

## UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	129	288
Accounts receivable	1,164	1,129
Unbilled receivables	459	422
Inventory (Note 8)	2,710	2,461
Other assets	512	481
Total current assets	4,974	4,781
Property, plant, and equipment	993	973
Rental equipment	478	469
Intangible assets	351	333
Goodwill	331	325
Net post-employment assets	101	98
Distribution network	100	100
Investment in joint ventures	84	83
Other assets	100	107
Total assets	7,512	7,269
<b>LIABILITIES</b>		
Current liabilities		
Short-term debt	1,266	1,068
Accounts payable and accruals	1,389	1,373
Deferred revenue	591	544
Current portion of long-term debt	253	114
Other liabilities	264	302
Total current liabilities	3,763	3,401
Long-term debt	675	815
Long-term lease liabilities	254	255
Deferred tax liabilities	152	153
Other liabilities	188	184
Total liabilities	5,032	4,808
<b>EQUITY</b>		
Share capital	532	536
Accumulated other comprehensive income	246	273
Retained earnings	1,685	1,634
Equity attributable to shareholders of Finning International Inc.	2,463	2,443
Non-controlling interests	17	18
Total equity	2,480	2,461
Total liabilities and equity	7,512	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**

<b>3 months ended March 31</b>		
<b>(Canadian \$ millions, except per share amounts)</b>	<b>2023</b>	<b>2022</b>
Revenue		
New equipment	624	527
Used equipment	92	79
Equipment rental	75	65
Product support	1,308	1,027
Fuel and other	281	255
<b>Total revenue</b>	<b>2,380</b>	<b>1,953</b>
<b>Cost of sales</b>	<b>(1,758)</b>	<b>(1,463)</b>
<b>Gross profit</b>	<b>622</b>	<b>490</b>
Selling, general, and administrative expenses	(407)	(351)
Equity earnings of joint ventures	1	1
Other income (Note 4)	41	—
Other expenses (Note 4)	(18)	—
<b>Earnings before finance costs and income taxes</b>	<b>239</b>	<b>140</b>
<b>Finance costs (Note 5)</b>	<b>(35)</b>	<b>(18)</b>
<b>Income before provision for income taxes</b>	<b>204</b>	<b>122</b>
<b>Provision for income taxes (Note 6)</b>	<b>(71)</b>	<b>(30)</b>
<b>Net income</b>	<b>133</b>	<b>92</b>
Net income (loss) attributable to:		
Shareholders of Finning International Inc.	134	92
Non-controlling interests	(1)	—
Earnings per share (Note 3)		
Basic	0.89	0.59
Diluted	0.89	0.59

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**

<b>3 months ended March 31</b>		
<b>(Canadian \$ millions)</b>	<b>2023</b>	<b>2022</b>
Net income	<b>133</b>	92
Other comprehensive income, net of income tax		
Items that may be subsequently reclassified to net income:		
Foreign currency translation adjustments	<b>10</b>	(38)
(Loss) gain on net investment hedges	<b>(2)</b>	14
Foreign currency translation adjustments, net of net investment hedges, reclassified to net income (Note 4)	<b>(41)</b>	—
Provision for income taxes on foreign currency translation adjustments, reclassified to net income (Note 4)	<b>9</b>	—
Impact of foreign currency translation and net investment hedges, net of income tax	<b>(24)</b>	(24)
Loss on cash flow hedges	<b>—</b>	(2)
Loss on cash flow hedges, reclassified to net income	<b>1</b>	1
Impact of cash flow hedges, net of income tax	<b>1</b>	(1)
Items that will not be subsequently reclassified to net income:		
Actuarial gain (loss)	<b>1</b>	(9)
Recovery of income taxes on actuarial loss	<b>—</b>	2
Actuarial gain (loss), net of income tax	<b>1</b>	(7)
<b>Total comprehensive income</b>	<b>111</b>	60
Total comprehensive income (loss) attributable to:		
Shareholders of Finning International Inc.	<b>112</b>	60
Non-controlling interests	<b>(1)</b>	—

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, 2022	561	—	212	1,550	2,323	20	2,343
Net income	—	—	—	92	92	—	92
Other comprehensive loss	—	—	(25)	(7)	(32)	—	(32)
Total comprehensive							
(loss) income	—	—	(25)	85	60	—	60
Exercise of share options	1	(1)	—	—	—	—	—
Share option expense	—	1	—	—	1	—	1
Hedging gain transferred to statement of financial position	—	—	(2)	—	(2)	—	(2)
Repurchase of common shares (Note 7)	(6)	—	—	(55)	(61)	—	(61)
Automatic share purchase plan commitment (Note 7)	(1)	—	—	(8)	(9)	—	(9)
Dividends on common shares	—	—	—	(36)	(36)	—	(36)
Balance, March 31, 2022	555	—	185	1,536	2,276	20	2,296
Balance, January 1, 2023	<b>536</b>	<b>—</b>	<b>273</b>	<b>1,634</b>	<b>2,443</b>	<b>18</b>	<b>2,461</b>
Net income (loss)	—	—	—	134	134	(1)	133
Other comprehensive							
(loss) income	—	—	(23)	1	(22)	—	(22)
Total comprehensive							
income (loss)	—	—	(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	<b>532</b>	<b>—</b>	<b>246</b>	<b>1,685</b>	<b>2,463</b>	<b>17</b>	<b>2,480</b>

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>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Net income	133	92
Adjusting for:		
Depreciation and amortization	92	81
Equity earnings of joint ventures	(1)	(1)
Share-based payment expense	5	18
Provision for income taxes	71	30
Finance costs	35	18
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)	(321)	(455)
Additions to rental fleet	(33)	(15)
Additions to rental equipment with purchase options	(22)	(14)
Proceeds on disposal of rental fleet	13	10
Proceeds on disposal of rental equipment with purchase options	4	21
Interest paid	(30)	(15)
Income tax paid	(75)	(47)
Cash flow used in operating activities	(166)	(273)
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant, and equipment and intangible assets	(79)	(30)
Consideration paid for business acquisitions, net of cash acquired (Note 10)	(2)	(84)
Increase in short-term and long-term investments	—	(3)
Cash flow used in investing activities	(81)	(117)
<b>FINANCING ACTIVITIES</b>		
Increase in short-term debt (Note 9)	201	438
Decrease in long-term debt (Note 9)	(4)	(125)
Decrease in lease liabilities (Note 9)	(22)	(19)
Repurchase of common shares	(51)	(61)
Dividends paid	(36)	(36)
Cash flow provided by financing activities	88	197
Effect of currency translation on cash balances	—	(14)
Decrease in cash and cash equivalents	(159)	(207)
Cash and cash equivalents, beginning of period	288	502
Cash and cash equivalents, end of period (Note 9)	129	295

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

## 1. MATERIAL ACCOUNTING POLICY INFORMATION, KEY ASSUMPTIONS, AND SIGNIFICANT JUDGMENTS

---

These unaudited condensed interim consolidated financial statements (Interim Financial Statements) of Finning International Inc. and its subsidiaries (together, Finning or the Company) have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and therefore these Interim Financial Statements should be read in conjunction with the December 31, 2022 audited annual consolidated financial statements and the notes to such financial statements.

These Interim Financial Statements are based on the IFRS issued and effective for the current year. The Interim Financial Statements were authorized for issuance by the Company's Board of Directors on May 8, 2023. The Company has applied the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policies disclosed below:

### a) Amendments to Standards

The Company has adopted the following new accounting standard and amendments to IFRS:

- IFRS 17, *Insurance Contracts* (effective January 1, 2023) replaces IFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts. The adoption of this standard did not have any impact on the Company's financial statements.
- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2023) require entities to disclose their material accounting policy information rather than significant accounting policy information. The amendments provide guidance on how an entity can identify material accounting policy information and clarify that information may be material because of its nature, even if the related amounts are immaterial. Management reviewed the Company's accounting policies and does not expect any changes to the disclosure of material accounting policy information for the December 31, 2023 annual financial statements.
- Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (effective January 1, 2023) introduce a definition of 'accounting estimates' and clarify the difference between changes in accounting policies and changes in accounting estimates. The adoption of these amendments did not have any impact on the Company's financial statements.
- Amendments to IAS 12, *Income Taxes* (effective January 1, 2023) clarify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of the related asset and liability. Management reviewed its global tax provision and concluded that there were no deferred taxes being netted or not recognized from a single tax treatment and has not applied the initial recognition exemption. The adoption of these amendments did not have any impact on the Company's financial statements.

## b) Future Accounting Pronouncements

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

- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2024):
  - Clarify the classification of liabilities as current or non-current based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. Management is currently assessing the impact of these amendments.
  - Clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. In addition, the amendments require a company to disclose information about these covenants in the notes to the financial statements. Management is currently assessing the impact of these amendments.
- Amendments to IFRS 16, *Leases* (effective January 1, 2024) explain how an entity accounts for a sale and leaseback after the transaction date. The amendments clarify how a seller-lessee should subsequently measure lease liabilities and when it is appropriate to record a gain or loss on these transactions. The amendments apply to all sale and leaseback transactions entered since the effective date of IFRS 16 (January 1, 2019) and the effective date of this amendment. Management will assess the impact of these amendments on the accounting treatment of sale and leaseback transactions prior to the effective date.

## 2. SEGMENTED INFORMATION

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

3 months ended March 31, 2023 (\$ 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
<b>Total revenue</b>	<b>1,386</b>	<b>707</b>	<b>287</b>	<b>—</b>	<b>2,380</b>
Cost of fuel	(236)	—	—	—	(236)
<b>Net revenue</b>	<b>1,150</b>	<b>707</b>	<b>287</b>	<b>—</b>	<b>2,144</b>
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)
<b>Earnings before finance costs and income taxes</b>	<b>126</b>	<b>74</b>	<b>15</b>	<b>24</b>	<b>239</b>
Finance costs					(35)
Provision for income taxes					(71)
<b>Net income</b>					<b>133</b>
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
<b>3 months ended March 31, 2022 (\$ millions)</b>	<b>Canada</b>	<b>South America</b>	<b>UK &amp; Ireland</b>	<b>Other</b>	<b>Total</b>
Revenue					
New equipment	185	167	175	—	527
Used equipment	57	10	12	—	79
Equipment rental	40	14	11	—	65
Product support	564	380	83	—	1,027
Fuel and other	255	—	—	—	255
<b>Total revenue</b>	<b>1,101</b>	<b>571</b>	<b>281</b>	<b>—</b>	<b>1,953</b>
Cost of fuel	(217)	—	—	—	(217)
<b>Net revenue</b>	<b>884</b>	<b>571</b>	<b>281</b>	<b>—</b>	<b>1,736</b>
Operating costs <sup>(1)</sup>	(758)	(483)	(257)	(18)	(1,516)
Depreciation and amortization	(47)	(23)	(10)	(1)	(81)
Equity earnings of joint ventures	1	—	—	—	1
<b>Earnings (loss) before finance costs and income taxes</b>	<b>80</b>	<b>65</b>	<b>14</b>	<b>(19)</b>	<b>140</b>
Finance costs					(18)
Provision for income taxes					(30)
<b>Net income</b>					<b>92</b>
Invested capital <sup>(2)</sup>	2,122	1,139	448	68	3,777
Gross capital expenditures <sup>(3)(4)</sup>	26	11	2	3	42
Gross rental equipment spend <sup>(4)</sup>	21	7	2	—	30

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

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

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

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

### 3. EARNINGS PER SHARE

3 months ended March 31 (\$ millions, except share and per share amounts)	2023		2022	
	Basic	Diluted	Basic	Diluted
Net income attributable to shareholders of Finning	134	134	92	92
Weighted average shares outstanding (WASO)	150,646,870	150,646,870	157,287,663	157,287,663
Effect of dilutive share options		316,564		520,709
WASO with assumed conversions		150,963,434		157,808,372
Earnings per share	0.89	0.89	0.59	0.59

Share options granted to employees that were anti-dilutive were excluded from the weighted average number of shares for the purpose of calculating diluted earnings per share. There were no anti-dilutive share options related to the three months ended March 31, 2023 and March 31, 2022.

### 4. OTHER INCOME AND OTHER EXPENSES

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

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

3 months ended March 31 (\$ millions)	2023	2022
Gain on wind up of foreign subsidiaries	41	—
Other income	41	—

3 months ended March 31 (\$ millions)	2023	2022
Severance costs	(18)	—
Other expenses	(18)	—

## 5. FINANCE COSTS

The components of finance costs were as follows:

<b>3 months ended March 31 (\$ millions)</b>	<b>2023</b>	<b>2022</b>
Interest on short-term debt	19	2
Interest on long-term debt	10	10
Interest on debt	29	12
Interest on lease liabilities	3	3
Other finance related expenses	3	3
Finance costs	35	18

## 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 payable upon the planned repatriation of \$170 million of profits from the Company's South American operations.

## 7. SHARE CAPITAL

During the three months ended March 31, 2023, the Company repurchased 1,500,000 Finning common shares for cancellation for \$52 million, at an average cost of \$34.35 per share, through the Company's normal course issuer bid. During the three months ended March 31, 2022, the Company repurchased 1,625,448 common shares for cancellation for \$61 million, at an average cost of \$37.48 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, 2023, an estimated obligation of \$22 million was recorded for the repurchase of shares from April 1, 2023 to May 9, 2023 under this ASPP. At March 31, 2022, an estimated obligation of \$9 million was recorded for the repurchase of shares under the ASPP.

## 8. INVENTORY

<b>(\$ millions)</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
On-hand equipment	1,094	919
Parts and supplies	1,065	1,030
Internal service work in progress	551	512
Total inventory	2,710	2,461

## 9. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents were as follows:

<b>March 31</b> <b>(\$ millions)</b>	<b>2023</b>	<b>2022</b>
Cash	129	119
Cash equivalents	—	176
Cash and cash equivalents	<b>129</b>	<b>295</b>

The changes in operating assets and liabilities were as follows:

<b>3 months ended March 31</b> <b>(\$ millions)</b>	<b>2023</b>	<b>2022</b>
Accounts receivable	(33)	(74)
Unbilled receivables	(35)	(65)
Inventory	(244)	(430)
Other assets	(53)	(80)
Accounts payable and accruals	1	220
Other liabilities	43	(26)
Changes in operating assets and liabilities	<b>(321)</b>	<b>(455)</b>

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

<b>(\$ millions)</b>	<b>Short-term debt</b>	<b>Long-term debt</b>	<b>Lease 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>

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

## 10. ACQUISITION

### Hydraquip Hose & Hydraulics Ltd. and Hoses Direct Ltd. (together, Hydraquip)

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

The fair value of the total consideration at the acquisition date was estimated to be \$117 million (£70 million). Cash consideration of \$84 million, net of \$10 million cash acquired, was paid in the three months ended March 31, 2022. The fair value of deferred consideration was \$19 million. The vendors may qualify for additional consideration (possible range of £nil to £11 million) based on the acquired business unit achieving specified levels of financial performance. The acquisition-date fair value of the contingent consideration was estimated to be \$4 million (£2 million). The deferred and contingent consideration was recognized as a liability on the consolidated statement of financial position and is payable in annual instalments over a period of three years after the acquisition. Any changes in the estimated fair value of the contingent consideration will be recognized in the consolidated statement of income.

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

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

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

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