

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 516	\$ 593
Accounts receivable	923	869
Service work in progress	126	101
Inventories	1,742	1,601
Other assets	251	214
Total current assets	3,558	3,378
Property, plant, and equipment	584	606
Rental equipment	414	363
Goodwill	119	118
Distribution network	100	100
Intangible assets	84	71
Investments in joint ventures and associate	92	88
Other assets	189	186
Total assets	\$ 5,140	\$ 4,910
LIABILITIES		
Current liabilities		
Short-term debt	\$ 32	\$ 2
Accounts payable and accruals	954	946
Deferred revenue	256	231
Provisions	35	47
Current portion of long-term debt (Note 5)	350	—
Other liabilities	26	7
Total current liabilities	1,653	1,233
Long-term debt (Note 5)	1,291	1,487
Net post-employment obligation	67	84
Other liabilities	203	205
Total liabilities	\$ 3,214	\$ 3,009
SHAREHOLDERS' EQUITY		
Share capital	\$ 575	\$ 573
Contributed surplus	1	2
Accumulated other comprehensive income	181	243
Retained earnings	1,169	1,083
Total shareholders' equity	1,926	1,901
Total liabilities and shareholders' equity	\$ 5,140	\$ 4,910

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

(Canadian \$ millions, except share and per share amounts)	3 months ended		9 months ended	
	September 30		September 30	
	2017	2016	2017	2016
Revenue				
New equipment	\$ 535	\$ 427	\$ 1,508	\$ 1,319
Used equipment	80	72	249	271
Equipment rental	63	61	168	170
Product support	866	770	2,595	2,366
Other	3	3	10	11
Total revenue	1,547	1,333	4,530	4,137
Cost of sales	(1,141)	(964)	(3,309)	(3,044)
Gross profit	406	369	1,221	1,093
Selling, general, and administrative expenses	(305)	(295)	(942)	(947)
Equity earnings (loss) of joint ventures and associate	2	(1)	6	6
Other income (Note 4)	—	—	2	—
Other expenses (Note 4)	—	—	—	(5)
Earnings before finance costs and income taxes	103	73	287	147
Finance costs (Note 5)	(33)	(22)	(78)	(65)
Income before provision for income taxes	70	51	209	82
Provision for income taxes	(18)	(15)	(54)	(26)
Net income	\$ 52	\$ 36	\$ 155	\$ 56

Earnings per share (Note 3)

Basic	\$ 0.31	\$ 0.22	\$ 0.92	\$ 0.33
Diluted	\$ 0.31	\$ 0.22	\$ 0.92	\$ 0.33

Weighted average number of shares outstanding

Basic	168,103,950	168,110,628	168,109,930	168,077,130
Diluted	168,483,519	168,214,275	168,400,004	168,121,097

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Canadian \$ millions)	3 months ended		9 months ended	
	September 30		September 30	
	2017	2016	2017	2016
Net income	\$ 52	\$ 36	\$ 155	\$ 56
Other comprehensive income (loss), net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	(60)	12	(99)	(142)
Share of foreign currency translation adjustments of joint ventures and associate	—	—	(3)	(12)
Unrealized gain (loss) on net investment hedges	26	(4)	47	60
Impact of foreign currency translation and net investment hedges, net of income tax	(34)	8	(55)	(94)
Unrealized loss on cash flow hedges	(5)	—	(10)	(2)
Realized loss on cash flow hedges, reclassified to earnings	1	—	1	1
Realized loss on cash flow hedges, reclassified to balance sheet	1	—	—	2
Income tax recovery on cash flow hedges	—	—	2	—
Impact of cash flow hedges, net of income tax	(3)	—	(7)	1
Items that will not be subsequently reclassified to net income:				
Actuarial gain (loss) (Note 7)	7	(11)	30	(37)
Income tax (expense) recovery on actuarial gain (loss)	(1)	2	(5)	7
Actuarial gain (loss), net of income tax	6	(9)	25	(30)
Total comprehensive income (loss)	\$ 21	\$ 35	\$ 118	\$ (67)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Canadian \$ millions, except number of shares)	Share Capital			Accumulated Other Comprehensive Income (Loss)			Retained Earnings	Total
	Number of shares	Amount	Contributed Surplus	Impact of Foreign Currency Translation and Net Investment Hedges	Impact of Cash Flow Hedges	Total		
Balance, January 1, 2016	168,031,428	\$ 570	\$ —	\$ 327	\$ (1)	\$ 1,154	\$ 2,050	
Net income	—	—	—	—	—	56	56	
Other comprehensive (loss) income	—	—	—	(94)	1	(30)	(123)	
Total comprehensive (loss) income	—	—	—	(94)	1	26	(67)	
Issued on exercise of share options	102,907	2	(2)	—	—	—	—	
Share option expense	—	—	4	—	—	—	4	
Dividends on common shares	—	—	—	—	—	(92)	(92)	
Balance, September 30, 2016	168,134,335	\$ 572	\$ 2	\$ 233	\$ —	\$ 1,088	\$ 1,895	
Balance, January 1, 2017	168,167,202	\$ 573	\$ 2	\$ 243	\$ —	\$ 1,083	\$ 1,901	
Net income	—	—	—	—	—	155	155	
Other comprehensive (loss) income	—	—	—	(55)	(7)	25	(37)	
Total comprehensive (loss) income	—	—	—	(55)	(7)	180	118	
Issued on exercise of share options	40,451	2	(2)	—	—	—	—	
Share option expense	—	—	3	—	—	—	3	
Repurchase of common shares	(89,900)	—	(2)	—	—	—	(2)	
Dividends on common shares	—	—	—	—	—	(94)	(94)	
Balance, September 30, 2017	168,117,753	\$ 575	\$ 1	\$ 188	\$ (7)	\$ 1,169	\$ 1,926	

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Canadian \$ millions)	3 months ended September 30		9 months ended September 30	
	2017	2016	2017	2016
OPERATING ACTIVITIES				
Net income	\$ 52	\$ 36	\$ 155	\$ 56
Adjusting for:				
Depreciation and amortization	46	46	139	145
Gain on sale of rental equipment and property, plant, and equipment	—	(2)	—	(4)
Mark-to-market adjustment on investment	—	—	(2)	—
Equity loss (earnings) of joint ventures and associate	(2)	1	(6)	(6)
Share-based payment expense	12	6	22	16
Provision for income taxes	18	15	54	26
Finance costs	33	22	78	65
Defined benefit and other post-employment benefit (recovery) expense (Note 7)	(3)	3	5	10
Other	—	—	—	(3)
Changes in operating assets and liabilities (Note 8)	(20)	124	(332)	116
Additions to rental equipment	(96)	(62)	(247)	(135)
Proceeds on disposal of rental equipment	39	12	117	120
Interest paid	(14)	(10)	(54)	(51)
Income tax paid	(10)	(14)	(44)	(46)
Cash flow provided by (used in) operating activities	55	177	(115)	309
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	(33)	(17)	(72)	(72)
Proceeds on disposal of property, plant, and equipment	—	3	2	20
Proceeds on disposal of investment (Note 4)	—	—	7	—
Proceeds on disposal of subsidiary	—	—	—	8
Investment in and advances to joint ventures and associate	—	—	(5)	—
Increase in short-term investments	—	—	—	(31)
Cash flow used in investing activities	(33)	(14)	(68)	(75)
FINANCING ACTIVITIES				
(Decrease) increase in short-term debt (Note 8)	(69)	(58)	31	(109)
Increase (decrease) in long-term debt (Note 8)	200	—	200	(13)
Decrease in finance liabilities (Note 8)	—	—	(4)	(4)
Repurchase of common shares	—	—	(2)	—
Dividends paid	(33)	(31)	(94)	(92)
Cash flow provided by (used in) financing activities	98	(89)	131	(218)
Effect of currency translation on cash balances	(15)	2	(25)	(31)
Increase (decrease) in cash and cash equivalents	105	76	(77)	(15)
Cash and cash equivalents, beginning of period	411	384	593	475
Cash and cash equivalents, end of period (Note 8)	\$ 516	\$ 460	\$ 516	\$ 460

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

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

These unaudited interim condensed consolidated financial statements (“Interim Statements”) of Finning International Inc. and its subsidiaries (together, “Finning” or the “Company”) have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standard Board (IASB). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and therefore these Interim Statements should be read in conjunction with the December 31, 2016 audited annual consolidated financial statements and the notes to such financial statements.

These Interim Statements are based on the IFRS issued and effective as of November 7, 2017, the date these Interim Statements were authorized for issuance by the Company’s Board of Directors, and follow 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 policy disclosed below:

(a) Amendments to Standards

The Company has adopted the following amendments to standards:

- IAS 7, *Statement of Cash Flows* (effective January 1, 2017) introduces new requirements to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows. The required disclosures have been added to Note 8 of the Company’s Interim Statements.

(b) Future Accounting Pronouncements

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

- IFRS 9, *Financial Instruments* (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting. Management’s preliminary assessment is that the new standard will not have a material impact on the Company’s recognition and measurement of financial instruments. Management expects to apply the simplified approach for impairment losses of trade receivables permitted under IFRS 9. Management is still assessing the impact of the new standard on its loss allowance for trade and other receivables.
- IFRS 15, *Revenue from Contracts with Customers* (effective date January 1, 2018) requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will supersede existing standards and interpretations, including IAS 18, *Revenue* and IAS 11, *Construction Contracts*. Additionally, IFRS 15 will significantly increase disclosures related to revenue recognition. Entities are permitted to apply the amendments either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying IFRS 15 at the date of initial application.

Management is evaluating the new standard and has completed its assessment and review of a representative sample of existing revenue contracts with customers. Management has determined that the new standard will have the following impact on the timing and pattern of revenue recognition:

- Revenue for sales of new equipment, used equipment, and parts will remain largely unchanged;
- Revenue for sales of complex power systems projects and servicing of equipment (both under and not under a long-term product support contract) will be recognized over time in a pattern that reflects the measure of progress. While the total amount of revenue recognized under IFRS 15 will likely not change, the timing of revenue recognized may differ to reflect the measure of progress or allocation of the transaction price.
- Revenue for non-complex power systems projects will be recognized at a point in time as the performance obligations are satisfied (upon delivery of the equipment to the customer and commissioning of the power system project).
- Revenue for rental equipment is excluded from the scope of the new revenue standard and therefore will remain unchanged upon adoption of IFRS 15.

Management is still reviewing process and system changes. It is not possible to quantify the effects of the new standard at this time.

- IFRIC 22, *Foreign Currency Transactions and Advance Consideration* (effective January 1, 2018) clarifies the appropriate exchange rate to use on initial recognition of an asset, expense or income when advance consideration is paid or received in a foreign currency. Management expects this IFRIC may change the exchange rate used to translate deposits made on inventory purchases or advances received for equipment sales denominated in a foreign currency. The impact on the initial measurement of inventory and revenue would depend on the movements in exchange rates.
- IFRS 16, *Leases* (effective January 1, 2019) introduces new requirements for the classification and measurement of leases. Management is currently assessing the impact of the new standard but expects IFRS 16 will result in materially higher non-current assets and non-current liabilities recorded on the consolidated balance sheet. Also, management expects lower selling, general, and administrative expense and higher finance costs under this new standard due to lower operating lease expense partially offset by higher depreciation expense and higher interest expense, respectively.
- IFRIC 23, *Uncertainty over Income Tax Treatments* (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatments including (but not limited to) whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. Management is currently assessing the impact of the new interpretation.

2. SEGMENTED INFORMATION

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

3 months ended September 30, 2017					
(\$ millions)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$ 737	\$ 548	\$ 262	\$ —	\$ 1,547
Operating costs	(655)	(488)	(244)	(13)	(1,400)
Depreciation and amortization	(25)	(13)	(7)	(1)	(46)
Equity earnings of joint ventures and associate	2	—	—	—	2
Earnings (loss) before finance costs and income taxes	\$ 59	\$ 47	\$ 11	\$ (14)	\$ 103
Finance costs					(33)
Provision for income taxes					(18)
Net income					\$ 52
Invested capital ⁽¹⁾	\$ 1,746	\$ 1,063	\$ 305	\$ (31)	\$ 3,083
Capital and rental equipment ⁽²⁾	\$ 606	\$ 348	\$ 122	\$ 6	\$ 1,082
Gross capital expenditures ⁽³⁾	\$ 7	\$ 23	\$ 2	\$ 1	\$ 33
Gross rental asset expenditures ⁽³⁾	\$ 74	\$ 16	\$ 6	\$ —	\$ 96
3 months ended September 30, 2016					
(\$ millions)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$ 619	\$ 461	\$ 253	\$ —	\$ 1,333
Operating costs	(558)	(406)	(236)	(13)	(1,213)
Depreciation and amortization	(24)	(15)	(7)	—	(46)
Equity loss of joint venture and associate	—	—	—	(1)	(1)
Earnings (loss) before finance costs and income taxes	\$ 37	\$ 40	\$ 10	\$ (14)	\$ 73
Finance costs					(22)
Provision for income taxes					(15)
Net income					\$ 36
Invested capital ⁽¹⁾	\$ 1,650	\$ 1,021	\$ 253	\$ (7)	\$ 2,917
Capital and rental equipment ⁽²⁾	\$ 602	\$ 349	\$ 126	\$ 1	\$ 1,078
Gross capital expenditures ⁽³⁾	\$ 8	\$ 8	\$ —	\$ 1	\$ 17
Gross rental asset expenditures ⁽³⁾	\$ 43	\$ 15	\$ 5	\$ —	\$ 63

⁽¹⁾ 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.

⁽²⁾ Capital includes property, plant and equipment and intangible assets

⁽³⁾ Includes finance leases and borrowing costs capitalized and excludes additions through business acquisitions

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

9 months ended September 30, 2017		South		UK &			
(\$ millions)	Canada	America	Ireland	Other	Consolidated		
Revenue from external sources	\$ 2,218	\$ 1,564	\$ 748	\$ —	\$ 4,530		
Operating costs	(1,990)	(1,389)	(698)	(35)	(4,112)		
Depreciation and amortization	(75)	(43)	(20)	(1)	(139)		
Equity earnings (loss) of joint ventures and associate	10	—	—	(4)	6		
Other income (Note 4)	—	—	—	2	2		
Earnings (loss) before finance costs and income taxes	\$ 163	\$ 132	\$ 30	\$ (38)	\$ 287		
Finance costs					(78)		
Provision for income taxes					(54)		
Net income					\$ 155		
Invested capital ⁽¹⁾	\$ 1,746	\$ 1,063	\$ 305	\$ (31)	\$ 3,083		
Capital and rental equipment ⁽²⁾	\$ 606	\$ 348	\$ 122	\$ 6	\$ 1,082		
Gross capital expenditures ⁽³⁾	\$ 20	\$ 44	\$ 5	\$ 3	\$ 72		
Gross rental asset expenditures ⁽³⁾	\$ 194	\$ 38	\$ 15	\$ —	\$ 247		
9 months ended September 30, 2016		South		UK &			
(\$ millions)	Canada	America	Ireland	Other	Consolidated		
Revenue from external sources	\$ 2,105	\$ 1,322	\$ 710	\$ —	\$ 4,137		
Operating costs	(1,946)	(1,166)	(702)	(32)	(3,846)		
Depreciation and amortization	(76)	(46)	(23)	—	(145)		
Equity earnings (loss) of joint venture and associate	7	—	—	(1)	6		
Other expenses (Note 4)	—	—	(5)	—	(5)		
Earnings (loss) before finance costs and income taxes	\$ 90	\$ 110	\$ (20)	\$ (33)	\$ 147		
Finance costs					(65)		
Provision for income taxes					(26)		
Net income					\$ 56		
Invested capital ⁽¹⁾	\$ 1,650	\$ 1,021	\$ 253	\$ (7)	\$ 2,917		
Capital and rental equipment ⁽²⁾	\$ 602	\$ 349	\$ 126	\$ 1	\$ 1,078		
Gross capital expenditures ⁽³⁾	\$ 28	\$ 41	\$ 2	\$ 1	\$ 72		
Gross rental asset expenditures ⁽³⁾	\$ 90	\$ 31	\$ 29	\$ —	\$ 150		

⁽¹⁾ Invested capital is calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term and long-term debt net of cash.

⁽²⁾ Capital includes property, plant and equipment and intangible assets

⁽³⁾ Includes finance leases and borrowing costs capitalized and excludes additions through business acquisitions

3. EARNINGS PER SHARE

(\$ millions, except share and per share amounts)	3 months ended September 30			9 months ended September 30		
	Income	Shares	Per Share	Income	Shares	Per Share
2017						
Basic Earnings per share (EPS):						
Net income, weighted average shares outstanding, EPS	\$ 52	168,103,950	\$ 0.31	\$ 155	168,109,930	\$ 0.92
Effect of dilutive securities: share options	—	379,569	—	—	290,074	—
Diluted EPS:						
Net income and assumed conversions	\$ 52	168,483,519	\$ 0.31	\$ 155	168,400,004	\$ 0.92
2016						
Basic EPS:						
Net income, weighted average shares outstanding, EPS	\$ 36	168,110,628	\$ 0.22	\$ 56	168,077,130	\$ 0.33
Effect of dilutive securities: share options	—	103,647	—	—	43,967	—
Diluted EPS:						
Net income and assumed conversions	\$ 36	168,214,275	\$ 0.22	\$ 56	168,121,097	\$ 0.33

Share options granted to employees that are anti-dilutive are excluded from the weighted average number of ordinary shares for the purpose of calculating diluted earnings per share. Share options related to the three and nine months ended September 30, 2017 of 1.0 million and 1.3 million, respectively (2016: 3.2 million and 4.8 million, respectively) are anti-dilutive.

4. OTHER INCOME AND OTHER EXPENSES

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2017	2016	2017	2016
Gain on investment (a)	\$ —	\$ —	\$ 2	\$ —
Total other income	\$ —	\$ —	\$ 2	\$ —

(a) The Company recognized a gain upon the disposal of its investment in IronPlanet Holdings, Inc in the second quarter of 2017.

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2017	2016	2017	2016
Write-down of net assets (b)	\$ —	\$ —	\$ —	\$ (5)
Total other expenses	\$ —	\$ —	\$ —	\$ (5)

(b) Following a strategic review of the Company's operations in the UK, it was determined that engineering and construction services for the water utility industry no longer represented a core sector for Finning's power systems division in the U.K. The Company recorded a charge of approximately \$5 million, representing the write-down of net assets and other costs related to the August 2016 sale of this business in the UK & Ireland reporting segment.

5. LONG-TERM DEBT AND FINANCE COSTS

In September 2017, the Company issued \$200 million of 2.84% senior unsecured Notes due September 29, 2021. On October 16, 2017, proceeds from the Notes were used to redeem, prior to maturity, all of the outstanding \$350 million, 6.02% Medium Term Notes due June 1, 2018. The total redemption price included an early redemption premium of approximately \$9 million which is recorded in other finance related expenses in the three month period ended September 30, 2017.

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

(\$ millions)	3 months ended		9 months ended	
	September 30		September 30	
	2017	2016	2017	2016
Interest on short-term debt	\$ 2	\$ —	\$ 4	\$ 1
Interest on long-term debt	16	17	50	51
Interest on debt securities	18	17	54	52
Net interest on pension and other post-employment benefit obligations (Note 7)	1	—	1	1
Other finance related expenses	14	5	23	12
Finance costs	\$ 33	\$ 22	\$ 78	\$ 65

6. SHARE-BASED PAYMENTS

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

Share Options

Details of the share option plans are as follows:

9 months ended	September 30, 2017		September 30, 2016	
	Options	Weighted	Options	Weighted
		Average		Average
Options outstanding, beginning of period	4,563,871	\$ 25.20	5,170,689	\$ 24.78
Granted	434,806	\$ 26.79	489,464	\$ 21.83
Exercised ⁽¹⁾	(314,668)	\$ 24.04	(443,514)	\$ 16.79
Forfeited	(109,921)	\$ 27.47	(393,980)	\$ 26.17
Options outstanding, end of period	4,574,088	\$ 25.37	4,822,659	\$ 25.10
Options exercisable, end of period	3,322,418	\$ 25.55	3,003,496	\$ 25.16

⁽¹⁾ Under the Stock Option Plan, exercises generally utilize the cashless method, whereby the actual number of shares issued is based on the premium between the fair value at the time of exercise and the grant value, and the equivalent value of the number of options up to the grant value is withheld. Share options exercised in the nine months ended September 30, 2017 comprised both cash and cashless exercises.

In the nine months ended September 30, 2017, 314,668 options were exercised resulting in 40,451 common shares being issued; 274,217 options were withheld and returned to the option pool for future issues/grants (nine months ended September 30, 2016: 443,514 options were exercised resulting in 102,907 common shares issued; 340,607 options were withheld and returned).

In the nine months ended September 30, 2017, the Company granted 434,806 common share options to senior executives and management of the Company (nine months ended September 30, 2016: 489,464 common share options). The Company only grants and prices share options when all material information has been disclosed to the market.

The fair value of the options granted in 2017 has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

9 months ended September 30	2017	2016
Dividend yield	2.72%	2.54%
Expected volatility ⁽²⁾	29.34%	30.56%
Risk-free interest rate	1.09%	0.75%
Expected life	5.56 years	5.45 years

⁽²⁾ Expected volatility is based on historical share price volatility of Finning shares

The weighted average grant date fair value of options granted during the nine month period was \$5.48 (2016: \$4.64).

Other Share-Based Payment Plans

The Company has other share-based payment plans in the form of deferred share units, performance share units, and restricted share units that use notional common share units. Details of the plans with significant changes subsequent to December 31, 2016 are as follows:

Executive Deferred Share Unit Plan

Under the Executive Deferred Share Unit Plan, executives were granted a total of 9,589 units in lieu of Short-Term Incentive Plan payments for the nine months ended September 30, 2017 (nine months ended September 30, 2016: 24,250 units).

Directors' Deferred Share Unit Plan A

Under the Directors' Deferred Share Unit Plan, non-employee Directors of the Company were granted a total of 43,574 share units in the nine months ended September 30, 2017 (nine months ended September 30, 2016: 35,734 share units).

Performance Share Unit (PSU) Plan

Executives of the Company were granted a total of 444,968 PSUs in the nine months ended September 30, 2017, based on 100% vesting (nine months ended September 30, 2016: 626,480 PSUs).

Restricted Share Unit (RSU) Plan

Under the Restricted Share Unit Plan, executives of the Company were granted a total of 194,849 RSUs in the nine months ended September 30, 2017 (nine months ended September 30, 2016: 262,637 RSUs).

7. POST-EMPLOYMENT BENEFITS

The significant actuarial assumptions used in the valuations of the Company's defined benefit pension plans and other post-employment benefit obligations include:

	September 30, 2017			September 30, 2016		
	Canada	UK	South America	Canada	UK	South America
Discount rate – obligation	3.6%	2.7%	1.5%	3.1%	2.4%	1.2%
Discount rate – expense ⁽¹⁾	3.7%	2.7%	1.3%	3.9%	3.7%	1.5%
Retail price inflation – obligation ⁽²⁾	n/m	3.3%	n/m	n/m	3.2%	n/m
Retail price inflation – expense ⁽¹⁾⁽²⁾	n/m	3.4%	n/m	n/m	3.2%	n/m

⁽¹⁾ Used to determine the net interest cost and expense for the three and nine months ended September 30, 2017 and September 30, 2016

⁽²⁾ n/m – not a material assumption used in the valuation

The net benefit cost and actuarial (gain) loss for the Company's defined benefit pension plans and other post-employment benefit obligations are as follows:

3 months ended (\$ millions)	September 30, 2017				September 30, 2016			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 2	\$ 1	\$ 1	\$ 4	\$ 2	\$ —	\$ 1	\$ 3
Past service costs	—	(7)	—	(7)	—	—	—	—
Net interest cost	—	—	1	1	—	—	—	—
Net benefit cost (recovery)	\$ 2	\$ (6)	\$ 2	\$ (2)	\$ 2	\$ —	\$ 1	\$ 3
Actuarial loss (gain) on plan assets	\$ 25	\$ (2)	\$ —	\$ 23	\$ (14)	\$ (75)	\$ —	\$ (89)
Actuarial (gain) loss on plan liabilities	(26)	(3)	(1)	(30)	13	87	—	100
Total actuarial (gain) loss recognized in other comprehensive income	\$ (1)	\$ (5)	\$ (1)	\$ (7)	\$ (1)	\$ 12	\$ —	\$ 11

9 months ended (\$ millions)	September 30, 2017				September 30, 2016			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 5	\$ 2	\$ 5	\$ 12	\$ 5	\$ 1	\$ 4	\$ 10
Past service costs	—	(7)	—	(7)	—	—	—	—
Net interest cost	—	—	1	1	1	—	—	1
Net benefit cost (recovery)	\$ 5	\$ (5)	\$ 6	\$ 6	\$ 6	\$ 1	\$ 4	\$ 11
Actuarial (gain) loss on plan assets	\$ (4)	\$ (13)	\$ —	\$ (17)	\$ (38)	\$ (147)	\$ —	\$ (185)
Actuarial loss (gain) on plan liabilities	5	(16)	(2)	(13)	42	173	7	222
Total actuarial loss (gain) recognized in other comprehensive income	\$ 1	\$ (29)	\$ (2)	\$ (30)	\$ 4	\$ 26	\$ 7	\$ 37

In March 2017, the Company invested a portion of its Canadian defined benefit plan assets in an annuity contract (totaling \$97 million) in order to partly mitigate the Company's exposure to investment and longevity risk. This change in investments resulted in an actuarial loss on plan assets of approximately \$3 million that was recognized in other comprehensive income. In October 2017, the Company invested a further \$95 million in annuity contracts. This change in investments will result in an actuarial loss of approximately \$4 million in other comprehensive income to be recorded in the three month period ended December 31, 2017.

In July 2017, management commenced two pension plan option exercises in relation to the defined benefit plan in the Company's UK operations. These exercises provide members with additional flexibility than was previously available, and also assist the Company in managing the plan liabilities and the associated risks (for example, inflation risk). Management estimates the exercises will result in a decrease in the net benefit obligation of approximately \$9 million, net of expenses, of which approximately \$6 million and \$3 million are recognized in the income statement and other comprehensive income, respectively, in the three months ended September 30, 2017.

8. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents are as follows:

September 30 (\$ millions)	2017		2016	
Cash	\$	450	\$	306
Cash equivalents		66		154
Cash and cash equivalents	\$	516	\$	460

The changes in operating assets and liabilities are as follows:

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2017	2016	2017	2016
Accounts receivable	\$ (36)	\$ 53	\$ (79)	\$ 33
Service work in progress	(8)	3	(27)	(7)
Inventories	27	(35)	(190)	(3)
Other assets	(15)	(40)	(37)	(19)
Accounts payable and accruals	8	139	15	108
Other liabilities	4	4	(14)	4
Changes in operating assets and liabilities	\$ (20)	\$ 124	\$ (332)	\$ 116

The changes in liabilities arising from financing activities are as follows:

(\$ millions)	Short-term debt	Long-term debt	Finance lease liability	Total	
Balance, January 1, 2017	\$ 2	\$ 1,487	\$ 39	\$	1,528
Cash flows provided by (used in)					
Financing activities	31	200	(4)		227
Operating activities	—	—	(2)		(2)
Total cash movements	\$ 31	\$ 200	\$ (6)	\$	225
Non-cash changes					
Interest expense	—	—	2		2
Foreign exchange rate changes	(1)	(46)	0		(47)
Total non-cash movements	\$ (1)	\$ (46)	\$ 2	\$	(45)
Balance, September 30, 2017	\$ 32	\$ 1,641	\$ 35	\$	1,708