185	19%
EBITDA as a percentage of net revenue	***12.7%***	*12.6%*	
Adjusted EBITDA	**221**	170	30%
Adjusted EBITDA as a percentage of net revenue	***12.7%***	*11.6%*	
Free cash flow	**(303)**	(20)	n/m

To access Finning's complete Q1 2022 results, please visit our website at https://www.finning.com/en_CA/company/investors.html

Q1 2022 INVESTOR CALL
The Company will hold an investor call on May 10, 2022 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
Amanda Hobson
Senior Vice President, Investor Relations and Treasury
Phone: 604-331-4865
Email: FinningIR@finning.com
https://www.finning.com

FOOTNOTES

(1) Earnings Before Finance Costs and Income Taxes (EBIT); Basic Earnings per Share (EPS); Earnings Before Finance Costs, Income Taxes, Depreciation and Amortization (EBITDA); Selling, General & Administrative Expenses (SG&A); Return on Invested Capital (ROIC); not meaningful (n/m).

(2) See "Description of Specified Financial Measures and Reconciliations" later in this Earnings Release.

(3) These are non-GAAP financial measures. See "Description of Specified Financial Measures and Reconciliations" later in this Earnings Release.

(4) Certain financial measures 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 starting on page 8 of this Earnings Release. The financial measures that have been adjusted to take into account these items are referred to as "Adjusted measures".

(5) UK Data Center Market – Investment Analysis and Growth Opportunities Publication (2020-2025); Ireland Data Center Market – Growth, Trends and Forecasts Publication (2020-2025)

Description of Specified Financial Measures and Reconciliations

<u>Specified Financial Measures</u>

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

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

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

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

Adjusted basic EPS

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

A reconciliation between basic EPS (the most directly comparable GAAP financial measure) and Adjusted basic EPS can be found on page 9 of this Earnings Release.

EBITDA, Adjusted EBITDA, and Adjusted EBIT

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

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

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

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

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

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

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

3 months ended	**2022**	2021
($ millions)	**Mar 31**	Mar 31
Significant item:		
CEWS support	**—**	2
Provision for income taxes on significant item	**—**	2

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

3 months ended	**2022**	2021
($)	**Mar 31**	Mar 31
Basic EPS	**0.59**	0.43
Significant items:		
CEWS support	**—**	(0.05)
Return on our investment in Energyst	**—**	(0.03)
Adjusted basic EPS [1]	**0.59**	0.35

[1] 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.

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

3 months ended	**2022**	2021				2020		
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	**80**	92	84	82	69	72	93	63
Significant items:								
CEWS support	**—**	—	—	—	(10)	(13)	(35)	(60)
Severance costs	**—**	—	—	—	—	—	—	20
Facility closures, restructuring costs, and impairment losses	**—**	—	—	—	—	—	—	5
Adjusted EBIT	**80**	92	84	82	59	59	58	28
Depreciation and amortization	**47**	50	48	47	46	47	48	47
Adjusted EBITDA	**127**	142	132	129	105	106	106	75

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

3 months ended	**2022**	2021				2020		
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	**65**	59	58	51	41	41	40	2
Significant items:								
Severance costs	**—**	—	—	—	—	—	—	17
Facility closures, restructuring costs, and impairment losses	**—**	—	—	—	—	—	—	4
Adjusted EBIT	**65**	59	58	51	41	41	40	23
Depreciation and amortization	**23**	22	22	20	20	20	19	22
Adjusted EBITDA	**88**	81	80	71	61	61	59	45

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

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

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

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

EBITDA to Free Cash Flow Conversion

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

Equipment Backlog

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

Free Cash Flow

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

3 months ended	**2022**	2021
($ millions)	**Mar 31**	Mar 31
Cash flow (used in) provided by operating activities	**(273)**	12
Additions to property, plant, and equipment and intangible assets	**(30)**	(33)
Proceeds on disposal of property, plant, and equipment	**—**	1
Free cash flow	**(303)**	(20)

Inventory Turns (Dealership)

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

3 months ended	**2022**	2021	2021	2020
($ millions)	**Mar 31**	Dec 31	Mar 31	Dec 31
Cost of sales	**1,463**	1,465	1,189	1,248
Cost of sales related to mobile refuelling operations	**(231)**	(190)	(140)	(129)
Cost of sales related to the dealership	**1,232**	1,275	1,049	1,119

	2022	2021	2021	2020
($ millions)	**Mar 31**	Dec 31	Mar 31	Dec 31
Inventory	**2,101**	1,687	1,593	1,477
Fuel inventory	**(11)**	(9)	(3)	(3)
Inventory related to the dealership	**2,090**	1,678	1,590	1,474

Invested Capital

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

	2022	2021				2020		
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cash and cash equivalents	**(295)**	(502)	(518)	(378)	(469)	(539)	(453)	(338)
Short-term debt	**804**	374	419	114	103	92	217	158
Current portion of long-term debt	**63**	190	191	386	326	201	200	200
Non-current portion of long-term debt	**909**	921	923	903	973	1,107	1,136	1,348
Net debt	**1,481**	983	1,015	1,025	933	861	1,100	1,368
Total equity	**2,296**	2,343	2,320	2,252	2,244	2,206	2,184	2,127
Invested capital	**3,777**	3,326	3,335	3,277	3,177	3,067	3,284	3,495

Invested Capital Turnover

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

Net Debt to Adjusted EBITDA Ratio

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

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

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

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

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

3 months ended	**2022**	2021				2020		
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Total revenue	**1,953**	1,949	1,904	1,845	1,596	1,666	1,553	1,419
Cost of fuel	**(217)**	(175)	(156)	(140)	(127)	(115)	(110)	(84)
Net revenue	**1,736**	1,774	1,748	1,705	1,469	1,551	1,443	1,335

ROIC and Adjusted ROIC

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

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

Working Capital & Working Capital to Net Revenue Ratio

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

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

Working capital is calculated as follows:

	2022	2021				2020		
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Total current assets	**4,030**	3,619	3,620	3,416	3,319	3,214	3,261	3,416
Cash and cash equivalents	**(295)**	(502)	(518)	(378)	(469)	(539)	(453)	(338)
Total current assets in working capital	**3,735**	3,117	3,102	3,038	2,850	2,675	2,808	3,078
Total current liabilities	**2,647**	2,155	2,156	1,942	1,817	1,623	1,717	1,735
Short-term debt	**(804)**	(374)	(419)	(114)	(103)	(92)	(217)	(158)
Current portion of long-term debt	**(63)**	(190)	(191)	(386)	(326)	(201)	(200)	(200)
Total current liabilities in working capital	**1,780**	1,591	1,546	1,442	1,388	1,330	1,300	1,377
Working capital	**1,955**	1,526	1,556	1,596	1,462	1,345	1,508	1,701

Forward-Looking Information Disclaimer

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. All forward-looking information in this news release 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 plan to grow product support, reduce costs, and reinvest free cash flow to compound our earnings; our active management of inflationary pressures through our continued focus on productivity gains; our positive market outlook and expected increased activity for the remainder of the year, targeting above mid-teens EPS growth in 2022 (assumes continued strong commodity prices, public and private sector investment, and economic growth forecasts; expectations that Tier 4 DGB engines will enable oil & gas customers to substitute up to 85% of diesel with natural gas and are capable of operating with up to 20% hydrogen blend, resulting in significant cost savings and CO2 emission reduction; all information in the section entitled "Market Update and Business Outlook" regarding our expectations for our Canada operations (based on assumptions of continued strong commodity prices, public and private sector investment, a healthy demand environment across all sectors in Western Canada, federal and provincial government infrastructure programs and private sector investments in natural gas, carbon capture, utilization and storage, and power projects, and our ability to leverage CUBIQ™ and drive continued success with construction rebuilds and customer value agreements, and continued capital expenditures in mining, including the oil sands), our expectations for our South America operations (based on assumptions related to Chile of a continued strong copper price, a projected increase in copper mining growth, a moderate increase in mining royalties, our position to capture opportunities for new mining equipment and autonomous solutions for brownfield expansions and greenfield projects, and continued strong demand for mining infrastructure and the government's infrastructure investment program), our expectations for our UK & Ireland operations (based on assumptions of continued HS2 construction activity, continued government investments in infrastructure projects, our ability to leverage CUIBIQ™ and projections of continued growth in data centre market), our continued positive market outlook and our expectations of upcycle demand conditions in 2022, higher revenue and higher new equipment mix for the remainder of the year compared to Q1 2022, and above mid-teens EPS growth in 2022 compared to 2021 (based on assumptions of continued strength in commodity prices, public and private sector spending, forecasted economic growth in all our regions, and that we will successfully manage industry-wide constraints in the global supply chain and inflationary pressures including further price increases from key suppliers in the second quarter, including through successfully working with customers to implement those changes); the Canadian income tax treatment of the quarterly dividend; and our intention to purchase common shares under our renewed NCIB for a further year effective May 13, 2022 and implement an automatic share purchase plan with a designated broker in connection with the renewed NCIB (no assurance is given as to the number of common shares that may be purchased under the NCIB, or if any will be purchased). 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 of 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, customers and suppliers in response; general economic and market conditions, including increasing inflationary cost pressure, and economic and market conditions in the regions where we operate; foreign exchange rates; commodity prices; 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 drive continuous cost efficiency in a recovering market; our ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; our ability to negotiate and renew collective bargaining agreements with satisfactory terms for our employees and us; the intensity of competitive activity; our ability to maintain a safe and healthy work environment across all regions; our ability to raise the capital needed to implement our business plan;

regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments in the regions where we carry on business; our ability to respond to climate change-related risks; the occurrence of natural disasters, pandemic outbreaks, geo-political events, acts of terrorism, social unrest or similar disruptions; the availability of insurance at commercially reasonable rates and whether the amount of insurance coverage will be adequate to cover all liability or loss that we incur; the potential of warranty claims being greater than we anticipate; the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology; our ability to protect our business from cybersecurity threats or incidents; 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 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 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, inflationary pressures and changing commodity prices, and successfully implement our COVID-19 risk management plans; an undisrupted market recovery, for example, undisrupted by COVID-19 impacts, commodity price volatility or social unrest; the successful execution of our profitability drivers; that our cost actions to drive earnings capacity in a recovery can be sustained; that commodity prices will remain at constructive levels; that our customers will not curtail their activities; that general economic and market conditions will continue to be strong; that the level of customer confidence and spending, and the demand for, and prices of, our products and services will be maintained; that present supply chain and inflationary challenges will not materially impact large project deliveries in our backlog; our ability to successfully execute our plans and intentions; our ability to attract and retain skilled staff; market competition will remain at similar levels; the products and technology offered by our competitors will be as expected; that identified opportunities for growth will result in revenue; that we have sufficient liquidity to meet operational needs; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment and that our current good relationships with Caterpillar, our customers and our suppliers, service providers and other third parties will be maintained; sustainment of strengthened oil prices and the Alberta government will not re-impose production curtailments; quoting activity for requests for proposals for equipment and product support is reflective of opportunities; 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 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 news release. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 9, 2022

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

A glossary of defined terms is included on page 34. The first time a defined term is used in this MD&A, it is shown in bold italics.

First Quarter Overview

($ millions, except per share amounts)	**Q1 2022**	Q1 2021	% change *fav (unfav)*
Revenue	**1,953**	1,596	22%
Net revenue [(1)]	**1,736**	1,469	18%
Gross profit	**490**	407	20%
SG&A	**(351)**	(314)	(12)%
Equity earnings of joint ventures	**1**	—	***n/m***
Other income	**—**	15	n/m
EBIT	**140**	108	29%
Net income attributable to shareholders of Finning	**92**	70	33%
Basic ***EPS***	**0.59**	0.43	37%
EBITDA [(1)]	**221**	185	19%
Free cash flow [(2)]	**(303)**	(20)	n/m
Adjusted EBIT [(2)(3)]	**140**	93	51%
Adjusted basic EPS [(1)(3)]	**0.59**	0.35	68%
Adjusted EBITDA [(2)(3)]	**221**	170	30%
Gross profit as a % of net revenue [(1)]	***28.2%***	*27.7%*	
SG&A as a % of net revenue [(1)]	***(20.2)%***	*(21.4)%*	
EBIT as a % of net revenue [(1)]	***8.1%***	*7.4%*	
EBITDA as a % of net revenue [(1)]	***12.7%***	*12.6%*	
Adjusted EBIT as a % of net revenue [(1)(3)]	***8.1%***	*6.3%*	
Adjusted EBITDA as a % of net revenue [(1)(3)]	***12.7%***	*11.6%*	
*Adjusted **ROIC** [(1)(3)]*	***17.0%***	*10.0%*	

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

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

(3) Reported financial measures may be impacted by significant items described on pages 5 and 24 - 26 of this MD&A. Financial measures that have been adjusted to take into account these items are referred to as "Adjusted measures". See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

First Quarter Highlights

- Q1 2022 revenue was $2.0 billion. Net revenue in Q1 2022 of $1.7 billion was up 18% from Q1 2021, driven by increased market activity in all operations and strong execution of our product support growth strategy.
- Gross profit in Q1 2022 was up 20% compared to Q1 2021 and SG&A increased 12% compared to Q1 2021 on 18% higher net revenue. SG&A as a percentage of net revenue was 20.2%, 120 basis points lower than Q1 2021 reflecting improved execution to capture growth opportunities and continued productivity improvements.
- Q1 2022 EBIT was $140 million and EBIT as a percentage of net revenue was 8.1%. Excluding significant items not considered indicative of operational and financial trends, Q1 2021 Adjusted EBIT was $93 million and Adjusted EBIT as a percentage of net revenue was 6.3%. Q1 2022 EBIT was up 51% and EBIT as a percentage of net revenue was up 180 basis points compared to the Q1 2021 Adjusted EBIT results. Q1 2022 EBIT as a percentage of net revenue was up in all of our operations and was 9.1% in Canada, 11.4% in South America, and 5.0% in the ***UK*** & Ireland.
- EBITDA was $221 million in Q1 2022, a significant increase from Adjusted EBITDA of $170 million in Q1 2021. EBITDA as a percentage of net revenue of 12.7% in Q1 2022 was 110 basis points higher than Q1 2021 Adjusted EBITDA as a percentage of net revenue due to the improvement in SG&A as a percentage of net revenue combined with higher gross profit margins.
- Q1 2022 basic EPS was $0.59 per share, a 68% increase from Q1 2021 Adjusted basic EPS of $0.35 per share, and a 37% increase from Q1 2021 basic EPS of $0.43 per share.
- Q1 2022 free cash flow was a use of cash of $303 million compared to a use of cash of $20 million in Q1 2021, primarily due to our investment in inventory to meet strong customer demand and delivery of backlog.
- Adjusted ROIC at March 31, 2022 was 17.0%, an increase of 60 basis points from December 31, 2021, with higher Adjusted ROIC in all of our operations, driven by improved profitability.
- Consolidated equipment backlog (1) was $2.1 billion at March 31, 2022, up from $1.9 billion at December 31, 2021, driven by upcycle demand conditions in all of our operations.
- Quarterly dividend was raised by 5% to $0.236 per share, which marks 21 years of consecutive dividend growth.

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

Table of Contents

Strategic Framework

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

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

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

STRATEGIC PILLARS

OUR PURPOSE

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

OUR VISION

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

OUR VALUES

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

We are collaborative: We build diverse and respectful partnerships.

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

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

Simple Execution Plan

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

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

Sustainability

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

Adjusted Measures

Reported financial measures may be impacted by significant items we do not consider indicative of operational and financial trends either by nature or amount; these are referred to as “Adjusted measures”. Adjusted measures are considered non-GAAP financial measures 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 measures, including definitions and reconciliations from each of these Adjusted measures to their most directly comparable measure under GAAP, where available, see the heading “Description of Specified Financial Measures and Reconciliations” on pages 23 - 30 of this MD&A.

There were no significant items identified by management that affected our Q1 2022 results.

Q1 2021 significant items:

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

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

3 months ended March 31, 2021 ($ millions, except per share amounts)	EBIT Canada	South America	UK & Ireland	Other	***Consol***	Basic EPS Consol
EBIT and basic EPS	69	41 $	7 $	(9) $	108	$ 0.43
Significant items:						
CEWS support	(10)	—	—	—	(10)	(0.05)
Return on our investment in Energyst	—	—	—	(5)	(5)	(0.03)
Adjusted EBIT and Adjusted basic EPS	59	41 $	7 $	(14) $	93	$ 0.35

Quarterly Key Performance Measures

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

	2022	2021				2020			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
ROIC [(1)] (%)									
Consolidated	**17.0%**	16.8%	15.6%	15.3%	12.5%	11.4%	10.7%	10.0%	11.9%
Canada	**17.4%**	17.5%	16.5%	17.0%	15.6%	14.6%	14.3%	13.3%	14.2%
South America	**21.7%**	20.3%	19.0%	17.2%	12.3%	11.0%	9.5%	9.3%	11.9%
UK & Ireland	**15.7%**	14.8%	14.9%	12.9%	6.5%	4.5%	2.9%	3.7%	8.4%
EBIT [(1)] ($ millions)									
Consolidated	**140**	157	150	137	108	108	138	52	94
Canada	**80**	92	84	82	69	72	93	63	60
South America	**65**	59	58	51	41	41	40	2	38
UK & Ireland	**14**	12	17	17	7	11	9	(5)	1
EBIT as a % of net revenue [(1)]									
Consolidated	**8.1%**	8.9%	8.6%	8.0%	7.4%	6.9%	9.6%	3.9%	6.6%
Canada	**9.1%**	10.1%	10.4%	9.3%	8.9%	9.3%	12.8%	8.9%	7.9%
South America	**11.4%**	10.1%	9.2%	9.8%	8.6%	8.3%	8.2%	0.5%	7.8%
UK & Ireland	**5.0%**	4.3%	5.6%	5.3%	3.2%	3.7%	4.1%	(3.2)%	0.5%
EBITDA [(1)] ($ millions)									
Consolidated	**221**	241	230	215	185	185	215	130	170
Canada	**127**	142	132	129	115	119	141	110	103
South America	**88**	81	80	71	61	61	59	24	60
UK & Ireland	**24**	23	27	27	17	20	18	4	11
EBITDA as a % of net revenue [(1)]									
Consolidated	**12.7%**	13.6%	13.2%	12.6%	12.6%	11.9%	14.9%	9.7%	11.8%
Canada	**14.3%**	15.5%	16.5%	14.7%	14.9%	15.4%	19.3%	15.6%	13.7%
South America	**15.4%**	14.0%	12.5%	13.7%	12.8%	12.2%	12.2%	5.2%	12.4%
UK & Ireland	**8.7%**	8.3%	9.0%	8.5%	7.9%	7.0%	7.9%	2.7%	5.2%
Basic EPS [(1)]	**0.59**	0.66	0.61	0.56	0.43	0.45	0.54	0.12	0.33
Invested capital [(2)] ($ millions)									
Consolidated	**3,777**	3,326	3,335	3,277	3,177	3,067	3,284	3,495	3,883
Canada	**2,122**	1,876	1,922	1,861	1,832	1,819	1,921	2,037	2,093
South America	**1,139**	1,026	1,057	1,058	982	931	1,035	1,106	1,330
UK & Ireland	**448**	381	339	358	350	327	323	349	428
Invested capital turnover [(2)] (times)									
Consolidated	**2.03**	2.04	2.01	1.93	1.78	1.68	1.68	1.71	1.83
Canada	**1.79**	1.80	1.74	1.70	1.56	1.50	1.56	1.63	1.75
South America	**2.15**	2.15	2.11	1.97	1.90	1.75	1.67	1.67	1.73
UK & Ireland	**3.09**	3.11	3.25	3.09	2.66	2.49	2.39	2.32	2.60
Inventory ($ millions)	**2,101**	1,687	1,627	1,643	1,593	1,477	1,626	1,893	2,152
Inventory turns (dealership) [(2)] (times)	**2.66**	3.09	3.09	2.84	2.83	2.79	2.30	1.97	2.25
Working capital to net revenue [(2)]	**23.8%**	22.9%	23.0%	24.0%	25.9%	28.3%	29.2%	29.9%	28.9%
Free cash flow ($ millions)	**(303)**	148	176	(4)	(20)	292	316	312	(50)

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

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

Adjusted KPIs

KPIs may be impacted by significant items described on pages 5 and 24 - 26 of this MD&A. KPIs that have been adjusted to take these items into account, referred to as "Adjusted" KPIs, were as follows:

	2022				2021				2020
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Adjusted ROIC									
Consolidated	**17.0%**	16.4%	14.7%	13.3%	10.0%	9.6%	9.3%	9.7%	12.0%
Canada	**17.4%**	16.9%	15.3%	14.0%	10.8%	10.5%	10.8%	11.6%	14.2%
South America	**21.7%**	20.3%	19.0%	17.2%	14.4%	12.9%	11.3%	11.2%	12.2%
UK & Ireland	**15.7%**	14.8%	14.9%	12.9%	7.6%	5.5%	3.9%	4.6%	8.4%
Adjusted EBIT ($ millions)									
Consolidated	**140**	157	150	137	93	94	101	39	94
Canada	**80**	92	84	82	59	59	58	28	60
South America	**65**	59	58	51	41	41	40	23	38
UK & Ireland	**14**	12	17	17	7	11	9	(1)	1
Adjusted EBIT as a % of net revenue									
Consolidated	**8.1%**	8.9%	8.6%	8.0%	6.3%	6.1%	7.0%	2.9%	6.6%
Canada	**9.1%**	10.1%	10.4%	9.3%	7.7%	7.7%	8.1%	4.0%	7.9%
South America	**11.4%**	10.1%	9.2%	9.8%	8.6%	8.3%	8.2%	5.1%	7.8%
UK & Ireland	**5.0%**	4.3%	5.6%	5.3%	3.2%	3.7%	4.1%	(1.0)%	0.5%
Adjusted EBITDA ($ millions)									
Consolidated	**221**	241	230	215	170	171	178	117	170
Canada	**127**	142	132	129	105	106	106	75	103
South America	**88**	81	80	71	61	61	59	45	60
UK & Ireland	**24**	23	27	27	17	20	18	8	11
Adjusted EBITDA as a % of net revenue									
Consolidated	**12.7%**	13.6%	13.2%	12.6%	11.6%	11.0%	12.3%	8.8%	11.8%
Canada	**14.3%**	15.5%	16.5%	14.7%	13.6%	13.7%	14.6%	10.6%	13.7%
South America	**15.4%**	14.0%	12.5%	13.7%	12.8%	12.2%	12.2%	9.8%	12.4%
UK & Ireland	**8.7%**	8.3%	9.0%	8.5%	7.9%	7.0%	7.9%	4.9%	5.2%
Adjusted basic EPS	**0.59**	0.66	0.61	0.56	0.35	0.38	0.37	0.06	0.33
Net debt to Adjusted EBITDA ratio (1)(2) (times)	**1.6**	1.1	1.3	1.4	1.5	1.4	1.7	2.1	2.2

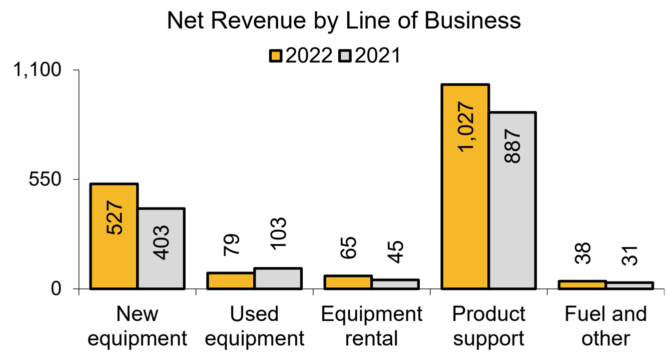
(1) See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

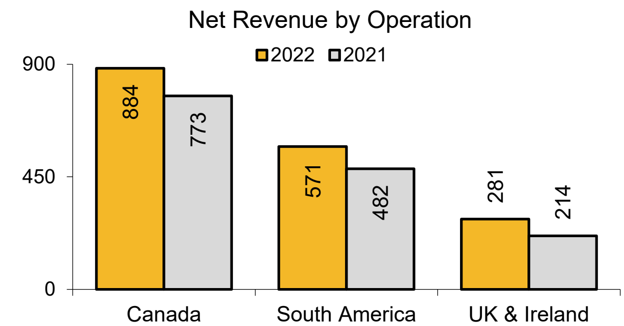
(2) Reported financial measures may be impacted by significant items described on pages 5 and 24 - 26 of this MD&A. Financial measures that have been adjusted to take into account these items are referred to as "Adjusted measures". See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

First Quarter Results

Revenue

Net Revenue by Line of Business and by Operation
3 months ended March 31
($ millions)





Q1 2022 revenue was $2.0 billion. Net revenue of $1.7 billion in the first quarter of 2022 was up 18% from Q1 2021, an increase in all our operations primarily driven by product support revenue and new equipment sales.

Product support revenue in Q1 2022 was up 16% from the same prior year period, higher in all market sectors in all our operations. Product support revenue in the construction sector in Q1 2022 increased 21% over the comparable period in the prior year as a result of our strategic focus to capture market share in this sector.

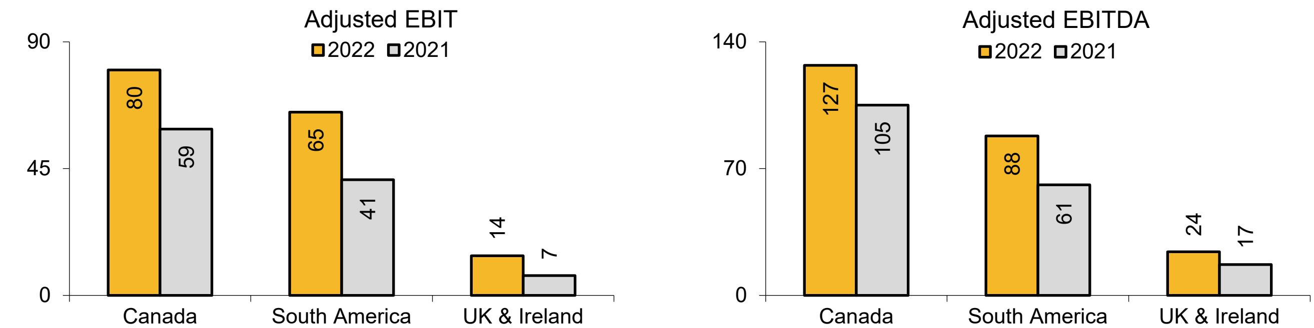
Q1 2022 new equipment revenue was 31% higher than the same prior year period mainly due to higher demand and volumes in the construction sector of UK & Ireland and the mining sectors in South America and Canada. Equipment backlog of $2.1 billion at March 31, 2022 was up 10% from Q4 2021 and was up in all regions. Q1 2022 equipment order intake was strong and outpaced deliveries, primarily in the construction sectors in South America and UK & Ireland and the mining and construction sectors in Canada.

EBIT and EBITDA

Q1 2022 gross profit of $490 million was 20% higher than the same period in the prior year. Overall gross profit as a percentage of net revenue was 28.2% in Q1 2022, up from 27.7% in Q1 2021, mainly due to higher gross profit margins from higher rental utilization and competitive pricing for equipment. This was partially offset by a revenue mix shift to a lower proportion of product support revenue.

SG&A in Q1 2022 of $351 million was 12% higher than the same period in the prior year on 18% net revenue growth. The increase in SG&A was driven primarily by higher people-related and variable costs to support revenue growth, especially in product support, which is more SG&A intensive. SG&A as a percentage of net revenue was 20.2%, a 120 basis point improvement over the same prior year period, demonstrating improved execution to capture growth opportunities and continued productivity improvements.

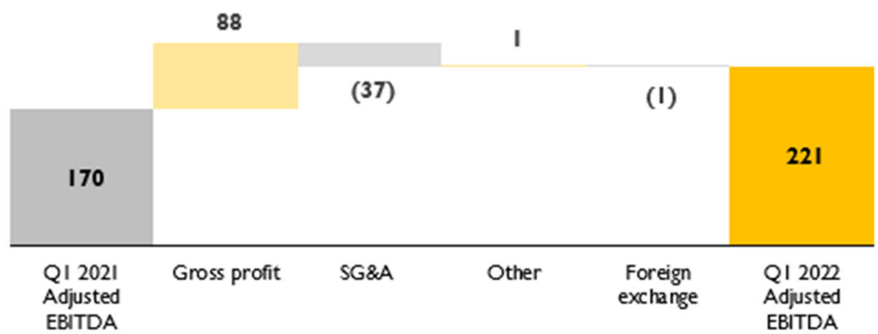
Adjusted EBIT and Adjusted EBITDA by Operation [(1)]
3 months ended March 31
($ millions)



(1) Excluding Other operations

EBIT and EBIT as a percentage of net revenue in Q1 2022 were $140 million and 8.1%, respectively. Excluding the significant items not indicative of operational and financial trends described on page 5, Q1 2021 Adjusted EBIT was $93 million and Adjusted EBIT as a percentage of net revenue was 6.3%.

EBITDA in Q1 2022 was $221 million, up 30% from Adjusted EBITDA of $170 million in Q1 2021. EBITDA was up in all our operations compared to Adjusted EBITDA in Q1 2021, primarily from increased gross profit from a strong market recovery. EBITDA as a percentage of net revenue of 12.7% in Q1 2022 was 110 basis points higher than Adjusted EBITDA as a percentage of net revenue in the same prior year period, driven by the improvement in SG&A as a percentage of net revenue and higher gross profit margins.



Finance Costs

Finance costs in Q1 2022 of $18 million were comparable to Q1 2021.

Provision for Income Taxes

The effective income tax rate in Q1 2022 was 24.6% compared to 21.6% in Q1 2021. The effective income tax rate in Q1 2021 was lower due to a higher proportion of earnings from low tax jurisdictions and the return on our investment in Energyst not being taxable.

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

Q1 2022 net income attributable to shareholders of Finning was $92 million. Q1 2022 basic EPS was $0.59 per share, a significant increase from Adjusted basic EPS of $0.35 per share in Q1 2021 with higher earnings from all of our operations.

Invested Capital

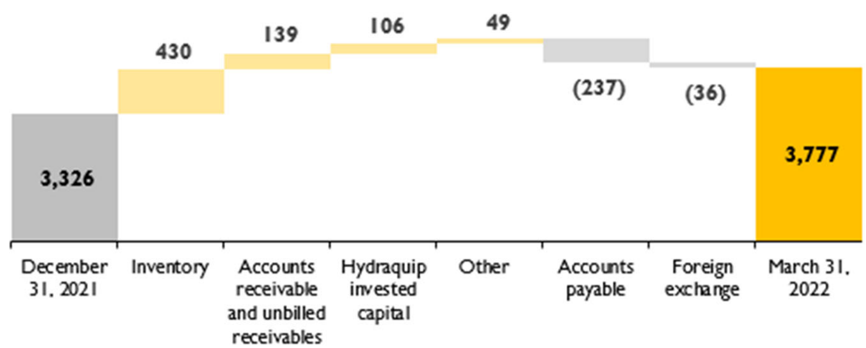
($ millions, unless otherwise stated)	March 31, 2022	December 31, 2021	Increase from December 31, 2021
Consolidated	**3,777**	3,326	451
Canada	**2,122**	1,876	246
South America	**1,139**	1,026	113
UK & Ireland	**448**	381	67
*South America (**USD**)*	***912***	*809*	*103*
*UK & Ireland (**GBP**)*	***273***	*222*	*51*

Compared to December 31, 2021:

The $451 million increase in consolidated invested capital from December 31, 2021 to March 31, 2022 includes a foreign exchange impact of $36 million in translating the invested capital balances of our UK & Ireland and South American operations. The foreign exchange impact was the result of the 4% stronger CAD relative to the GBP and 1% stronger CAD relative to the USD at March 31, 2022 compared to December 31, 2021.

Excluding the impact of foreign exchange, consolidated invested capital increased by $487 million from December 31, 2021 to March 31, 2022 reflecting:

- higher inventory in all operations, mainly new equipment in Canada, as well as parts inventory in Canada and South America, proactively ordered and sourced to meet strong customer demand;
- an increase in accounts receivables in Canada and UK & Ireland as well as unbilled receivables in Canada and South America, driven by an increase in demand and sales activity;
- an increase in net assets from the acquisition of ***Hydraquip*** in UK & Ireland (see page 16); and,
- partially offset by higher accounts payable in all operations related to higher inventory purchases.



Adjusted ROIC and Invested Capital Turnover

	March 31, 2022	December 31, 2021
Adjusted ROIC		
Consolidated	**17.0%**	16.4%
Canada	**17.4%**	16.9%
South America	**21.7%**	20.3%
UK & Ireland	**15.7%**	14.8%
Invested Capital Turnover (times)		
Consolidated	**2.03**	2.04
Canada	**1.79**	1.80
South America	**2.15**	2.15
UK & Ireland	**3.09**	3.11

Adjusted ROIC

On a consolidated basis, Adjusted ROIC at March 31, 2022 improved 60 basis points from December 31, 2021 driven by higher Adjusted EBIT for the last twelve-month period outpacing the increase in average invested capital levels. March 31, 2022 Adjusted ROIC was higher than December 31, 2021 in all of our operations reflecting improved profitability in a recovering market. In South America, Adjusted ROIC of 21.7% was driven by a significant improvement in profitability.

Invested Capital Turnover

Consolidated invested capital turnover at March 31, 2022 of 2.03 was comparable to December 31, 2021. All regions reported higher net revenue over the last twelve-month period which was in-line with the increase in average invested capital levels. Compared to December 31, 2021 levels, March 31, 2022 invested capital turnover in Canada and South America were comparable, while invested capital turnover in UK & Ireland was down slightly as average invested capital levels were higher following the acquisition of Hydraquip.

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 13 - 16. 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 March 31, 2022 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consol**	**Net Revenue %**
New equipment	**185**	**167**	**175**	**527**	**30%**
Used equipment	**57**	**10**	**12**	**79**	**5%**
Equipment rental	**40**	**14**	**11**	**65**	**4%**
Product support	**564**	**380**	**83**	**1,027**	**59%**
Fuel and other	**38**	**—**	**—**	**38**	**2%**
Net revenue	**884**	**571**	**281**	**1,736**	**100%**
Net revenue % by operation	**51%**	**33%**	**16%**	**100%**	

3 months ended March 31, 2021 ($ millions)	Canada	South America	UK & Ireland	Consol	Net Revenue %
New equipment	166	126	111	403	28%
Used equipment	73	14	16	103	7%
Equipment rental	27	8	10	45	3%
Product support	476	334	77	887	60%
Fuel and other	31	—	—	31	2%
Net revenue	773	482	214	1,469	100%
Net revenue % by operation	53%	33%	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 on-site refuelling services in most of the provinces of Canada, as well as in Texas, ***US***. Our Canadian operations' markets include mining (including the oil sands), construction, conventional oil and gas, forestry, and power systems.

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

3 months ended March 31 ($ millions)	**2022**	2021
Net revenue	**884**	773
Operating costs	**(758)**	(668)
Equity earnings of joint ventures	**1**	—
Other income	**—**	10
EBITDA	**127**	115
Depreciation and amortization	**(47)**	(46)
EBIT	**80**	69
Adjusted EBITDA	**127**	105
Adjusted EBIT	**80**	59
EBITDA as a % of net revenue	***14.3%***	*14.9%*
EBIT as a % of net revenue	***9.1%***	*8.9%*
Adjusted EBITDA as a % of net revenue	***14.3%***	*13.6%*
Adjusted EBIT as a % of net revenue	***9.1%***	*7.7%*

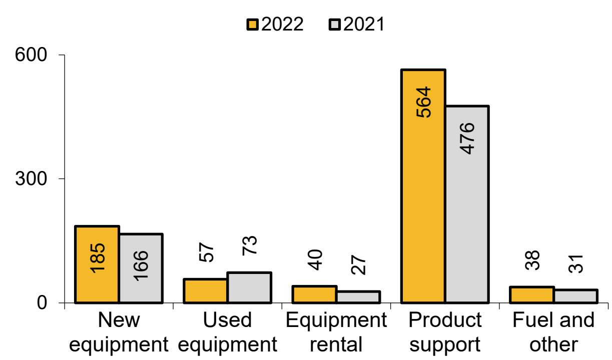
First Quarter Overview

Q1 2022 net revenue of $884 million was 14% higher than Q1 2021 driven primarily by an increase in product support revenue reflecting strong market demand. Q1 2021 was impacted by COVID-19 and resulted in customers' reduced activity, restricted capital spending, and implementation of cost containment measures.

Product support revenue in Q1 2022 was up 18% compared to the same prior year period, reflecting increased spending by our customers in the mining sector and strong execution of our product support growth strategy in construction.

Q1 2022 new equipment revenue was 11% higher than Q1 2021, mainly due to mining deliveries. Equipment backlog at March 31, 2022 was up from December 31, 2021 in all market sectors, particularly in mining.

Net Revenue by Line of Business
Canada Operations
3 months ended March 31
($ millions)



Rental revenue was up 54% from the same prior year period driven by strong customer demand in a constrained supply environment in Q1 2022, compared to softer market conditions including certain pipeline and construction work stoppages in Q1 2021.

Used equipment revenue in Q1 2022 decreased 22% from the prior year comparable period mainly due to a large fleet of used mining equipment delivered in Q1 2021 and tight used equipment availability in Q1 2022.

Gross profit in Q1 2022 increased from the same period in the prior year mainly from increased volumes. Overall gross profit as a percentage of net revenue in Q1 2022 was higher than Q1 2021 due to improved equipment and rental margins, driven by productivity improvements, higher rental utilization, and competitive pricing for equipment.

Q1 2022 SG&A was up compared to the prior year period primarily due to higher labour and variable costs to support volume growth. SG&A as a percentage of net revenue in Q1 2022 was slightly lower compared to Q1 2021 as productivity improvements and efficiencies offset the increase in volume-related costs.

Excluding significant items not considered by management to be indicative of operational and financial trends described on page 5, Q1 2021 Adjusted EBITDA was $105 million. Q1 2022 EBITDA of $127 million was up 21% 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 14.3% in Q1 2022 was 70 basis points higher than Adjusted EBITDA as a percentage of net revenue in Q1 2021, with higher equipment and rental margins and improved productivity and efficiencies driving lower SG&A as a percentage of net revenue compared to Q1 2021 resulting in an improvement in our profitability.

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 March 31 ($ millions)	**2022**	2021
Net revenue	**571**	482
Operating costs	**(483)**	(421)
EBITDA	**88**	61
Depreciation and amortization	**(23)**	(20)
EBIT	**65**	41
EBITDA as a % of net revenue	***15.4%***	*12.8%*
EBIT as a % of net revenue	***11.4%***	*8.6%*

The CAD relative to the USD on average in Q1 2022 was comparable to Q1 2021 and as a result, there was no significant foreign currency translation impact on net revenue or EBIT in Q1 2022 when compared to Q1 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.

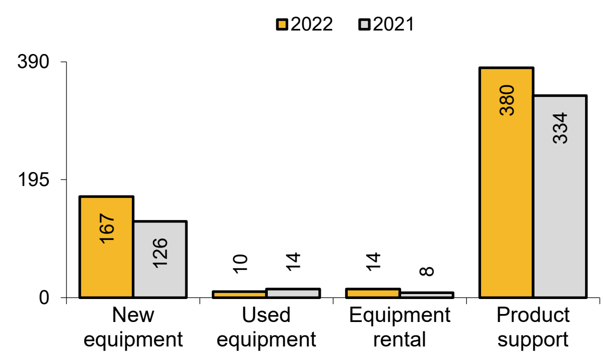
First Quarter Overview

Q1 2022 net revenue was 18% higher than Q1 2021, with higher activity across all sectors, especially in mining.

Product support revenue in Q1 2022 increased 14% from Q1 2021 driven by higher demand for mining parts and service and a market recovery in the construction sector in Chile.

New equipment revenue in Q1 2022 increased 32% from the same prior year period, driven by higher demand from Chilean mining customers and from construction customers in Argentina. Equipment backlog at March 31, 2022 was up from December 31, 2021, primarily in the construction sector.

Net Revenue by Line of Business
South America Operations
3 months ended March 31
($ millions)



Gross profit in Q1 2022 increased from the same period in the prior year driven by higher volumes. Gross profit as a percentage of net revenue in Q1 2022 was up compared to Q1 2021 mainly due to improved gross margins in all lines of business partially offset by a higher proportion of new equipment in the revenue mix (Q1 2022: 29% compared with Q1 2021: 26%).

Q1 2022 SG&A was up from Q1 2021 primarily due to higher people-related costs and variable costs to support increased volume, as well as inflation. This increase was partially offset by the favourable foreign currency translation impact on SG&A from the devaluation of the ***CLP*** relative to the USD in Q1 2022 compared to the same prior year period. Q1 2022 SG&A as a percentage of net revenue decreased 180 basis points from Q1 2021 due to productivity improvements and efficiencies allowing us to support higher revenues with a lower fixed cost base.

Q1 2022 EBITDA improved 42% from EBITDA in Q1 2021 primarily due to higher gross profit from improved market activity. Q1 2022 EBITDA as a percentage of net revenue of 15.4% was 260 basis points higher than EBITDA as a percentage of net revenue in Q1 2021 largely due to strong operating leverage from a streamlined cost structure combined with higher margins in all lines of business compared to Q1 2021.

UK & Ireland Operations

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

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

3 months ended March 31 ($ millions)	2022	2021
Net revenue	**281**	214
Operating costs	**(257)**	(197)
EBITDA	**24**	17
Depreciation and amortization	**(10)**	(10)
EBIT	**14**	7
EBITDA as a % of net revenue	***8.7%***	*7.9%*
EBIT as a % of net revenue	***5.0%***	*3.2%*

The CAD relative to the GBP on average in Q1 2022 was comparable to Q1 2021 and as a result, there was no significant foreign currency translation impact on net revenue or EBIT in Q1 2022 when compared to Q1 2021.

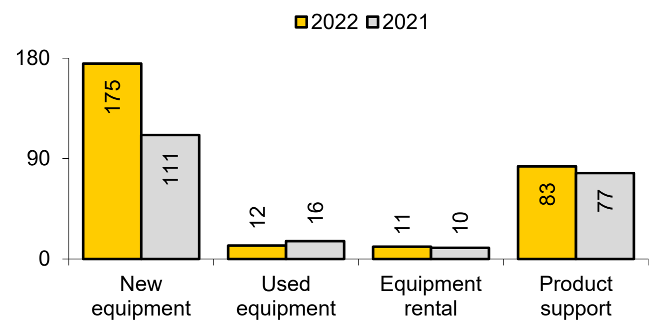
All $ figures in this section are in CAD as this is our reporting currency. All variances and ratios in this section are based on the functional currency of our UK & Ireland operations, which is the GBP.

First Quarter Overview

First quarter 2022 net revenue was up 35% from the same period in 2021. The increase in Q1 2022 was primarily due to higher new equipment revenue in the construction sector.

New equipment revenue was 63% higher than the first quarter of 2021, primarily driven by demand in the construction sector, including deliveries to the ***HS2*** project as well as other infrastructure projects supported by government investments. Revenue in the power systems sector was down from the same prior year period due to the timing of project deliveries. Equipment backlog at March 31, 2022 increased from December 31, 2021 reflecting demand for equipment in the construction sector.

Net Revenue by Line of Business
UK & Ireland Operations
3 months ended March 31
($ millions)



Q1 2022 product support revenue increased 10% from the same prior year period, with market recovery in the construction and power systems sectors.

Gross profit in Q1 2022 was up from the same prior year period, largely driven by revenue growth. Overall gross profit as a percentage of net revenue decreased from the same prior year period, mainly due to a higher proportion of new equipment sales in the revenue mix (Q1 2022: 62% compared with Q1 2021: 52%).

SG&A in Q1 2022 was up compared to the prior year period reflecting higher people-related and variable costs to support volumes, as well as transaction costs related to the acquisition of Hydraquip (see page 16). SG&A as a percentage of net revenue improved 360 basis points from Q1 2021 demonstrating the benefit of various productivity initiatives on strong revenue growth.

Q1 2022 EBITDA was up 49% from Q1 2021 driven by higher gross profit in all lines of business partially offset by an increase in SG&A. Q1 2022 EBITDA as a percentage of net revenue of 8.7% improved 80 basis points over Q1 2021 largely due to productivity improvements partially offset by the impact of having a higher proportion of new equipment sales in the revenue mix.

Other Operations

Our Other operations includes corporate operating costs.

Q1 2022 EBITDA was a loss of $18 million, higher than Q1 2021 Adjusted EBITDA loss of $13 million. Q1 2022 EBITDA included higher people-related costs and consulting costs related to our energy transition strategy.

Other Developments

Hydraquip

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

The fair value of the total consideration at the acquisition date was $116 million (£70 million), which may be subject to customary post-closing adjustments. Cash consideration of $84 million, net of $10 million cash acquired, was paid in the three months ended March 31, 2022. The fair value of deferred consideration was $19 million and is payable in annual instalments over a period of three years after the acquisition. The vendors may qualify for additional consideration (possible range of £nil to £11 million) based on the acquired business unit achieving specified levels of financial performance. The acquisition-date fair value of the contingent consideration was estimated to be $3 million (£2 million). The deferred and contingent consideration was recognized as a liability on the consolidated statement of financial position. Following finalization of the purchase price allocation, any changes in the estimated fair value of the contingent consideration will be recognized in the consolidated statement of income.

The acquisition has been funded with existing credit facilities and any deferred and contingent consideration will be funded through credit facilities or cash on hand or a combination of both. The acquisition-date fair values of net assets acquired were estimated to be $10 million of cash, $4 million working capital [(1)], $2 million of property, plant, and equipment, $31 million of intangible assets, and $69 million of goodwill.

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

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

Market Update and Business Outlook

The discussion of our expectations relating to the market and business outlook in this section is forward-looking information that is based upon the assumptions and subject to the material risks discussed under the heading “Forward-Looking Information Disclaimer” beginning on page 32 of this MD&A. Actual outcomes and results may vary significantly.

Canada Operations

Strong commodity prices and a combination of public and private sector investment are expected to continue to support a healthy demand environment across all sectors in Western Canada.

The federal and provincial governments’ infrastructure programs and private sector investments in natural gas, carbon capture, utilization and storage, and various power projects are expected to drive demand for construction equipment and product support, heavy rentals, and prime and standby electric power generation. We remain focused on growing our product support market share in construction by driving rebuilds and customer value agreements, as well as leveraging our digital platform CUBIQ™.

Healthy commodity markets, including base and precious metals, oil, natural gas, metallurgical coal, lumber, uranium, and potash provide a positive backdrop for mining activity in Western Canada and support increased capital spending, including in the oil sands. We expect the large and aging mining equipment population in our territory to continue driving demand for product support, including rebuilds, and opportunities for fleet renewals.

South America Operations

We expect a strong copper price, large and mature equipment population, and declining ore grades to continue driving healthy mining activity in Chile. We continue to closely monitor the constitutional reform process and expect a moderate increase in mining royalties. While the timing of investment decisions related to greenfield and new expansion projects remains uncertain, we are constructive about long-term copper mining growth in Chile. We are in a great position to capture opportunities for new mining equipment and autonomous solutions for brownfield expansions and greenfield projects.

We expect robust activity in the Chilean construction sector to be driven by growing demand for mining infrastructure and the government’s infrastructure investment program.

In Argentina, we are benefitting from improved activity in construction, oil and gas, and mining, however, the overall business environment continues to be challenging. We remain focused on managing fiscal, regulatory, and currency risks, including high inflation and ***ARS*** devaluation.

UK & Ireland Operations

Ongoing HS2 construction activity, coupled with government investments in other infrastructure projects, are expected to drive strong demand for construction equipment and product support in the UK. We are leveraging our digital solutions on the CUBIQ™ platform to continue capturing a large share of opportunities for the remainder of HS2 Phase 1 and other construction projects.

We expect demand for our power systems business in the UK & Ireland to remain strong, including in the data centre market, which is projected to continue to grow over the next few years [1]. We have a solid backlog of power systems projects for deliveries in 2022 and are well positioned to capture further opportunities in the growing data centre market.

(1) UK Data Center Market – Investment Analysis and Growth Opportunities Publication (2020-2025); Ireland Data Center Market – Growth, Trends and Forecasts Publication (2020-2025)

Executing On Our Strategic Plan

Our market outlook remains positive. We expect upcycle demand conditions in 2022 to be supported by strong commodity prices, public and private sector spending, and economic growth forecasts in all our regions.

Constraints in the global supply chain are expected to continue impacting availability of new equipment and parts for most of the year. To meet our customers' needs in this environment, we continue to offer rebuilds and rental options, and proactively source used equipment. Our data-driven inventory forecasting and improved supply chain efficiencies position us well to successfully navigate industry-wide supply constraints.

Underpinned by backlog deliveries, growth in product support, and strong market activity, we expect higher revenue and higher new equipment mix for the remainder of the year compared to Q1 2022. We are closely monitoring the impact of inflationary pressures, including further price increases from our key suppliers in the second quarter, and are working with customers to implement these changes. We remain committed to delivering fixed cost reduction initiatives, productivity gains, and strong operating leverage going forward. We expect above mid-teens EPS growth in 2022 compared to 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 (used in) provided by each of these activities were as follows:

3 months ended March 31 ($ millions)	**2022**	2021	(Decrease) Increase
Operating activities	**(273)**	12	(285)
Investing activities	**(117)**	(32)	(85)
Financing activities	**197**	(44)	241
Free Cash Flow	**(303)**	(20)	(283)

The most significant contributors to the changes in cash flows for Q1 2022 over Q1 2021 were as follows (all events described were in the current quarter, unless otherwise stated):

Operating activities	• higher inventory purchases to support increased demand primarily in Canada and South America; • partially offset by higher collections in all of our operations
Investing activities	• $84 million net cash consideration paid to acquire Hydraquip in our UK & Ireland operations in Q1 2022
Financing activities	• $438 million cash provided by short-term borrowings • repayment of $125 million of long-term debt • $61 million cash used to repurchase common shares in Q1 2022
Free Cash Flow use	• higher use of free cash flow in Q1 2022 due to higher cash requirements from operating activities as outlined above

Capital resources and management

Our cash and cash equivalents balance at March 31, 2022 was $295 million (December 31, 2021: $502 million). At March 31, 2022, to complement internally generated funds from operating and investing activities, we had approximately $2.1 billion in unsecured committed and uncommitted credit facilities. Included in this amount is a committed revolving credit facility totaling $1.3 billion with various Canadian and global financial institutions, of which approximately $0.5 billion was available at March 31, 2022. We are subject to certain covenants under our committed revolving credit facilities and were in compliance with these covenants as at March 31, 2022.

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

Finning is rated [1] by both ***DBRS*** and ***S&P***:

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

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

In August 2021, DBRS reconfirmed our BBB (high) long-term rating and R-2 (high) commercial paper rating both with stable trends.

During the three months ended March 31, 2022, we repurchased 1,625,448 common shares for cancellation for $61 million, at an average cost of $37.48 per share, through our ***NCIB*** [2]. No common shares were repurchased in the three months ended March 31, 2021.

In connection with our NCIB, in January 2022, we implemented an automatic share purchase plan with a designated broker to enable share repurchases for cancellation during selected blackout periods. At March 31, 2022, we recorded an obligation of $9 million for the repurchase of shares from April 1, 2022 to May 10, 2022, under this automatic share purchase plan. We will renew our NCIB for a further year effective May 13, 2022 and implement an automatic share purchase plan with a designated broker in connection with the renewed NCIB.

Net Debt to Adjusted EBITDA

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

	Finning long-term target	**Mar 31, 2022**	Dec 31, 2021
Net debt to Adjusted EBITDA ratio (times)	**< 3.0**	**1.6**	1.1

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

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

Accounting Policies and Pronouncements

New Accounting Pronouncements

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

Risk Factors and Management

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

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

Foreign Exchange Risk

Key exchange rates that impacted our results were as follows:

Exchange rate	March 31			December 31		3 months ended March 31 – average		
	2022	2021	Change	2021	Change	**2022**	2021	Change
USD/CAD	**1.2496**	1.2575	1%	1.2678	1%	**1.2662**	1.2660	(0)%
GBP/CAD	**1.6417**	1.7337	5%	1.7132	4%	**1.6976**	1.7457	3%
USD/CLP	**787.16**	732.11	(8)%	850.25	7%	**808.54**	724.14	(12)%
USD/ARS	**111.01**	92.00	(21)%	102.72	(8)%	**106.67**	88.63	(20)%

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 May 5, 2022	
Common shares outstanding	156,217,581
Options outstanding	1,519,394

Controls and Procedures Certification

Disclosure Controls and Procedures

We are responsible for establishing and maintaining a system of controls and procedures over the public disclosure of our financial and non-financial information. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the ***CEO*** and ***CFO***, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO, together with other members of management, have designed our disclosure controls and procedures in order to provide reasonable assurance that material information relating to Finning and its consolidated subsidiaries is made known to them in a timely manner.

We have a Corporate Disclosure Policy and a Disclosure Committee in place to mitigate risks associated with the disclosure of inaccurate or incomplete information, or failure to disclose required information.

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

Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of our internal controls over financial reporting during the three months ended March 31, 2022 that would materially affect, or is reasonably likely to materially affect, our internal control over financial reporting. We have taken additional steps to ensure key financial internal controls remained in place during the financial reporting period and these controls were completed electronically.

Regular involvement of our internal audit function and quarterly reporting to the Audit Committee assist in providing reasonable assurance that the objectives of the control system are met. While our officers have designed our disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that the objectives of the control systems are met, they are aware that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Description of Specified Financial Measures and Reconciliations

Specified Financial Measures

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

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

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

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

Adjusted basic EPS

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

A reconciliation between basic EPS (the most directly comparable GAAP financial measure) and Adjusted basic EPS can be found on page 25 of this MD&A.

EBITDA, Adjusted EBITDA, and Adjusted EBIT

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

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

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

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

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

	2022	2021				2020				2019		
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	**140**	157	150	137	108	108	138	52	94	97	129	137
Depreciation and amortization	**81**	84	80	78	77	77	77	78	76	73	72	76
EBITDA	**221**	241	230	215	185	185	215	130	170	170	201	213
EBIT	**140**	157	150	137	108	108	138	52	94	97	129	137
Significant items:												
CEWS support	**—**	—	—	—	(10)	(14)	(37)	(64)	—	—	—	—
Return on our investment in Energyst	**—**	—	—	—	(5)	—	—	—	—	—	—	—
Severance costs	**—**	—	—	—	—	—	—	42	—	—	2	—
Facility closures, restructuring costs, and impairment losses	**—**	—	—	—	—	—	—	9	—	—	1	—
Adjusted EBIT	**140**	157	150	137	93	94	101	39	94	97	132	137
Depreciation and amortization	**81**	84	80	78	77	77	77	78	76	73	72	76
Adjusted EBITDA	**221**	241	230	215	170	171	178	117	170	170	204	213

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

3 months ended	**2022**	2021				2020			
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Significant items:									
CEWS support	**—**	—	—	—	2	4	10	16	—
Severance costs	**—**	—	—	—	—	—	—	(10)	—
Facility closures, restructuring costs, and impairment losses	**—**	—	—	—	—	—	—	(2)	—
Provision for income taxes on significant items	**—**	—	—	—	2	4	10	4	—

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

3 months ended	**2022**				2021				2020
($)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Basic EPS	**0.59**	0.66	0.61	0.56	0.43	0.45	0.54	0.12	0.33
Significant items:									
CEWS support	**—**	—	—	—	(0.05)	(0.07)	(0.17)	(0.30)	—
Return on our investment in Energyst	**—**	—	—	—	(0.03)	—	—	—	—
Severance costs	**—**	—	—	—	—	—	—	0.20	—
Facility closures, restructuring costs, and impairment losses	**—**	—	—	—	—	—	—	0.04	—
Adjusted basic EPS	**0.59**	0.66	0.61	0.56	0.35	0.38	0.37	0.06	0.33

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

3 months ended	**2022**				2021				2020			2019
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	**80**	92	84	82	69	72	93	63	60	72	82	92
Significant items:												
CEWS support	**—**	—	—	—	(10)	(13)	(35)	(60)	—	—	—	—
Severance costs	**—**	—	—	—	—	—	—	20	—	—	—	—
Facility closures, restructuring costs, and impairment losses	**—**	—	—	—	—	—	—	5	—	—	—	—
Adjusted EBIT	**80**	92	84	82	59	59	58	28	60	72	82	92
Depreciation and amortization	**47**	50	48	47	46	47	48	47	43	42	43	46
Adjusted EBITDA	**127**	142	132	129	105	106	106	75	103	114	125	138

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

3 months ended	**2022**				2021				2020			2019
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	**65**	59	58	51	41	41	40	2	38	31	42	41
Significant items:												
Severance costs	**—**	—	—	—	—	—	—	17	—	—	2	—
Facility closures, restructuring costs, and impairment losses	**—**	—	—	—	—	—	—	4	—	—	1	—
Adjusted EBIT	**65**	59	58	51	41	41	40	23	38	31	45	41
Depreciation and amortization	**23**	22	22	20	20	20	19	22	22	20	20	21
Adjusted EBITDA	**88**	81	80	71	61	61	59	45	60	51	65	62

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

3 months ended	**2022**				2021				2020			2019
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	**14**	12	17	17	7	11	9	(5)	1	5	14	14
Significant item:												
Severance costs	**—**	—	—	—	—	—	—	4	—	—	—	—
Adjusted EBIT	**14**	12	17	17	7	11	9	(1)	1	5	14	14
Depreciation and amortization	**10**	11	10	10	10	9	9	9	10	10	8	9
Adjusted EBITDA	**24**	23	27	27	17	20	18	8	11	15	22	23

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

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

EBITDA to Free Cash Flow Conversion

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

Equipment Backlog

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

Free Cash Flow

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

3 months ended	**2022**				2021				2020
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Cash flow (used in) provided by operating activities	**(273)**	193	212	8	12	317	340	319	(14)
Additions to property, plant, and equipment and intangible assets	**(30)**	(45)	(38)	(17)	(33)	(34)	(26)	(17)	(38)
Proceeds on disposal of property, plant, and equipment	**—**	—	2	5	1	9	2	10	2
Free cash flow	**(303)**	148	176	(4)	(20)	292	316	312	(50)

Inventory Turns (Dealership)

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

3 months ended	**2022**				2021				2020	2019
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Cost of sales	**1,463**	1,465	1,443	1,396	1,189	1,248	1,163	1,075	1,140	1,483
Cost of sales related to mobile refuelling operations	**(231)**	(190)	(170)	(153)	(140)	(129)	(124)	(95)	(133)	(168)
Cost of sales related to the dealership	**1,232**	1,275	1,273	1,243	1,049	1,119	1,039	980	1,007	1,315

	2022				2021				2020	2019
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Inventory	**2,101**	1,687	1,627	1,643	1,593	1,477	1,626	1,893	2,152	1,990
Fuel inventory	**(11)**	(9)	(6)	(3)	(3)	(3)	(2)	(2)	(3)	(3)
Inventory related to the dealership	**2,090**	1,678	1,621	1,640	1,590	1,474	1,624	1,891	2,149	1,987

Invested Capital

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

	2022				2021				2020			2019
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cash and cash equivalents	**(295)**	(502)	(518)	(378)	(469)	(539)	(453)	(338)	(260)	(268)	(252)	(160)
Short-term debt	**804**	374	419	114	103	92	217	158	329	226	532	751
Current portion of long-term debt	**63**	190	191	386	326	201	200	200	200	200	200	—
Non-current portion of long-term debt	**909**	921	923	903	973	1,107	1,136	1,348	1,381	1,318	1,325	1,321
Net debt	**1,481**	983	1,015	1,025	933	861	1,100	1,368	1,650	1,476	1,805	1,912
Total equity	**2,296**	2,343	2,320	2,252	2,244	2,206	2,184	2,127	2,233	2,115	2,102	2,052
Invested capital	**3,777**	3,326	3,335	3,277	3,177	3,067	3,284	3,495	3,883	3,591	3,907	3,964

Invested Capital Turnover

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

Net Debt to Adjusted EBITDA Ratio

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

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

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

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

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

3 months ended	**2022**	2021				2020				2019		
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Total revenue	**1,953**	1,949	1,904	1,845	1,596	1,666	1,553	1,419	1,558	1,911	1,959	2,137
Cost of fuel	**(217)**	(175)	(156)	(140)	(127)	(115)	(110)	(84)	(119)	(154)	(140)	(142)
Net revenue	**1,736**	1,774	1,748	1,705	1,469	1,551	1,443	1,335	1,439	1,757	1,819	1,995

ROIC and Adjusted ROIC

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

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

Working Capital & Working Capital to Net Revenue Ratio

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

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

Working capital is calculated as follows:

	2022				2021				2020			2019
($ millions)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Total current assets	**4,030**	3,619	3,620	3,416	3,319	3,214	3,261	3,416	3,828	3,659	3,959	4,217
Cash and cash equivalents	**(295)**	(502)	(518)	(378)	(469)	(539)	(453)	(338)	(260)	(268)	(252)	(160)
Total current assets in working capital	**3,735**	3,117	3,102	3,038	2,850	2,675	2,808	3,078	3,568	3,391	3,707	4,057
Total current liabilities	**2,647**	2,155	2,156	1,942	1,817	1,623	1,717	1,735	2,112	2,026	2,331	2,584
Short-term debt	**(804)**	(374)	(419)	(114)	(103)	(92)	(217)	(158)	(329)	(226)	(532)	(751)
Current portion of long-term debt	**(63)**	(190)	(191)	(386)	(326)	(201)	(200)	(200)	(200)	(200)	(200)	—
Total current liabilities in working capital	**1,780**	1,591	1,546	1,442	1,388	1,330	1,300	1,377	1,583	1,600	1,599	1,833
Working capital	**1,955**	1,526	1,556	1,596	1,462	1,345	1,508	1,701	1,985	1,791	2,108	2,224

Selected Quarterly Information

($ millions, except for share, per share, and option amounts)	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2
Revenue								
Canada	**1,101**	1,089	961	1,019	900	886	838	789
South America	**571**	582	638	512	482	496	479	469
UK & Ireland [1]	**281**	278	305	314	214	284	236	161
Total revenue	**1,953**	1,949	1,904	1,845	1,596	1,666	1,553	1,419
Net income attributable to shareholders of Finning [1][2]	**92**	104	99	91	70	72	88	18
EPS [1][2]								
Basic EPS	**0.59**	0.66	0.61	0.56	0.43	0.45	0.54	0.12
Diluted EPS	**0.59**	0.65	0.61	0.56	0.43	0.44	0.54	0.12
Total assets [1]	**6,402**	5,971	5,936	5,615	5,524	5,458	5,535	5,716
Long-term debt								
Current	**63**	190	191	386	326	201	200	200
Non-current	**909**	921	923	903	973	1,107	1,136	1,348
Total long-term debt [3]	**972**	1,111	1,114	1,289	1,299	1,308	1,336	1,548
Cash dividends paid per common share	**22.5¢**	22.5¢	22.5¢	20.5¢	20.5¢	20.5¢	20.5¢	20.5¢
Common shares outstanding (000's)	**156,249**	157,808	159,659	161,419	162,391	162,107	162,104	162,104
Options outstanding (000's)	**1,545**	1,773	1,926	2,105	2,116	3,683	3,760	3,758

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

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

($ millions except per share amounts)	2021 [a] Q1	2020 [a] Q4	2020 [a] Q3	2020 [a] Q2
CEWS support	(10)	(14)	(37)	(64)
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 Q1 2022, Q4 2021, Q3 2021, and Q2 2021.

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

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

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

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

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

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. All forward-looking information in this MD&A is subject to this disclaimer including the assumptions and material risk factors discussed and referred to below. Forward-looking information in this report also includes, but is not limited to, the following: expected results from the execution of our strategic framework, including our global strategic priorities, strategic pillars, and simple execution plan described on page 4 of this MD&A; our expectation that our effective tax rate will generally be within the 25-30% range on an annual basis; possible additional consideration of £nil to £11 million payable to the vendors of Hydraquip over a three year period after the acquisition based on the acquired business unit achieving specified levels of financial performance; expected synergies following the acquisition Hydraquip from the combination of complementary capabilities and the expected growth potential for product support revenue; all information in the section entitled “Market Update and Business Outlook” on pages 17-18 of this MD&A regarding our expectations for our Canada operations (based on assumptions of continued strong commodity prices, public and private sector investment, a healthy demand environment across all sectors in Western Canada, federal and provincial government infrastructure programs and private sector investments in natural gas, carbon capture, utilization and storage, and power projects, and our ability to leverage CUBIQ™ and drive continued success with construction rebuilds and customer value agreements, and continued capital expenditures in mining, including the oil sands), our expectations for our South America operations (based on assumptions related to Chile of a continued strong copper price, a projected increase in copper mining growth, a moderate increase in mining royalties, our position to capture opportunities for new mining equipment and autonomous solutions for brownfield expansions and greenfield projects, and continued strong demand for mining infrastructure and the government’s infrastructure investment program), our expectations for our UK & Ireland operations (based on assumptions of continued HS2 construction activity, continued government investments in infrastructure projects, our ability to leverage CUIBIQ™ and projections of continued growth in data centre market), our continued positive market outlook and our expectations of upcycle demand conditions in 2022, higher revenue and higher new equipment mix for the remainder of the year compared to Q1 2022, and above mid-teens EPS growth in 2022 compared to 2021 (based on assumptions of continued strength in commodity prices, public and private sector spending, forecasted economic growth in all our regions, and that we will successfully manage industry-wide constraints in the global supply chain and inflationary pressures including further price increases from key suppliers in the second quarter, including through successfully working with customers to implement those changes); 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 intention to renew our NCIB for a further year effective May 13, 2022 and implement an automatic share purchase plan with a designated broker in connection with the renewed NCIB; and our expectation that foreign exchange fluctuations will continue to affect our results.

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

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

Factors that could cause actual results or events to differ materially from those expressed in or implied by this forward-looking information include: the impact and duration of the COVID-19 pandemic and measures taken by governments, customers and suppliers in response; general economic and market conditions, including increasing inflationary cost pressure, and economic and market conditions in the regions where we operate; foreign exchange rates; commodity prices; 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 drive continuous cost efficiency in a recovering market; our ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; our ability to negotiate and renew collective bargaining agreements with satisfactory terms for our employees and us; the intensity of competitive activity; our ability to maintain a safe and healthy work environment across all regions; our ability to raise the capital needed to implement our business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments in the regions where we carry on business; our ability to respond to climate change-related risks; the occurrence of natural disasters, pandemic outbreaks, geo-political events, acts of terrorism, social unrest or similar disruptions; the availability of insurance at commercially reasonable rates and whether the amount of insurance coverage will be adequate to cover all liability or loss that we incur; the potential of warranty claims being greater than we anticipate; the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology; our ability to protect our business from cybersecurity threats or incidents; 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, inflationary pressures and changing commodity prices, and successfully implement our COVID-19 risk management plans; an undisrupted market recovery, for example, undisrupted by COVID-19 impacts, commodity price volatility or social unrest; the successful execution of our profitability drivers; that our cost actions to drive earnings capacity in a recovery can be sustained; that commodity prices will remain at constructive levels; that our customers will not curtail their activities; that general economic and market conditions will continue to be strong; that the level of customer confidence and spending, and the demand for, and prices of, our products and services will be maintained; that present supply chain and inflationary challenges will not materially impact large project deliveries in our backlog; our ability to successfully execute our plans and intentions; our ability to attract and retain skilled staff; market competition will remain at similar levels; the products and technology offered by our competitors will be as expected; that identified opportunities for growth will result in revenue; that we have sufficient liquidity to meet operational needs; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment and that our current good relationships with Caterpillar, our customers and our suppliers, service providers and other third parties will be maintained; sustainment of strengthened oil prices and the Alberta government will not re-impose production curtailments; quoting activity for requests for proposals for equipment and product support is reflective of opportunities; 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
CLP	Chilean Peso
Consol	Consolidated
COVID-19	Novel Coronavirus
DBRS	Dominion Bond Rating Service
EBIT	Earnings (loss) before finance costs and income tax
EBITDA	Earnings (loss) before finance costs, income tax, depreciation, and amortization
Energyst	Energyst B.V.
EPS	Earnings per share
ERM	Enterprise risk management
fav	Favourable
Finning	Finning International Inc.
Finning (Canada)	A division of Finning, with dealer territories in British Columbia, Alberta, Saskatchewan, the Yukon Territory, the Northwest Territories, and a portion of Nunavut
GAAP	Generally accepted accounting principles
GAAP financial measure	A financial measure determined in accordance with GAAP
GBP	UK pound sterling
HS2	High Speed 2, a planned high speed railway in the UK the first phase of which is planned to connect London to Birmingham
Hydraquip	Hydraquip Hose & Hydraulics and Hoses Direct Ltd.
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Interim Financial Statements	Condensed interim consolidated financial statements
KPI	Key performance indicator
MD&A	Management's Discussion and Analysis
n/a	not applicable
n/m	% change not meaningful
NCIB	Normal course issuer bid
OEM	OEM Remanufacturing Company Inc.
PLM	PipeLine Machinery International ULC
ROIC	Return on invested capital
S&P	Standard and Poor's
SEDAR	System for Electronic Document Analysis
SG&A	Selling, general, and administrative costs
Specified Financial Measures	As defined in National Instruments 52-112
UK	United Kingdom
unfav	Unfavourable
US	United States of America
USD	US dollar

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET INCOME

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

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

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

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

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

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

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

a) Amendments to Standards

The Company has adopted the following amendments to IFRS:

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

b) Future Accounting Pronouncements

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

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

2. SEGMENTED INFORMATION

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

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

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

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

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

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

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

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

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

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

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

3. Earnings Per Share

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

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

4. Other Income

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

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

5. Debt and Finance Costs

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

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

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

6. Share Capital

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

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

7. Supplemental Cash Flow Information

The components of cash and cash equivalents were as follows:

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

The changes in operating assets and liabilities were as follows:

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

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

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

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

8. Acquisitions and Investment

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

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

The fair value of the total consideration at the acquisition date was $116 million (£70 million), which may be subject to customary post-closing adjustments. Cash consideration of $84 million, net of $10 million cash acquired, was paid in the three months ended March 31, 2022. The fair value of deferred consideration was $19 million and is payable in annual instalments over a period of three years after the acquisition. The vendors may qualify for additional consideration (possible range of £nil to £11 million) based on the acquired business unit achieving specified levels of financial performance. The acquisition-date fair value of the contingent consideration was estimated to be $3 million (£2 million). The deferred and contingent consideration was recognized as a liability on the consolidated statement of financial position. Following finalization of the purchase price allocation, any changes in the estimated fair value of the contingent consideration will be recognized in the consolidated statement of income.

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

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

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

Goodwill relates to the expected synergies from combining complementary capabilities that help customers maximize uptime and reduce operating costs and the expected growth potential for product support revenue. Hydraquip expands Finning's service capabilities across multiple industries and equipment types to both new and existing customers. The goodwill is assigned to the Company's UK & Ireland reportable segment.

Compression Technology Corporation (ComTech)

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

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

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

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

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

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

Energyst B.V. (Energyst)

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

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

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

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

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

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