

### Finning reports Q1 2024 results, 10% dividend increase, and significant copper deals awarded in Q2 2024

**Vancouver, B.C.** – Finning International Inc. (TSX: FTT) (“Finning”, the “Company”, “we”, “our” or “us”) reported first quarter 2024 results today. All monetary amounts are in Canadian dollars unless otherwise stated.

“I would like to thank our team for their dedication to serving our customers and diligently building execution momentum through our strategic plan. We are pleased with our new equipment deliveries in the quarter. Combined with the strong execution of our used equipment strategy, we continue to build equipment population, while also demonstrating resilience and helping offset the impact of lower product support revenue in the quarter.

We are pleased with our recent strategically important wins in each region, including contracts with multiple copper mines in Chile, the oil sands in Canada, and data centers in the UK and Ireland. These wins represent over \$700 million of new equipment orders received in April, which bolster our backlog and demonstrate increasing customer confidence in their markets and our partnership,” said Kevin Parkes, president and CEO.

#### HIGHLIGHTS

All comparisons are to Q1 2023 results unless indicated otherwise.

- Q1 2024 revenue of \$2.6 billion and net revenue <sup>(2)</sup> of \$2.3 billion were up 9%, driven by 25% higher new equipment sales and 48% higher used equipment sales. Product support revenue was 1% below Q1 2023.
- Equipment backlog <sup>(2)</sup> of \$2.0 billion at March 31, 2024 was maintained at December 31, 2023 levels. Order intake in South America and the UK & Ireland outpaced deliveries in Q1 2024 and was driven by mining and power systems.
- Q1 2024 EBIT <sup>(1)</sup> of \$202 million was down 7% from Adjusted EBIT <sup>(3)(4)</sup> in Q1 2023 primarily driven by the shift in revenue mix to new and used equipment sales. SG&A <sup>(1)</sup> as a percentage of net revenue <sup>(2)</sup> was 17.7%, down 130 basis points from Q1 2023 supported by strong cost control.
- Q1 2024 EBIT as a percentage of net revenue <sup>(2)</sup> was 11.0% in South America, 8.9% in Canada, and 4.5% in the UK & Ireland.
- Q1 2024 EPS <sup>(1)</sup> was \$0.84 compared to \$0.89 in Q1 2023.
- Q1 2024 free cash flow <sup>(3)</sup> was a use of cash of \$210 million compared to a use of cash of \$245 million in Q1 2023, reflecting normal seasonality. Net debt to Adjusted EBITDA <sup>(1)(2)(4)</sup> was 1.9 times at March 31, 2024, compared to 1.7 times at December 31, 2023.

“Our board approved an increase in our quarterly dividend by 10% to \$0.275 per share, marking our 23<sup>rd</sup> consecutive year of growth. This increase is well-supported by our improved earnings capacity and demonstrates our strong commitment to returning capital to shareholders.

We remain squarely focused on growing our business in a moderating growth environment through driving product support, building full-cycle resilience by unlocking invested capital, and delivering sustainable growth in used, rental, and power systems. We anticipate the execution of our strategy will have an increasing impact through this year, with improving product support growth rates and substantial free cash flow generation,” concluded Mr. Parkes.

## Q1 2024 FINANCIAL SUMMARY

(\$ millions, except per share amounts)	3 months ended March 31		
	2024	2023	% change fav <sup>(1)</sup> (unfav) <sup>(1)</sup>
New equipment	779	624	25%
Used equipment	136	92	48%
Equipment rental	74	75	(2)%
Product support	1,297	1,308	(1)%
Net fuel and other	46	45	4%
Net revenue	2,332	2,144	9%
Gross profit	615	622	(1)%
<i>Gross profit as a percentage of net revenue <sup>(2)</sup></i>	<b>26.4%</b>	29.0%	
SG&A	(413)	(407)	(2)%
<i>SG&amp;A as a percentage of net revenue</i>	<b>(17.7)%</b>	(19.0)%	
Equity earnings of joint ventures	—	1	
Other income	—	41	
Other expenses	—	(18)	
EBIT	202	239	(16)%
<i>EBIT as a percentage of net revenue</i>	<b>8.7%</b>	11.2%	
Adjusted EBIT	202	216	(7)%
<i>Adjusted EBIT as a percentage of net revenue <sup>(2)(4)</sup></i>	<b>8.7%</b>	10.1%	
Net income attributable to shareholders of Finning	121	134	(10)%
EPS	0.84	0.89	(5)%
Adjusted EPS <sup>(2)(4)</sup>	0.84	0.89	(5)%
Free cash flow	(210)	(245)	14%

Q1 2024 EBIT by Operation (\$ millions, except per share amounts)	Canada	South America	UK & Ireland	Other	Finning Total	EPS
EBIT / EPS	112	84	14	(8)	202	0.84
<i>EBIT as a percentage of net revenue</i>	<b>8.9%</b>	<b>11.0%</b>	<b>4.5%</b>	<i>n/m <sup>(1)</sup></i>	<b>8.7%</b>	

Q1 2023 EBIT by Operation (\$ millions, except per share amounts)	Canada	South America	UK & Ireland	Other	Finning Total	EPS
EBIT / EPS	126	74	15	24	239	0.89
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 / Adjusted EPS	130	81	17	(12)	216	0.89
<i>Adjusted EBIT as a percentage of net revenue</i>	<b>11.3%</b>	<b>11.5%</b>	<b>5.7%</b>	<i>n/m</i>	<b>10.1%</b>	

## QUARTERLY KEY PERFORMANCE MEASURES

	2024				2023				2022	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
EBIT (\$ millions)	<b>202</b>	177	252	242	239	214	224	190	140	
Adjusted EBIT (\$ millions)	<b>202</b>	232	252	242	216	214	224	190	140	
EBIT as a % of net revenue										
Consolidated	<b>8.7%</b>	7.4%	10.3%	9.4%	11.2%	9.0%	10.7%	9.4%	8.1%	
Canada	<b>8.9%</b>	9.3%	10.8%	9.9%	11.0%	11.0%	11.7%	10.0%	9.1%	
South America	<b>11.0%</b>	6.7%	12.3%	12.1%	10.5%	11.4%	12.3%	10.1%	11.4%	
UK & Ireland	<b>4.5%</b>	1.8%	5.9%	5.5%	5.1%	4.4%	6.2%	6.4%	5.0%	
Adjusted EBIT as a % of net revenue										
Consolidated	<b>8.7%</b>	9.6%	10.3%	9.4%	10.1%	9.0%	10.7%	9.4%	8.1%	
Canada	<b>8.9%</b>	9.7%	10.8%	9.9%	11.3%	11.0%	11.7%	10.0%	9.1%	
South America	<b>11.0%</b>	12.6%	12.3%	12.1%	11.5%	11.4%	12.3%	10.1%	11.4%	
UK & Ireland	<b>4.5%</b>	2.7%	5.9%	5.5%	5.7%	4.4%	6.2%	6.4%	5.0%	
EPS	<b>0.84</b>	0.59	1.07	1.00	0.89	0.89	0.97	0.80	0.59	
Adjusted EPS	<b>0.84</b>	0.96	1.07	1.00	0.89	0.89	0.97	0.80	0.59	
Invested capital <sup>(2)</sup> (\$ millions)	<b>5,128</b>	4,765	4,897	4,630	4,545	4,170	4,358	4,076	3,777	
ROIC <sup>(1)(2)</sup> (%)										
Consolidated	<b>18.0%</b>	19.3%	20.7%	20.8%	20.2%	18.7%	18.3%	17.5%	17.0%	
Canada	<b>17.4%</b>	18.6%	19.8%	20.1%	19.4%	18.7%	18.2%	17.4%	17.4%	
South America	<b>24.2%</b>	23.8%	27.1%	25.9%	24.0%	24.5%	22.7%	22.3%	21.7%	
UK & Ireland	<b>10.9%</b>	11.3%	13.7%	15.5%	17.0%	17.0%	16.6%	16.2%	15.7%	
Adjusted ROIC <sup>(2)(4)</sup>										
Consolidated	<b>19.1%</b>	20.0%	20.2%	20.2%	19.7%	18.7%	18.3%	17.5%	17.0%	
Canada	<b>17.6%</b>	19.0%	19.9%	20.2%	19.6%	18.7%	18.2%	17.4%	17.4%	
South America	<b>27.4%</b>	27.6%	27.6%	26.4%	24.6%	24.5%	22.7%	22.3%	21.7%	
UK & Ireland	<b>11.5%</b>	12.3%	14.1%	15.9%	17.4%	17.0%	16.6%	16.2%	15.7%	
Invested capital turnover <sup>(2)</sup> (times)	<b>2.00</b>	2.03	2.08	2.07	2.01	2.01	1.96	2.00	2.03	
Inventory (\$ millions)	<b>3,073</b>	2,844	2,919	2,764	2,710	2,461	2,526	2,228	2,101	
Inventory turns (dealership) <sup>(2)</sup> (times)	<b>2.34</b>	2.45	2.58	2.49	2.51	2.61	2.52	2.50	2.66	
Working capital to net revenue <sup>(a)(2)</sup>	<b>29.0%</b>	28.4%	27.3%	27.3%	27.8%	27.4%	27.1%	25.1%	23.8%	
Free cash flow (\$ millions)	<b>(210)</b>	280	—	31	(245)	332	(57)	(142)	(303)	
Net debt to Adjusted EBITDA ratio (times)	<b>1.9</b>	1.7	1.8	1.8	1.7	1.6	1.8	1.8	1.6	

(a) Comparative results for 2023 have been restated for our adoption of the amendments to IAS 1, *Presentation of Financial Statements* effective for the financial year beginning January 1, 2024.

## Q1 2024 HIGHLIGHTS BY OPERATION

All comparisons are to Q1 2023 results unless indicated otherwise. All numbers, except ROIC, are in functional currency: Canada – Canadian dollar; South America – US dollar (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 was up 9%, driven by higher new and used equipment sales. New equipment sales were up 39%, with strong volumes across all sectors. Used equipment sales were up 37%, driven by conversions of rental equipment with purchase options to sales, and stronger volumes across retail and wholesale channels from our increased participation in used equipment markets.
- Product support revenue was down 4%. The completion of major projects impacted construction customer activity levels, and challenging operating conditions also reduced equipment utilization hours in most sectors.
- EBIT was down 14% from Adjusted EBIT in Q1 2023 and EBIT as a percentage of net revenue of 8.9% was down from 11.3% Adjusted EBIT as a percentage of net revenue in Q1 2023, primarily due to a higher proportion of new equipment sales in the revenue mix.
- In April, we received an order from an oil sands operator to supply 20 Caterpillar ultra-class trucks for delivery beginning in Q3 2024.

### South America Operations

- Net revenue increased by 9%, led by new equipment sales, which were up 20%, driven by deliveries to Chilean mining customers.
- Product support revenue was up 4%, up in all market sectors with increased activity in mining and power systems as well as demand for rebuilds in construction. Parts sales were up 7% and were partly offset by lower service revenue due to a weaker Chilean peso relative to the US dollar compared to Q1 2023.
- EBIT was up 3% from Adjusted EBIT in Q1 2023. EBIT as a percentage of net revenue of 11.0% was down 50 basis points from Adjusted EBIT as a percentage of net revenue in Q1 2023, due to a higher proportion of low margin mining equipment sales in revenue mix.
- In Argentina, we reduced our risk levels and were able to return to profitability in the quarter, which was earlier than anticipated.
- In April, we received significant equipment orders from our mining customers totaling \$550 million. This includes a large truck order from an existing global customer framework agreement and a package of ultra-class trucks and ancillary equipment for Codelco at multiple mines, with deliveries beginning in Q3 2024. The new Codelco equipment order is valued at \$380 million, and the fleet will be supported under a 10-year maintenance and repair contract.

### UK & Ireland Operations

- Net revenue increased by 3%, driven by used equipment sales which nearly doubled from Q1 2023 as we work to increase our participation in the used equipment market.
- New equipment sales were similar to Q1 2023, with higher power systems project deliveries offset by lower volumes in the construction sector due to soft market activity.
- Product support revenue was down 7%, impacted by lower customer activity levels and reduced machine utilization hours.

- EBIT as a percentage of net revenue was 4.5%, down from Adjusted EBIT as a percentage of net revenue of 5.7% in Q1 2023 mostly due to a lower proportion of product support in the revenue mix and continued inflationary cost pressures.

### **Corporate and Other Items**

- Corporate EBIT loss was \$8 million in Q1 2024 compared to Adjusted EBIT of \$12 million in Q1 2023, mainly due to lower people-related costs and professional fees.
- The Board of Directors has approved a 10% increase in the quarterly dividend to \$0.275 per share from \$0.25 per share, payable on June 6, 2024, to shareholders of record on May 22, 2024. This dividend will be considered an eligible dividend for Canadian income tax purposes.
- We repurchased 1.6 million shares in Q1 2024 at an average cost of \$36.33, representing 1.1% of our public float.

### **Renewal of Share Repurchase Program**

We have received approval from the Toronto Stock Exchange ("TSX") to renew our normal course issuer bid ("NCIB") to purchase for cancellation up to 14,000,000 of our common shares, representing 9.87% of the public float of 141,873,049 common shares as at April 30, 2024. As at April 30, 2024, Finning had a total of 142,174,863 common shares issued and outstanding.

The NCIB, which will begin on May 13, 2024 and end no later than May 12, 2025, will be conducted through the facilities of the TSX or other Canadian alternative trading systems, if eligible, and will conform to their rules and regulations.

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

The average daily trading volume of our common shares over the six-month period ending April 30, 2024, as calculated in accordance with TSX rules, was 346,060 common shares. Consequently, under TSX rules, we will be allowed to purchase daily, through the facilities of the TSX, a maximum of 86,515 common shares representing 25% of such average daily trading volume, subject to certain exceptions for block purchases. All shares purchased pursuant to the normal course issuer bid will be cancelled.

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

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

The ASPP will provide a set of standard instructions to the designated broker to make purchases under the NCIB in accordance with the limits and other terms set out in the ASPP. The designated broker will determine the timing of these purchases in its sole discretion based on purchasing parameters set by us and subject to the rules of the TSX, applicable securities laws, and the terms of the ASPP. The ASPP has been pre-cleared by the TSX and will be implemented as of May 13, 2024. All purchases made under the ASPP will be included in computing the number of shares purchased and cancelled by us under the NCIB. Outside of pre-determined blackout periods, shares may be purchased under the NCIB based on management's discretion, in compliance with TSX rules, and applicable securities laws.

Under the current NCIB, which expires on May 12, 2024, we obtained approval to purchase up to 14,900,895 common shares. As of April 30, 2024, we purchased and cancelled 7,155,163 common shares under the current NCIB on the open market through the facilities of the TSX and other alternative Canadian trading systems at a volume weighted average price paid of \$38.46 per common share (excluding commissions).

## **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. While the completion of major pipelines has slowed some construction activities in the near-term, it creates additional capacity to move heavy oil and liquefied natural gas to end markets, and we expect to see increased activity in the energy sector and production growth going forward. Our mining and energy customers are expected to increase spending levels, including investment to renew, maintain, and rebuild aging fleets. In April, we received an order from an oil sands operator for ultra-class trucks for delivery beginning in Q3 2024. Based on customer commitments and discussions, we anticipate strong demand for product support, including component remanufacturing and rebuilds in the oil sands.

We expect ongoing commitments from federal and provincial governments for infrastructure development to support activity in the construction sector. In addition, growing demand for reliable, efficient, and sustainable electric power solutions across communities in Western Canada creates opportunities for our power systems business.

### **South America Operations**

In Chile, our strong outlook is underpinned by growing global demand for copper, strengthening copper prices, the approvals of large-scale brownfield expansions, and increasing customer confidence to invest in brownfield and greenfield projects. We are seeing a broad-based increase in quoting, tender, and award activity for mining equipment, product support, and technology solutions. In April, we received significant equipment orders from our mining customers totaling \$550 million, including a large truck order from an existing global customer framework agreement and a large order from Codelco for ultra-class trucks and ancillary equipment to be delivered to multiple mines and supported under a 10-year maintenance and repair contract. The new Codelco equipment order is valued at \$380 million. We expect to start delivering these orders in Q3 2024.

In the Chilean construction sector, we continue to see healthy demand from large contractors supporting mining operations, and we expect infrastructure construction to remain stable. In the power systems sector, activity remains strong in the industrial and data centre markets, driving growing demand for electric power solutions.

Weaker Chilean peso relative to the US dollar is expected to continue impacting service revenue growth rates in 2024, while also supporting lower SG&A.

In Argentina, steps are being taken by the new government to address the fiscal imbalances in the country with the goal of ultimately stabilizing inflation and opening the economy for free import and export of goods in the long-term. However, devaluing the currency, containing public spending, reducing subsidies, and lowering spending on public works are driving continued challenging market and operating conditions. We are actively monitoring the new rules and policies to ensure access to hedging is maintained. While we see pockets of strong activity, especially in the oil & gas sector, we are taking a low-risk approach in Argentina in 2024.

### **UK & Ireland Operations**

With low GDP growth projected in the UK in 2024, we expect demand in the construction sector to remain soft. We expect a growing contribution from used equipment and power systems as we continue to execute on our strategy. In power systems, quoting activity remains strong, driven by healthy demand for primary and backup power generation, particularly in the data centre market. We expect our product support business in the UK & Ireland to remain resilient, driven by growth in rebuilds and Customer Value Agreements.

## **Execution Focus**

We remain committed to growing our business in 2024 while building more resilience into our operating model and progressing towards our Investor Day targets. We anticipate the execution of our strategy will have an increasing impact through this year, with improving product support growth rates and substantial free cash flow generation.

To access Finning's complete Q1 2024 results, please visit our website at [https://www.finning.com/en\\_CA/company/investors.html](https://www.finning.com/en_CA/company/investors.html)

## **Q1 2024 INVESTOR CALL**

We will hold an investor call on May 7, 2024 at 10:00 am Eastern Time. Dial-in numbers: 1-844-763-8274 (Canada and US toll free), 1-647-484-8814 (international toll), 44-20-3795-9972 (UK toll). 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](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 over 90 years. Headquartered in Surrey, British Columbia, we provide Caterpillar equipment, parts, services, and performance solutions in Western Canada, Chile, Argentina, Bolivia, the United Kingdom, and Ireland.

## **CONTACT INFORMATION**

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## **Description of Specified Financial Measures and Reconciliations**

### **Specified Financial Measures**

We believe that certain specified financial measures, including non-GAAP<sup>(1)</sup> 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:

- On December 13, 2023, the newly-elected Argentine government devalued the ARS official exchange rate by 118% from 366.5 ARS to 800 ARS for USD 1. As a result of prolonged government currency restrictions, including no material access to USD starting in late August 2023, our ARS exposure increased and during this period economic hedges were not available. As a result of the growth in our ARS exposure and the significant devaluation of the ARS in the fourth quarter, our South American operations incurred a foreign exchange loss of \$56 million which exceeds the typical foreign exchange impact in the region.
- We began to implement our invested capital improvement plan as outlined at our 2023 Investor Day, which targets selling and optimizing real estate and exiting low-ROIC activities. In Q4 2023:
  - Our South American operations sold a property in Chile and recorded a gain of \$13 million on the sale; and,
  - Following an evaluation of the business needs of our operations and related intangible assets, several software and technology assets have been or will be decommissioned, and as a result, we derecognized previously capitalized costs of \$12 million.
- 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.

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

3 months ended (\$ millions)	2024				2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	
EBIT	202	177	252	242	239	214	224	190	140	157	150	137	
Significant items:													
Foreign exchange and tax impact of devaluation of ARS	—	56	—	—	—	—	—	—	—	—	—	—	
Gain on sale of property, plant, and equipment	—	(13)	—	—	—	—	—	—	—	—	—	—	
Write-off of intangible assets	—	12	—	—	—	—	—	—	—	—	—	—	
Gain on wind up of foreign subsidiaries	—	—	—	—	(41)	—	—	—	—	—	—	—	
Severance costs	—	—	—	—	18	—	—	—	—	—	—	—	
Adjusted EBIT	202	232	252	242	216	214	224	190	140	157	150	137	
Depreciation and amortization	99	99	94	94	92	87	84	81	81	84	80	78	
Adjusted EBITDA <sup>(3)(4)</sup>	301	331	346	336	308	301	308	271	221	241	230	215	

The income tax impact of the significant items was as follows:

3 months ended (\$ millions)	2024				2023				2022
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Significant items:									
Foreign exchange and tax impact of devaluation of ARS	—	(3)	—	—	—	—	—	—	—
Gain on sale of property, plant, and equipment	—	4	—	—	—	—	—	—	—
Write-off of intangible assets	—	(3)	—	—	—	—	—	—	—
Gain on wind up of foreign subsidiaries	—	—	—	—	9	—	—	—	—
Severance costs	—	—	—	—	(5)	—	—	—	—
Withholding tax on repatriation of profits	—	—	—	—	19	—	—	—	—
(Recovery of) provision for income taxes on the significant items	—	(2)	—	—	23	—	—	—	—

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

3 months ended (\$)	2024				2023				2022
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
EPS <sup>(a)</sup>	0.84	0.59	1.07	1.00	0.89	0.89	0.97	0.80	0.59
Significant items:									
Foreign exchange and tax impact of devaluation of ARS	—	0.37	—	—	—	—	—	—	—
Gain on sale of property, plant, and equipment	—	(0.06)	—	—	—	—	—	—	—
Write-off of intangible assets	—	0.06	—	—	—	—	—	—	—
Gain on wind up of foreign subsidiaries	—	—	—	—	(0.21)	—	—	—	—
Severance costs	—	—	—	—	0.09	—	—	—	—
Withholding tax on repatriation of profits	—	—	—	—	0.12	—	—	—	—
Adjusted EPS <sup>(a)</sup>	0.84	0.96	1.07	1.00	0.89	0.89	0.97	0.80	0.59

<sup>(a)</sup> 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)	2024				2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Jun 30
EBIT	112	117	137	136	126	128	125	102	80	92	84	82	
Significant items:													
Write-off of intangible assets	—	5	—	—	—	—	—	—	—	—	—	—	—
Severance costs	—	—	—	—	4	—	—	—	—	—	—	—	—
Adjusted EBIT	112	122	137	136	130	128	125	102	80	92	84	82	

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

3 months ended (\$ millions)	2024				2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Jun 30
EBIT	84	55	104	104	74	96	85	64	65	59	58	51	
Significant items:													
Foreign exchange and tax impact of devaluation of ARS	—	56	—	—	—	—	—	—	—	—	—	—	—
Gain on sale of property, plant, and equipment	—	(13)	—	—	—	—	—	—	—	—	—	—	—
Write-off of intangible assets	—	4	—	—	—	—	—	—	—	—	—	—	—
Severance costs	—	—	—	—	7	—	—	—	—	—	—	—	—
Adjusted EBIT	84	102	104	104	81	96	85	64	65	59	58	51	

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

3 months ended (\$ millions)	2024				2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Jun 30
EBIT	14	6	19	18	15	16	21	23	14	12	17	17	
Significant items:													
Write-off of intangible assets	—	3	—	—	—	—	—	—	—	—	—	—	—
Severance costs	—	—	—	—	2	—	—	—	—	—	—	—	—
Adjusted EBIT	14	9	19	18	17	16	21	23	14	12	17	17	

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

3 months ended (\$ millions)	2024				2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Jun 30
EBIT	(8)	(1)	(8)	(16)	24	(26)	(7)	1	(19)	(6)	(9)	(13)	
Significant items:													
Gain on wind up of foreign subsidiaries	—	—	—	—	(41)	—	—	—	—	—	—	—	—
Severance costs	—	—	—	—	5	—	—	—	—	—	—	—	—
Adjusted EBIT	(8)	(1)	(8)	(16)	(12)	(26)	(7)	1	(19)	(6)	(9)	(13)	

## 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 (\$ millions)	2024				2023				2022
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Cash flow (used in) provided by operating activities	(177)	291	37	66	(166)	410	(24)	(112)	(273)
Additions to property, plant, and equipment and intangible assets	(37)	(51)	(50)	(40)	(79)	(78)	(33)	(30)	(30)
Proceeds on disposal of property, plant, and equipment	4	40	13	5	—	—	—	—	—
Free cash flow	(210)	280	—	31	(245)	332	(57)	(142)	(303)

## 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 inventory related to the mobile refuelling operations), 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 (\$ millions)	2024				2023				2022	2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Cost of sales	1,969	2,024	2,044	2,125	1,758	2,025	1,807	1,761	1,463	1,465
Cost of sales related to the mobile refuelling operations	(269)	(278)	(283)	(237)	(253)	(302)	(293)	(300)	(231)	(190)
Cost of sales related to the dealership <sup>(3)</sup>	1,700	1,746	1,761	1,888	1,505	1,723	1,514	1,461	1,232	1,275

(\$ millions)	2024				2023				2022	2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Inventory	3,073	2,844	2,919	2,764	2,710	2,461	2,526	2,228	2,101	1,687
Inventory related to the mobile refuelling operations	(9)	(12)	(17)	(14)	(12)	(12)	(12)	(13)	(11)	(9)
Inventory related to the dealership <sup>(3)</sup>	3,064	2,832	2,902	2,750	2,698	2,449	2,514	2,215	2,090	1,678

## 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:

(\$ millions)	2024				2023				2022				2021			
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Cash and cash equivalents	(215)	(152)	(168)	(74)	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)				
Short-term debt	1,322	1,239	1,372	1,142	1,266	1,068	1,087	992	804	374	419	114				
Long-term debt																
Current	68	199	203	199	253	114	106	110	63	190	191	386				
Non-current	1,379	949	955	949	675	815	836	807	909	921	923	903				
Net debt <sup>(3)</sup>	2,554	2,235	2,362	2,216	2,065	1,709	1,909	1,739	1,481	983	1,015	1,025				
Total equity	2,574	2,530	2,535	2,414	2,480	2,461	2,449	2,337	2,296	2,343	2,320	2,252				
Invested capital	5,128	4,765	4,897	4,630	4,545	4,170	4,358	4,076	3,777	3,326	3,335	3,277				

## 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 at the reporting date 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 (\$ millions)	2024				2023				2022				2021			
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Total revenue	2,584	2,664	2,704	2,779	2,380	2,653	2,384	2,289	1,953	1,949	1,904	1,845				
Cost of fuel	(252)	(261)	(267)	(220)	(236)	(285)	(277)	(285)	(217)	(175)	(156)	(140)				
Net revenue	2,332	2,403	2,437	2,559	2,144	2,368	2,107	2,004	1,736	1,774	1,748	1,705				

## 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:

(\$ millions)	2024				2023				2022				2021			
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Total current assets	<b>5,432</b>	4,930	5,217	4,985	4,974	4,781	4,652	4,098	4,030	3,619	3,620	3,416				
Cash and cash equivalents	<b>(215)</b>	(152)	(168)	(74)	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)				
Total current assets in working capital	<b>5,217</b>	4,778	5,049	4,911	4,845	4,493	4,532	3,928	3,735	3,117	3,102	3,038				
Total current liabilities <sup>(a)</sup>	<b>3,561</b>	3,516	3,722	3,600	3,788	3,401	3,196	2,789	2,647	2,155	2,156	1,942				
Short-term debt	<b>(1,322)</b>	(1,239)	(1,372)	(1,142)	(1,266)	(1,068)	(1,087)	(992)	(804)	(374)	(419)	(114)				
Current portion of long-term debt	<b>(68)</b>	(199)	(203)	(199)	(253)	(114)	(106)	(110)	(63)	(190)	(191)	(386)				
Total current liabilities in working capital <sup>(a)</sup>	<b>2,171</b>	2,078	2,147	2,259	2,269	2,219	2,003	1,687	1,780	1,591	1,546	1,442				
Working capital <sup>(a)(3)</sup>	<b>3,046</b>	2,700	2,902	2,652	2,576	2,274	2,529	2,241	1,955	1,526	1,556	1,596				

<sup>(a)</sup> Comparative results for 2023 have been restated for our adoption of the amendments to IAS 1, *Presentation of Financial Statements* effective for the financial year beginning January 1, 2024.

## 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); generally accepted accounting principles (GAAP).
- (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

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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 outlook for Western Canada being positive; our expectation for increased activity in the energy sector and production growth going forward (based on assumptions of additional capacity created by the completion of major pipelines); our expectations for mining and energy customers increasing their spending levels including investment to renew, maintain, and rebuild aging fleets; our expectation for strong demand for product support, including component remanufacturing and rebuilds in the oil sands (based on customer commitments and discussions); our expectations for the supply of 20 Caterpillar ultra-class trucks to an oil sands operator beginning in Q3 2024; our expectation regarding ongoing commitments from federal and provincial governments for infrastructure development to support activity in the construction sector; our expectations of strong demand for electric power solutions across communities in Western Canada, and that strong demand creates opportunities for our power systems business; for our South America operations: in Chile, our strong outlook based on growing global demand for copper, strengthening copper price, approvals of large-scale brownfield expansions and increasing customer confidence to invest in brownfield and greenfield projects; our expectations related to significant equipment orders received from mining customers in April, including, with respect to Codelco, the expectation for deliveries to begin in Q3 2024, and the related 10-year maintenance and repair contract; our expectation for a weaker Chilean peso relative to the USD to continue impacting service growth rates in 2024, while also supporting lower SG&A; our expectation that infrastructure construction in Chile will remain stable (based on assumptions of continued healthy demand from large contractors supporting mining operations); in the power systems sector, our expectation regarding growing demand for electric power solutions from strong activity in the industrial and data centre markets; in Argentina, our expected low-risk approach in Argentina in 2024; our expectation that steps are being taken by the new government to address the fiscal imbalances in the country with the goal of ultimately stabilizing inflation and opening the economy for free import and export of goods in the long-term; our expectation that devaluing the currency, containing public spending, reducing subsidies, and lowering spending on public works are driving continued challenging market and operating conditions; continued monitoring of new rules and policies to ensure hedging is maintained; our expectation that there will be pockets of strong activity, especially in the oil & gas sector; for our UK & Ireland operations: our expectation for demand in the construction sector to remain soft; our expectation of a growing contribution from used equipment and power systems as we continue to execute on our strategy; in power systems, our expectation of continued strong quoting activity (based on assumptions of healthy demand for primary and backup power generation, particularly in the data centre market); our expectation of our product support business to remain resilient, driven by growth in rebuilds and Customer Value Agreements; and overall: our expectation of growing our business in 2024 while building more resilience into our operating model and progressing towards our Investor Day targets; our expectation that the execution of our strategy will result in increasing impact through this year, with improving product support growth rates and substantial free cash flow generation; the expected renewal of our NCIB and the implementation of the automatic share purchase plan in connection with the NCIB; 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, and supply chain challenges; general economic and market conditions, including increasing inflationary cost pressure, and economic and market conditions in the regions where we operate; perspectives of renewed investments in the oil and gas and mining projects in Argentina; government approvals of large-scale brownfield expansions; support and commitment by Canadian federal and provincial governments in infrastructure development; 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,



and the timely supply of parts and equipment; our ability to continue to 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; 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, and supply chain challenges, 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, including our strategic priorities as outlined at our 2023 Investor Day; that we will successfully execute initiatives to reduce our GHG emissions and support our customers on their individual GHG reduction pathways; 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; that we will have the funds for share repurchases under the NCIB; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment; our current good relationships with our customers and 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; completion of major pipelines and the resulting increased activity in the energy sector; that demand for sustainable electric power solutions in Western Canada will continue to grow; 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

May 6, 2024

This **MD&A** should be read in conjunction with our **Interim Financial Statements** and the accompanying notes thereto for the three months ended March 31, 2024, 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, 2023. 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.sedarplus.ca](http://www.sedarplus.ca) and in the investors section of our website at [www.finning.com](http://www.finning.com).

**A glossary of defined terms is included on page 31. The first time a defined term is used in this MD&A, it is shown in bold italics.**

## Overview

(\$ millions, except per share amounts)	Q1 2024	Q1 2023	% change <i>fav (unfav)</i>
Revenue	<b>2,584</b>	2,380	9%
Net revenue <sup>(1)</sup>	<b>2,332</b>	2,144	9%
Gross profit	<b>615</b>	622	(1)%
<b>SG&amp;A</b>	<b>(413)</b>	(407)	(2)%
Equity earnings of joint ventures	—	1	
Other income	—	41	
Other expenses	—	(18)	
<b>EBIT</b>	<b>202</b>	239	(16)%
Net income attributable to shareholders of Finning	<b>121</b>	134	(10)%
<b>EPS</b>	<b>0.84</b>	0.89	(5)%
Free cash flow <sup>(2)</sup>	<b>(210)</b>	(245)	14%
Adjusted EBIT <sup>(2)(3)</sup>	<b>202</b>	216	(7)%
Adjusted EPS <sup>(1)(3)</sup>	<b>0.84</b>	0.89	(5)%
<i>Gross profit as a % of net revenue <sup>(1)</sup></i>	<b>26.4%</b>	29.0%	
<i>SG&amp;A as a % of net revenue <sup>(1)</sup></i>	<b>(17.7)%</b>	(19.0)%	
<i>EBIT as a % of net revenue <sup>(1)</sup></i>	<b>8.7%</b>	11.2%	
<i>Adjusted EBIT as a % of net revenue <sup>(1)(3)</sup></i>	<b>8.7%</b>	10.1%	
<i>Adjusted ROIC <sup>(1)(3)</sup></i>	<b>19.1%</b>	19.7%	

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

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

(3) Reported financial measures may be impacted by significant items described on pages 5 and 20 - 22 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

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- Q1 2024 revenue was \$2.6 billion. Net revenue in Q1 2024 of \$2.3 billion was up 9% from Q1 2023, primarily driven by higher new and used equipment revenue in all of our regions partially offset by lower product support revenue.
- Gross profit in Q1 2024 was down 1% from Q1 2023 and gross profit as a percentage of net revenue of 26.4% was 260 basis points lower than Q1 2023 mainly due to a higher proportion of new equipment in the revenue mix as well as lower gross profit as a percentage of net revenue in used equipment and rental. Compared to the prior year period, Q1 2024 SG&A increased 2% on 9% higher net revenue and SG&A as a percentage of net revenue of 17.7% was lower than 19.0% in Q1 2023 supported by strong cost control.
- Q1 2024 EBIT was \$202 million and EBIT as a percentage of net revenue was 8.7%. Q1 2023 EBIT and EBIT as a percentage of net revenue were \$239 million and 11.2%, respectively. Excluding significant items described on page 5, Q1 2023 Adjusted EBIT and Adjusted EBIT as a percentage of net revenue were \$216 million and 10.1%, respectively. Q1 2024 EBIT was lower than Q1 2023 Adjusted EBIT in Canada and the **UK & Ireland** partially offset by improved Adjusted EBIT in South America.
- Q1 2024 EPS of \$0.84 was down 5% from Q1 2023 EPS and Adjusted EPS of \$0.89.
- Q1 2024 free cash flow was a use of cash of \$210 million and Q1 2023 free cash flow was a use of cash of \$245 million, reflecting normal seasonality. March 31, 2024 net debt to Adjusted **EBITDA**<sup>(1)(2)</sup> was 1.9 times, up slightly from 1.7 times at December 31, 2023.
- March 31, 2024 Adjusted ROIC of 19.1% decreased 90 basis points from Adjusted ROIC at December 31, 2023, down in all regions. Invested capital turnover was 2.00 times, down slightly from 2.03 times at December 31, 2023.
- Consolidated equipment backlog<sup>(1)</sup> of \$2.0 billion at March 31, 2024 was maintained at December 31, 2023 levels. Order intake in South America and the UK & Ireland outpaced deliveries in Q1 2024, driven by power systems in the UK & Ireland and mining in South America.
- Quarterly dividend was raised by 10% to \$0.275 per share, marking our 23<sup>rd</sup> consecutive year of growth.

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

(2) Reported financial measures may be impacted by significant items described on pages 5 and 20 - 22 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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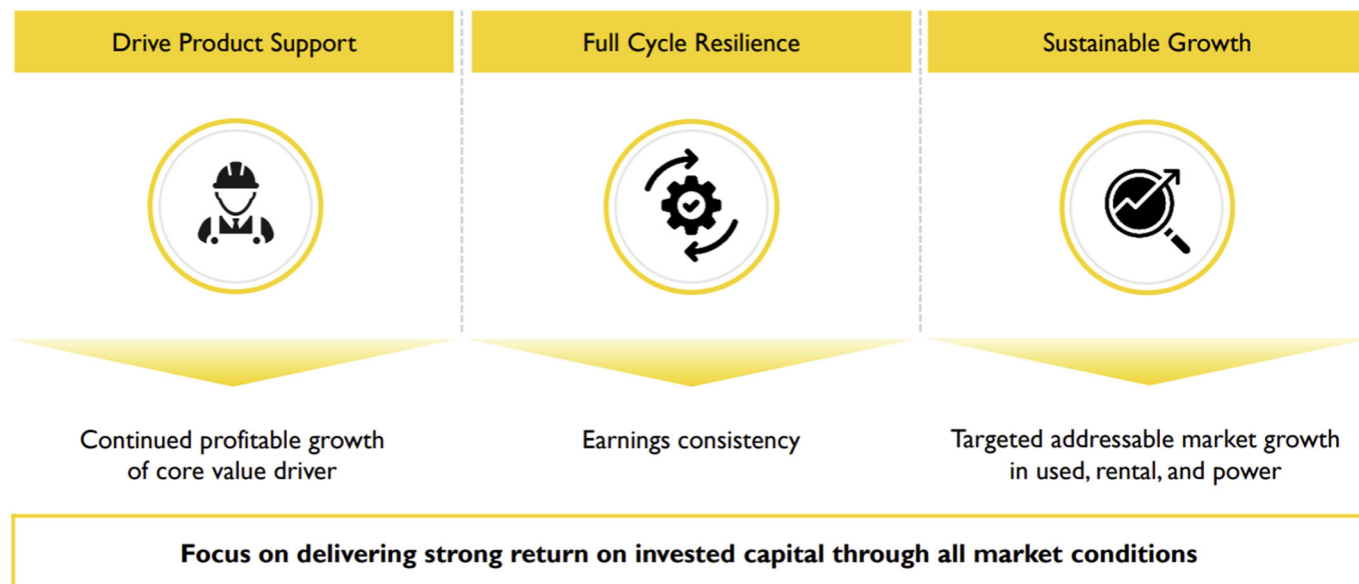
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## Strategic Priorities

Our refreshed strategy, announced at our 2023 Investor Day, builds on our success and focuses on the following priorities: drive product support, full-cycle resilience, and sustainable growth.

We are committed to providing a safe and secure place to work, and empowering our people to build long-term customer loyalty. Our strategy is focused on generating long-term value for our customers, employees, and shareholders.



Driving product support remains our primary strategic objective. Product support is our key value driver and remains by far our largest opportunity for resilient, profitable growth. We are working to capture a greater share of product support across the full asset life cycle through further growth in customer value agreements, expanding our rebuild business, and continuing to strategically grow our equipment population.

Full cycle resilience will enable us to deliver more reliable and consistent earnings through all market conditions. We are continuing to optimize and variabilize our cost structure. We are also implementing initiatives that increase our invested capital velocity while concurrently improving customer service levels. These initiatives include an increased focus on inventory management as well as review and exit of lower ROIC activities and investments.

We are building a sustainable growth platform from our core business and expanding our addressable market in used equipment, rental, and power systems. These segments are resilient and strategically important, and growing them will increase our equipment population and help us drive additional product support growth.

All three elements of our refreshed go-forward strategy are integrated and designed to drive a fundamentally improved range of ROIC and earnings capacity through all market conditions.

## Sustainability

Sustainability is integral to our everyday operations, strategies, and long-term plans. We work to continuously improve our sustainability performance and help our customers enhance theirs. We continue to work towards achieving our **GHG** emissions reduction target to reduce our absolute GHG emissions by 40% by 2027 (from a 2017 baseline). Additionally, we continue to provide customers with equipment and solutions to improve safety and enhance performance by combining leading technology with data-driven insights, all while reducing their environmental footprint. This includes low carbon equipment and power solutions, low carbon alternative fuels, extension of equipment life through remanufacturing, and our CUBIQ™ Sustainability Dashboard, which enables the monitoring, benchmarking and tracking of fuel consumption and emissions. For more information, please review our Sustainability Report, which can be found in the sustainability section of [www.finning.com](http://www.finning.com).

## Adjusted Measures

Reported financial measures may be impacted by significant items we do not consider indicative of operational and financial trends either by nature or amount. 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 19 - 26 of this MD&A.

There were no significant items identified by management that affected our results for the three months ended March 31, 2024.

### Q1 2023 significant items:

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.

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

3 months ended March 31, 2023 (\$ millions, except per share amounts)					EBIT	EPS
	Canada	South America	UK & Ireland	Other	<b>Consol</b>	Consol
EBIT and EPS	126	74	15	24	239	0.89
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	130	81	17	(12)	216	0.89

## Quarterly Key Performance Measures

We utilize the following **KPIs** to enable consistent measurement of performance across the organization. KPIs may be impacted by significant items described on pages 5 and 20 - 22 of this MD&A. KPIs that have been adjusted to take these items into account are referred to as “Adjusted” measures.

	2024				2023				2022
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
EBIT (\$ millions)	<b>202</b>	177	252	242	239	214	224	190	140
Adjusted EBIT (\$ millions)	<b>202</b>	232	252	242	216	214	224	190	140
EBIT as a % of net revenue									
Consolidated	<b>8.7%</b>	7.4%	10.3%	9.4%	11.2%	9.0%	10.7%	9.4%	8.1%
Canada	<b>8.9%</b>	9.3%	10.8%	9.9%	11.0%	11.0%	11.7%	10.0%	9.1%
South America	<b>11.0%</b>	6.7%	12.3%	12.1%	10.5%	11.4%	12.3%	10.1%	11.4%
UK & Ireland	<b>4.5%</b>	1.8%	5.9%	5.5%	5.1%	4.4%	6.2%	6.4%	5.0%
Adjusted EBIT as a % of net revenue									
Consolidated	<b>8.7%</b>	9.6%	10.3%	9.4%	10.1%	9.0%	10.7%	9.4%	8.1%
Canada	<b>8.9%</b>	9.7%	10.8%	9.9%	11.3%	11.0%	11.7%	10.0%	9.1%
South America	<b>11.0%</b>	12.6%	12.3%	12.1%	11.5%	11.4%	12.3%	10.1%	11.4%
UK & Ireland	<b>4.5%</b>	2.7%	5.9%	5.5%	5.7%	4.4%	6.2%	6.4%	5.0%
EPS	<b>0.84</b>	0.59	1.07	1.00	0.89	0.89	0.97	0.80	0.59
Adjusted EPS	<b>0.84</b>	0.96	1.07	1.00	0.89	0.89	0.97	0.80	0.59
Invested capital <sup>(1)</sup> (\$ millions)	<b>5,128</b>	4,765	4,897	4,630	4,545	4,170	4,358	4,076	3,777
ROIC <sup>(1)</sup> (%)									
Consolidated	<b>18.0%</b>	19.3%	20.7%	20.8%	20.2%	18.7%	18.3%	17.5%	17.0%
Canada	<b>17.4%</b>	18.6%	19.8%	20.1%	19.4%	18.7%	18.2%	17.4%	17.4%
South America	<b>24.2%</b>	23.8%	27.1%	25.9%	24.0%	24.5%	22.7%	22.3%	21.7%
UK & Ireland	<b>10.9%</b>	11.3%	13.7%	15.5%	17.0%	17.0%	16.6%	16.2%	15.7%
Adjusted ROIC									
Consolidated	<b>19.1%</b>	20.0%	20.2%	20.2%	19.7%	18.7%	18.3%	17.5%	17.0%
Canada	<b>17.6%</b>	19.0%	19.9%	20.2%	19.6%	18.7%	18.2%	17.4%	17.4%
South America	<b>27.4%</b>	27.6%	27.6%	26.4%	24.6%	24.5%	22.7%	22.3%	21.7%
UK & Ireland	<b>11.5%</b>	12.3%	14.1%	15.9%	17.4%	17.0%	16.6%	16.2%	15.7%
Invested capital turnover <sup>(1)</sup> (times)	<b>2.00</b>	2.03	2.08	2.07	2.01	2.01	1.96	2.00	2.03
Inventory (\$ millions)	<b>3,073</b>	2,844	2,919	2,764	2,710	2,461	2,526	2,228	2,101
Inventory turns (dealership) <sup>(1)</sup> (times)	<b>2.34</b>	2.45	2.58	2.49	2.51	2.61	2.52	2.50	2.66
Working capital to net revenue <sup>(1)(2)</sup>	<b>29.0%</b>	28.4%	27.3%	27.3%	27.8%	27.4%	27.1%	25.1%	23.8%
Free cash flow (\$ millions)	<b>(210)</b>	280	—	31	(245)	332	(57)	(142)	(303)
Net debt to Adjusted EBITDA ratio (times)	<b>1.9</b>	1.7	1.8	1.8	1.7	1.6	1.8	1.8	1.6

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

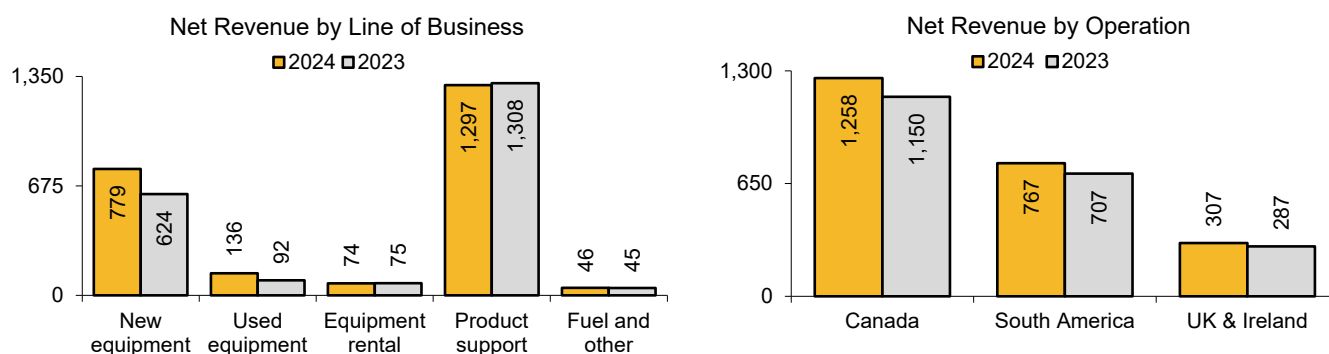
<sup>(2)</sup> Comparative results for 2023 have been restated for our adoption of the amendments to IAS 1, *Presentation of Financial Statements* effective for the financial year beginning January 1, 2024.



## First Quarter Results

### Revenue

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



Q1 2024 revenue was \$2.6 billion. Net revenue of \$2.3 billion in Q1 2024 was up 9% from Q1 2023, primarily driven by higher new and used equipment revenue in all of our regions.

Q1 2024 new equipment revenue was 25% higher than the same prior year period led by demand in all sectors in Canada, the mining sector in South America, and the power systems sector in UK & Ireland. Equipment backlog of \$2.0 billion at March 31, 2024 was maintained at December 31, 2023 levels.

Used equipment revenue in the first three months of 2024 was 48% higher than 2023, up in all of our regions reflecting the execution of our strategic initiatives.

Product support revenue in Q1 2024 was down slightly from the same prior year period, lower in Canada and the UK & Ireland, partially offset by higher product support revenue in South America.

### EBIT

Q1 2024 EBIT was \$14 million lower than Q1 2023 Adjusted EBIT and there was no foreign exchange impact as noted below.



Q1 2024 gross profit of \$615 million was 1% lower than the same period in the prior year. Overall gross profit as a percentage of net revenue of 26.4% in Q1 2024 was 260 basis points lower than Q1 2023, mainly due to a higher proportion of new equipment in the revenue mix (Q1 2024: 33% compared to Q1 2023: 29%) as well as lower gross profit as a percentage of net revenue in used equipment and rental.

SG&A in Q1 2024 of \$413 million was up 2% from the same period in the prior year on 9% higher net revenue, driven primarily by higher people-related and variable costs to support revenue growth. SG&A as a percentage of net revenue in Q1 2024 was 17.7%, lower than 19.0% in the same prior year period reflecting operating leverage of fixed costs on higher new equipment revenue and supported by strong cost control.

Q1 2024 EBIT and EBIT as a percentage of net revenue were \$202 million and 8.7%, respectively. Q1 2023 EBIT was \$239 million and EBIT as a percentage of net revenue was 11.2%. Excluding significant items described on page 5, Q1 2023 Adjusted EBIT and Adjusted EBIT as a percentage of net revenue were \$216 million and 10.1%, respectively. The decrease in Q1 2024 from the same prior year period was due to a higher proportion of new equipment sales in the revenue mix as well as lower profitability in used equipment and rental.

### Finance Costs

Finance costs in Q1 2024 of \$40 million were higher than the \$35 million in Q1 2023 primarily due to an increase in average net debt levels.

### Provision for Income Taxes

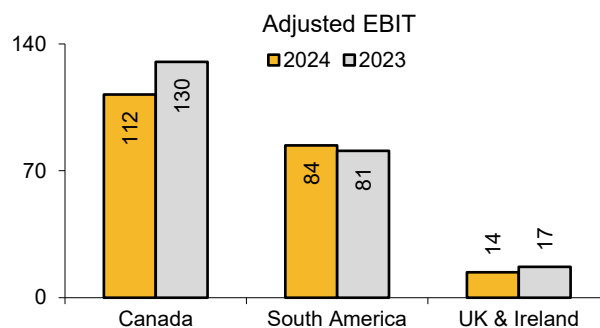
The effective income tax rate in Q1 2024 was 25.8% compared to 34.6% in Q1 2023. The effective income tax rate in Q1 2023 included the impact of various transactions undertaken to simplify and adjust our organizational structure, including withholding taxes related to the repatriation of profits from South America and the reclassification of tax expense on the foreign currency translation gain related to the wind up of foreign subsidiaries. Excluding these significant items, the effective income tax rate would have been 26.2% in Q1 2023, which is comparable to the effective tax rate of 25.8% in Q1 2024.

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

Q1 2024 net income attributable to shareholders of Finning was \$121 million compared to \$134 million in Q1 2023. Although lower than Q1 2023 EPS and Adjusted EPS of \$0.89, Q1 2024 EPS remained strong at \$0.84.

### Adjusted EBIT by Operation <sup>(1)</sup> 3 months ended March 31 (\$ millions)



(1) Excluding Other operations

## Selected Key Performance Measures – Balance Sheet

(\$ millions, unless otherwise stated)	March 31, 2024	December 31, 2023
<b>Invested capital</b>		
Consolidated	5,128	4,765
Canada	3,158	2,852
South America	1,461	1,381
UK & Ireland	504	510
<i>South America (USD)</i>	1,078	1,044
<i>UK &amp; Ireland (GBP)</i>	294	303
<b>Adjusted ROIC</b>		
Consolidated	19.1%	20.0%
Canada	17.6%	19.0%
South America	27.4%	27.6%
UK & Ireland	11.5%	12.3%
<b>Invested capital turnover (times)</b>		
Consolidated	2.00	2.03
Canada	1.79	1.83
South America	2.28	2.27
UK & Ireland	2.49	2.51
<b>Inventory turns (dealership) (times)</b>	2.34	2.45
<b>Working capital to net revenue <sup>(1)</sup></b>	29.0%	28.4%

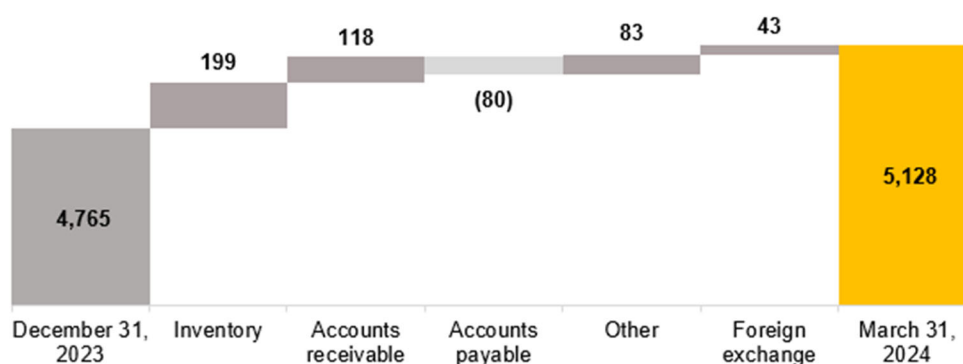
<sup>(1)</sup> Comparative results for 2023 have been restated for our adoption of the amendments to IAS 1, *Presentation of Financial Statements* effective for the financial year beginning January 1, 2024.

### Compared to December 31, 2023:

The \$363 million increase in consolidated invested capital from December 31, 2023 to March 31, 2024 includes a foreign exchange impact of \$43 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 weaker CAD relative to the USD as well as the GBP compared to December 31, 2023.

Excluding the impact of foreign exchange, consolidated invested capital increased by \$320 million from December 31, 2023 to March 31, 2024 reflecting:

- higher inventory, mainly due to an increase in new equipment in Canada to support demand;
- higher accounts receivable, primarily in Canada driven by an increase in demand and activity; and,
- partially offset by an increase in accounts payable in all of our regions for inventory and other suppliers.



On a consolidated basis, Adjusted ROIC of 19.1% at March 31, 2024 was 90 basis points lower than Adjusted ROIC at December 31, 2023. Consolidated invested capital turnover of 2.00 at March 31, 2024 was lower than 2.03 at December 31, 2023, down in Canada and the UK & Ireland, primarily due to higher average invested capital levels.

Inventory turns (dealership) at March 31, 2024 were lower than December 31, 2023, in South America and Canada, mainly due to higher inventory levels to deliver equipment backlog, partially offset by higher inventory turns (dealership) in UK & Ireland.

Working capital to net revenue was 29.0% at March 31, 2024, up from 28.4% at December 31, 2023 due to higher average working capital balances, including an investment in inventory, which outpaced net revenue growth over the last twelve months.

## 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.

<b>3 months ended March 31, 2024</b>	<b>South</b>				<b>UK</b>	<b>Net Revenue</b>	
<b>(\$ millions)</b>	<b>Canada</b>	<b>America</b>	<b>&amp; Ireland</b>	<b>Other</b>	<b>Consol</b>	<b>% <sup>(1)</sup></b>	
New equipment	392	232	155	—	779	33%	
Used equipment	87	13	36	—	136	6%	
Equipment rental	47	17	10	—	74	3%	
Product support	686	505	106	—	1,297	56%	
Fuel and other	46	—	—	—	46	2%	
Net revenue	1,258	767	307	—	2,332	100%	
Operating costs	(1,089)	(652)	(283)	(7)	(2,031)		
Depreciation and amortization	(57)	(31)	(10)	(1)	(99)		
EBIT	112	84	14	(8)	202		
Net revenue percentage by operation	54%	33%	13%	—	100%		
<i>EBIT as a % of net revenue</i>	<i>8.9%</i>	<i>11.0%</i>	<i>4.5%</i>		<i>8.7%</i>		

<b>3 months ended March 31, 2023</b>	<b>South</b>				<b>UK</b>	<b>Net Revenue</b>	
<b>(\$ millions)</b>	<b>Canada</b>	<b>America</b>	<b>&amp; Ireland</b>	<b>Other</b>	<b>Consol</b>	<b>%</b>	
New equipment	281	194	149	—	624	29%	
Used equipment	64	11	17	—	92	4%	
Equipment rental	47	17	11	—	75	4%	
Product support	713	485	110	—	1,308	61%	
Fuel and other	45	—	—	—	45	2%	
Net revenue	1,150	707	287	—	2,144	100%	
Operating costs	(971)	(595)	(260)	(11)	(1,837)		
Depreciation and amortization	(50)	(31)	(10)	(1)	(92)		
Equity earnings of joint ventures	1	—	—	—	1		
Other income	—	—	—	41	41		
Other expenses	(4)	(7)	(2)	(5)	(18)		
EBIT	126	74	15	24	239		
Net revenue percentage by operation	54%	33%	13%	—	100%		
Adjusted EBIT	130	81	17	(12)	216		
<i>EBIT as a % of net revenue</i>	<i>11.0%</i>	<i>10.5%</i>	<i>5.1%</i>		<i>11.2%</i>		
<i>Adjusted EBIT as a % of net revenue</i>	<i>11.3%</i>	<i>11.5%</i>	<i>5.7%</i>		<i>10.1%</i>		

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

## Canada Operations

### First Quarter Overview

Q1 2024 net revenue was 9% higher than Q1 2023, driven by higher new and used equipment revenue in all market sectors partially offset by lower product support revenue.

Q1 2024 new equipment revenue was 39% higher than Q1 2023, with strong volumes in all market sectors.

Used equipment revenue increased by 37% driven by conversions of rental equipment with purchase options to sales, and stronger volumes across retail and wholesale channels from our increased participation in used equipment markets.

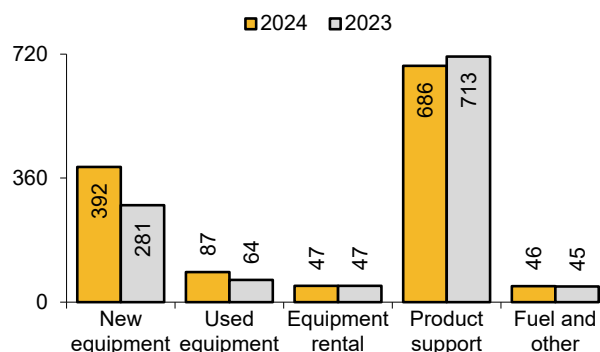
Product support revenue in Q1 2024 was down 4% compared to the same prior year period. The completion of major projects impacted construction customer activity levels, and challenging operating conditions also reduced equipment utilization hours in most sectors.

Gross profit and gross profit as a percentage of net revenue in Q1 2024 decreased from the same prior year period primarily due to the higher proportion of new equipment in the revenue mix (Q1 2024: 31% compared with Q1 2023: 24%).

Q1 2024 SG&A was up from the comparable prior year period primarily due to higher people-related and variable costs to support equipment volume growth. Q1 2024 SG&A as a percentage of net revenue was lower than the same prior year period due to operating leverage of fixed costs on higher new equipment revenue.

Excluding significant items in 2023 not considered by management to be indicative of operational and financial trends described on page 5, Q1 2023 Adjusted EBIT was \$130 million. Q1 2024 EBIT of \$112 million was 14% lower than Q1 2023 Adjusted EBIT. Q1 2024 EBIT as a percentage of net revenue of 8.9% was lower than Q1 2023 Adjusted EBIT as a percentage of net revenue of 11.3%, primarily due to a higher proportion of new equipment sales in the revenue mix.

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



## South America Operations

The slightly stronger CAD relative to the USD on average in Q1 2024 compared to Q1 2023 did not have a significant foreign currency translation impact on Q1 2024 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 South American operations, which is the USD. These variances and ratios exclude the foreign currency translation impact from the CAD relative to the USD and are therefore considered to be specified financial measures. We believe the variances and ratios in functional currency provide meaningful information about the operational performance of the reporting segment.

### First Quarter Overview

Q1 2024 net revenue was 9% higher than Q1 2023, mainly driven by higher net revenue in new equipment and product support.

New equipment revenue in Q1 2024 was 20% higher than the same prior year period, up in the mining and power systems sectors partially offset by lower activity in the construction sector.

Product support revenue in Q1 2024 increased 4% from Q1 2023, up in all market sectors with increased activity in the power systems and mining sectors as well as demand for rebuilds in the construction sector. Parts sales were up 7% and were partially offset by lower service revenue due to a weaker **CLP** relative to the USD in Q1 2024 compared to Q1 2023.

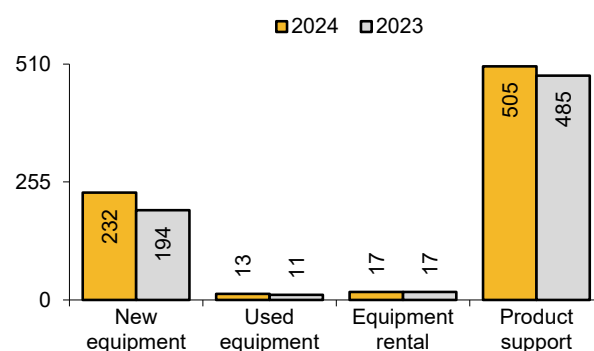
Gross profit in Q1 2024 was comparable to the same period in the prior year. Gross profit as a percentage of net revenue in Q1 2024 was lower than Q1 2023 due to lower product support and new equipment margins and a higher proportion of new equipment sales in the revenue mix (Q1 2024: 30% compared with Q1 2023: 27%).

Q1 2024 SG&A was down from Q1 2023 and included the favourable foreign currency translation impact on SG&A from the devaluation of the CLP relative to the USD in Q1 2024 compared to the same prior year period. Q1 2024 SG&A as a percentage of net revenue was lower than Q1 2023, mainly due to improved operating leverage on strong revenue growth.

In Argentina, during the quarter, we completed a series of transactions to reduce our December 31, 2023 **ARS** cash balance to zero and received support from our key suppliers. These transactions allowed us to access USD in order to pay certain liabilities. We reduced our risk levels and were able to return to profitability in the quarter, which was earlier than anticipated.

Excluding significant items in 2023 not considered by management to be indicative of operational and financial trends described on page 5, Q1 2023 Adjusted EBIT was \$81 million. Q1 2024 EBIT improved 3% from Q1 2023 Adjusted EBIT. Q1 2024 EBIT as a percentage of net revenue of 11.0% was down from Q1 2023 Adjusted EBIT as a percentage of net revenue of 11.5%, due to a higher proportion of low margin mining equipment sales in the revenue mix.

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



## UK & Ireland Operations

The weaker CAD relative to the GBP on average in Q1 2024 compared to Q1 2023 had a favourable foreign currency translation impact on Q1 2024 net revenue of approximately \$10 million and did not have a significant impact 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 UK & Ireland operations, which is the GBP. These variances and ratios exclude the foreign currency translation impact from the CAD relative to the GBP and are therefore considered to be specified financial measures. We believe the variances and ratios in functional currency provide meaningful information about the operational performance of the reporting segment.

### First Quarter Overview

Q1 2024 net revenue was up 3% from Q1 2023. The increase in Q1 2024 was primarily due to higher used equipment revenue partially offset by lower product support revenue.

Used equipment revenue was nearly double the same prior year period, reflecting the execution of our strategy, mainly from increased volumes in the construction sector.

New equipment revenue in Q1 2024 was comparable to Q1 2023 with higher power systems project deliveries partially offset by lower volumes in the construction sector due to soft market conditions.

Q1 2024 product support revenue decreased 7% from the same prior year period, due to lower customer activity levels and reduced machine utilization hours.

Gross profit in Q1 2024 and overall gross profit as a percentage of net revenue in Q1 2024 were down from Q1 2023 due to a lower proportion of product support in the revenue mix (Q1 2024: 34% compared with Q1 2023: 38%).

SG&A in Q1 2024 was comparable to the prior year period and Q1 2024 SG&A as a percentage of net revenue was down slightly from Q1 2023, reflecting improved operating leverage on revenue growth.

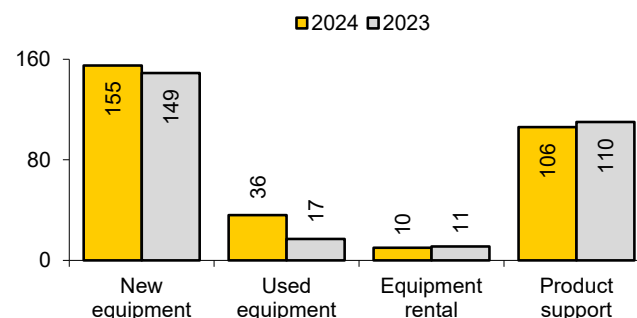
Excluding significant items in 2023 not considered by management to be indicative of operational and financial trends described on page 5, Q1 2023 Adjusted EBIT was \$17 million and Adjusted EBIT as a percentage of net revenue was 5.7%. Q1 2024 EBIT of \$14 million and EBIT as a percentage of net revenue of 4.5% were lower than the same prior year period, primarily due to the lower proportion of product support in the revenue mix and continued inflationary cost pressures.

### Other Operations

Our Other operations includes corporate operating costs.

Excluding significant items in 2023 not considered indicative of operational and financial trends as described on page 5, Adjusted EBIT in Q1 2023 was a loss of \$12 million. Q1 2024 EBIT was a loss of \$8 million, an improvement from Adjusted EBIT in the same prior year period, mainly due to lower people-related costs and professional fees.

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





## Market Update and Business Outlook

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

### Canada Operations

Our outlook for Western Canada is positive. While the completion of major pipelines has slowed some construction activities in the near-term, it creates additional capacity to move heavy oil and liquefied natural gas to end markets, and we expect to see increased activity in the energy sector and production growth going forward. Our mining and energy customers are expected to increase spending levels, including investment to renew, maintain, and rebuild aging fleets. In April, we received an order from an oil sands operator for ultra-class trucks for delivery beginning in Q3 2024. Based on customer commitments and discussions, we anticipate strong demand for product support, including component remanufacturing and rebuilds in the oil sands.

We expect ongoing commitments from federal and provincial governments for infrastructure development to support activity in the construction sector. In addition, growing demand for reliable, efficient, and sustainable electric power solutions across communities in Western Canada creates opportunities for our power systems business.

### South America Operations

In Chile, our strong outlook is underpinned by growing global demand for copper, strengthening copper prices, the approvals of large-scale brownfield expansions, and increasing customer confidence to invest in brownfield and greenfield projects. We are seeing a broad-based increase in quoting, tender, and award activity for mining equipment, product support, and technology solutions. In April, we received significant equipment orders from our mining customers totaling \$550 million, including a large truck order from an existing global customer framework agreement and a large order from **Codelco** for ultra-class trucks and ancillary equipment to be delivered to multiple mines and supported under a 10-year maintenance and repair contract. The new Codelco equipment order is valued at \$380 million. We expect to start delivering these orders in Q3 2024.

In the Chilean construction sector, we continue to see healthy demand from large contractors supporting mining operations, and we expect infrastructure construction to remain stable. In the power systems sector, activity remains strong in the industrial and data centre markets, driving growing demand for electric power solutions.

Weaker CLP relative to the USD is expected to continue impacting service growth rates in 2024, while also supporting lower SG&A.

In Argentina, steps are being taken by the new government to address the fiscal imbalances in the country with the goal of ultimately stabilizing inflation and opening the economy for free import and export of goods in the long-term. However, devaluing the currency, containing public spending, reducing subsidies, and lowering spending on public works are driving continued challenging market and operating conditions. We are actively monitoring the new rules and policies to ensure access to hedging is maintained. While we see pockets of strong activity, especially in the oil & gas sector, we are taking a low-risk approach in Argentina in 2024.

### UK & Ireland Operations

With low **GDP** growth projected in the UK in 2024, we expect demand in the construction sector to remain soft. We expect a growing contribution from used equipment and power systems as we continue to execute on our strategy. In power systems, quoting activity remains strong, driven by healthy demand for primary and backup power generation, particularly in the data centre market. We expect our product support business in the UK & Ireland to remain resilient, driven by growth in rebuilds and Customer Value Agreements.

### Execution Focus

We remain committed to growing our business in 2024 while building more resilience into our operating model and progressing towards our Investor Day targets. We anticipate the execution of our strategy will have an increasing impact through this year, with improving product support growth rates and substantial free cash flow generation.



## Liquidity and Capital Resources

We assess liquidity in terms of our ability to generate sufficient cash flow, along with other sources of liquidity including cash and borrowings, to fund operations and growth. Liquidity is affected by operating, investing, and financing activities.

Cash flows provided by (used in) each of these activities and free cash flow were as follows:

<b>3 months ended March 31</b>		
<b>(\$ millions)</b>	<b>2024</b>	<b>2023</b>
Operating activities	(177)	(166)
Investing activities	(6)	(81)
Financing activities	230	88
Operating activities	(177)	(166)
Additions to property, plant, and equipment and intangible assets	(37)	(79)
Proceeds on disposal of property, plant, and equipment	4	—
Free cash flow	(210)	(245)

The most significant contributors to the changes in cash flows for 2024 over 2023 were as follows (all events described below occurred in the current quarter, unless otherwise stated):

Free cash flow use	<ul style="list-style-type: none"> <li>• lower payroll and other supplier payments, mainly in South America; and,</li> <li>• lower spend on capital, primarily in South America and Canada, and on rental equipment in South America;</li> <li>• partially offset by higher payments for inventory in Canada and South America</li> </ul>
Investing activities (excluding net spend on property, plant, and equipment)	<ul style="list-style-type: none"> <li>• \$27 million decrease in short-term investments in South America</li> </ul>
Financing activities	<ul style="list-style-type: none"> <li>• \$145 million lower cash provided by short-term debt;</li> <li>• partially offset by \$292 million higher cash provided by long-term borrowings</li> </ul>

## Capital Resources and Management

Our cash and cash equivalents balance at March 31, 2024 was \$215 million (December 31, 2023: \$152 million). In February 2024, we issued \$425 million of 4.778% senior unsecured notes due February 13, 2029 and in January 2024, we settled USD 100 million of 4.08% notes which were due on January 19, 2024. At March 31, 2024, to complement internally generated funds from operating and investing activities, we had approximately \$2.9 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 2024. At March 31, 2024, \$464 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 March 31, 2024.

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 <sup>(1)</sup> by both **DBRS** and **S&P**:

	Long-term debt		Short-term debt	
	Mar 31, 2024	Dec 31, 2023	Mar 31, 2024	Dec 31, 2023
DBRS	BBB (high)	BBB (high)	R-2 (high)	R-2 (high)
S&P	BBB+	BBB+	n/a	n/a

In April 2024, 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 which was confirmed in February 2024.

During the three months ended March 31, 2024, we repurchased 1,600,000 common shares for cancellation for \$58 million, at an average cost of \$36.33 per share, through our **NCIB** <sup>(2)</sup>. During the three months ended March 31, 2023, we repurchased 1,500,000 common shares for cancellation for \$52 million, at an average cost of \$34.35 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 March 31, 2024, we recorded an estimated obligation of \$22 million for the repurchase of shares from April 1, 2024 to May 7, 2024, under this automatic share purchase plan. We are renewing our NCIB for a further year effective May 13, 2024 and will implement an automatic share purchase plan with a designated broker in connection with the renewed NCIB.

## Net Debt to Adjusted EBITDA

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

	Finning long-term target	Mar 31, 2024	Dec 31, 2023
Net debt to Adjusted EBITDA (times)	< 3.0	1.9	1.7

<sup>(1)</sup> 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.

<sup>(2)</sup> 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

Effective January 1, 2024, we adopted the amendments to IAS 1, *Presentation of Financial Statements* which resulted in the restatement of the 2023 comparative results for current liabilities and non-current liabilities. No other recent amendments to accounting standards had an impact on our financial statements. For more details on amendments to IFRS that were effective January 1, 2024, 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	March 31			December 31		3 months ended March 31 – average		
	2024	2023	Change	2023	Change	2024	2023	Change
USD/CAD	<b>1.3550</b>	1.3533	(0)%	1.3226	(2)%	<b>1.3486</b>	1.3525	0%
GBP/CAD	<b>1.7114</b>	1.6726	(2)%	1.6837	(2)%	<b>1.7101</b>	1.6440	(4)%
USD/CLP	<b>981.71</b>	790.41	(24)%	877.12	(12)%	<b>945.99</b>	810.47	(17)%
USD/ARS	<b>858.00</b>	209.01	(311)%	808.45	(6)%	<b>833.74</b>	192.53	(333)%

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

April 30, 2024	
Common shares outstanding	142,174,863
Options outstanding	1,138,450

## Controls and Procedures Certification

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### Disclosure Controls and Procedures

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

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

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

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

### Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of our internal controls over financial reporting during the three months ended March 31, 2024 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

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### **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 21 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:

- On December 13, 2023, the newly-elected Argentine government devalued the ARS official exchange rate by 118% from 366.5 ARS to 800 ARS for USD 1. As a result of prolonged government currency restrictions, including no material access to USD starting in late August 2023, our ARS exposure increased and during this period economic hedges were not available. As a result of the growth in our ARS exposure and the significant devaluation of the ARS in the fourth quarter, our South American operations incurred a foreign exchange loss of \$56 million which exceeds the typical foreign exchange impact in the region.
- We began to implement our invested capital improvement plan as outlined at our 2023 Investor Day, which targets selling and optimizing real estate and exiting low-ROIC activities. In Q4 2023:
  - Our South American operations sold a property in Chile and recorded a gain of \$13 million on the sale; and,
  - Following an evaluation of the business needs of our operations and related intangible assets, several software and technology assets have been or will be decommissioned, and as a result, we derecognized previously capitalized costs of \$12 million.
- 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.

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

3 months ended (\$ millions)	2024				2023				2022				2021			
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	202	177	252	242	239	214	224	190	140	157	150	137				
Significant items:																
Foreign exchange and tax impact of devaluation of ARS	—	56	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Gain on sale of property, plant, and equipment	—	(13)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Write-off of intangible assets	—	12	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Gain on wind up of foreign subsidiaries	—	—	—	—	(41)	—	—	—	—	—	—	—	—	—	—	—
Severance costs	—	—	—	—	18	—	—	—	—	—	—	—	—	—	—	—
Adjusted EBIT	202	232	252	242	216	214	224	190	140	157	150	137				
Depreciation and amortization	99	99	94	94	92	87	84	81	81	84	80	78				
Adjusted EBITDA <sup>(1)</sup>	301	331	346	336	308	301	308	271	221	241	230	215				

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

The income tax impact of the significant items was as follows:

3 months ended (\$ millions)	2024				2023				2022
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Significant items:									
Foreign exchange and tax impact of devaluation of ARS	—	(3)	—	—	—	—	—	—	—
Gain on sale of property, plant, and equipment	—	4	—	—	—	—	—	—	—
Write-off of intangible assets	—	(3)	—	—	—	—	—	—	—
Gain on wind up of foreign subsidiaries	—	—	—	—	9	—	—	—	—
Severance costs	—	—	—	—	(5)	—	—	—	—
Withholding tax on repatriation of profits	—	—	—	—	19	—	—	—	—
(Recovery of) provision for income taxes on the significant items	—	(2)	—	—	23	—	—	—	—

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

3 months ended (\$)	2024				2023				2022
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
EPS <sup>(1)</sup>	0.84	0.59	1.07	1.00	0.89	0.89	0.97	0.80	0.59
Significant items:									
Foreign exchange and tax impact of devaluation of ARS	—	0.37	—	—	—	—	—	—	—
Gain on sale of property, plant, and equipment	—	(0.06)	—	—	—	—	—	—	—
Write-off of intangible assets	—	0.06	—	—	—	—	—	—	—
Gain on wind up of foreign subsidiaries	—	—	—	—	(0.21)	—	—	—	—
Severance costs	—	—	—	—	0.09	—	—	—	—
Withholding tax on repatriation of profits	—	—	—	—	0.12	—	—	—	—
Adjusted EPS	0.84	0.96	1.07	1.00	0.89	0.89	0.97	0.80	0.59

<sup>(1)</sup> 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)	2024				2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
EBIT	112	117	137	136	126	128	125	102	80	92	84	82	82
Significant items:													
Write-off of intangible assets	—	5	—	—	—	—	—	—	—	—	—	—	—
Severance costs	—	—	—	—	4	—	—	—	—	—	—	—	—
Adjusted EBIT	112	122	137	136	130	128	125	102	80	92	84	82	82

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

3 months ended (\$ millions)	2024				2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	
EBIT	84	55	104	104	74	96	85	64	65	59	58	51	
Significant items:													
Foreign exchange and tax impact of devaluation of ARS	—	56	—	—	—	—	—	—	—	—	—	—	
Gain on sale of property, plant, and equipment	—	(13)	—	—	—	—	—	—	—	—	—	—	
Write-off of intangible assets	—	4	—	—	—	—	—	—	—	—	—	—	
Severance costs	—	—	—	—	7	—	—	—	—	—	—	—	
Adjusted EBIT	84	102	104	104	81	96	85	64	65	59	58	51	

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

3 months ended (\$ millions)	2024				2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	
EBIT	14	6	19	18	15	16	21	23	14	12	17	17	
Significant items:													
Write-off of intangible assets	—	3	—	—	—	—	—	—	—	—	—	—	
Severance costs	—	—	—	—	2	—	—	—	—	—	—	—	
Adjusted EBIT	14	9	19	18	17	16	21	23	14	12	17	17	

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

3 months ended (\$ millions)	2024				2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	
EBIT	(8)	(1)	(8)	(16)	24	(26)	(7)	1	(19)	(6)	(9)	(13)	
Significant items:													
Gain on wind up of foreign subsidiaries	—	—	—	—	(41)	—	—	—	—	—	—	—	
Severance costs	—	—	—	—	5	—	—	—	—	—	—	—	
Adjusted EBIT	(8)	(1)	(8)	(16)	(12)	(26)	(7)	1	(19)	(6)	(9)	(13)	

### 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 (\$ millions)	2024				2023				2022	
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Mar 31
Cash flow (used in) provided by operating activities	(177)	291	37	66	(166)	410	(24)	(112)	(273)	
Additions to property, plant, and equipment and intangible assets	(37)	(51)	(50)	(40)	(79)	(78)	(33)	(30)	(30)	
Proceeds on disposal of property, plant, and equipment	4	40	13	5	—	—	—	—	—	
Free cash flow	(210)	280	—	31	(245)	332	(57)	(142)	(303)	

## 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 inventory related to the mobile refuelling operations), 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 (\$ millions)	2024				2023				2022		2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	
Cost of sales	1,969	2,024	2,044	2,125	1,758	2,025	1,807	1,761	1,463	1,465	
Cost of sales related to the mobile refuelling operations	(269)	(278)	(283)	(237)	(253)	(302)	(293)	(300)	(231)	(190)	
Cost of sales related to the dealership <sup>(1)</sup>	1,700	1,746	1,761	1,888	1,505	1,723	1,514	1,461	1,232	1,275	

(\$ millions)	2024				2023				2022		2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	
Inventory	3,073	2,844	2,919	2,764	2,710	2,461	2,526	2,228	2,101	1,687	
Inventory related to the mobile refuelling operations	(9)	(12)	(17)	(14)	(12)	(12)	(12)	(13)	(11)	(9)	
Inventory related to the dealership <sup>(1)</sup>	3,064	2,832	2,902	2,750	2,698	2,449	2,514	2,215	2,090	1,678	

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

## 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:

(\$ millions)	2024				2023				2022				2021
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	
Cash and cash equivalents	(215)	(152)	(168)	(74)	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)	
Short-term debt	1,322	1,239	1,372	1,142	1,266	1,068	1,087	992	804	374	419	114	
Long-term debt													
Current	68	199	203	199	253	114	106	110	63	190	191	386	
Non-current	1,379	949	955	949	675	815	836	807	909	921	923	903	
Net debt <sup>(1)</sup>	2,554	2,235	2,362	2,216	2,065	1,709	1,909	1,739	1,481	983	1,015	1,025	
Total equity	2,574	2,530	2,535	2,414	2,480	2,461	2,449	2,337	2,296	2,343	2,320	2,252	
Invested capital	5,128	4,765	4,897	4,630	4,545	4,170	4,358	4,076	3,777	3,326	3,335	3,277	

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

## 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 at the reporting date 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 (\$ millions)	2024				2023				2022				2021	
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Jun 30
Total revenue	<b>2,584</b>	2,664	2,704	2,779	2,380	2,653	2,384	2,289	1,953	1,949	1,904	1,845		
Cost of fuel	<b>(252)</b>	(261)	(267)	(220)	(236)	(285)	(277)	(285)	(217)	(175)	(156)	(140)		
Net revenue	<b>2,332</b>	2,403	2,437	2,559	2,144	2,368	2,107	2,004	1,736	1,774	1,748	1,705		

**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:

(\$ millions)	2024				2023				2022				2021	
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Jun 30
Total current assets	<b>5,432</b>	4,930	5,217	4,985	4,974	4,781	4,652	4,098	4,030	3,619	3,620	3,416		
Cash and cash equivalents	<b>(215)</b>	(152)	(168)	(74)	(129)	(288)	(120)	(170)	(295)	(502)	(518)	(378)		
Total current assets in working capital	<b>5,217</b>	4,778	5,049	4,911	4,845	4,493	4,532	3,928	3,735	3,117	3,102	3,038		
Total current liabilities <sup>(1)</sup>	<b>3,561</b>	3,516	3,722	3,600	3,788	3,401	3,196	2,789	2,647	2,155	2,156	1,942		
Short-term debt	<b>(1,322)</b>	(1,239)	(1,372)	(1,142)	(1,266)	(1,068)	(1,087)	(992)	(804)	(374)	(419)	(114)		
Current portion of long-term debt	<b>(68)</b>	(199)	(203)	(199)	(253)	(114)	(106)	(110)	(63)	(190)	(191)	(386)		
Total current liabilities in working capital <sup>(1)</sup>	<b>2,171</b>	2,078	2,147	2,259	2,269	2,219	2,003	1,687	1,780	1,591	1,546	1,442		
Working capital <sup>(1)(2)</sup>	<b>3,046</b>	2,700	2,902	2,652	2,576	2,274	2,529	2,241	1,955	1,526	1,556	1,596		

<sup>(1)</sup> Comparative results for 2023 have been restated for our adoption of the amendments to IAS 1, *Presentation of Financial Statements* effective for the financial year beginning January 1, 2024.

<sup>(2)</sup> 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)	2024			2023			2022	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Canada	1,510	1,515	1,535	1,593	1,386	1,452	1,349	1,298
South America	767	805	853	856	707	840	692	637
UK & Ireland	307	344	316	330	287	361	343	354
Total revenue	2,584	2,664	2,704	2,779	2,380	2,653	2,384	2,289
Net income attributable to shareholders of Finning <sup>(1)</sup>	121	85	156	148	134	136	149	126
Earnings per share <sup>(1)</sup>								
EPS	0.84	0.59	1.07	1.00	0.89	0.89	0.97	0.80
Diluted earnings per share	0.84	0.59	1.06	1.00	0.89	0.89	0.97	0.80
Total assets	8,059	7,557	7,738	7,508	7,512	7,269	7,024	6,470
Long-term debt								
Current	68	199	203	199	253	114	106	110
Non-current	1,379	949	955	949	675	815	836	807
Total long-term debt <sup>(2)</sup>	1,447	1,148	1,158	1,148	928	929	942	917
Cash dividends paid per common share	25.0¢	25.0¢	25.0¢	25.0¢	23.6¢	23.6¢	23.6¢	23.6¢
Common shares outstanding (000's)	142,407	144,007	145,256	146,704	149,584	151,041	153,248	154,272
Options outstanding (000's)	1,150	1,150	1,191	1,240	1,281	1,567	1,796	1,789

<sup>(1)</sup> These reported financial measures in Q4 and 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 20 - 22 of this MD&A.

<sup>(2)</sup> In February 2024, we issued \$425 million of 4.778% senior unsecured notes due February 13, 2029.

In January 2024, we settled USD 100 million of 4.08% notes which were due January 19, 2024.

In October 2022, we secured an additional \$300 million committed revolving credit facility which was previously set to mature in October 2023 and has been extended to October 2024.

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

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

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

In April 2022, we settled USD 50 million of 4.18% notes which were due April 3, 2022.

## Forward-Looking Information Disclaimer

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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 expectations with respect to the economy, markets and activities and the associated impact on our financial results; the expected benefits of our refreshed strategic plan on generating long-term value for our customers, employees, and shareholders; our expectation that driving product support is our largest opportunity for resilient, profitable growth; our expectation that further growth in customer value agreements, expanding our rebuild business, and continuing to strategically grow our equipment population will capture a greater share of product support across the full asset life cycle; our belief that full cycle resilience will enable us to deliver more reliable and consistent earnings through all market conditions; our expectation that we will continue to optimize and variabilize our cost structure; our expectation that growing our addressable market in used equipment, rental and power systems will increase our equipment population and help us drive additional product support growth; our expectation that we will continue to work towards meeting our commitment to reduce our absolute GHG emissions by 40% by 2027 from our 2017 baseline; our expectation that we will continue to provide customers with equipment and solutions to improve safety and enhance performance by combining leading technology with data driven insights, while reducing their environmental footprint; 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; our ability to execute on our strategic priorities; all information in the section entitled "Market Update and Business Outlook" starting on page 14 of this MD&A, including for our Canada operations: our outlook for Western Canada being positive; our expectation for increased activity in the energy sector and production growth going forward (based on assumptions of additional capacity created by the completion of major pipelines); our expectations for mining and energy customers increasing their spending levels including investment to renew, maintain, and rebuild aging fleets; our expectation for strong demand for product support, including component remanufacturing and rebuilds in the oil sands (based on customer commitments and discussions); our expectation to deliver ultra-class trucks to an oil sands operator beginning in Q3 2024; our expectation regarding ongoing commitments from federal and provincial governments for infrastructure development to support activity in the construction sector; our expectations of strong demand for electric power solutions across communities in Western Canada, and that strong demand creates opportunities for our power systems business; for our South America operations: in Chile, our strong outlook based on growing global demand for copper, strengthening copper price, approvals of large-scale brownfield expansions and increasing customer confidence to invest in brownfield and greenfield projects; our expectations related to significant equipment orders received from mining customers in April, including, with respect to Codelco, the expectation for deliveries to begin Q3 2024 and the related 10-year maintenance and repair contract; our expectation for weaker CLP relative to the USD to continue impacting service growth rates in 2024, while also supporting lower SG&A; our expectation that infrastructure construction in Chile will remain stable (based on assumptions of continued healthy demand from large contractors supporting mining operations); in the power systems sector, our expectation regarding growing demand for electric power solutions from strong activity in the industrial and data centre markets; in Argentina, our expected low-risk approach in Argentina in 2024; our expectation that steps are being taken by the new government to address the fiscal imbalances in the country with the goal of ultimately stabilizing inflation and opening the economy for free import and export of goods in the long-term; our expectation that devaluing the currency, containing public spending, reducing subsidies, and lowering spending on public works are driving continued challenging market and operating conditions; continued monitoring of new rules and policies to ensure hedging is maintained; our expectation that there will be pockets of strong activity, especially in the oil & gas sector; for our UK & Ireland operations: our expectation for demand in the construction sector to remain soft; our expectation of a growing contribution from used equipment and power systems as we continue to execute on our strategy; in power systems, our expectation of continued strong quoting activity (based on assumptions of healthy demand for primary and backup power generation, particularly in the data centre market); our expectation of our product support business to remain resilient, driven by growth in rebuilds and Customer Value Agreements; and overall: our expectation of growing our business in 2024 and building more resilience into our operating model; our expectations and progress towards our Investor Day targets; our expectation that the execution of our strategy will result in increasing impact throughout the year, with improving product support growth rates and substantial free cash flow generation; our expectation 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); and the expected renewal of our NCIB and the implementation of the automatic share purchase plan in connection with the NCIB.

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, and supply chain challenges; general economic and market conditions, including increasing inflationary cost pressure, and economic and market conditions in the regions where we operate; perspectives of renewed investments in the oil and gas and mining projects in Argentina; government approvals of large-scale brownfield expansions; support and commitment by Canadian federal and provincial governments in infrastructure development; 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 dependence on the continued market acceptance of our products, and the timely supply of parts and equipment; our ability to continue to 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, and supply chain challenges, 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, including our strategic priorities as outlined at our 2023 Investor Day; that we will successfully execute initiatives to reduce our GHG emissions and to support our customers on their individual GHG reduction pathways; 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; that we will have the funds for share repurchases under the NCIB; consistent and stable legislation in the various countries in which we operate; no disruptive changes in the technology environment; our current good relationships with our customers and our suppliers, service providers and other third parties will be maintained and that such suppliers will deliver quality, competitive products with supply chain continuity; sustainment of strengthened oil prices; completion of major pipelines and the resulting increased activity in the energy sector; that demand for sustainable electric power solutions in Western Canada will continue to grow; 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

<b>AIF</b>	Annual Information Form
<b>Annual Financial Statements</b>	Annual consolidated financial statements
<b>ARS</b>	Argentine peso
<b>Audit Committee</b>	Audit Committee of the Board of Directors of Finning
<b>Board</b>	Board of Directors of Finning
<b>CAD</b>	Canadian dollar
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CLP</b>	Chilean peso
<b>Codelco</b>	National Copper Corporation of Chile (Corporacion Nacional del Cobre de Chile)
<b>Consol</b>	Consolidated
<b>DBRS</b>	Dominion Bond Rating Service
<b>EBIT</b>	Earnings (loss) before finance costs and income tax
<b>EBITDA</b>	Earnings (loss) before finance costs, income tax, depreciation, and amortization
<b>EPS</b>	Basic earnings per share
<b>ERM</b>	Enterprise risk management
<b>fav</b>	Favourable
<b>Finning</b>	Finning International Inc.
<b>GAAP</b>	Generally accepted accounting principles
<b>GAAP financial measures</b>	A financial measure determined in accordance with GAAP
<b>GBP</b>	UK pound sterling
<b>GDP</b>	Gross domestic product
<b>GHG</b>	Greenhouse gas
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards
<b>Interim Financial Statements</b>	Condensed interim consolidated financial statements
<b>KPI</b>	Key performance indicator
<b>MD&amp;A</b>	Management's Discussion and Analysis
<b>n/a</b>	not applicable
<b>NCIB</b>	Normal course issuer bid
<b>ROIC</b>	Return on invested capital
<b>S&amp;P</b>	Standard and Poor's
<b>SEDAR+</b>	System for Electronic Document Analysis +
<b>SG&amp;A</b>	Selling, general, and administrative costs
<b>Specified Financial Measures</b>	As defined in National Instruments 52-112
<b>UK</b>	United Kingdom
<b>unfav</b>	Unfavourable
<b>US</b>	United States of America
<b>USD</b>	US dollar

## UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2024	December 31, 2023	January 1, 2023
(Canadian \$ millions)	(Restated - Note 1a)		(Restated - Note 1a)
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	215	152	288
Accounts receivable	1,141	1,012	1,129
Unbilled receivables	494	496	422
Inventory (Note 8)	3,073	2,844	2,461
Other assets	509	426	481
Total current assets	5,432	4,930	4,781
Property, plant, and equipment	1,010	976	973
Rental equipment	594	608	469
Goodwill	331	329	325
Intangible assets	294	309	333
Net post-employment assets	107	109	98
Distribution network	100	100	100
Investment in joint ventures	87	87	83
Other assets	104	109	107
Total assets	8,059	7,557	7,269
<b>LIABILITIES</b>			
Current liabilities			
Short-term debt	1,322	1,239	1,068
Accounts payable and accruals (Note 1a)	1,396	1,299	1,337
Deferred revenue	524	507	544
Current portion of long-term debt	68	199	114
Other liabilities (Note 1a)	251	272	362
Total current liabilities	3,561	3,516	3,425
Long-term debt (Note 5)	1,379	949	815
Long-term lease liabilities	247	235	255
Deferred tax liabilities	152	160	153
Other liabilities (Note 1a)	146	167	160
Total liabilities	5,485	5,027	4,808
<b>EQUITY</b>			
Share capital	508	516	536
Accumulated other comprehensive income	256	220	273
Retained earnings	1,795	1,778	1,634
Equity attributable to shareholders of Finning International Inc.	2,559	2,514	2,443
Non-controlling interests	15	16	18
Total equity	2,574	2,530	2,461
Total liabilities and equity	8,059	7,557	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 March 31 (Canadian \$ millions, except per share amounts)	2024	2023
Revenue		
New equipment	779	624
Used equipment	136	92
Equipment rental	74	75
Product support	1,297	1,308
Fuel and other	298	281
<b>Total revenue</b>	<b>2,584</b>	<b>2,380</b>
<b>Cost of sales</b>	<b>(1,969)</b>	<b>(1,758)</b>
<b>Gross profit</b>	<b>615</b>	<b>622</b>
Selling, general, and administrative expenses	(413)	(407)
Equity earnings of joint ventures	—	1
Other income (Note 4)	—	41
Other expense (Note 4)	—	(18)
<b>Earnings before finance costs and income taxes</b>	<b>202</b>	<b>239</b>
<b>Finance costs (Note 5)</b>	<b>(40)</b>	<b>(35)</b>
<b>Income before provision for income taxes</b>	<b>162</b>	<b>204</b>
<b>Provision for income taxes (Note 6)</b>	<b>(42)</b>	<b>(71)</b>
<b>Net income</b>	<b>120</b>	<b>133</b>
Net income (loss) attributable to:		
Shareholders of Finning International Inc.	121	134
Non-controlling interests	(1)	(1)
Earnings per share (Note 3)		
Basic	0.84	0.89
Diluted	0.84	0.89

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

## UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

3 months ended March 31 (Canadian \$ millions)	2024	2023
Net income	120	133
Other comprehensive income, net of income tax		
Items that may be subsequently reclassified to net income:		
Foreign currency translation adjustments	45	10
Loss on net investment hedges	(11)	(2)
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	34	(24)
Gain on cash flow hedges	4	—
Loss on cash flow hedges, reclassified to net income	—	1
Provision for income taxes on cash flow hedges	(1)	—
Impact of cash flow hedges, net of income tax	3	1
Items that will not be subsequently reclassified to net income:		
Actuarial gain	5	1
Provision for income taxes on actuarial gain	(2)	—
Actuarial gain, net of income tax	3	1
<b>Total comprehensive income</b>	<b>160</b>	<b>111</b>
Total comprehensive income (loss) attributable to:		
Shareholders of Finning International Inc.	161	112
Non-controlling interests	(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)	Attributable to Shareholders of Finning International Inc.						
	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total	Non- controlling Interests	Total
Balance, January 1, 2023	536	—	273	1,634	2,443	18	2,461
Net income (loss)	—	—	—	134	134	(1)	133
Other comprehensive (loss) income	—	—	(23)	1	(22)	—	(22)
Total comprehensive (loss) income	—	—	(23)	135	112	(1)	111
Exercise of share options	1	(1)	—	—	—	—	—
Share option expense	—	1	—	—	1	—	1
Hedging gain transferred to statement of financial position	—	—	(4)	—	(4)	—	(4)
Repurchase of common shares (Note 7)	(5)	—	—	(47)	(52)	—	(52)
Increase in automatic share purchase plan commitment (Note 7)	—	—	—	(1)	(1)	—	(1)
Dividends on common shares	—	—	—	(36)	(36)	—	(36)
Balance, March 31, 2023	532	—	246	1,685	2,463	17	2,480
Balance, January 1, 2024	516	—	220	1,778	2,514	16	2,530
Net income (loss)	—	—	—	121	121	(1)	120
Other comprehensive income	—	—	37	3	40	—	40
Total comprehensive income (loss)	—	—	37	124	161	(1)	160
Share option expense	—	1	—	—	1	—	1
Hedging gain transferred to statement of financial position	—	—	(1)	—	(1)	—	(1)
Repurchase of common shares (Note 7)	(6)	(1)	—	(51)	(58)	—	(58)
Increase in automatic share purchase plan commitment (Note 7)	(2)	—	—	(20)	(22)	—	(22)
Dividends on common shares	—	—	—	(36)	(36)	—	(36)
Balance, March 31, 2024	508	—	256	1,795	2,559	15	2,574

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

<b>3 months ended March 31</b>		
<b>(Canadian \$ millions)</b>	<b>2024</b>	<b>2023</b>
<b>OPERATING ACTIVITIES</b>		
Net income	120	133
Adjusting for:		
Depreciation and amortization	99	92
Gain on disposal of property, plant, and equipment	(2)	—
Equity earnings of joint ventures	—	(1)
Share-based payment expense	6	5
Provision for income taxes	42	71
Finance costs	40	35
Net benefit cost of defined benefit pension plans and other post-employment benefit plans	4	4
Gain on wind up of foreign subsidiaries (Note 4)	—	(41)
Changes in operating assets and liabilities (Note 9)	(369)	(321)
Additions to rental fleet	(16)	(33)
Additions to rental equipment with purchase options	(57)	(22)
Proceeds on disposal of rental fleet	18	13
Proceeds on disposal of rental equipment with purchase options	37	4
Interest paid	(35)	(30)
Income tax paid	(64)	(75)
Cash flow used in operating activities	(177)	(166)
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant, and equipment and intangible assets	(37)	(79)
Proceeds on disposal of property, plant, and equipment	4	—
Consideration paid for business acquisitions, net of cash acquired	—	(2)
Decrease in short-term investments	27	—
Cash flow used in investing activities	(6)	(81)
<b>FINANCING ACTIVITIES</b>		
Increase in short-term debt (Note 9)	56	201
Issuance of long-term debt, net of issue costs (Notes 5 and 9)	423	—
Repayment of long-term debt (Note 9)	(135)	(4)
Decrease in lease liabilities (Note 9)	(22)	(22)
Repurchase of common shares	(56)	(51)
Dividends paid	(36)	(36)
Cash flow provided by financing activities	230	88
Effect of currency translation on cash balances	16	—
Increase (decrease) in cash and cash equivalents	63	(159)
Cash and cash equivalents, beginning of period	152	288
Cash and cash equivalents, end of period (Note 9)	215	129

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, 2023 audited annual consolidated financial statements and the notes to such financial statements.

These Interim Financial Statements are based on the IFRS issued and effective for the current year. The Interim Financial Statements were authorized for issuance by the Company's Board of Directors on May 6, 2024. The Company has applied the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policies disclosed below:

### a) Amendments to Standards

The Company has adopted the following amendments to IFRS:

- Amendments to IAS 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 determined the amendment impacted the presentation of certain of the Company's share-based payment arrangements. Deferred Share Units (DSUs) are cash-settled share-based payment arrangements. DSUs were issued to certain executives and board members, vested at the time of issuance, and are redeemable by December of the year following the year in which cessation of employment or service on the Board of Directors (Board) occurs. The Company does not have the ability to defer settlement of its vested DSUs for a period of twelve months after cessation of employment or service on the Board. As a result, the Company reclassified its vested DSU liabilities as current liabilities. These amendments were applied retrospectively. The impact of the amendments to IAS 1 are shown in the table below. In addition, to align with this presentation, the Company also reclassified the current portion of its share-based payment liability from accounts payable and accruals to other current liabilities (current).

(\$ millions)	December 31, 2023	January 1, 2023
Increase in other liabilities (current)	47	60
Decrease in accounts payable and accruals	(16)	(36)
Decrease in other liabilities (non-current)	(31)	(24)

Except as outlined in the table above, the adoption of these amendments did not result in any other changes to the condensed interim consolidated statement of financial position.

- Clarify that only covenants with which an entity must comply on or before the reporting date will affect the classification of a liability as current or non-current. In addition, the amendments require a company to disclose information in the notes to the financial statements when liabilities are classified as non-current when the right to defer settlement of those liabilities is subject to complying with covenants within twelve months after the reporting date. No changes were required to the Company's classification upon adoption of these amendments.
- Amendments to IAS 7, *Statement of Cash Flows* and IFRS 7, *Financial Instruments: Disclosures* (effective January 1, 2024) add disclosure requirements that require companies to provide qualitative and quantitative information about supplier finance arrangements that will assist users of financial statements to assess the effects of the company's supplier finance arrangements on its liabilities and cash flows. Management will continue to assess the impact on the disclosures of all supplier finance arrangements in scope of these amendments for the Company's December 31, 2024 annual financial statements.

- 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). Adoption of these amendments did not have a material impact on the Company's financial statements.



## 2. SEGMENTED INFORMATION

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

3 months ended March 31, 2024 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	392	232	155	—	779
Used equipment	87	13	36	—	136
Equipment rental	47	17	10	—	74
Product support	686	505	106	—	1,297
Fuel and other	298	—	—	—	298
Total revenue	1,510	767	307	—	2,584
Cost of fuel	(252)	—	—	—	(252)
Net revenue	1,258	767	307	—	2,332
Operating costs <sup>(1)</sup>	(1,089)	(652)	(283)	(7)	(2,031)
Depreciation and amortization	(57)	(31)	(10)	(1)	(99)
Earnings (loss) before finance costs and income taxes	112	84	14	(8)	202
Finance costs					(40)
Provision for income taxes					(42)
Net income					120
Invested capital <sup>(2)</sup>	3,158	1,461	504	5	5,128
Gross capital expenditures <sup>(3)(4)</sup>	33	25	6	3	67
Gross rental equipment spend <sup>(4)</sup>	66	3	5	—	74
<b>3 months ended March 31, 2023</b> (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	281	194	149	—	624
Used equipment	64	11	17	—	92
Equipment rental	47	17	11	—	75
Product support	713	485	110	—	1,308
Fuel and other	281	—	—	—	281
Total revenue	1,386	707	287	—	2,380
Cost of fuel	(236)	—	—	—	(236)
Net revenue	1,150	707	287	—	2,144
Operating costs <sup>(1)</sup>	(971)	(595)	(260)	(11)	(1,837)
Depreciation and amortization	(50)	(31)	(10)	(1)	(92)
Equity earnings of joint ventures	1	—	—	—	1
Other income	—	—	—	41	41
Other expenses	(4)	(7)	(2)	(5)	(18)
Earnings before finance costs and income taxes	126	74	15	24	239
Finance costs					(35)
Provision for income taxes					(71)
Net income					133
Invested capital <sup>(2)</sup>	2,704	1,392	460	(11)	4,545
Gross capital expenditures <sup>(3)(4)</sup>	42	40	4	5	91
Gross rental equipment spend <sup>(4)</sup>	33	19	3	—	55

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

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

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

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

### 3. EARNINGS PER SHARE

3 months ended March 31 (\$ millions, except share and per share amounts)	2024		2023	
	Basic	Diluted	Basic	Diluted
Net income attributable to shareholders of Finning	121	121	134	134
Weighted average shares outstanding (WASO)	143,548,700	143,548,700	150,646,870	150,646,870
Effect of dilutive share options		189,719		316,564
WASO with assumed conversions		143,738,419		150,963,434
Earnings per share	0.84	0.84	0.89	0.89

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 months ended March 31, 2024 (March 31, 2023: nil).

### 4. OTHER INCOME AND OTHER EXPENSE

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.

3 months ended March 31 (\$ millions)	2024	2023
Gain on wind up of foreign subsidiaries	—	41
Other income	—	41

3 months ended March 31 (\$ millions)	2024	2023
Severance costs	—	(18)
Other expense	—	(18)

## 5. DEBT AND FINANCE COSTS

In February 2024, the Company issued \$425 million of 4.778% senior unsecured notes due February 13, 2029. Proceeds of this issuance were used to repay existing debt and for general corporate purposes.

The components of finance costs were as follows:

<b>3 months ended March 31</b> <b>(\$ millions)</b>	<b>2024</b>	<b>2023</b>
Interest on short-term debt	23	19
Interest on long-term debt	14	10
Interest on debt	37	29
Interest on lease liabilities	3	3
Other finance related expenses	—	3
<b>Finance costs</b>	<b>40</b>	<b>35</b>

## 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.

### Pillar Two income taxes

The Company is subject to Pillar Two legislation as the UK and Ireland have enacted Pillar Two legislation effective January 1, 2024. Applying Pillar Two legislation to the Company's subsidiaries in the UK and Ireland for the period ended March 31, 2024 did not have a material impact on the Company's Interim Financial Statements.

The Company has applied the temporary exception from the accounting requirements for deferred taxes in relation to Pillar Two legislation. Accordingly, the Company neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Company will continue to assess the impact of Pillar Two legislation as it becomes substantively enacted in its other jurisdictions.

## 7. SHARE CAPITAL

During the three months ended March 31, 2024, the Company repurchased 1,600,000 Finning common shares for cancellation for \$58 million, at an average cost of \$36.33 per share, through the Company's normal course issuer bid. During the three months ended March 31, 2023, the Company repurchased 1,500,000 common shares for cancellation for \$52 million, at an average cost of \$34.35 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 March 31, 2024, an estimated obligation of \$22 million was recorded for the repurchase of shares from April 1, 2024 to May 7, 2024 under this ASPP. At March 31, 2023, an estimated obligation of \$22 million was recorded for the repurchase of shares under the ASPP.

## 8. INVENTORY

<b>(\$ millions)</b>	<b>March 31,</b> <b>2024</b>	<b>December 31,</b> <b>2023</b>	<b>January 1,</b> <b>2023</b>
On-hand equipment	1,460	1,266	919
Parts and supplies	1,099	1,110	1,030
Internal service work in progress	514	468	512
<b>Total inventory</b>	<b>3,073</b>	<b>2,844</b>	<b>2,461</b>

## 9. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents were as follows:

<b>March 31</b> <b>(\$ millions)</b>	<b>2024</b>	<b>2023</b>
Cash	177	129
Cash equivalents	38	—
Cash and cash equivalents	<b>215</b>	<b>129</b>

The changes in operating assets and liabilities were as follows:

<b>3 months ended March 31</b> <b>(\$ millions)</b>	<b>2024</b>	<b>2023</b>
	(Restated - Note 1a)	
Accounts receivable	(119)	(33)
Unbilled receivables	9	(35)
Inventory	(198)	(244)
Other assets	(95)	(53)
Accounts payable and accruals	64	19
Other liabilities	(30)	25
Changes in operating assets and liabilities	<b>(369)</b>	<b>(321)</b>

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

<b>(\$ millions)</b>	<b>Short-term</b> <b>debt</b>	<b>Long-term</b> <b>debt</b>	<b>Lease</b> <b>liabilities</b>	<b>Total</b>
Balance, January 1, 2024	1,239	1,148	309	2,696
Cash flows provided by (used in)				
Financing activities	56	288	(22)	322
Operating activities	—	—	(3)	(3)
Total cash movements	56	288	(25)	319
Non-cash changes				
Additions	—	—	31	31
Remeasurement of liability and disposals	—	—	9	9
Interest expense	—	—	3	3
Foreign exchange rate changes	27	11	(2)	36
Total non-cash movements	27	11	41	79
Balance, March 31, 2024	<b>1,322</b>	<b>1,447</b>	<b>325</b>	<b>3,094</b>

<b>(\$ millions)</b>	<b>Short-term</b> <b>debt</b>	<b>Long-term</b> <b>debt</b>	<b>Lease</b> <b>liabilities</b>	<b>Total</b>
Balance, January 1, 2023	1,068	929	331	2,328
Cash flows provided by (used in)				
Financing activities	201	(4)	(22)	175
Operating activities	—	—	(3)	(3)
Total cash movements	201	(4)	(25)	172
Non-cash changes				
Additions	—	—	14	14
Remeasurement of liability and disposals	—	—	4	4
Interest expense	—	—	3	3
Foreign exchange rate changes	(3)	3	5	5
Total non-cash movements	(3)	3	26	26
Balance, March 31, 2023	<b>1,266</b>	<b>928</b>	<b>332</b>	<b>2,526</b>