FINNING

Q2 2023 EARNINGS RELEASE **August 8, 2023**

Finning reports Q2 2023 results

Vancouver, B.C. – Finning International Inc. (TSX: FTT) ("Finning", the "Company", "we", "our" or "us") reported second quarter 2023 results today. All monetary amounts are in Canadian dollars unless otherwise stated.

HIGHLIGHTS

All comparisons are to Q2 2022 results unless indicated otherwise.

- Q2 2023 EPS (1) of $1.00 was up 24%, driven by significant revenue growth and strong operating margins.
- Q2 2023 revenue of $2.8 billion and net revenue (2) of $2.6 billion were up 21% and 28%, respectively. Revenues were higher in all lines of business, including a 30% increase in product support revenue.
- Q2 2023 SG&A (1) as a percentage of net revenue (2) was 16.2%, down 70 basis points. Over the last twelve months ended Q2 2023, SG&A as a percentage of net revenue was 17.3%.
- Q2 2023 EBIT (1) was up 28%. EBIT as a percentage of net revenue (2) was 9.9% in Canada, 12.1% in South America, and 5.5% in the UK & Ireland.
- Q2 2023 Adjusted ROIC (1)(2)(4) increased to 20.2%, up 270 basis points.
- Q2 2023 free cash flow (3) was $31 million compared to a use of cash of $142 million in Q2 2022, and Q2 2023 net debt to Adjusted EBITDA (1)(2)(4) was 1.8 times which was comparable to Q2 2022.
- Consolidated equipment backlog (2) was $2.4 billion at June 30, 2023 compared to $2.7 billion at March 30, 2023 reflecting strong deliveries, which were up 40% from Q1 2023. Equipment backlog was up from $2.1 billion at June 30, 2022, driven by mining and power systems, which represent about 40% and 25% of our equipment backlog, respectively.

"Our team continues to execute well, delivering another great quarter, with EPS of $1.00 per share and Adjusted ROIC above 20% for the first time. The combination of our expanding installed equipment base and disciplined execution of our product support strategy continues to drive strong product support revenue, which was again the largest contributor to our earnings growth in the quarter. We are hiring technicians and building our capabilities and capacity to continue delivering the best service to our customers and capturing market share opportunities.

The performance of our South American business was particularly strong in Q2. Strategic wins with large mining customers are helping drive increased activity in our mining business, with product support revenue up 34% in functional currency compared to Q2 2022 and Adjusted ROIC above 26%. We are excited about both near and long-term growth opportunities in South America, and we look forward to sharing more details about our strategy and demonstrating our strong capabilities in the region when we host our Investor Day and Tour in Antofagasta, Chile in September.

Customer activity levels in our regions remain robust, and our outlook is positive. We expect continued momentum in our business to be underpinned by strong equipment backlog and service levels, as well as successful execution of our product support growth strategy, including very strong rebuild activity," said Kevin Parkes, president and CEO.

Q2 2023 FINANCIAL SUMMARY

($ millions, except per share amounts)	3 months ended June 30 2023	2022	% change fav [1] (unfav) [1]
New equipment	**949**	733	29%
Used equipment	**93**	86	8%
Equipment rental	**78**	70	11%
Product support	**1,395**	1,075	30%
Net fuel and other	**44**	40	12%
Net revenue	**2,559**	2,004	28%
Gross profit	**654**	528	24%
Gross profit as a percentage of net revenue [2]	***25.6%***	*26.3%*	
SG&A	**(415)**	(338)	(23)%
SG&A as a percentage of net revenue	***(16.2)%***	*(16.9)%*	
Equity earnings of joint ventures	**3**	—	
EBIT	**242**	190	28%
EBIT as a percentage of net revenue	***9.4%***	*9.4%*	
Net income attributable to shareholders of Finning	**148**	126	18%
EPS	**1.00**	0.80	24%
Free cash flow [3]	**31**	(142)	122%

Q2 2023 EBIT by Operation ($ millions, except per share amounts)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Finning Total**	**EPS**
EBIT / EPS	**136**	**104**	**18**	**(16)**	**242**	**1.00**
EBIT as a percentage of net revenue	***9.9%***	***12.1%***	***5.5%***	***n/m*** [1]	***9.4%***	

Q2 2022 EBIT by Operation ($ millions, except per share amounts)	Canada	South America	UK & Ireland	Other	Finning Total	EPS
EBIT / EPS	102	64	23	1	190	0.80
EBIT as a percentage of net revenue	*10.0%*	*10.1%*	*6.4%*	*n/m*	*9.4%*	

QUARTERLY KEY PERFORMANCE MEASURES

	2023		2022				2021		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
EBIT ($ millions)	**242**	239	214	224	190	140	157	150	137
Adjusted EBIT [3][4] ($ millions)	**242**	216	214	224	190	140	157	150	137
EBIT as a % of net revenue									
Consolidated	**9.4%**	11.2%	9.0%	10.7%	9.4%	8.1%	8.9%	8.6%	8.0%
Canada	**9.9%**	11.0%	11.0%	11.7%	10.0%	9.1%	10.1%	10.4%	9.3%
South America	**12.1%**	10.5%	11.4%	12.3%	10.1%	11.4%	10.1%	9.2%	9.8%
UK & Ireland	**5.5%**	5.1%	4.4%	6.2%	6.4%	5.0%	4.3%	5.6%	5.3%
Adjusted EBIT as a % of net revenue [2][4]									
Consolidated	**9.4%**	10.1%	9.0%	10.7%	9.4%	8.1%	8.9%	8.6%	8.0%
Canada	**9.9%**	11.3%	11.0%	11.7%	10.0%	9.1%	10.1%	10.4%	9.3%
South America	**12.1%**	11.5%	11.4%	12.3%	10.1%	11.4%	10.1%	9.2%	9.8%
UK & Ireland	**5.5%**	5.7%	4.4%	6.2%	6.4%	5.0%	4.3%	5.6%	5.3%
EPS	**1.00**	0.89	0.89	0.97	0.80	0.59	0.66	0.61	0.56
Adjusted EPS [2][4]	**1.00**	0.89	0.89	0.97	0.80	0.59	0.66	0.61	0.56
Invested capital [2] ($ millions)	**4,630**	4,545	4,170	4,358	4,076	3,777	3,326	3,335	3,277
ROIC [2] (%)									
Consolidated	**20.8%**	20.2%	18.7%	18.3%	17.5%	17.0%	16.8%	15.6%	15.3%
Canada	**20.1%**	19.4%	18.7%	18.2%	17.4%	17.4%	17.5%	16.5%	17.0%
South America	**25.9%**	24.0%	24.5%	22.7%	22.3%	21.7%	20.3%	19.0%	17.2%
UK & Ireland	**15.5%**	17.0%	17.0%	16.6%	16.2%	15.7%	14.8%	14.9%	12.9%
Adjusted ROIC									
Consolidated	**20.2%**	19.7%	18.7%	18.3%	17.5%	17.0%	16.4%	14.7%	13.3%
Canada	**20.2%**	19.6%	18.7%	18.2%	17.4%	17.4%	16.9%	15.3%	14.0%
South America	**26.4%**	24.6%	24.5%	22.7%	22.3%	21.7%	20.3%	19.0%	17.2%
UK & Ireland	**15.9%**	17.4%	17.0%	16.6%	16.2%	15.7%	14.8%	14.9%	12.9%
Invested capital turnover [2] (times)	**2.07**	2.01	2.01	1.96	2.00	2.03	2.04	2.01	1.93
Inventory ($ millions)	**2,764**	2,710	2,461	2,526	2,228	2,101	1,687	1,627	1,643
Inventory turns (dealership) [2] (times)	**2.49**	2.51	2.61	2.52	2.50	2.66	3.09	3.09	2.84
Working capital to net revenue [2]	**27.5%**	28.0%	27.4%	27.1%	25.1%	23.8%	22.9%	23.0%	24.0%
Free cash flow ($ millions)	**31**	(245)	332	(57)	(142)	(303)	148	176	(4)
Net debt to Adjusted EBITDA ratio (times)	**1.8**	1.7	1.6	1.8	1.8	1.6	1.1	1.3	1.4

Q2 2023 HIGHLIGHTS BY OPERATION

All comparisons are to Q2 2022 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 36%, driven primarily by strong new equipment sales across all sectors, which were up 84%, led by mining deliveries to oil sands customers.
- Product support revenue increased by 24%, led by mining, including increasing rebuild activity.
- EBIT as a percentage of net revenue was 9.9%, comparable to Q2 2022, primarily due to a higher proportion of mining new equipment sales in the revenue mix. SG&A as a percentage of net revenue declined from Q2 2022.
- Canada's Adjusted ROIC was 20.2% in Q2 2023.

South America Operations

- Net revenue increased by 28%, driven primarily by mining product support.
- New equipment sales were up 18% mostly due to higher sales to large contractors supporting mining operations in Chile.
- Product support revenue was up 34%, led by strong mining activity in Chile.
- EBIT was up 53% and EBIT as a percentage of net revenue was 12.1%, up 200 basis points, attributable to strong growth in product support and operating leverage.
- South America generated Adjusted ROIC of 26.4% in Q2 2023.

UK & Ireland Operations

- Net revenue decreased by 11% due to lower new equipment sales in construction. In Q2 2022, HS2 deliveries drove record new equipment sales and EBIT.
- Used equipment sales more than doubled.
- Product support revenue was up 14%, driven by strong customer activity and equipment utilization in all sectors.
- EBIT as a percentage of net revenue was a solid 5.5%, reflecting continued focus on growing our product support business.

Corporate and Other Items

- Corporate EBIT loss was $16 million in Q2 2023 compared to EBIT of $1 million in Q2 2022, primarily due to higher LTIP expense compared to an LTIP recovery in Q2 2022. On a consolidated basis, Q2 2023 LTIP expense was $25 million higher compared to Q2 2022.
- The Board of Directors has approved a quarterly dividend to $0.25 per share, payable on September 7, 2023, to shareholders of record on August 24, 2023. This dividend will be considered an eligible dividend for Canadian income tax purposes.
- We repurchased 3.0 million shares in Q2 2023 at an average price of $37.96, representing 2.0% of our public float.

Finning Appoints Charles Ruigrok to the Board of Directors

We are pleased to announce the appointment of Charles Ruigrok as an independent director to the company's Board of Directors effective immediately. Mr. Ruigrok brings over 40 years of business and executive leadership experience in the energy industry. Currently, Mr. Ruigrok serves as Chair of the board of directors of ENMAX Corporation, having previously served as Chair of ENMAX's Audit Committee and as Board Chair of Versant Power, ENMAX's Maine-based transmission and distribution business. Mr. Ruigrok is a former CEO of Syncrude Canada Ltd. and spent 26 years at Imperial Oil in various senior executive positions, including Vice President of Oil Sands Development and Research. Mr. Ruigrok has served on several boards, including Syncrude Canada Ltd., Rainbow Pipeline Company, ProGas Limited, the Alberta Chamber of Resources and Soane Energy LLC, and is a former member of the Board of Governors of the Canadian Association of Petroleum Producers.

"We are pleased to welcome Charles to our Board," said Harold Kvisle, chair of Finning's Board of Directors. "Charles is an accomplished leader and brings extensive governance experience and in-depth knowledge of the energy business to complement the talent and diversity of our Board."

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

Our outlook for Western Canada is positive, supported by healthy order activity, record equipment backlog, and continued strong demand for product support across all sectors.

In the mining and energy sectors, constructive commodity prices and improved customer capital budgets are driving investment in renewal of aging fleets and growing demand for product support, including component remanufacturing and equipment rebuilds. In the oil and gas sector, customer activity remains strong and high utilization of drilling and well servicing equipment is driving demand for maintenance and rebuilds.

In the construction sector, federal and provincial governments' infrastructure programs and private sector investments support healthy demand for construction equipment, rentals, and prime and standby electric power generation.

South America Operations

Our outlook for Chile mining remains strong, supported by growing demand for copper and improving political clarity. We are encouraged by the recent government approvals of large-scale brownfield expansions and increasing customer confidence to invest into brownfield and greenfield projects. We are seeing robust quoting activity, and we have received significant orders from our mining customers after June 30 which will be added to our equipment backlog in Q3 2023. We also expect continued strong demand for mining product support and technology solutions.

About half our construction business in Chile is related to the mining sector where we continue to see strong demand from large contractors supporting mining operations. We expect infrastructure construction activity in Chile to remain stable.

In the power systems sector, order activity remains strong. We are well positioned to benefit from future opportunities in the growing data centre market.

In Argentina, activity in construction, oil and gas, and mining is expected to remain stable. However, high inflation, currency restrictions, and new import regulations are expected to continue impacting our business in Argentina. With the election process beginning in August and concluding in November, we expect volatility to continue in an already challenging fiscal, regulatory, and currency environment. We continue to actively manage and mitigate these risks.

UK & Ireland Operations

In the construction sector, order activity remains stable and demand for equipment has been resilient. Construction order intake was up 60% from Q1 2023. With deliveries to HS2 largely completed, we continue to expect lower construction new equipment sales in the UK in 2023 compared to 2022. Demand for product support is expected to remain strong, driven by high machine utilization across construction markets and growing contribution from Hydraquip [(1)].

We expect continued strong demand for our power systems business in the UK & Ireland, including in the data centre market. We have a significant backlog of power systems projects for delivery in 2023 and 2024.

Executing Well and Building on Positive Momentum

Customer activity levels in our regions remain robust, and our outlook is positive. We expect continued momentum in our business to be underpinned by strong equipment backlog and service levels, as well as successful execution of our product support growth strategy, including very strong rebuild activity. Our equipment backlog for delivery in 2024 continues to grow and now stands at $0.9 billion. All our operations are hiring technicians and building capabilities and capacity to continue delivering the best service to our customers and capturing market share.

To access Finning's complete Q2 2023 results, please visit our website at https://www.finning.com/en_CA/company/investors.html

Q2 2023 INVESTOR CALL

We will hold an investor call on August 9, 2023 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 is the world’s largest Caterpillar dealer, delivering unrivalled service to customers for 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.

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Description of Specified Financial Measures and Reconciliations

Specified Financial Measures

We believe that certain specified financial measures, including non-GAAP [(1)] 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 these significant items into account are referred to as “Adjusted measures”. Adjusted measures are specified financial measures and are intended to provide additional information to readers of the 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 EPS

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

Adjusted EBIT and Adjusted EBITDA

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.

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

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

Significant items identified by management that affected our results were as follows:

- In Q1 2023, we executed various transactions to simplify and adjust our organizational structure. We wound up two wholly owned subsidiaries, recapitalized and repatriated $170 million of profits from our South American operations, and incurred severance costs in each region as we reduced corporate overhead costs and simplified our operating model. As a result of these activities, our Q1 2023 financial results were impacted by significant items that we do not consider indicative of operational and financial trends:
  - Net foreign currency translation gain and income tax expense were reclassified to net income on the wind up of foreign subsidiaries;
  - Withholding tax payable related to the repatriation of profits; and,
  - Severance costs incurred in all of our operations.
- Finning qualified for and recorded a benefit from Q2 2020 to Q1 2021 related to CEWS [(1)], which was introduced by the Government of Canada in response to the COVID-19 [(1)] pandemic for eligible entities that met specific criteria.
- In December 2020, the shareholders of Energyst [(1)], which included Finning, decided to restructure the company. A plan was put in place to sell any remaining assets and wind up Energyst, with net proceeds from the sale to be distributed to Energyst's shareholders. In Q1 2021, we recorded a return on our investment in Energyst.

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

3 months ended	**2023**		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**242**	239	214	224	190	140	157	150	137	108	108	138
Significant items:												
Gain on wind up of foreign subsidiaries	**—**	(41)	—	—	—	—	—	—	—	—	—	—
Severance costs	**—**	18	—	—	—	—	—	—	—	—	—	—
CEWS support	**—**	—	—	—	—	—	—	—	—	(10)	(14)	(37)
Return on Energyst investment	**—**	—	—	—	—	—	—	—	—	(5)	—	—
Adjusted EBIT	**242**	216	214	224	190	140	157	150	137	93	94	101
Depreciation and amortization	**94**	92	87	84	81	81	84	80	78	77	77	77
Adjusted EBITDA [(3)(4)]	**336**	308	301	308	271	221	241	230	215	170	171	178

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

3 months ended	**2023**		2022				2021		
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Significant items:									
Gain on wind up of foreign subsidiaries	**—**	9	—	—	—	—	—	—	—
Severance costs	**—**	(5)	—	—	—	—	—	—	—
Withholding tax on repatriation of profits	**—**	19	—	—	—	—	—	—	—
Provision for income taxes on the significant items	**—**	23	—	—	—	—	—	—	—

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

3 months ended	**2023**		2022				2021		
($)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EPS [a]	**1.00**	0.89	0.89	0.97	0.80	0.59	0.66	0.61	0.56
Significant items:									
Gain on wind up of foreign subsidiaries	**—**	(0.21)	—	—	—	—	—	—	—
Severance costs	**—**	0.09	—	—	—	—	—	—	—
Withholding tax on repatriation of profits	**—**	0.12	—	—	—	—	—	—	—
Adjusted EPS [a]	**1.00**	0.89	0.89	0.97	0.80	0.59	0.66	0.61	0.56

[a] 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 for our Canadian operations is as follows:

3 months ended	**2023**		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**136**	126	128	125	102	80	92	84	82	69	72	93
Significant items:												
Severance costs	**—**	4	—	—	—	—	—	—	—	—	—	—
CEWS support	**—**	—	—	—	—	—	—	—	—	(10)	(13)	(35)
Adjusted EBIT	**136**	130	128	125	102	80	92	84	82	59	59	58

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

3 months ended	**2023**		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**104**	74	96	85	64	65	59	58	51	41	41	40
Significant item:												
Severance costs	**—**	7	—	—	—	—	—	—	—	—	—	—
Adjusted EBIT	**104**	81	96	85	64	65	59	58	51	41	41	40

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

3 months ended	**2023**		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**18**	15	16	21	23	14	12	17	17	7	11	9
Significant item:												
Severance costs	**—**	2	—	—	—	—	—	—	—	—	—	—
Adjusted EBIT	**18**	17	16	21	23	14	12	17	17	7	11	9

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

3 months ended	**2023**		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**(16)**	24	(26)	(7)	1	(19)	(6)	(9)	(13)	(9)	(16)	(4)
Significant items:												
Gain on wind up of foreign subsidiaries	**—**	(41)	—	—	—	—	—	—	—	—	—	—
Severance costs	**—**	5	—	—	—	—	—	—	—	—	—	—
Return on Energyst investment	**—**	—	—	—	—	—	—	—	—	(5)	—	—
CEWS support	**—**	—	—	—	—	—	—	—	—	—	(1)	(2)
Adjusted EBIT	**(16)**	(12)	(26)	(7)	1	(19)	(6)	(9)	(13)	(14)	(17)	(6)

Equipment Backlog

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

Free Cash Flow

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

3 months ended	**2023**		2022				2021		
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cash flow provided by (used in) operating activities	**66**	(166)	410	(24)	(112)	(273)	193	212	8
Additions to property, plant, and equipment and intangible assets	**(40)**	(79)	(78)	(33)	(30)	(30)	(45)	(38)	(17)
Proceeds on disposal of property, plant, and equipment	**5**	—	—	—	—	—	—	2	5
Free cash flow	**31**	(245)	332	(57)	(142)	(303)	148	176	(4)

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	**2023**		2022				2021			
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Cost of sales	**2,125**	1,758	2,025	1,807	1,761	1,463	1,465	1,443	1,396	1,189
Cost of sales related to mobile refuelling operations	**(237)**	(253)	(302)	(293)	(300)	(231)	(190)	(170)	(153)	(140)
Cost of sales related to the dealership [3]	**1,888**	1,505	1,723	1,514	1,461	1,232	1,275	1,273	1,243	1,049

	2023		2022				2021			
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Inventory	**2,764**	2,710	2,461	2,526	2,228	2,101	1,687	1,627	1,643	1,593
Fuel inventory	**(14)**	(12)	(12)	(12)	(13)	(11)	(9)	(6)	(3)	(3)
Inventory related to the dealership [3]	**2,750**	2,698	2,449	2,514	2,215	2,090	1,678	1,621	1,640	1,590

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:

	2023		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cash and cash equivalents	**(74)**	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)	(469)	(539)	(453)
Short-term debt	**1,142**	1,266	1,068	1,087	992	804	374	419	114	103	92	217
Long-term debt												
Current	**199**	253	114	106	110	63	190	191	386	326	201	200
Non-current	**949**	675	815	836	807	909	921	923	903	973	1,107	1,136
Net debt (3)	**2,216**	2,065	1,709	1,909	1,739	1,481	983	1,015	1,025	933	861	1,100
Total equity	**2,414**	2,480	2,461	2,449	2,337	2,296	2,343	2,320	2,252	2,244	2,206	2,184
Invested capital	**4,630**	4,545	4,170	4,358	4,076	3,777	3,326	3,335	3,277	3,177	3,067	3,284

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

3 months ended	**2023**		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total revenue	**2,779**	2,380	2,653	2,384	2,289	1,953	1,949	1,904	1,845	1,596	1,666	1,553
Cost of fuel	**(220)**	(236)	(285)	(277)	(285)	(217)	(175)	(156)	(140)	(127)	(115)	(110)
Net revenue	**2,559**	2,144	2,368	2,107	2,004	1,736	1,774	1,748	1,705	1,469	1,551	1,443

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:

	2023		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total current assets	**4,985**	4,974	4,781	4,652	4,098	4,030	3,619	3,620	3,416	3,319	3,214	3,261
Cash and cash equivalents	**(74)**	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)	(469)	(539)	(453)
Total current assets in working capital	**4,911**	4,845	4,493	4,532	3,928	3,735	3,117	3,102	3,038	2,850	2,675	2,808
Total current liabilities	**3,569**	3,763	3,401	3,196	2,789	2,647	2,155	2,156	1,942	1,817	1,623	1,717
Short-term debt	**(1,142)**	(1,266)	(1,068)	(1,087)	(992)	(804)	(374)	(419)	(114)	(103)	(92)	(217)
Current portion of long-term debt	**(199)**	(253)	(114)	(106)	(110)	(63)	(190)	(191)	(386)	(326)	(201)	(200)
Total current liabilities in working capital	**2,228**	2,244	2,219	2,003	1,687	1,780	1,591	1,546	1,442	1,388	1,330	1,300
Working capital [3]	**2,683**	2,601	2,274	2,529	2,241	1,955	1,526	1,556	1,596	1,462	1,345	1,508

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); favourable (fav); unfavourable (unfav); not meaningful (n/m); Hydraquip Hose & Hydraulics Ltd. and Hoses Direct Ltd. (Hydraquip); generally accepted accounting principles (GAAP); Canadian Emergency Wage Subsidy (CEWS); Novel Coronavirus (COVID-19); Energyst B.V. (Energyst).

(2) See “Description of Specified Financial Measures and Reconciliations” on page 7 of this Earnings Release.

(3) These are non-GAAP financial measures. See “Description of Specified Financial Measures and Reconciliations” on page 7 of 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 these items into account are referred to as “Adjusted measures”.

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: all information in the section entitled “Market Update and Business Outlook”, including for our Canada operations: our positive outlook for Western Canada (based on our healthy order activity and record equipment backlog (and our ability and timing to deliver our equipment backlog) and on assumptions in the mining and energy sectors of constructive commodity prices and improved customer capital budgets driving investment in renewal of aging fleets and growing demand for product support, including component remanufacturing and equipment rebuilds, assumptions in the oil and gas sector of continued strong customer activity and high utilization of drilling and well servicing equipment driving demand for maintenance and rebuilds, and assumptions in the construction sector of federal and provincial governments’ infrastructure programs and private sector investments in infrastructure and power projects); for our South America operations: our strong outlook for Chile mining (based on assumptions of continued growth in demand for copper, improving political clarity, government approvals of large-scale brownfield expansions (which assumes approved projects will proceed as anticipated), and increasing customer confidence to invest), the significant orders from our mining customers will be added to our equipment backlog in Q3 2023, our expectation for continued strong demand for mining product support and technology solutions, our expectation for infrastructure construction activity in Chile to remain stable (based on assumptions of continued strong demand from large contractors supporting mining operations), our belief that we are well positioned to benefit from future opportunities in the growing data centre market (based on assumptions of strong order activity); and for Argentina, our expectation for activity in construction, oil and gas, and mining to remain stable (based on assumptions that our customers will be able to manage through the challenging fiscal, regulatory, and currency environment), and the expected continued impact of high inflation, currency restrictions, and new import regulations on our business and the continued volatility from the upcoming election process; for our UK & Ireland operations: our expectation for lower construction new equipment sales in 2023 (based on deliveries to HS2 being largely completed), our expectation of continued strong demand for product support (based on assumptions of continued high machine utilization rates across construction markets and growing contribution from Hydraquip) and that demand for our power systems business will remain strong, and the strength of our backlog of power systems projects for delivery in 2023 and 2024; and overall: our positive outlook and expectation of continued momentum in our business (based on assumptions of our strong equipment backlog and service levels, and successful execution of our product support growth strategy, including very strong rebuild activity), continuing growth in our equipment backlog for delivery in 2024 (assumes supply chain continuity and that supply chain and inflationary challenges will not materially impact orders and deliveries), and our expectations for hiring technicians and building capabilities and capacity to continue delivering the best service to our customers and capturing market share, and for near and long-term growth opportunities in South America; and the Canadian income tax treatment of the quarterly dividend. All such forward-looking information is provided pursuant to the ‘safe harbour’ provisions of applicable Canadian securities laws.

Unless we indicate otherwise, forward-looking information in this news release reflects our expectations at the date 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 specific factors stated above; the impact and duration of, and our ability to respond to and manage, high inflation, increasing interest rates, supply chain challenges, and the impacts of the Russia-Ukraine war; general economic and market conditions, including increasing inflationary cost pressure, and economic and market conditions in the regions where we operate; the outcome and impact of the upcoming election cycle in Argentina; government approvals of large-scale brownfield expansions; the constitutional reform process and proposed tax reform bill in Chile; foreign exchange rates; commodity prices; interest rates; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our ability to maintain our relationship with Caterpillar; our dependence on the continued market acceptance of our products, including Caterpillar products, and the timely supply of parts and equipment; our ability to continue to sustainably reduce costs and improve productivity and operational efficiencies while continuing to maintain customer service; our ability to manage cost pressures as growth in revenue occurs; our ability to effectively integrate and realize expected synergies from businesses that we acquire; our ability to deliver our equipment backlog; 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; business disruption resulting from business process change, systems change and organizational change; regulatory initiatives or proceedings, litigation and changes in laws, regulations or policies, including with respect to environmental protection and/or energy transition; 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 availability of carbon neutral technology or renewable power; the cost of climate change initiatives; the occurrence of one or more 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; and the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology; and our ability to protect our business from cybersecurity threats or incidents. 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 volatile commodity prices, high inflation, increasing interest rates, supply chain challenges and the impacts of the Russia-Ukraine war, and successfully execute our strategies to win customers, achieve full cycle resilience (based on assumptions that steps to reduce corporate overhead, drive productivity and optimize working capital while supporting strong business growth will be successful and sustainable) and continue business momentum (based on assumptions that we will be able to continue to source and hire technicians, build capabilities and capacity and successfully and sustainably improve workshop efficiencies); 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 support and demand for renewable energy will continue to grow; that present supply chain and inflationary challenges will not materially impact large project deliveries in our equipment backlog; our ability to successfully execute our plans and intentions; that we will successfully execute initiatives to reduce our GHG emissions; 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; 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; our current good relationships with Caterpillar, our customers and our suppliers, service providers and other third parties will be maintained and that Caterpillar and such other suppliers will deliver quality, competitive products with supply chain continuity; sustainment of strengthened oil prices and the Alberta government will not re-impose production curtailments; quoting activity for requests for proposals for equipment and product support is reflective of opportunities; and strong recoveries in the regions that we operate. 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. 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. 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

August 8, 2023

This ***MD&A*** should be read in conjunction with our ***Interim Financial Statements*** and the accompanying notes thereto for the three and six months ended June 30, 2023, 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, 2022. 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 32. The first time a defined term is used in this MD&A, it is shown in bold italics.

Overview

($ millions, except per share amounts)	**3 months ended June 30**			**6 months ended June 30**		
	2023	2022	% change ***fav (unfav)***	**2023**	2022	% change fav (unfav)
Revenue	**2,779**	2,289	21%	**5,159**	4,242	22%
Net revenue [(1)]	**2,559**	2,004	28%	**4,703**	3,740	26%
Gross profit	**654**	528	24%	**1,276**	1,018	25%
SG&A	**(415)**	(338)	(23)%	**(822)**	(689)	(19)%
Equity earnings of joint ventures	**3**	—		**4**	1	
Other income	**—**	—		**41**	—	
Other expenses	**—**	—		**(18)**	—	
EBIT	**242**	190	28%	**481**	330	46%
Net income attributable to shareholders of Finning	**148**	126	18%	**282**	218	30%
EPS	**1.00**	0.80	24%	**1.89**	1.39	36%
Free cash flow [(2)]	**31**	(142)	122%	**(214)**	(445)	52%
Adjusted EBIT [(2)(3)]	**242**	190	28%	**458**	330	39%
Adjusted EPS [(1)(3)]	**1.00**	0.80	24%	**1.89**	1.39	36%
Gross profit as a percentage of net revenue [(1)]	***25.6%***	*26.3%*		***27.1%***	*27.2%*	
SG&A as a percentage of net revenue [(1)]	***(16.2)%***	*(16.9)%*		***(17.5)%***	*(18.4)%*	
EBIT as a percentage of net revenue [(1)]	***9.4%***	*9.4%*		***10.2%***	*8.8%*	
Adjusted EBIT as a percentage of net revenue [(1)(3)]	***9.7%***	*9.4%*		***9.7%***	*8.8%*	
*Adjusted **ROIC** [(1)(3)]*	***20.2%***	*17.5%*		***20.2%***	*17.5%*	

(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 7 and 22 - 24 of this MD&A. Financial measures that have been adjusted to take these items into account are referred to as "Adjusted measures". See "Description of Specified Financial Measures and Reconciliations" in this MD&A.

Highlights

- Q2 2023 revenue was $2.8 billion. Net revenue in Q2 2023 of $2.6 billion was up 28% from Q2 2022, with higher net revenue in all lines of business. This growth was primarily driven by product support revenue which increased 30% from Q2 2022 and equipment deliveries to the mining and power systems sectors.
- Gross profit in Q2 2023 was up 24% and gross profit as a percentage of net revenue of 25.6% was 70 basis points lower than Q2 2022. Compared to the prior year period, Q2 2023 SG&A increased 23% and SG&A as a percentage of net revenue of 16.2% decreased 70 basis points, mainly in Canada. Over the last twelve months ended June 30, 2023, SG&A as a percentage of net revenue was 17.3%.
- Q2 2023 EBIT was $242 million, up 28% from Q2 2022. Q2 2023 EBIT as a percentage of net revenue was 9.9% in Canada, 12.1% in South America, and 5.5% in ***UK*** & Ireland.
- Q2 2023 EPS of $1.00 was up 24% from Q2 2022 EPS of $0.80, driven by significant revenue growth and strong operating margins, partially offset by higher ***LTIP*** and finance costs.
- Q2 2023 free cash flow was $31 million compared to a use of cash of $142 million in the same prior year period, reflecting significant equipment backlog deliveries in the current quarter. Q2 2023 net debt to Adjusted ***EBITDA*** [1][2] was 1.8 times which was comparable to Q2 2022.
- June 30, 2023 Adjusted ROIC was an all-time high of 20.2%, an increase of 270 basis points from Adjusted ROIC at June 30, 2022 and an increase of 150 basis points from Adjusted ROIC at December 31, 2022.
- Consolidated equipment backlog [1] was $2.4 billion at June 30, 2023 compared to $2.7 billion at March 31, 2023 and $2.5 billion at December 31, 2022. The decline in the current quarter reflects strong deliveries in Q2 2023 which were up 40% from Q1 2023 and outpaced order intake in South America and UK & Ireland.

(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 22 - 24 of this MD&A. Financial measures that have been adjusted to take these items into account are referred to as “Adjusted measures”. See “Description of Specified Financial Measures and Reconciliations” in this MD&A.

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Quarterly Key Performance Measures

We utilize the following ***KPI***s to enable consistent measurement of performance across the organization. KPIs may be impacted by significant items described on pages 22 - 24 of this MD&A. KPIs that have been adjusted to take these items into account are referred to as “Adjusted measures”.

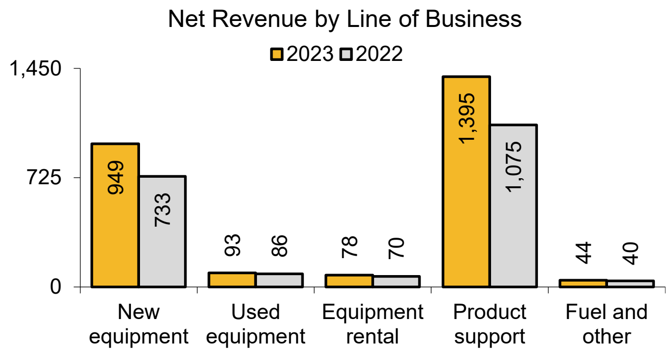
	2023		2022				2021		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
EBIT ($ millions)	**242**	239	214	224	190	140	157	150	137
Adjusted EBIT ($ millions)	**242**	216	214	224	190	140	157	150	137
EBIT as a % of net revenue									
Consolidated	**9.4%**	11.2%	9.0%	10.7%	9.4%	8.1%	8.9%	8.6%	8.0%
Canada	**9.9%**	11.0%	11.0%	11.7%	10.0%	9.1%	10.1%	10.4%	9.3%
South America	**12.1%**	10.5%	11.4%	12.3%	10.1%	11.4%	10.1%	9.2%	9.8%
UK & Ireland	**5.5%**	5.1%	4.4%	6.2%	6.4%	5.0%	4.3%	5.6%	5.3%
Adjusted EBIT as a % of net revenue									
Consolidated	**9.4%**	10.1%	9.0%	10.7%	9.4%	8.1%	8.9%	8.6%	8.0%
Canada	**9.9%**	11.3%	11.0%	11.7%	10.0%	9.1%	10.1%	10.4%	9.3%
South America	**12.1%**	11.5%	11.4%	12.3%	10.1%	11.4%	10.1%	9.2%	9.8%
UK & Ireland	**5.5%**	5.7%	4.4%	6.2%	6.4%	5.0%	4.3%	5.6%	5.3%
EPS	**1.00**	0.89	0.89	0.97	0.80	0.59	0.66	0.61	0.56
Adjusted EPS	**1.00**	0.89	0.89	0.97	0.80	0.59	0.66	0.61	0.56
Invested capital (1) ($ millions)	**4,630**	4,545	4,170	4,358	4,076	3,777	3,326	3,335	3,277
ROIC (1) (%)									
Consolidated	**20.8%**	20.2%	18.7%	18.3%	17.5%	17.0%	16.8%	15.6%	15.3%
Canada	**20.1%**	19.4%	18.7%	18.2%	17.4%	17.4%	17.5%	16.5%	17.0%
South America	**25.9%**	24.0%	24.5%	22.7%	22.3%	21.7%	20.3%	19.0%	17.2%
UK & Ireland	**15.5%**	17.0%	17.0%	16.6%	16.2%	15.7%	14.8%	14.9%	12.9%
Adjusted ROIC									
Consolidated	**20.2%**	19.7%	18.7%	18.3%	17.5%	17.0%	16.4%	14.7%	13.3%
Canada	**20.2%**	19.6%	18.7%	18.2%	17.4%	17.4%	16.9%	15.3%	14.0%
South America	**26.4%**	24.6%	24.5%	22.7%	22.3%	21.7%	20.3%	19.0%	17.2%
UK & Ireland	**15.9%**	17.4%	17.0%	16.6%	16.2%	15.7%	14.8%	14.9%	12.9%
Invested capital turnover (1) (times)	**2.07**	2.01	2.01	1.96	2.00	2.03	2.04	2.01	1.93
Inventory ($ millions)	**2,764**	2,710	2,461	2,526	2,228	2,101	1,687	1,627	1,643
Inventory turns (dealership) (1) (times)	**2.49**	2.51	2.61	2.52	2.50	2.66	3.09	3.09	2.84
Working capital to net revenue (1)	**27.5%**	28.0%	27.4%	27.1%	25.1%	23.8%	22.9%	23.0%	24.0%
Free cash flow ($ millions)	**31**	(245)	332	(57)	(142)	(303)	148	176	(4)
Net debt to Adjusted EBITDA ratio (1)(2) (times)	**1.8**	1.7	1.6	1.8	1.8	1.6	1.1	1.3	1.4

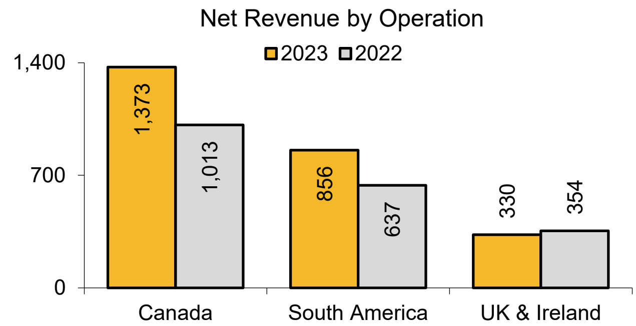
(1) See “Description of Specified Financial Measures and Reconciliations” in this MD&A.

Second Quarter Results

Revenue

Net Revenue by Line of Business and by Operation
3 months ended June 30
($ millions)



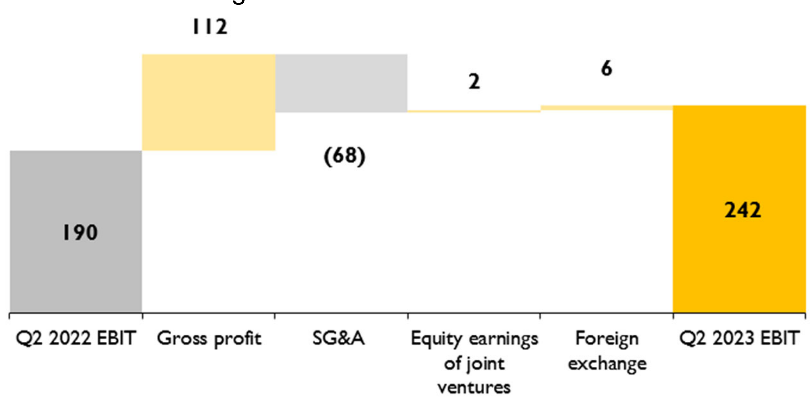


Q2 2023 revenue was $2.8 billion. Net revenue of $2.6 billion in the second quarter of 2023 was up 28% from Q2 2022, primarily driven by strong product support and new equipment revenue.

Product support revenue in Q2 2023 was up 30% from the same prior year period, higher in all of our regions, mainly in the mining sectors of South America and Canada.

Q2 2023 new equipment revenue was 29% higher than the same prior year period mainly due to demand in all market segments in Canada. Equipment backlog of $2.4 billion at June 30, 2023 was down 9% from March 31, 2023 as deliveries exceeded order intake. Q2 2023 deliveries were very strong and 40% higher than Q1 2023, up in all market sectors across all of our regions. Q2 2023 equipment backlog in Canada was higher than Q1 2023, driven by 23% higher order intake in the mining sector which exceeded strong deliveries.

EBIT

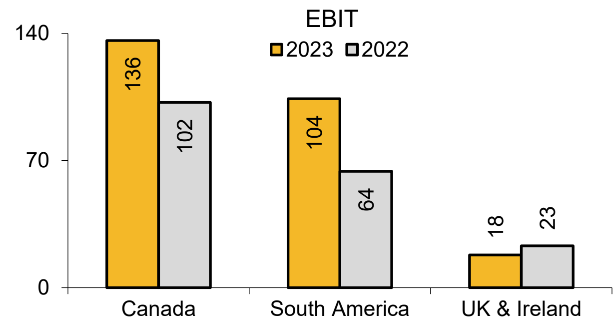


Q2 2023 gross profit of $654 million was 24% higher than the same period in the prior year. Overall gross profit as a percentage of net revenue of 25.6% in Q2 2023 was down 70 basis points from Q2 2022, largely driven by lower equipment gross profit margins in Canada due to a higher level of mining equipment in the revenue mix.

SG&A in Q2 2023 of $415 million was 23% higher than the same period in the prior year. The increase in SG&A was driven primarily by $25 million higher LTIP expense and higher people-related and variable costs to support revenue growth in Q2 2023 compared to Q2 2022. SG&A as a percentage of net revenue in Q2 2023 was 16.2%, a 70 basis point improvement over the same prior year period, reflecting improved productivity and leverage of fixed costs on a higher revenue base.

Q2 2023 EBIT was $242 million, higher than EBIT of $190 million in Q2 2022. EBIT as a percentage of net revenue in Q2 2023 of 9.4% was consistent with Q2 2022.

EBIT by Operation [1]
3 months ended June 30
($ millions)



(1) Excluding Other operations

Finance Costs

Finance costs in Q2 2023 of $42 million were significantly higher than the $21 million in Q2 2022 due to higher interest rates and an increase in average net debt levels.

Provision for Income Taxes

The effective income tax rate in Q2 2023 of 26.0% was comparable to 26.3% in Q2 2022.

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 EPS

Q2 2023 net income attributable to shareholders of Finning was $148 million, an increase of 18% from Q2 2022. Q2 2023 EPS was $1.00, a significant increase from EPS of $0.80 in Q2 2022, driven primarily by higher revenues and strong operating margins, partially offset by higher LTIP and finance costs.

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. We exclude these significant items when evaluating the operational performance and related trends of our business. Financial measures that have been adjusted to take into account these significant items are referred to as "Adjusted measures". Adjusted measures are considered non-GAAP financial measures, do not have a standardized meaning under ***IFRS***, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial measures, including definitions and reconciliations from each of these Adjusted measures to their most directly comparable measure under GAAP, where available, see "Description of Specified Financial Measures and Reconciliations" on pages 21 - 27 of this MD&A.

Year-to-date 2023 significant items:

There were no significant items identified by management for adjustment in the three months ended June 30, 2023. In Q1 2023, we executed various transactions to simplify and adjust our organizational structure. We wound up two wholly owned subsidiaries, recapitalized and repatriated $170 million of profits from our South American operations, and incurred severance costs in each region as we reduced corporate overhead costs and simplified our operating model. As a result of these activities, our year-to-date 2023 financial results were impacted by significant items that we do not consider indicative of operational and financial trends:

- Net foreign currency translation gain and income tax expense were reclassified to net income on the wind up of foreign subsidiaries;
- Withholding tax payable related to the repatriation of profits; and,
- Severance costs incurred in all of our operations.

The significant items are noted below together with a reconciliation of the Adjusted measures to their most directly comparable ***GAAP financial measures***:

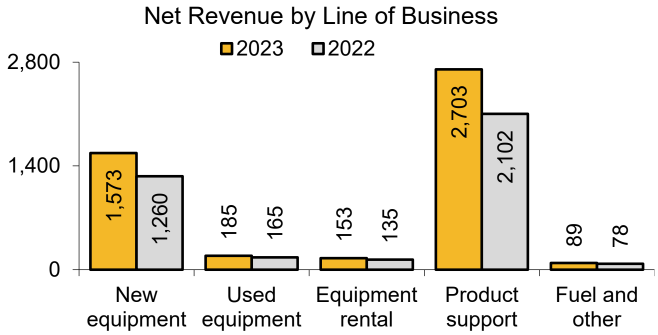
6 months ended June 30, 2023 ($ millions, except for per share amounts)	EBIT Canada	 South America	 UK & Ireland	 Other	 *Consol*	EPS Consol
EBIT and EPS	**262**	**178**	**33**	**8**	**481**	**1.89**
Significant items:						
Gain on wind up of foreign subsidiaries	**—**	**—**	**—**	**(41)**	**(41)**	**(0.21)**
Severance costs	**4**	**7**	**2**	**5**	**18**	**0.09**
Withholding tax on repatriation of profits	**—**	**—**	**—**	**—**	**—**	**0.12**
Adjusted EBIT and Adjusted EPS	**266**	**185**	**35**	**(28)**	**458**	**1.89**

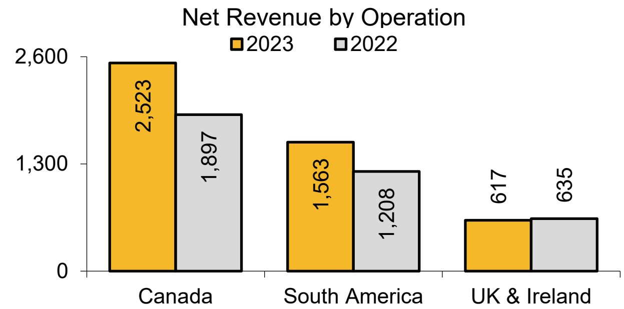
There were no significant items identified by management for adjustment in the six months ended June 30, 2022.

Year-to-Date Results

Revenue

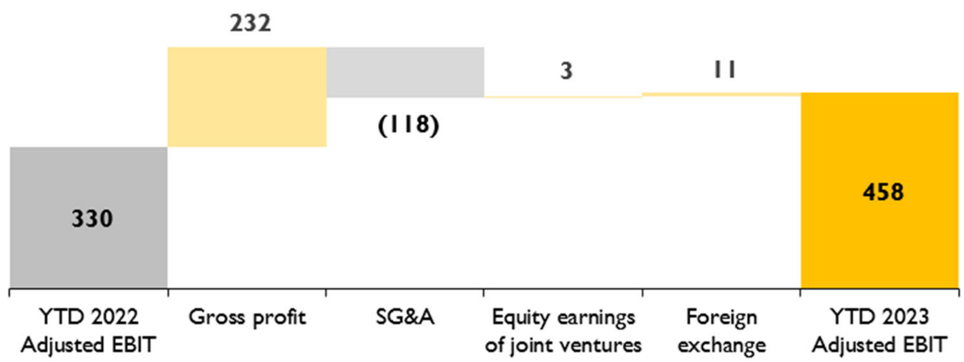
Net Revenue by Line of Business and by Operation
6 months ended June 30
($ millions)





Revenue was $5.2 billion in the six months ended June 30, 2023. Net revenue of $4.7 billion increased 26% from the same period last year, up in Canada and South America, higher in all market sectors. Product support revenue in the six months ended June 30, 2023 was 29% higher than the first six months of 2022, due to improved activity across all our operations. New equipment revenue in the six months ended June 30, 2023 was up 25% from the prior year period, primarily driven by growth in all market sectors in Canada.

EBIT



Gross profit in the first six months of 2023 of $1.3 billion was 25% higher than the comparative prior year period. Overall gross profit as a percentage of net revenue of 27.1% was comparable to the first six months of 2022.

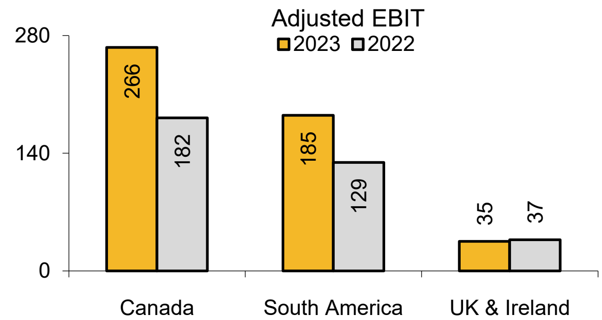
SG&A in the first six months of 2023 was $822 million, 19% higher than the same prior year period on 26% net revenue growth. The increase in SG&A was mainly from higher people and variable costs to support revenue growth as well as higher LTIP expense. In the first six months of 2023, LTIP was $12 million higher than the same prior year period, mainly in our Other operations. For the first six months of 2023, SG&A as a percentage of net revenue of 17.5% was 90 basis points lower than the same prior year period, reflecting an improvement in Canada and the leverage of fixed costs on significant revenue growth. This was partially offset by lower SG&A as a percentage of net revenue in UK & Ireland, mainly driven by a higher proportion of product support revenue which is more SG&A-intensive.

EBIT was $481 million and EBIT as a percentage of net revenue was 10.2% in the first six months of 2023. Excluding significant items not considered indicative of financial and operational trends as described on page 7, Adjusted EBIT for the first six months of 2023 was $458 million and Adjusted EBIT as a percentage of net revenue was 9.7%, an improvement from $330 million and 8.8%, respectively, in the first six months of 2022.

Finance Costs

Finance costs for the six months ended June 30, 2023 of $77 million were significantly higher than the $39 million in the same period in 2022 due to higher interest rates and an increase in average net debt levels.

Adjusted EBIT by Operation [1]
6 months ended June 30
($ millions)



(1) Excluding Other operations

Provision for Income Taxes

The effective income tax rate for the first six months of 2023 was 30.4% and included the impact of various transactions undertaken to simplify and adjust our organizational structure in Q1 2023. Excluding these significant items, the effective income tax rate would have been 26.1% in the first six months of 2023, which is comparable to 25.6% in the same prior year period.

Net Income Attributable to Shareholders of Finning and EPS

In the first six months of 2023, net income attributable to shareholders of Finning was $282 million compared to $218 million in the first six months of 2022. EPS and Adjusted EPS for the six months ended June 30, 2023 were $1.89, a significant increase from EPS of $1.39 earned in the comparable period in 2022. The improvement in earnings in the first six months of 2023 reflects higher revenues as well as operating leverage in Canada and South America, partially offset by higher LTIP and finance costs.

Selected Key Performance Measures – Balance Sheet

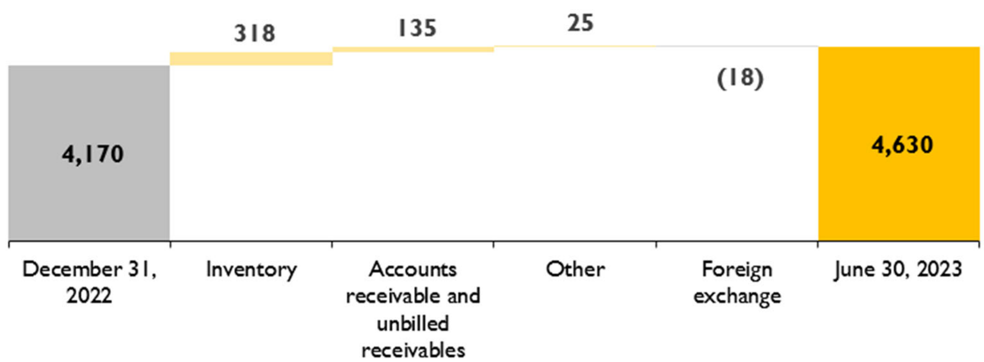
($ millions, unless otherwise stated)	June 30, 2023	December 31, 2022
Invested capital		
Consolidated	**4,630**	4,170
Canada	**2,681**	2,447
South America	**1,428**	1,281
UK & Ireland	**510**	428
*South America **(USD)***	***1,079***	*946*
*UK & Ireland **(GBP)***	***303***	*262*
Adjusted ROIC		
Consolidated	**20.2%**	18.7%
Canada	**20.2%**	18.7%
South America	**26.4%**	24.5%
UK & Ireland	**15.9%**	17.0%
Invested capital turnover (times)		
Consolidated	**2.07**	2.01
Canada	**1.86**	1.77
South America	**2.23**	2.16
UK & Ireland	**2.94**	3.09
Inventory turns (dealership) (times)	**2.49**	2.61
Working capital to net revenue	**27.5%**	27.4%

Compared to December 31, 2022:

The $460 million increase in consolidated invested capital from December 31, 2022 to June 30, 2023 includes a foreign exchange impact of $18 million in translating the invested capital balances of our South American and UK & Ireland operations. The foreign exchange impact was primarily the result of the 2% stronger CAD relative to the USD partially offset by the 3% weaker CAD relative to the GBP compared to December 31, 2022.

Excluding the impact of foreign exchange, consolidated invested capital increased by $478 million from December 31, 2022 to June 30, 2023 reflecting:

- higher inventory in all regions, especially new equipment, as well as an increase in parts and supplies and service inventory driven by product support demand; and,
- an increase in accounts receivable and unbilled receivables in all operations, driven by an increase in demand and activity.



On a consolidated basis, Adjusted ROIC at June 30, 2023 improved 150 basis points from Adjusted ROIC at December 31, 2022. Consolidated invested capital turnover of 2.07 at June 30, 2023 was higher than 2.01 at December 31, 2022. The improvements over the same prior year period are the result of higher revenue and improved profitability in South America and Canada outpacing the increase in average invested capital levels.

Inventory turns (dealership) at June 30, 2023 were lower than December 31, 2022, driven by UK & Ireland and South America partially offset by Canada, mainly due to higher inventory levels to deliver strong equipment backlog.

Working capital to net revenue at June 30, 2023 was comparable to December 31, 2022 due to net revenue growth over the last twelve months mostly offset by higher average working capital balances, including an investment in inventory.

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. Our reportable segments are Canada, South America, UK & Ireland, and Other.

The table below provides details of net revenue by lines of business and results by operation.

3 months ended June 30, 2023 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consol**	**Net Revenue % [1]**
New equipment	**458**	**300**	**191**	**—**	**949**	**37%**
Used equipment	**68**	**9**	**16**	**—**	**93**	**4%**
Equipment rental	**46**	**21**	**11**	**—**	**78**	**3%**
Product support	**757**	**526**	**112**	**—**	**1,395**	**54%**
Fuel and other	**44**	**—**	**—**	**—**	**44**	**2%**
Net revenue	**1,373**	**856**	**330**	**—**	**2,559**	**100%**
Operating costs	**(1,190)**	**(722)**	**(300)**	**(14)**	**(2,226)**	
Depreciation and amortization	**(50)**	**(30)**	**(12)**	**(2)**	**(94)**	
Equity earnings	**3**	**—**	**—**	**—**	**3**	
EBIT	**136**	**104**	**18**	**(16)**	**242**	
Net revenue percentage by operation	**54%**	**33%**	**13%**	**—**	**100%**	
EBIT as a % of net revenue	***9.9%***	***12.1%***	***5.5%***		***9.4%***	

3 months ended June 30, 2022 ($ millions)	Canada	South America	UK & Ireland	Other	Consol	Net Revenue %
New equipment	249	242	242	—	733	37%
Used equipment	71	8	7	—	86	4%
Equipment rental	45	14	11	—	70	3%
Product support	608	373	94	—	1,075	54%
Fuel and other	40	—	—	—	40	2%
Net revenue	1,013	637	354	—	2,004	100%
Operating costs	(864)	(550)	(321)	2	(1,733)	
Depreciation and amortization	(47)	(23)	(10)	(1)	(81)	
EBIT	102	64	23	1	190	
Net revenue percentage by operation	50%	32%	18%	—	100%	
EBIT as a % of net revenue	*10.0%*	*10.1%*	*6.4%*		*9.4%*	

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

6 months ended June 30, 2023 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consol**	**Net Revenue %**
New equipment	**739**	**494**	**340**	**—**	**1,573**	**33%**
Used equipment	**132**	**20**	**33**	**—**	**185**	**4%**
Equipment rental	**93**	**38**	**22**	**—**	**153**	**3%**
Product support	**1,470**	**1,011**	**222**	**—**	**2,703**	**58%**
Fuel and other	**89**	**—**	**—**	**—**	**89**	**2%**
Net revenue	**2,523**	**1,563**	**617**	**—**	**4,703**	**100%**
Operating costs	**(2,161)**	**(1,317)**	**(560)**	**(25)**	**(4,063)**	
Depreciation and amortization	**(100)**	**(61)**	**(22)**	**(3)**	**(186)**	
Equity earnings	**4**	**—**	**—**	**—**	**4**	
Other income	**—**	**—**	**—**	**41**	**41**	
Other expenses	**(4)**	**(7)**	**(2)**	**(5)**	**(18)**	
EBIT	**262**	**178**	**33**	**8**	**481**	
Net revenue percentage by operation	**54%**	**33%**	**13%**	**—**	**100%**	
Adjusted EBIT	**266**	**185**	**35**	**(28)**	**458**	
EBIT as a % of net revenue	***10.4%***	***11.4%***	***5.3%***		***10.2%***	
Adjusted EBIT as a % of net revenue	***10.5%***	***11.8%***	***5.6%***		***9.7%***	

6 months ended June 30, 2022 ($ millions)	Canada	South America	UK & Ireland	Other	Consol	Net Revenue %
New equipment	434	409	417	—	1,260	34%
Used equipment	128	18	19	—	165	4%
Equipment rental	85	28	22	—	135	4%
Product support	1,172	753	177	—	2,102	56%
Fuel and other	78	—	—	—	78	2%
Net revenue	1,897	1,208	635	—	3,740	100%
Operating costs	(1,622)	(1,033)	(578)	(16)	(3,249)	
Depreciation and amortization	(94)	(46)	(20)	(2)	(162)	
Equity earnings	1	—	—	—	1	
EBIT	182	129	37	(18)	330	
Net revenue percentage by operation	51%	32%	17%	—	100%	
EBIT as a % of net revenue	*9.6%*	*10.7%*	*5.8%*		*8.8%*	

Canada Operations

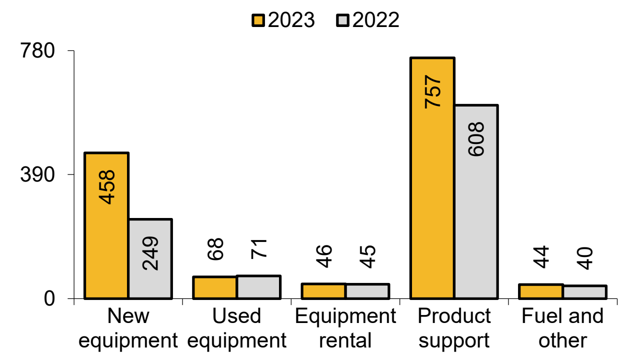
Second Quarter Overview

Q2 2023 net revenue was 36% higher than Q2 2022, driven by higher new equipment and product support revenue, up in all market sectors.

Q2 2023 new equipment revenue was 84% higher than Q2 2022, driven by growth in all market sectors, with significant deliveries to oil sands customers and in the construction sector. Equipment backlog at June 30, 2023 was up slightly from March 31, 2023, driven by robust order intake outpacing strong deliveries, mainly in the mining sector.

Product support revenue in Q2 2023 was up 24% compared to the same prior year period, up in all market sectors, primarily in mining.

Net Revenue by Line of Business
Canada Operations
3 months ended June 30
($ millions)



Gross profit in Q2 2023 increased from the same period in the prior year due to higher volumes. Overall gross profit as a percentage of net revenue in Q2 2023 decreased from Q2 2022 reflecting a higher proportion of new equipment in the revenue mix (Q2 2023: 33% compared with Q2 2022: 25%) as well as lower new equipment gross margins due to a higher proportion of lower margin mining new equipment in the revenue mix.

Q2 2023 SG&A was up 13% on 36% net revenue growth. SG&A was higher than the comparable prior year period primarily due to higher people-related and variable costs to support volume growth across most lines of business. Q2 2023 SG&A as a percentage of net revenue decreased significantly from the same prior year period reflecting leverage of fixed costs on strong revenue growth.

Q2 2023 EBIT was $136 million, up 33% from the same prior year period, driven by broad-based strength and higher volumes across most lines of business. Q2 2023 EBIT as a percentage of net revenue of 9.9% was comparable to Q2 2022, primarily due to a higher proportion of mining new equipment sales in the revenue mix.

Other Developments

On May 26 2023, Finning (Canada)'s hourly employees represented by IAMAW Local 692 voted in support of a new collective agreement. IAMAW Local 692 represents approximately 840 hourly employees in British Columbia and the Yukon Territories. The new three-year collective agreement will expire on April 14, 2026.

Discussion of our Canadian operation's year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 8 - 9.

South America Operations

The weaker CAD relative to the USD on average in Q2 2023 compared to Q2 2022 had a favourable foreign currency translation impact on Q2 2023 net revenue of approximately $40 million and $5 million at the EBIT level.

All $ figures in this section are in CAD as this is our reporting currency. All variances and ratios in this section are based on the functional currency of our South American operations, which is the USD.

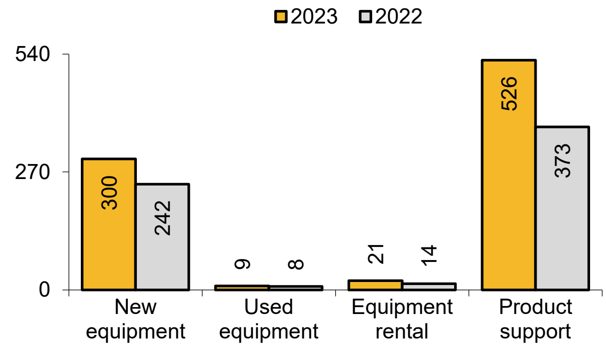
Second Quarter Overview

Q2 2023 net revenue was 28% higher than Q2 2022, driven by higher net revenue in all lines of business, primarily product support.

Product support revenue in Q2 2023 increased 34% from Q2 2022, up in all market sectors but largely driven by demand for component exchanges, equipment overhauls, and fleet maintenance in the mining sector, and higher volumes from new mining product support contracts.

New equipment revenue in Q2 2023 was up 18% from the same prior year period, mostly due to higher sales to large contractors supporting mining operations. Equipment backlog at June 30, 2023 was lower than March 31, 2023 due to strong deliveries outpacing order intake, mainly to mining customers.

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



Gross profit in Q2 2023 increased from the same period in the prior year, driven mainly by higher volumes. Gross profit as a percentage of net revenue in Q2 2023 was higher than Q2 2022 mainly due to a higher proportion of product support in the revenue mix (Q2 2023: 61% compared with Q2 2022: 59%).

Q2 2023 SG&A was up from Q2 2022 primarily due to higher people-related and facility costs to support higher volumes. Q2 2023 SG&A as a percentage of net revenue was lower than Q2 2022, mainly due to improved operating leverage on strong revenue growth despite a higher proportion of product support revenue which is more SG&A-intensive.

Q2 2023 EBIT improved 53% from Q2 2022, higher than revenue growth. Q2 2023 EBIT as a percentage of net revenue of 12.1% was higher than in Q2 2022, due to improvements in SG&A as a percentage of net revenue and gross profit as a percentage of net revenue.

Other Developments

In June and July 2023, approximately 1,100 employees in our Chilean operations represented by three unions have voted in support of new collective agreements. The new three-year collective agreements will expire in the second half of 2026.

Discussion of our South American operation's year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 8 - 9. The weaker CAD relative to the USD on average in the six months ended 2023 compared to 2022 had a favourable foreign currency translation impact on year-to-date 2023 net revenue of approximately $90 million and $10 million at the EBIT level.

UK & Ireland Operations

The weaker CAD relative to the GBP on average in Q2 2023 compared to Q2 2022 did not have a significant impact on Q2 2023 net revenue or EBIT.

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

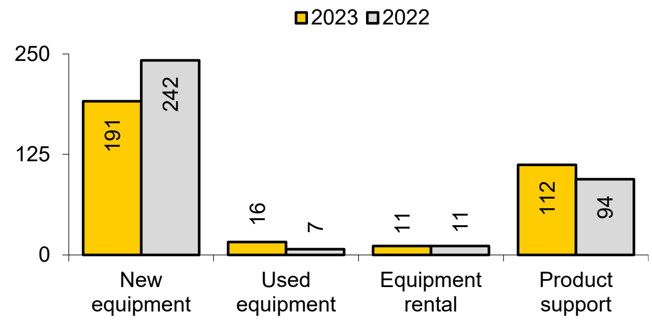
Second Quarter Overview

Second quarter 2023 net revenue was down 11% from the same period in 2022. The decrease in Q2 2023 was primarily due to lower new equipment revenue in the construction market sector partially offset by higher product support revenue.

New equipment revenue was 25% lower year over year. In Q2 2022, ***HS2*** deliveries drove record new equipment sales. Equipment backlog at June 30, 2023 was down from March 31, 2023 due to deliveries outpacing order intake, mainly in the construction and power systems sectors.

Q2 2023 product support revenue increased 14% from the same prior year period, driven by strong customer activity and equipment utilization in the power systems and construction sectors.

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



Q2 2023 used equipment revenue more than doubled from Q2 2022 due to higher customer demand.

Gross profit in Q2 2023 and overall gross profit as a percentage of net revenue in Q2 2023 were up from Q2 2022 due to a higher proportion of product support in the revenue mix (Q2 2023: 34% compared with Q2 2022: 26%).

SG&A in Q2 2023 was up compared to the prior year period primarily due to higher people-related, utilities, and variable costs to support product support revenue growth as well as inflationary increases.

Q2 2023 EBIT was 24% lower than Q2 2022 primarily due to lower volumes and higher SG&A. Q2 2022 HS2 sales drove record EBIT (in functional currency). Q2 2023 EBIT as a percentage of net revenue was a solid 5.5%, reflecting continued focus on growing our product support business.

Discussion of our UK & Ireland operation's year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 8 - 9. The weaker CAD relative to the GBP on average in the six months ended 2023 compared to 2022 did not have a significant foreign currency translation impact on net revenue or at the EBIT level.

Other Operations

Our Other operations includes corporate operating costs.

Q2 2023 EBIT loss was $16 million compared to Q2 2022 EBIT of $1 million primarily due to an LTIP expense in Q2 2023 compared to an LTIP recovery in Q2 2022.

Discussion of year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 8 - 9.

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

Canada Operations

Our outlook for Western Canada is positive, supported by healthy order activity, record equipment backlog, and continued strong demand for product support across all sectors.

In the mining and energy sectors, constructive commodity prices and improved customer capital budgets are driving investment in renewal of aging fleets and growing demand for product support, including component remanufacturing and equipment rebuilds. In the oil and gas sector, customer activity remains strong and high utilization of drilling and well servicing equipment is driving demand for maintenance and rebuilds.

In the construction sector, federal and provincial governments’ infrastructure programs and private sector investments support healthy demand for construction equipment, rentals, and prime and standby electric power generation.

South America Operations

Our outlook for Chile mining remains strong, supported by growing demand for copper and improving political clarity. We are encouraged by the recent government approvals of large-scale brownfield expansions and increasing customer confidence to invest into brownfield and greenfield projects. We are seeing robust quoting activity, and we have received significant orders from our mining customers after June 30 which will be added to our equipment backlog in Q3 2023. We also expect continued strong demand for mining product support and technology solutions.

About half our construction business in Chile is related to the mining sector where we continue to see strong demand from large contractors supporting mining operations. We expect infrastructure construction activity in Chile to remain stable.

In the power systems sector, order activity remains strong. We are well positioned to benefit from future opportunities in the growing data centre market.

In Argentina, activity in construction, oil and gas, and mining is expected to remain stable. However, high inflation, currency restrictions, and new import regulations are expected to continue impacting our business in Argentina. With the election process beginning in August and concluding in November, we expect volatility to continue in an already challenging fiscal, regulatory, and currency environment. We continue to actively manage and mitigate these risks.

UK & Ireland Operations

In the construction sector, order activity remains stable and demand for equipment has been resilient. Construction order intake was up 60% from Q1 2023. With deliveries to HS2 largely completed, we continue to expect lower construction new equipment sales in the UK in 2023 compared to 2022. Demand for product support is expected to remain strong, driven by high machine utilization across construction markets and growing contribution from ***Hydraquip***.

We expect continued strong demand for our power systems business in the UK & Ireland, including in the data centre market. We have a significant backlog of power systems projects for delivery in 2023 and 2024.

Executing Well and Building on Positive Momentum

Customer activity levels in our regions remain robust, and our outlook is positive. We expect continued momentum in our business to be underpinned by strong equipment backlog and service levels, as well as successful execution of our product support growth strategy, including very strong rebuild activity. Our equipment backlog for delivery in 2024 continues to grow and now stands at $0.9 billion. All our operations are hiring technicians and building capabilities and capacity to continue delivering the best service to our customers and capturing market share.

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 and free cash flow were as follows:

	3 months ended June 30		**6 months ended June 30**	
($ millions)	**2023**	2022	**2023**	2022
Operating activities	**66**	(112)	**(100)**	(385)
Investing activities	**(46)**	(30)	**(127)**	(147)
Financing activities	**(40)**	(10)	**48**	187
Operating activities	**66**	(112)	**(100)**	(385)
Additions to property, plant, and equipment and intangible assets	**(40)**	(30)	**(119)**	(60)
Proceeds on disposal of property, plant, and equipment	**5**	—	**5**	—
Free cash flow	**31**	(142)	**(214)**	(445)

The most significant contributors to the changes in cash flows for 2023 over 2022 were as follows (all events described were in the current period, unless otherwise stated):

	Quarter over Quarter	Year over Year
Free cash flow	• higher collections from increased revenues in South America and Canada; partially offset by, • lower collections in UK & Ireland from lower new equipment sales; and, • higher spend on inventory and other supplier payments to support increased demand, mainly in South America and Canada	• higher collections from increased revenues in Canada and South America; partially offset by, • higher spend on inventory to support increased demand in Canada and South America; • higher other supplier payments in South America; and, • approximately $55 million higher net spend for property plant, and equipment
Investing activities (excluding net spend on property, plant, and equipment)	• $11 million payment of deferred and contingent consideration related to acquisitions made in a prior year	• $13 million payment of deferred and contingent consideration related to acquisitions made in a prior year; and, • $84 million net cash consideration paid to acquire Hydraquip by our UK & Ireland operations in 2022
Financing activities	• $97 million repayment of short-term borrowings compared to $170 million provided by short term borrowings in Q2 2022; • $230 million cash provided by long-term borrowings compared to repayment of $63 million in Q2 2022; and, • approximately $50 million higher repurchases of common shares	• approximately $500 million lower cash provided by short-term borrowings; • $226 million cash provided by long-term borrowings compared to repayment of $188 million in 2022; and, • approximately $40 million higher repurchases of common shares

Capital resources and management

Our cash and cash equivalents balance at June 30, 2023 was $74 million (December 31, 2022: $288 million). In May 2023, we issued $350 million of 4.445% senior unsecured notes due May 16, 2028 and we settled £70 million of 3.40% senior notes which were due on May 22, 2023. At June 30, 2023, to complement internally generated funds from operating and investing activities, we had approximately $2.6 billion in unsecured committed and uncommitted credit facilities. Included in this amount is a committed sustainability-linked revolving credit facility totaling $1.3 billion with various Canadian and global financial institutions which is set to mature in September 2026 and an additional $300 million committed revolving credit facility which is set to mature in October 2023. At June 30, 2023, approximately $500 million was available collectively under these committed revolving credit facilities. We are subject to certain covenants under our committed revolving credit facilities and were in compliance with these covenants at June 30, 2023.

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

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

	Long-term debt		Short-term debt	
	Jun 30, 2023	Dec 31, 2022	**Jun 30, 2023**	Dec 31, 2022
DBRS	BBB (high)	BBB (high)	R-2 (high)	R-2 (high)
S&P	BBB+	BBB+	***n/a***	n/a

In April 2023, DBRS affirmed our BBB (high) long-term rating and R-2 (high) commercial paper rating both with stable trends. In May 2023, S&P affirmed our BBB+ rating with stable outlook.

During the six months ended June 30, 2023, we repurchased 4,500,000 common shares for cancellation for $165 million, at an average cost of $36.77 per share, through our ***NCIB*** [2]. During the six months ended June 30, 2022, we repurchased 3,625,448 common shares for cancellation for $123 million, at an average cost of $33.89 per share.

In connection with our NCIB, we implemented an automatic share purchase plan with a designated broker to enable share repurchases for cancellation during selected blackout periods. At June 30, 2023, we recorded an obligation of $45 million for the repurchase of shares from July 4, 2023 to August 9, 2023, under this automatic share purchase plan.

Net Debt to Adjusted EBITDA

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

	Finning long-term target	**Jun 30, 2023**	Dec 31, 2022
Net debt to Adjusted EBITDA ratio (times)	**< 3.0**	**1.8**	1.6

(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 accounting standards had no impact on our financial statements. For more details on the new standard and amendments to IFRS that were effective January 1, 2023 as well as future accounting pronouncements and effective dates, please refer to note 1 of our Interim Financial Statements.

Risk Factors and Management

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

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

Foreign Exchange Risk

Key exchange rates that impacted our results were as follows:

Exchange rate	June 30			December 31		3 months ended June 30 – average			6 months ended June 30 – average		
	2023	2022	Change	2022	Change	**2023**	2022	Change	**2023**	2022	Change
USD/CAD	**1.3240**	1.2886	(3)%	1.3544	2%	**1.3428**	1.2768	(5)%	**1.3477**	1.2715	(6)%
GBP/CAD	**1.6817**	1.5668	(7)%	1.6322	(3)%	**1.6816**	1.6023	(5)%	**1.6628**	1.6495	(1)%
USD/***CLP***	**801.66**	932.08	14%	855.86	6%	**800.98**	843.55	5%	**805.71**	825.89	2%
USD/***ARS***	**256.70**	125.23	(105)%	177.16	(45)%	**231.91**	117.92	(97)%	**210.32**	112.09	(88)%

The impact of foreign exchange due to fluctuations in the value of CAD relative to USD, GBP, CLP, and ARS is expected to continue to affect our results.

Outstanding Share Data

July 31, 2023	
Common shares outstanding	145,991,533
Options outstanding	1,221,583

Controls and Procedures Certification

Disclosure Controls and Procedures

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

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

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

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

Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of our internal controls over financial reporting during the three months ended June 30, 2023 that would materially affect, or is reasonably likely to materially affect, our internal control over financial reporting.

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

Description of Specified Financial Measures and Reconciliations

Specified Financial Measures

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

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

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

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

Adjusted EPS

Adjusted 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 EPS (the most directly comparable GAAP financial measure) and Adjusted EPS can be found on page 23 of this MD&A.

Adjusted EBIT and Adjusted EBITDA

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.

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

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

Significant items identified by management that affected our results were as follows:

- In Q1 2023, we executed various transactions to simplify and adjust our organizational structure. We wound up two wholly owned subsidiaries, recapitalized and repatriated $170 million of profits from our South American operations, and incurred severance costs in each region as we reduced corporate overhead costs and simplified our operating model. As a result of these activities, our Q1 2023 financial results were impacted by significant items that we do not consider indicative of operational and financial trends:
  - Net foreign currency translation gain and income tax expense were reclassified to net income on the wind up of foreign subsidiaries;
  - Withholding tax payable related to the repatriation of profits; and,
  - Severance costs incurred in all of our operations.
- Finning qualified for and recorded a benefit from Q2 2020 to Q1 2021 related to ***CEWS***, which was introduced by the Government of Canada in response to the ***COVID-19*** pandemic for eligible entities that met specific criteria.
- In December 2020, the shareholders of ***Energyst***, which included Finning, decided to restructure the company. A plan was put in place to sell any remaining assets and wind up Energyst, with net proceeds from the sale to be distributed to Energyst's shareholders. In Q1 2021, we recorded a return on our investment in Energyst.

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

3 months ended	**2023**		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**242**	239	214	224	190	140	157	150	137	108	108	138
Significant items:												
Gain on wind up of foreign subsidiaries	**—**	(41)	—	—	—	—	—	—	—	—	—	—
Severance costs	**—**	18	—	—	—	—	—	—	—	—	—	—
CEWS support	**—**	—	—	—	—	—	—	—	—	(10)	(14)	(37)
Return on Energyst investment	**—**	—	—	—	—	—	—	—	—	(5)	—	—
Adjusted EBIT	**242**	216	214	224	190	140	157	150	137	93	94	101
Depreciation and amortization	**94**	92	87	84	81	81	84	80	78	77	77	77
Adjusted EBITDA (1)	**336**	308	301	308	271	221	241	230	215	170	171	178

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

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

3 months ended ($ millions)	2023 Jun 30	2023 Mar 31	2022 Dec 31	2022 Sep 30	2022 Jun 30	2022 Mar 31	2021 Dec 31	2021 Sep 30	2021 Jun 30
Significant items:									
Gain on wind up of foreign subsidiaries	**—**	9	—	—	—	—	—	—	—
Severance costs	**—**	(5)	—	—	—	—	—	—	—
Withholding tax on repatriation of profits	**—**	19	—	—	—	—	—	—	—
Provision for income taxes on the significant items	**—**	23	—	—	—	—	—	—	—

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

3 months ended ($)	2023 Jun 30	2023 Mar 31	2022 Dec 31	2022 Sep 30	2022 Jun 30	2022 Mar 31	2021 Dec 31	2021 Sep 30	2021 Jun 30
EPS [(1)]	**1.00**	0.89	0.89	0.97	0.80	0.59	0.66	0.61	0.56
Significant items:									
Gain on wind up of foreign subsidiaries	**—**	(0.21)	—	—	—	—	—	—	—
Severance costs	**—**	0.09	—	—	—	—	—	—	—
Withholding tax on repatriation of profits	**—**	0.12	—	—	—	—	—	—	—
Adjusted EPS	**1.00**	0.89	0.89	0.97	0.80	0.59	0.66	0.61	0.56

(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 for our Canadian operations is as follows:

3 months ended ($ millions)	2023 Jun 30	2023 Mar 31	2022 Dec 31	2022 Sep 30	2022 Jun 30	2022 Mar 31	2021 Dec 31	2021 Sep 30	2021 Jun 30	2021 Mar 31	2020 Dec 31	2020 Sep 30
EBIT	**136**	126	128	125	102	80	92	84	82	69	72	93
Significant items:												
Severance costs	**—**	4	—	—	—	—	—	—	—	—	—	—
CEWS support	**—**	—	—	—	—	—	—	—	—	(10)	(13)	(35)
Adjusted EBIT	**136**	130	128	125	102	80	92	84	82	59	59	58

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

3 months ended ($ millions)	2023 Jun 30	2023 Mar 31	2022 Dec 31	2022 Sep 30	2022 Jun 30	2022 Mar 31	2021 Dec 31	2021 Sep 30	2021 Jun 30	2021 Mar 31	2020 Dec 31	2020 Sep 30
EBIT	**104**	74	96	85	64	65	59	58	51	41	41	40
Significant item:												
Severance costs	**—**	7	—	—	—	—	—	—	—	—	—	—
Adjusted EBIT	**104**	81	96	85	64	65	59	58	51	41	41	40

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

3 months ended	**2023**		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**18**	15	16	21	23	14	12	17	17	7	11	9
Significant item:												
Severance costs	**—**	2	—	—	—	—	—	—	—	—	—	—
Adjusted EBIT	**18**	17	16	21	23	14	12	17	17	7	11	9

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

3 months ended	**2023**		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**(16)**	24	(26)	(7)	1	(19)	(6)	(9)	(13)	(9)	(16)	(4)
Significant items:												
Gain on wind up of foreign subsidiaries	**—**	(41)	—	—	—	—	—	—	—	—	—	—
Severance costs	**—**	5	—	—	—	—	—	—	—	—	—	—
Return on Energyst investment	**—**	—	—	—	—	—	—	—	—	(5)	—	—
CEWS support	**—**	—	—	—	—	—	—	—	—	—	(1)	(2)
Adjusted EBIT	**(16)**	(12)	(26)	(7)	1	(19)	(6)	(9)	(13)	(14)	(17)	(6)

Equipment Backlog

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

Free Cash Flow

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

3 months ended	**2023**		2022				2021		
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cash flow provided by (used in) operating activities	**66**	(166)	410	(24)	(112)	(273)	193	212	8
Additions to property, plant, and equipment and intangible assets	**(40)**	(79)	(78)	(33)	(30)	(30)	(45)	(38)	(17)
Proceeds on disposal of property, plant, and equipment	**5**	—	—	—	—	—	—	2	5
Free cash flow	**31**	(245)	332	(57)	(142)	(303)	148	176	(4)

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	2023		2022				2021			
($ millions)	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Cost of sales	**2,125**	1,758	2,025	1,807	1,761	1,463	1,465	1,443	1,396	1,189
Cost of sales related to mobile refuelling operations	**(237)**	(253)	(302)	(293)	(300)	(231)	(190)	(170)	(153)	(140)
Cost of sales related to the dealership [(1)]	**1,888**	1,505	1,723	1,514	1,461	1,232	1,275	1,273	1,243	1,049

	2023		2022				2021			
($ millions)	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Inventory	**2,764**	2,710	2,461	2,526	2,228	2,101	1,687	1,627	1,643	1,593
Fuel inventory	**(14)**	(12)	(12)	(12)	(13)	(11)	(9)	(6)	(3)	(3)
Inventory related to the dealership [(1)]	**2,750**	2,698	2,449	2,514	2,215	2,090	1,678	1,621	1,640	1,590

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:

	2023		2022				2021				2020	
($ millions)	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cash and cash equivalents	**(74)**	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)	(469)	(539)	(453)
Short-term debt	**1,142**	1,266	1,068	1,087	992	804	374	419	114	103	92	217
Long-term debt												
Current	**199**	253	114	106	110	63	190	191	386	326	201	200
Non-current	**949**	675	815	836	807	909	921	923	903	973	1,107	1,136
Net debt [(1)]	**2,216**	2,065	1,709	1,909	1,739	1,481	983	1,015	1,025	933	861	1,100
Total equity	**2,414**	2,480	2,461	2,449	2,337	2,296	2,343	2,320	2,252	2,244	2,206	2,184
Invested capital	**4,630**	4,545	4,170	4,358	4,076	3,777	3,326	3,335	3,277	3,177	3,067	3,284

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.

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

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, EBIT as a % of Net Revenue, Net Revenue by Line of Business as a % of Net Revenue, and Net Revenue by Operation 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 EBIT as a % of net revenue using 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 ratios are calculated, respectively, as gross profit divided by net revenue, SG&A divided by net revenue, EBIT divided by net revenue, net revenue by line of business divided by net revenue, and net revenue by operation divided by net revenue. The most directly comparable GAAP financial measure to net revenue is total revenue. Net revenue is calculated as follows:

3 months ended	**2023**		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total revenue	**2,779**	2,380	2,653	2,384	2,289	1,953	1,949	1,904	1,845	1,596	1,666	1,553
Cost of fuel	**(220)**	(236)	(285)	(277)	(285)	(217)	(175)	(156)	(140)	(127)	(115)	(110)
Net revenue	**2,559**	2,144	2,368	2,107	2,004	1,736	1,774	1,748	1,705	1,469	1,551	1,443

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:

	2023		2022				2021				2020	
($ millions)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total current assets	**4,985**	4,974	4,781	4,652	4,098	4,030	3,619	3,620	3,416	3,319	3,214	3,261
Cash and cash equivalents	**(74)**	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)	(469)	(539)	(453)
Total current assets in working capital	**4,911**	4,845	4,493	4,532	3,928	3,735	3,117	3,102	3,038	2,850	2,675	2,808
Total current liabilities	**3,569**	3,763	3,401	3,196	2,789	2,647	2,155	2,156	1,942	1,817	1,623	1,717
Short-term debt	**(1,142)**	(1,266)	(1,068)	(1,087)	(992)	(804)	(374)	(419)	(114)	(103)	(92)	(217)
Current portion of long-term debt	**(199)**	(253)	(114)	(106)	(110)	(63)	(190)	(191)	(386)	(326)	(201)	(200)
Total current liabilities in working capital	**2,228**	2,244	2,219	2,003	1,687	1,780	1,591	1,546	1,442	1,388	1,330	1,300
Working capital [(1)]	**2,683**	2,601	2,274	2,529	2,241	1,955	1,526	1,556	1,596	1,462	1,345	1,508

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

Selected Quarterly Information

($ millions, except for share, per share, and option amounts)	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3
Revenue								
Canada	**1,593**	1,386	1,452	1,349	1,298	1,101	1,089	961
South America	**856**	707	840	692	637	571	582	638
UK & Ireland (1)	**330**	287	361	343	354	281	278	305
Total revenue	**2,779**	2,380	2,653	2,384	2,289	1,953	1,949	1,904
Net income attributable to shareholders of Finning (1)(2)	**148**	134	136	149	126	92	104	99
Earnings per share (1)(2)								
EPS	**1.00**	0.89	0.89	0.97	0.80	0.59	0.66	0.61
Diluted earnings per share	**1.00**	0.89	0.89	0.97	0.80	0.59	0.65	0.61
Total assets (1)	**7,508**	7,512	7,269	7,024	6,470	6,402	5,971	5,936
Long-term debt								
Current	**199**	253	114	106	110	63	190	191
Non-current	**949**	675	815	836	807	909	921	923
Total long-term debt (3)	**1,148**	928	929	942	917	972	1,111	1,114
Cash dividends paid per common share	**25.0¢**	23.6¢	23.6¢	23.6¢	23.6¢	22.5¢	22.5¢	22.5¢
Common shares outstanding (000's)	**146,704**	149,584	151,041	153,248	154,272	156,249	157,808	159,659
Options outstanding (000's)	**1,240**	1,281	1,567	1,796	1,789	1,545	1,773	1,926

(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) These reported financial measures in Q1 2023 have been impacted by significant items management does not consider indicative of operational and financial trends either by nature of amount. These significant items are summarized on pages 22 - 24 of this MD&A.

(3) In May 2023, we issued $350 million of 4.445% senior unsecured notes due May 16, 2028.

In May 2023, we settled our 3.40% £70 million senior notes which were due May 22, 2023.

In the three months ended December 31, 2022, we settled $15 million notional value of our 2.626% $200 million note due August 14, 2026, on the secondary market.

In October 2022, we secured an additional $300 million committed revolving credit facility. This facility has a one-year term and can be used for general corporate purposes.

In April 2022, we settled our 4.18% USD $50 million note which was due April 3, 2022.

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

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

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: our expectation that our effective tax rate generally be within the 25-30% range on an annual basis; our expectation that the impact of foreign exchange due to fluctuations in the value of CAD relative to USD, GBP, CLP, and ARS will continue to affect our results; all information in the section entitled "Market Update and Business Outlook" starting on page 16 of this MD&A, including for our Canada operations: our positive outlook for Western Canada (based on our healthy order activity and record equipment backlog (and our ability and timing to deliver our equipment backlog) and on assumptions in the mining and energy sectors of constructive commodity prices and improved customer capital budgets driving investment in renewal of aging fleets and growing demand for product support, including component remanufacturing and equipment rebuilds, assumptions in the oil and gas sector of continued strong customer activity and high utilization of drilling and well servicing equipment driving demand for maintenance and rebuilds, and assumptions in the construction sector of federal and provincial governments' infrastructure programs and private sector investments in infrastructure and power projects); for our South America operations: our strong outlook for Chile mining (based on assumptions of continued growth in demand for copper, improving political clarity, government approvals of large-scale brownfield expansions (which assumes approved projects will proceed as anticipated), and increasing customer confidence to invest), the significant orders from our mining customers will be added to our equipment backlog in Q3 2023, our expectation for continued strong demand for mining product support and technology solutions, our expectation for infrastructure construction activity in Chile to remain stable (based on assumptions of continued strong demand from large contractors supporting mining operations), our belief that we are well positioned to benefit from future opportunities in the growing data centre market (based on assumptions of strong order activity); and for Argentina, our expectation for activity in construction, oil and gas, and mining to remain stable (based on assumptions that our customers will be able to manage through the challenging fiscal, regulatory, and currency environment), and the expected continued impact of high inflation, currency restrictions, and new import regulations on our business and the continued volatility from the upcoming election process; for our UK & Ireland operations: our expectation for lower construction new equipment sales in 2023 (based on deliveries to HS2 being largely completed), our expectation of continued strong demand for product support (based on assumptions of continued high machine utilization rates across construction markets and growing contribution from Hydraquip) and that demand for our power systems business will remain strong, and the strength of our backlog of power systems projects for delivery in 2023 and 2024; and overall: our positive outlook and expectation of continued momentum in our business (based on assumptions of our strong equipment backlog and service levels, and successful execution of our product support growth strategy, including very strong rebuild activity), continuing growth in our equipment backlog for delivery in 2024 (assumes supply chain continuity and that supply chain and inflationary challenges will not materially impact orders and deliveries), and our expectations for hiring technicians and building capabilities and capacity to continue delivering the best service to our customers and capturing market share; and that we will have sufficient liquidity to meet operational needs (based on cash on hand, available credit facilities and the discretionary nature of certain cash flows, such as rental and capital expenditures).

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 specific factors stated above; the impact and duration of, and our ability to respond to and manage, high inflation, increasing interest rates, supply chain challenges, and the impacts of the Russia-Ukraine war; general economic and market conditions, including increasing inflationary cost pressure, and economic and market conditions in the regions where we operate; the outcome and impact of the upcoming election cycle in Argentina; government approvals of large-scale brownfield expansions; the constitutional reform process and proposed tax reform bill in Chile; foreign exchange rates; commodity prices; interest rates; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our ability to maintain our relationship with Caterpillar; our dependence on the continued market acceptance of our products, including Caterpillar products, and the timely supply of parts and equipment; our ability to continue to sustainably reduce costs and improve productivity and operational efficiencies while continuing to maintain customer service; our ability to manage cost pressures as growth in revenue occurs; our ability to effectively integrate and realize expected synergies from businesses that we acquire; our ability to deliver our equipment backlog; 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; business disruption resulting from business process change, systems change and organizational change; regulatory initiatives or proceedings, litigation and changes in laws, regulations or policies, including with respect to environmental protection and/or energy transition; 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 availability of carbon neutral technology or renewable power; the cost of climate change initiatives; the occurrence of one or more 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; and the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology; and our ability to protect our business from cybersecurity threats or incidents.

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 volatile commodity prices, high inflation, increasing interest rates, supply chain challenges and the impacts of the Russia-Ukraine war, and successfully execute our strategies to win customers, achieve full cycle resilience (based on assumptions that steps to reduce corporate overhead, drive productivity and optimize working capital while supporting strong business growth will be successful and sustainable) and continue business momentum (based on assumptions that we will be able to continue to source and hire technicians, build capabilities and capacity and successfully and sustainably improve workshop efficiencies); 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 support and demand for renewable energy will continue to grow; that present supply chain and inflationary challenges will not materially impact large project deliveries in our equipment backlog; our ability to successfully execute our plans and intentions; that we will successfully execute initiatives to reduce our GHG emissions; 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; 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; our current good relationships with Caterpillar, our customers and our suppliers, service providers and other third parties will be maintained and that Caterpillar and such other suppliers will deliver quality, competitive products with supply chain continuity; sustainment of strengthened oil prices and the Alberta government will not re-impose production curtailments; quoting activity for requests for proposals for equipment and product support is reflective of opportunities; and strong recoveries in the regions that we operate.

Some of the assumptions, risks, and other factors that could cause results to differ materially from those expressed in the forward-looking information contained in this report are discussed in our current AIF and in our annual and most recent quarterly MD&A for the financial risks. We caution readers that the risks described in the annual and most recent quarterly MD&A and in the AIF are not the only ones that could impact us. Additional risks and uncertainties not currently known to us or that are currently deemed to be immaterial may also have a material adverse effect on our business, financial condition, or results of operation.

Except as otherwise indicated, forward-looking information does not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date of this report. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same manner we present known risks affecting our business.

Glossary of Defined Terms

AIF	Annual Information Form
Annual Financial Statements	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
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	Basic earnings per share
ERM	Enterprise risk management
fav	Favourable
Finning	Finning International Inc.
GAAP	Generally accepted accounting principles
GAAP financial measures	A financial measure determined in accordance with GAAP
GBP	UK pound sterling
HS2	High Speed 2, a planned high-speed railway in the UK the first phase of which is planned to connect London to Birmingham
Hydraquip	Hydraquip Hose Ltd. & Hydraulics and Hoses Direct Ltd.
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Interim Financial Statements	Condensed interim consolidated financial statements
KPI	Key performance indicator
LTIP	Long-term incentive plan (also referred to as share-based payment)
MD&A	Management's Discussion and Analysis
n/a	not applicable
NCIB	Normal course issuer bid
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
USD	US dollar

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian $ millions)	June 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	**74**	288
Accounts receivable	**1,227**	1,129
Unbilled receivables	**454**	422
Inventory (Note 9)	**2,764**	2,461
Other assets	**466**	481
Total current assets	**4,985**	4,781
Property, plant, and equipment	**994**	973
Rental equipment	**492**	469
Intangible assets	**336**	333
Goodwill	**331**	325
Distribution network	**100**	100
Net post-employment assets	**86**	98
Investment in joint ventures	**84**	83
Other assets	**100**	107
Total assets	**7,508**	7,269
LIABILITIES		
Current liabilities		
Short-term debt	**1,142**	1,068
Accounts payable and accruals	**1,371**	1,373
Deferred revenue	**626**	544
Current portion of long-term debt	**199**	114
Other liabilities	**231**	302
Total current liabilities	**3,569**	3,401
Long-term debt (Note 5)	**949**	815
Long-term lease liabilities	**250**	255
Deferred tax liabilities	**138**	153
Other liabilities	**188**	184
Total liabilities	**5,094**	4,808
EQUITY		
Share capital	**521**	536
Accumulated other comprehensive income	**219**	273
Retained earnings	**1,657**	1,634
Equity attributable to shareholders of Finning International Inc.	**2,397**	2,443
Non-controlling interests	**17**	18
Total equity	**2,414**	2,461
Total liabilities and equity	**7,508**	7,269

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 June 30		6 months ended June 30	
(Canadian $ millions, except per share amounts)	**2023**	2022	**2023**	2022
Revenue				
New equipment	**949**	733	**1,573**	1,260
Used equipment	**93**	86	**185**	165
Equipment rental	**78**	70	**153**	135
Product support	**1,395**	1,075	**2,703**	2,102
Fuel and other	**264**	325	**545**	580
Total revenue	**2,779**	2,289	**5,159**	4,242
Cost of sales	**(2,125)**	(1,761)	**(3,883)**	(3,224)
Gross profit	**654**	528	**1,276**	1,018
Selling, general, and administrative expenses	**(415)**	(338)	**(822)**	(689)
Equity earnings of joint ventures	**3**	—	**4**	1
Other income (Note 4)	**—**	—	**41**	—
Other expenses (Note 4)	**—**	—	**(18)**	—
Earnings before finance costs and income taxes	**242**	190	**481**	330
Finance costs (Note 5)	**(42)**	(21)	**(77)**	(39)
Income before provision for income taxes	**200**	169	**404**	291
Provision for income taxes (Note 6)	**(52)**	(44)	**(123)**	(74)
Net income	**148**	125	**281**	217
Net income (loss) attributable to:				
Shareholders of Finning International Inc.	**148**	126	**282**	218
Non-controlling interests	**—**	(1)	**(1)**	(1)
Earnings per share (Note 3)				
Basic	**1.00**	0.80	**1.89**	1.39
Diluted	**1.00**	0.80	**1.88**	1.39

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 June 30		6 months ended June 30	
(Canadian $ millions)	**2023**	2022	**2023**	2022
Net income	**148**	125	**281**	217
Other comprehensive income (loss), net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	**(31)**	28	**(21)**	(10)
Gain (loss) on net investment hedges	**10**	(8)	**8**	6
Foreign currency translation adjustments, net of net investment hedges, reclassified to net income (Note 4)	**—**	—	**(41)**	—
Provision for income taxes on foreign currency translation adjustments, reclassified to net income (Note 4)	**—**	—	**9**	—
Impact of foreign currency translation and net investment hedges, net of income tax	**(21)**	20	**(45)**	(4)
(Loss) gain on cash flow hedges	**(5)**	6	**(5)**	4
Gain on cash flow hedges, reclassified to net income	**(1)**	(2)	**—**	(1)
Recovery of (provision for) income taxes on cash flow hedges	**1**	(1)	**1**	(1)
Impact of cash flow hedges, net of income tax	**(5)**	3	**(4)**	2
Items that will not be subsequently reclassified to net income:				
Actuarial loss	**(18)**	(11)	**(17)**	(20)
Recovery of income taxes on actuarial loss	**4**	3	**4**	5
Actuarial loss, net of income tax	**(14)**	(8)	**(13)**	(15)
Total comprehensive income	**108**	140	**219**	200
Total comprehensive income (loss) attributable to:				
Shareholders of Finning International Inc.	**108**	141	**220**	201
Non-controlling interests	**—**	(1)	**(1)**	(1)

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

(Canadian $ millions)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total	Non-controlling Interests	Total
	Attributable to Shareholders of Finning International Inc.						
Balance, January 1, 2022	561	—	212	1,550	2,323	20	2,343
Net income (loss)	—	—	—	218	218	(1)	217
Other comprehensive loss	—	—	(2)	(15)	(17)	—	(17)
Total comprehensive (loss) income	—	—	(2)	203	201	(1)	200
Exercise of share options	2	(1)	—	(1)	—	—	—
Share option expense	—	1	—	—	1	—	1
Hedging gain transferred to statement of financial position	—	—	(2)	—	(2)	—	(2)
Repurchase of common shares (Note 7)	(13)	—	—	(110)	(123)	—	(123)
Automatic share purchase plan commitment (Note 7)	(2)	—	—	(8)	(10)	—	(10)
Dividends on common shares	—	—	—	(72)	(72)	—	(72)
Balance, June 30, 2022	548	—	208	1,562	2,318	19	2,337
Balance, January 1, 2023	**536**	**—**	**273**	**1,634**	**2,443**	**18**	**2,461**
Net income (loss)	**—**	**—**	**—**	**282**	**282**	**(1)**	**281**
Other comprehensive loss	**—**	**—**	**(49)**	**(13)**	**(62)**	**—**	**(62)**
Total comprehensive (loss) income	**—**	**—**	**(49)**	**269**	**220**	**(1)**	**219**
Exercise of share options	**3**	**(1)**	**—**	**(2)**	**—**	**—**	**—**
Share option expense	**—**	**1**	**—**	**—**	**1**	**—**	**1**
Hedging gain transferred to statement of financial position	**—**	**—**	**(5)**	**—**	**(5)**	**—**	**(5)**
Repurchase of common shares (Note 7)	**(16)**	**—**	**—**	**(149)**	**(165)**	**—**	**(165)**
Increase in automatic share purchase plan commitment (Note 7)	**(2)**	**—**	**—**	**(22)**	**(24)**	**—**	**(24)**
Dividends on common shares	**—**	**—**	**—**	**(73)**	**(73)**	**—**	**(73)**
Balance, June 30, 2023	**521**	**—**	**219**	**1,657**	**2,397**	**17**	**2,414**

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

(Canadian $ millions)	3 months ended June 30 2023	3 months ended June 30 2022	6 months ended June 30 2023	6 months ended June 30 2022
OPERATING ACTIVITIES				
Net income	**148**	125	**281**	217
Adjusting for:				
Depreciation and amortization	**94**	81	**186**	162
Gain on disposal of property, plant, and equipment	**(2)**	—	**(2)**	—
Equity earnings of joint ventures	**(3)**	—	**(4)**	(1)
Share-based payment expense (recovery)	**14**	(11)	**19**	7
Provision for income taxes	**52**	44	**123**	74
Finance costs	**42**	21	**77**	39
Net benefit cost of defined benefit pension plans and other post-employment benefit plans	**4**	3	**8**	7
Gain on wind up of foreign subsidiaries (Note 4)	**—**	—	**(41)**	—
Changes in operating assets and liabilities (Note 10)	**(97)**	(251)	**(418)**	(706)
Additions to rental fleet	**(59)**	(29)	**(92)**	(44)
Additions to rental equipment with purchase options	**(24)**	(28)	**(46)**	(42)
Proceeds on disposal of rental fleet	**15**	9	**28**	19
Proceeds on disposal of rental equipment with purchase options	**23**	4	**27**	25
Interest paid	**(48)**	(24)	**(78)**	(39)
Income tax paid	**(93)**	(56)	**(168)**	(103)
Cash flow provided by (used in) operating activities	**66**	(112)	**(100)**	(385)
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	**(40)**	(30)	**(119)**	(60)
Proceeds on disposal of property, plant, and equipment	**5**	—	**5**	—
Consideration paid for business acquisitions, net of cash acquired (Note 11)	**(11)**	—	**(13)**	(84)
Increase in short-term and long-term investments	**—**	—	**—**	(3)
Cash flow used in investing activities	**(46)**	(30)	**(127)**	(147)
FINANCING ACTIVITIES				
(Decrease) increase in short-term debt (Note 10)	**(97)**	170	**104**	608
Issuance of long-term debt, net of issue costs (Note 10)	**348**	—	**348**	—
Repayment of long-term debt (Note 10)	**(118)**	(63)	**(122)**	(188)
Decrease in lease liabilities (Note 10)	**(22)**	(20)	**(44)**	(39)
Repurchase of common shares	**(114)**	(61)	**(165)**	(122)
Dividends paid	**(37)**	(36)	**(73)**	(72)
Cash flow (used in) provided by financing activities	**(40)**	(10)	**48**	187
Effect of currency translation on cash balances	**(35)**	27	**(35)**	13
Decrease in cash and cash equivalents	**(55)**	(125)	**(214)**	(332)
Cash and cash equivalents, beginning of period	**129**	295	**288**	502
Cash and cash equivalents, end of period (Note 10)	**74**	170	**74**	170

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

1. Material Accounting Policy Information, 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, 2022 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 August 8, 2023. 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 new accounting standard and amendments to IFRS:

- IFRS 17, *Insurance Contracts* (effective January 1, 2023) replaces IFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts. The adoption of this standard did not have any impact on the Company's financial statements.
- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2023) 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. The adoption of these amendments will not have any impact on the disclosure of material accounting policy information for the December 31, 2023 annual financial statements.
- 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. The adoption of these amendments did not have any impact on the Company's financial statements.
- Amendments to IAS 12, *Income Taxes*:
    - 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 (effective January 1, 2023) 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 reviewed its global tax provision and concluded that there were no deferred taxes being netted or not recognized from a single tax treatment and has not applied the initial recognition exemption. The adoption of these amendments did not have any impact on the Company's financial statements.
    - Scope in income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development. The amendments (effective for the Company's June 30, 2023 Interim Financial Statements) provide temporary relief from accounting for and disclosure of deferred income taxes arising from this international tax reform. On June 20, 2023, Pillar Two was substantively enacted in the UK to be effective January 1, 2024 and as a result, the Company has taken this relief in these Interim Financial Statements. The amendments also introduce targeted disclosure requirements for current tax arising from this international tax reform (effective for the Company's December 31, 2023 annual financial statements). Management is currently assessing the disclosures which will be required for the annual 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, 2024):
    - Clarify the classification of liabilities as current or non-current 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.
    - Clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. In addition, the amendments require a company to disclose information about these covenants in the notes to the financial statements. Management is currently assessing the impact of these amendments.
- Amendments to IFRS 16, *Leases* (effective January 1, 2024) explain how an entity accounts for a sale and leaseback after the transaction date. The amendments clarify how a seller-lessee should subsequently measure lease liabilities and when it is appropriate to record a gain or loss on these transactions. The amendments apply to all sale and leaseback transactions entered since the effective date of IFRS 16 (January 1, 2019). Management will assess the impact on the accounting treatment of all sale and leaseback transactions in scope of these amendments.

2. Segmented Information

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

3 months ended June 30, 2023 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Total**
Revenue					
New equipment	**458**	**300**	**191**	**—**	**949**
Used equipment	**68**	**9**	**16**	**—**	**93**
Equipment rental	**46**	**21**	**11**	**—**	**78**
Product support	**757**	**526**	**112**	**—**	**1,395**
Fuel and other	**264**	**—**	**—**	**—**	**264**
Total revenue	**1,593**	**856**	**330**	**—**	**2,779**
Cost of fuel	**(220)**	**—**	**—**	**—**	**(220)**
Net revenue	**1,373**	**856**	**330**	**—**	**2,559**
Operating costs (1)	**(1,190)**	**(722)**	**(300)**	**(14)**	**(2,226)**
Depreciation and amortization	**(50)**	**(30)**	**(12)**	**(2)**	**(94)**
Equity earnings of joint ventures	**3**	**—**	**—**	**—**	**3**
Earnings (loss) before finance costs and income taxes	**136**	**104**	**18**	**(16)**	**242**
Finance costs					**(42)**
Provision for income taxes					**(52)**
Net income					**148**
Invested capital (2)	**2,681**	**1,428**	**510**	**11**	**4,630**
Gross capital expenditures (3)(4)	**31**	**15**	**2**	**8**	**56**
Gross rental equipment spend (4)	**60**	**20**	**7**	**—**	**87**

3 months ended June 30, 2022 ($ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	249	242	242	—	733
Used equipment	71	8	7	—	86
Equipment rental	45	14	11	—	70
Product support	608	373	94	—	1,075
Fuel and other	325	—	—	—	325
Total revenue	1,298	637	354	—	2,289
Cost of fuel	(285)	—	—	—	(285)
Net revenue	1,013	637	354	—	2,004
Operating (costs) recovery (1)	(864)	(550)	(321)	2	(1,733)
Depreciation and amortization	(47)	(23)	(10)	(1)	(81)
Earnings before finance costs and income taxes	102	64	23	1	190
Finance costs					(21)
Provision for income taxes					(44)
Net income					125
Invested capital (2)	2,319	1,203	458	96	4,076
Gross capital expenditures (3)(4)	23	3	2	11	39
Gross rental equipment spend (4)	49	7	1	—	57

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

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

6 months ended June 30, 2023 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Total**
Revenue					
New equipment	**739**	**494**	**340**	**—**	**1,573**
Used equipment	**132**	**20**	**33**	**—**	**185**
Equipment rental	**93**	**38**	**22**	**—**	**153**
Product support	**1,470**	**1,011**	**222**	**—**	**2,703**
Fuel and other	**545**	**—**	**—**	**—**	**545**
Total revenue	**2,979**	**1,563**	**617**	**—**	**5,159**
Cost of fuel	**(456)**	**—**	**—**	**—**	**(456)**
Net revenue	**2,523**	**1,563**	**617**	**—**	**4,703**
Operating costs [1]	**(2,161)**	**(1,317)**	**(560)**	**(25)**	**(4,063)**
Depreciation and amortization	**(100)**	**(61)**	**(22)**	**(3)**	**(186)**
Equity earnings of joint ventures	**4**	**—**	**—**	**—**	**4**
Other income	**—**	**—**	**—**	**41**	**41**
Other expenses	**(4)**	**(7)**	**(2)**	**(5)**	**(18)**
Earnings before finance costs and income taxes	**262**	**178**	**33**	**8**	**481**
Finance costs					**(77)**
Provision for income taxes					**(123)**
Net income					**281**
Invested capital [2]	**2,681**	**1,428**	**510**	**11**	**4,630**
Gross capital expenditures [3][4]	**73**	**55**	**6**	**13**	**147**
Gross rental equipment spend [4]	**93**	**39**	**10**	**—**	**142**

6 months ended June 30, 2022 ($ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	434	409	417	—	1,260
Used equipment	128	18	19	—	165
Equipment rental	85	28	22	—	135
Product support	1,172	753	177	—	2,102
Fuel and other	580	—	—	—	580
Total revenue	2,399	1,208	635	—	4,242
Cost of fuel	(502)	—	—	—	(502)
Net revenue	1,897	1,208	635	—	3,740
Operating costs [1]	(1,622)	(1,033)	(578)	(16)	(3,249)
Depreciation and amortization	(94)	(46)	(20)	(2)	(162)
Equity earnings of joint ventures	1	—	—	—	1
Earnings (loss) before finance costs and income taxes	182	129	37	(18)	330
Finance costs					(39)
Provision for income taxes					(74)
Net income					217
Invested capital [2]	2,319	1,203	458	96	4,076
Gross capital expenditures [3][4]	49	14	4	14	81
Gross rental equipment spend [4]	70	14	3	—	87

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

3. Earnings Per Share

3 months ended ($ millions, except share and per share amounts)	June 30, 2023 Basic	 Diluted	June 30, 2022 Basic	 Diluted
Net income attributable to shareholders of Finning	**148**	**148**	126	126
Weighted average shares outstanding (WASO)	**148,675,911**	**148,675,911**	155,791,056	155,791,056
Effect of dilutive share options		**265,632**		362,115
WASO with assumed conversions		**148,941,543**		156,153,171
Earnings per share	**1.00**	**1.00**	0.80	0.80

6 months ended ($ millions, except share and per share amounts)	June 30, 2023 Basic	 Diluted	June 30, 2022 Basic	 Diluted
Net income attributable to shareholders of Finning	**282**	**282**	218	218
WASO	**149,655,946**	**149,655,946**	156,535,225	156,535,225
Effect of dilutive share options		**277,438**		431,531
WASO with assumed conversions		**149,933,384**		156,966,756
Earnings per share	**1.89**	**1.88**	1.39	1.39

Share options granted to employees that were anti-dilutive were excluded from the weighted average number of shares for the purpose of calculating diluted earnings per share. Anti-dilutive share options were not significant for the three and six months ended June 30, 2023. Anti-dilutive share options related to the three months ended June 30, 2022 were one million and were not significant for the six months ended June 30, 2022.

4. Other Income and Other Expenses

In the three months ended March 31, 2023, the Company executed various transactions to simplify and adjust its organizational structure. The Company wound up two wholly owned subsidiaries, and incurred severance costs in each region as the Company reduced corporate overhead costs and simplified its operating model. As a result of these activities, the Company recorded the following:

- Net foreign currency translation gain of $41 million and income tax expense of $9 million (Note 6) were reclassified to net income on the wind up of foreign subsidiaries; and
- Severance costs.

($ millions)	3 months ended June 30 2023	 2022	6 months ended June 30 2023	 2022
Gain on wind up of foreign subsidiaries	**—**	—	**41**	—
Other income	**—**	—	**41**	—

($ millions)	3 months ended June 30 2023	 2022	6 months ended June 30 2023	 2022
Severance costs	**—**	—	**(18)**	—
Other expenses	**—**	—	**(18)**	—

5. Debt and Finance Costs

In May 2023, the Company issued $350 million of 4.445% senior unsecured notes due May 16, 2028. Proceeds of this issuance were used to repay existing debt, including £70 million principal amount of its 3.40% senior notes, Series F, that was due May 22, 2023, and for general corporate purposes.

The components of finance costs were as follows:

($ millions)	3 months ended June 30		6 months ended June 30	
	2023	2022	**2023**	2022
Interest on short-term debt	**24**	5	**43**	7
Interest on long-term debt	**11**	10	**21**	20
Interest on debt	**35**	15	**64**	27
Interest on lease liabilities	**3**	2	**6**	5
Other finance related expenses	**4**	4	**7**	7
Finance costs	**42**	21	**77**	39

6. Income Taxes

As part of the organizational restructuring described in Note 4, the provision for income taxes in the three months ended March 31, 2023 included a $9 million expense related to the wind up of foreign subsidiaries and a $19 million expense for withholding taxes on the repatriation of $170 million of profits from the Company's South American operations.

7. Share Capital

During the six months ended June 30, 2023, the Company repurchased 4,500,000 Finning common shares for cancellation for $165 million, at an average cost of $36.77 per share, through the Company's normal course issuer bid. During the six months ended June 30, 2022, the Company repurchased 3,625,448 common shares for cancellation for $123 million, at an average cost of $33.89 per share.

In connection with the normal course issuer bid, the Company implemented an automatic share purchase plan (ASPP) with a designated broker to enable share repurchases for cancellation during selected blackout periods. At June 30, 2023, an estimated obligation of $45 million was recorded for the repurchase of shares from July 4, 2023 to August 9, 2023 under this ASPP. At June 30, 2022, an estimated obligation of $10 million was recorded for the repurchase of shares under the ASPP.

8. SHARE-BASED PAYMENTS

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

Share Options

Details of the share option plans were as follows:

	June 30, 2023		June 30, 2022	
6 months ended	**Options**	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Share options outstanding, beginning of period	**1,567,168**	**27.63**	1,772,547	25.12
Granted	**278,878**	**35.63**	332,869	34.02
Exercised	**(536,279)**	**25.91**	(293,587)	25.83
Forfeited	**(69,371)**	**28.95**	(21,753)	25.42
Expired	**—**	**—**	(1,110)	25.44
Share options outstanding, end of period	**1,240,396**	**30.10**	1,788,966	26.66
Share options exercisable, end of period	**649,400**	**26.03**	1,002,396	24.74

The fair value of the share options granted was estimated on the date of grant using the following weighted-average assumptions:

3 and 6 months ended June 30	**2023**	2022
Dividend yield	**3.17%**	3.07%
Expected volatility [(1)]	**33.91%**	31.73%
Risk-free interest rate	**3.29%**	2.81%
Expected life (in years)	**5.02**	5.11
Grant date fair value of share options	**$ 9.05**	$ 8.00
Share price	**$ 35.63**	$ 34.02

(1) Expected volatility is based on historical share price volatility of Finning shares listed on the Toronto Stock Exchange.

Other Share-Based Payment Plans

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

	3 months ended June 30		6 months ended June 30	
(Share units granted)	**2023**	2022	**2023**	2022
Executive Deferred Share Unit Plan	**—**	—	**6,025**	471
Directors' Deferred Share Unit Plan A	**11,539**	15,658	**25,630**	26,806
Performance Share Unit Plan [(2)]	**307,822**	341,762	**307,822**	341,762
Restricted Share Unit Plan	**193,235**	253,249	**193,235**	253,249

(2) Based on 100% vesting

9. INVENTORY

($ millions)	**June 30, 2023**	December 31, 2022
On-hand equipment	**1,121**	919
Parts and supplies	**1,100**	1,030
Internal service work in progress	**543**	512
Total inventory	**2,764**	2,461

10. Supplemental Cash Flow Information

The components of cash and cash equivalents were as follows:

June 30 ($ millions)	2023	2022
Cash	**74**	145
Cash equivalents	**—**	25
Cash and cash equivalents	**74**	170

The changes in operating assets and liabilities were as follows:

	3 months ended June 30		6 months ended June 30	
($ millions)	2023	2022	2023	2022
Accounts receivable	**(70)**	(47)	**(103)**	(121)
Unbilled receivables	**—**	(51)	**(35)**	(116)
Inventory	**(77)**	(111)	**(321)**	(541)
Other assets	**27**	50	**(26)**	(30)
Accounts payable and accruals	**(8)**	(45)	**(7)**	175
Other liabilities	**31**	(47)	**74**	(73)
Changes in operating assets and liabilities	**(97)**	(251)	**(418)**	(706)

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, 2023	**1,068**	**929**	**331**	**2,328**
Cash flows provided by (used in)				
Financing activities	**104**	**226**	**(44)**	**286**
Operating activities	**—**	**—**	**(6)**	**(6)**
Total cash movements	**104**	**226**	**(50)**	**280**
Non-cash changes				
Additions	**—**	**—**	**32**	**32**
Remeasurement of liability and disposals	**—**	**—**	**5**	**5**
Interest expense	**—**	**—**	**6**	**6**
Foreign exchange rate changes	**(30)**	**(7)**	**4**	**(33)**
Total non-cash movements	**(30)**	**(7)**	**47**	**10**
Balance, June 30, 2023	**1,142**	**1,148**	**328**	**2,618**

($ 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	608	(188)	(39)	381
Operating activities	—	—	(5)	(5)
Total cash movements	608	(188)	(44)	376
Non-cash changes				
Additions	—	—	21	21
Remeasurement of liability and disposals	—	—	(1)	(1)
Interest expense	—	—	5	5
Foreign exchange rate changes	10	(6)	(4)	—
Total non-cash movements	10	(6)	21	25
Balance, June 30, 2022	992	917	305	2,214

11. ACQUISITION

Hydraquip Hose & Hydraulics Ltd. and Hoses Direct Ltd. (together, 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 estimated to be $117 million (£70 million). 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. 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 $4 million (£2 million). The deferred and contingent consideration was recognized as a liability on the consolidated statement of financial position and is payable in annual instalments over a period of three years after the acquisition. In the three and six months ended June 30, 2023, the Company paid $8 million (£5 million) of deferred and contingent consideration. Any changes in the estimated fair value of the contingent consideration will be recognized in the consolidated statement of income.

Management finalized its purchase price allocation during the year ended December 31, 2022. The acquisition-date fair values of acquired tangible and intangible assets, assumed liabilities, and deferred tax liabilities were estimated to be:

Purchase price allocation ($ millions)	December 31, 2022
Cash and cash equivalents	10
Working capital [(1)]	3
Property, plant & equipment	6
Intangible assets	29
Goodwill	80
Lease liabilities	(3)
Deferred tax liabilities	(8)
Net assets acquired	117

(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.