

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	September 30, 2018	December 31, 2017	January 1, 2017
		(Restated - Note 1)	(Restated - Note 1)
ASSETS			
Current assets			
Cash and cash equivalents	\$ 221	\$ 458	\$ 593
Accounts receivable	986	934	814
Unbilled work in progress	184	162	177
Inventories	2,017	1,708	1,597
Other assets	288	269	214
Total current assets	3,696	3,531	3,395
Property, plant, and equipment	595	572	606
Rental equipment	482	385	363
Goodwill	119	119	118
Intangible assets	154	117	71
Distribution network	100	100	100
Investments in joint ventures and associate (Note 4b)	81	92	88
Other assets	186	153	152
Total assets	\$ 5,413	\$ 5,069	\$ 4,893
LIABILITIES			
Current liabilities			
Short-term debt	\$ 223	\$ 18	\$ 2
Accounts payable and accruals	1,084	1,160	946
Deferred revenue	344	296	233
Provisions	44	35	47
Other liabilities	39	36	7
Total current liabilities	1,734	1,545	1,235
Long-term debt	1,315	1,296	1,487
Net post-employment obligation	72	78	84
Other liabilities	178	176	172
Total liabilities	\$ 3,299	\$ 3,095	\$ 2,978
SHAREHOLDERS' EQUITY			
Share capital	\$ 586	\$ 580	\$ 573
Contributed surplus	—	—	2
Accumulated other comprehensive income	224	195	243
Retained earnings	1,304	1,199	1,097
Total shareholders' equity	2,114	1,974	1,915
Total liabilities and shareholders' equity	\$ 5,413	\$ 5,069	\$ 4,893

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 September 30		9 months ended September 30	
	2018	2017	2018	2017
		(Restated Note 1)		(Restated Note 1)
Revenue				
New equipment	\$ 711	\$ 530	\$ 1,918	\$ 1,511
Used equipment	78	80	252	249
Equipment rental	68	63	175	168
Product support	894	862	2,798	2,585
Other	4	3	11	10
Total revenue	1,755	1,538	5,154	4,523
Cost of sales	(1,306)	(1,133)	(3,799)	(3,303)
Gross profit	449	405	1,355	1,220
Selling, general, and administrative expenses	(330)	(307)	(1,003)	(945)
Equity earnings of joint ventures and associate	4	2	10	6
Other income (Note 4a)	—	—	—	2
Other expenses (Note 4b)	(30)	—	(30)	—
Earnings before finance costs and income taxes	93	100	332	283
Finance costs (Note 5)	(20)	(33)	(56)	(78)
Income before provision for income taxes	73	67	276	205
Provision for income taxes (Note 6)	(48)	(17)	(99)	(53)
Net income	\$ 25	\$ 50	\$ 177	\$ 152
Earnings per share (Note 3)				
Basic	\$ 0.15	\$ 0.29	\$ 1.05	\$ 0.90
Diluted	\$ 0.15	\$ 0.29	\$ 1.05	\$ 0.90
Weighted average number of shares outstanding				
Basic	168,187,968	168,103,950	168,313,883	168,109,930
Diluted	168,777,426	168,483,519	169,023,554	168,400,004

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Canadian \$ millions)	3 months ended September 30		9 months ended September 30	
	2018	2017 (Restated Note 1)	2018	2017 (Restated Note 1)
	Net income	\$ 25	\$ 50	\$ 177
Other comprehensive income (loss), net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	(37)	(60)	39	(99)
Share of foreign currency translation adjustments of joint ventures and associate	—	—	(1)	(3)
Foreign currency translation losses reclassified to net income (Note 4b)	11	—	11	—
Gain (loss) on net investment hedges	15	26	(19)	47
Impact of foreign currency translation and net investment hedges, net of income tax	(11)	(34)	30	(55)
Loss on cash flow hedges	(2)	(4)	(2)	(8)
Loss on cash flow hedges, reclassified to net income	—	1	1	1
Income tax (expense) recovery on cash flow hedges	—	(1)	—	1
Impact of cash flow hedges, net of income tax	(2)	(4)	(1)	(6)
Items that will not be subsequently reclassified to net income:				
Actuarial gain (Note 8)	21	7	51	30
Income tax expense on actuarial gain	(4)	(1)	(9)	(5)
Actuarial gain, net of income tax	17	6	42	25
Total comprehensive income	\$ 29	\$ 18	\$ 248	\$ 116

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Canadian \$ millions, except number of shares)	Share Capital			Accumulated Other Comprehensive Income (Loss)				Total Shareholders' Equity (Restated Note 1)
	Number of shares	Amount	Contributed Surplus	Impact of Foreign Currency Translation and Net Investment Hedges	Impact of Cash Flow Hedges (Restated Note 1)	Retained Earnings (Restated Note 1)		
Balance, January 1, 2017	168,167,202	\$ 573	\$ 2	\$ 243	\$ —	\$ 1,097	\$ 1,915	
Net income	—	—	—	—	—	152	152	
Other comprehensive (loss) income	—	—	—	(55)	(6)	25	(36)	
Total comprehensive (loss) income	—	—	—	(55)	(6)	177	116	
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	\$ (6)	\$ 1,180	\$ 1,938	
Balance, January 1, 2018	168,266,582	\$ 580	\$ —	\$ 195	\$ —	\$ 1,199	\$ 1,974	
Net income	—	—	—	—	—	177	177	
Other comprehensive income (loss)	—	—	—	30	(1)	42	71	
Total comprehensive income (loss)	—	—	—	30	(1)	219	248	
Issued on exercise of share options	238,921	7	(2)	—	—	(5)	—	
Share option expense	—	—	2	—	—	—	2	
Repurchase of common shares	(314,693)	(1)	—	—	—	(9)	(10)	
Dividends on common shares	—	—	—	—	—	(100)	(100)	
Balance, September 30, 2018	168,190,810	\$ 586	\$ —	\$ 225	\$ (1)	\$ 1,304	\$ 2,114	

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	
	2018	2017 (Restated Note 1)	2018	2017 (Restated Note 1)
OPERATING ACTIVITIES				
Net income	\$ 25	\$ 50	\$ 177	\$ 152
Adjusting for:				
Depreciation and amortization	49	46	138	139
Gain on sale of rental equipment and property, plant, and equipment	—	—	(3)	—
Write-off and loss related to investment (Note 4b)	30	—	30	—
Equity earnings of joint ventures and associate	(4)	(2)	(10)	(6)
Share-based payment expense	3	12	19	22
Provision for income taxes	48	17	99	53
Finance costs	20	33	56	78
Net benefit cost (recovery) of post-employment benefit plans (Note 8)	4	(3)	15	5
Other	—	1	—	—
Changes in operating assets and liabilities (Note 9)	(104)	(18)	(476)	(330)
Additions to rental equipment	(81)	(96)	(261)	(247)
Proceeds on disposal of rental equipment	31	39	93	117
Interest paid	(17)	(14)	(52)	(54)
Income tax paid	(10)	(10)	(55)	(44)
Cash flow (used in) provided by operating activities	(6)	55	(230)	(115)
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	(46)	(33)	(124)	(72)
Proceeds on disposal of property, plant, and equipment	3	—	14	2
Proceeds on disposal of investment	—	—	—	7
Advances to and investment in joint ventures and associate	—	—	(1)	(5)
Cash flow used in investing activities	(43)	(33)	(111)	(68)
FINANCING ACTIVITIES				
Increase (decrease) in short-term debt (Note 9)	11	(69)	205	31
Increase in long-term debt (Note 9)	—	200	—	200
Decrease in finance liabilities (Note 9)	(1)	—	(3)	(4)
Repurchase of common shares	(1)	—	(10)	(2)
Dividends paid	(34)	(33)	(100)	(94)
Cash flow (used in) provided by financing activities	(25)	98	92	131
Effect of currency translation on cash balances	(5)	(15)	12	(25)
(Decrease) increase in cash and cash equivalents	(79)	105	(237)	(77)
Cash and cash equivalents, beginning of period	300	411	458	593
Cash and cash equivalents, end of period (Note 9)	\$ 221	\$ 516	\$ 221	\$ 516

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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, 2017 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 5, 2018, 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 policies disclosed below:

(a) New Accounting Standards, Interpretations, and Amendments to Standards

The Company has adopted the following new accounting standards and interpretation:

- 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 supersedes existing standards and interpretations, including IAS 18, *Revenue* and IAS 11, *Construction Contracts*. Additionally, IFRS 15 significantly increases disclosures related to revenue recognition.

Management evaluated the new standard, completed its assessment, and determined that the new standard has the following impact on the timing and pattern of revenue recognition:

- Revenue for sales of new equipment, used equipment, and parts remains unchanged.
- Revenue for complex power and energy systems projects and servicing of equipment is recognized over time in a pattern that reflects the measure of progress. While the total amount of revenue recognized under IFRS 15 does not change materially, the timing of revenue recognized can differ to reflect the measure of progress or allocation of the transaction price.
- Revenue for non-complex power and energy systems projects is recognized at points in time as the performance obligations are satisfied (upon delivery of the equipment to the customer or commissioning of the power system project).
- Revenue for rental equipment is excluded from the scope of the new revenue standard and therefore remains unchanged upon adoption of IFRS 15.

The Company applied some of the practical expedients available under IFRS 15 such as not restating financial statements for any contracts completed prior to January 1, 2017 and using the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods. Also, modifications of contracts prior to January 1, 2017 were appropriately assessed and reflected in the identified performance obligations, estimated transaction price, and allocation of the transaction price to those performance obligations. Management applied the new standard retrospectively to each reporting period presented.

The impact of IFRS 15 on the comparative periods in the consolidated financial statements is shown in the tables on pages 9 – 11.

The Company's accounting policy for Revenue is as follows:

Revenue Recognition

Revenue is recognized when or as the Company transfers control of goods or services to a customer at the amount to which the Company expects to be entitled.

Revenue is recognized when control of the goods is transferred to the customer at a point-in-time for the following revenue streams:

- Revenue from sales of new and used equipment (except for complex power and energy systems) is presented as new equipment revenue and used equipment revenue, respectively. Revenue is recognized when control passes to the customer, which is generally at the time of shipment of the equipment to the customer or when commissioning of equipment is complete. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled, including any non-cash consideration when used equipment is accepted for trade-in value.
- Revenue from sales of parts inventory is presented as product support revenue and recognized when control of the part is transferred to the customer, which is generally upon shipment to the customer or when the customer collects their purchase from one of the Company's locations. Revenue from the sales of parts inventory is initially recorded at the estimated amount of consideration to which the Company expects to be entitled. If applicable, management recognizes an obligation for items such as refunds, incentives, and discounts with a corresponding reduction in product support revenue. The value of the obligation is estimated based on the terms of the contract, customary business practices, and historical experience.

Revenue is recognized in a manner that best reflects the Company's performance over-time for the following revenue streams:

- Revenue from sales of complex power and energy systems involving the design, installation, and assembly of power and energy systems is presented as new equipment revenue and estimated as the amount of consideration to which the Company expects to be entitled. Revenue is recognized on a percentage of completion basis proportionate to the work that has been completed and is based on associated costs incurred.
- Revenue from sales of parts and labour when servicing equipment both under and not under a long-term contract is presented as product support revenue. For sale of parts through servicing of equipment, revenue is recognized as the service work is performed based on parts list price and standard billing labour rates. Product support is also offered to customers in the form of long-term contracts. For these contracts, revenue is recognized on a basis proportionate to the service work that has been performed based on associated costs incurred. For certain long-term product support contracts where flat-rate labour or a monthly subscription service is provided, the Company recognizes revenue for labour on a straight-line basis. Revenue from product support under long-term contracts is estimated based on the number and types of services expected to be performed using the pricing terms set out in the contract.
- Revenue from equipment rentals and operating leases is presented as equipment rental revenue and in accordance with the terms of the relevant agreement with the customer, either recognized evenly over the term of that agreement or on a usage basis such as the number of hours that the equipment is used.

Periodically, revenue from customers under long-term contracts may be recognized in advance of billing the customer. To the extent the Company has a right to receive consideration for the good or service transferred to the customer, the Company recognizes a contract asset. Similarly, amounts may be received from customers under long-term contracts in advance of the work being performed and the Company recognizes a contract liability. These amounts are recorded on the consolidated statement of financial position as Unbilled Work in Progress and Deferred Revenue, respectively.

If it is expected that the unavoidable costs required to satisfy the remaining performance obligations of a revenue contract will exceed its expected economic benefits, the Company recognizes an onerous provision with a corresponding loss in the consolidated statement of net income.

- IFRS 9, *Financial Instruments* (IFRS 9) (effective January 1, 2018) introduced new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting. The Company applied this standard retrospectively. Under the new standard, management utilizes a provision matrix, permitted under the simplified approach, to estimate expected credit losses for trade and other receivables and unbilled work in progress. There is no adjustment on transition for this change in methodology from incurred credit losses under the previous standard IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39).

Management elected to apply the hedge accounting requirements of IFRS 9 to its existing hedging relationships. As a result, cash flow hedges of certain highly probable forecast transactions did not meet the requirements under IFRS 9, therefore any effective portion of such hedges previously recognized in other comprehensive income was restated to the consolidated statement of net income in the comparative period.

Under IAS 39, if a hedged forecast transaction subsequently resulted in the recognition of a non-financial asset or non-financial liability, the Company reclassified that amount and included it directly in the initial cost of the asset or the liability with an offsetting entry in other comprehensive income, referred to as a basis adjustment. Upon adoption of IFRS 9, the Company is required to remove the basis adjustment related to non-financial instruments directly from accumulated other comprehensive income as it is not considered a reclassification adjustment and therefore will no longer impact other comprehensive income.

The impact of IFRS 9 on the comparative periods in the consolidated financial statements is shown in the tables on pages 9 – 11.

The Company's accounting policy for Financial Instruments is as follows:

Financial Assets

Classification and measurement

Cash and cash equivalents, accounts receivable, unbilled work in progress, supplier claims receivable, instalment and other notes receivable, and Value Added Tax receivable are classified as amortized cost and measured using the effective interest method.

Financial assets classified as amortized cost are assessed for impairment at the end of each reporting period and a loss allowance is measured by estimating the lifetime expected credit losses. Certain categories of financial assets, such as trade receivables, that are considered not to be impaired individually are also assessed for impairment on a collective basis. Estimates of expected credit losses take into account the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in and forecasts of future economic conditions that correlate with default on receivables. The carrying amount of trade receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of net income. At the point when the Company is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off.

Derivative assets are classified as fair value through profit or loss and are recorded on the consolidated statement of financial position at fair value. Changes in fair value are recognized in the consolidated statement of net income except for changes in fair value related to derivative assets which are effectively designated as hedging instruments which are recognized in other comprehensive income.

Financial Liabilities

Classification and measurement

Short-term and long-term debt and accounts payable are classified as amortized cost and are measured using the effective interest method.

Derivative liabilities are classified as fair value through profit or loss and are recorded on the consolidated statement of financial position at fair value. Changes in fair value are recognized in the consolidated statement of net income except for changes in fair value related to derivative liabilities which are effectively designated as hedging instruments which are recognized in other comprehensive income.

Hedging

Hedges

The Company utilizes derivative financial instruments and foreign currency debt in order to manage its foreign currency and interest rate exposures. The Company uses derivative financial instruments only in connection with managing related risk positions and does not use them for trading or speculative purposes.

The Company determines whether to formally designate, for accounting purposes, eligible hedging relationships between hedging instruments and hedged items. This process includes linking derivatives to specific risks from assets or liabilities on the statement of financial position, specific firm commitments, or forecasted transactions. For hedges designated as such for accounting purposes, at inception, the Company documents the hedging relationship, its risk management objective and strategy for undertaking the hedge, and how the Company will assess whether the Company meets the hedge effectiveness requirements. When derivative instruments have been designated as a hedge and are highly effective in offsetting the identified hedged risk, hedge accounting is applied to the derivative instruments. The ineffective portion of hedging gains and losses of highly effective hedges is reported in the consolidated statement of net income.

Gains and losses relating to derivative financial instruments that are not designated as hedges for accounting purposes are recorded in the consolidated statement of income as selling, general, and administrative expenses or finance costs, as appropriate.

Cash Flow Hedges

The Company uses foreign exchange forward contracts and, at times, may use options to hedge the currency risk associated with certain foreign currency purchase commitments, payroll, and associated accounts payable and accounts receivable for periods up to two years in advance. The effective portion of hedging gains and losses associated with these cash flow hedges is recorded, net of tax, in other comprehensive income and recognized in earnings in the same period as the hedged item. For cash flow hedges of non-financial items, these gains and losses are included in the initial carrying cost of the hedged asset or hedged liability. The gain or loss relating to any ineffective portion is recognized immediately in the consolidated statement of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any accumulated gain or loss recorded in other comprehensive income at that time remains in accumulated other comprehensive income until the originally hedged transaction affects net income. When a forecasted transaction is no longer expected to occur, the accumulated gain or loss that was reported in other comprehensive income is immediately recorded in the consolidated statement of income.

Net Investment Hedges

The Company uses foreign currency debt to hedge foreign currency gains and losses on its long-term net investments in foreign operations. The effective portion of the gain or loss of such instruments associated with the hedged risk is recorded in other comprehensive income. These gains or losses are recognized in the consolidated statement of net income upon the disposal of a foreign operation, a disposal that involves loss of control of a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation.

The impact of IFRS 15 on the statement of financial position for January 1, 2017 is presented below.
IFRS 9 did not impact the statement of financial position for January 1, 2017.

January 1, 2017 (\$ millions)	Previously reported	Adjustments for IFRS 15	Adjustments for IFRS 9	Restated
Accounts receivable	\$ 869	\$ (55)	\$ —	\$ 814
Unbilled work in progress	\$ 101	\$ 76	\$ —	\$ 177
Inventories	\$ 1,601	\$ (4)	\$ —	\$ 1,597
Other assets (non-current)	\$ 186	\$ (34)	\$ —	\$ 152
Total assets	\$ 4,910	\$ (17)	\$ —	\$ 4,893
Deferred revenue	\$ 231	\$ 2	\$ —	\$ 233
Other liabilities (non-current)	\$ 205	\$ (33)	\$ —	\$ 172
Total liabilities	\$ 3,009	\$ (31)	\$ —	\$ 2,978
Retained earnings	\$ 1,083	\$ 14	\$ —	\$ 1,097
Shareholders' equity	\$ 1,901	\$ 14	\$ —	\$ 1,915

The impact of IFRS 15 and IFRS 9 on the statement of financial position for December 31, 2017 is as follows:

December 31, 2017 (\$ millions)	Previously reported	Adjustments for IFRS 15	Adjustments for IFRS 9	Restated
Accounts receivable	\$ 957	\$ (23)	\$ —	\$ 934
Unbilled work in progress	\$ 124	\$ 38	\$ —	\$ 162
Inventories	\$ 1,705	\$ 3	\$ —	\$ 1,708
Other assets (non-current)	\$ 194	\$ (41)	\$ —	\$ 153
Total assets	\$ 5,092	\$ (23)	\$ —	\$ 5,069
Deferred revenue	\$ 291	\$ 5	\$ —	\$ 296
Other liabilities (non-current)	\$ 215	\$ (39)	\$ —	\$ 176
Total liabilities	\$ 3,129	\$ (34)	\$ —	\$ 3,095
Accumulated other comprehensive income	\$ 193	\$ —	\$ 2	\$ 195
Retained earnings	\$ 1,190	\$ 11	\$ (2)	\$ 1,199
Shareholders' equity	\$ 1,963	\$ 11	\$ —	\$ 1,974

The impact of IFRS 15 and IFRS 9 on the statements of net income and comprehensive income for the three and nine months ended September 30, 2017 and year ended December 31, 2017 is as follows:

For 3 months ended September 30, 2017 (\$ millions)	Previously reported	Adjustments for IFRS 15	Adjustments for IFRS 9	Restated
New equipment revenue	\$ 535	\$ (5)	\$ —	\$ 530
Product support revenue	\$ 866	\$ (4)	\$ —	\$ 862
Total revenue	\$ 1,547	\$ (9)	\$ —	\$ 1,538
Cost of sales	\$ (1,141)	\$ 8	\$ —	\$ (1,133)
Gross profit	\$ 406	\$ (1)	\$ —	\$ 405
Selling, general, and administrative expenses	\$ (305)	\$ —	\$ (2)	\$ (307)
Earnings before finance costs and income taxes	\$ 103	\$ (1)	\$ (2)	\$ 100
Provision for income taxes	\$ (18)	\$ —	\$ 1	\$ (17)
Net income	\$ 52	\$ (1)	\$ (1)	\$ 50
Other comprehensive income	\$ (31)	\$ —	\$ (1)	\$ (32)
Comprehensive income	\$ 21	\$ (1)	\$ (2)	\$ 18
For 9 months ended September 30, 2017 (\$ millions)	Previously reported	Adjustments for IFRS 15	Adjustments for IFRS 9	Restated
New equipment revenue	\$ 1,508	\$ 3	\$ —	\$ 1,511
Product support revenue	\$ 2,595	\$ (10)	\$ —	\$ 2,585
Total revenue	\$ 4,530	\$ (7)	\$ —	\$ 4,523
Cost of sales	\$ (3,309)	\$ 6	\$ —	\$ (3,303)
Gross profit	\$ 1,221	\$ (1)	\$ —	\$ 1,220
Selling, general, and administrative expenses	\$ (942)	\$ —	\$ (3)	\$ (945)
Earnings before finance costs and income taxes	\$ 287	\$ (1)	\$ (3)	\$ 283
Provision for income taxes	\$ (54)	\$ —	\$ 1	\$ (53)
Net income	\$ 155	\$ (1)	\$ (2)	\$ 152
Other comprehensive income	\$ (37)	\$ —	\$ 1	\$ (36)
Comprehensive income	\$ 118	\$ (1)	\$ (1)	\$ 116
For year ended December 31, 2017 (\$ millions)	Previously reported	Adjustments for IFRS 15	Adjustments for IFRS 9	Restated
New equipment revenue	\$ 2,169	\$ 6	\$ —	\$ 2,175
Product support revenue	\$ 3,496	\$ (15)	\$ —	\$ 3,481
Total revenue	\$ 6,265	\$ (9)	\$ —	\$ 6,256
Cost of sales	\$ (4,608)	\$ 6	\$ —	\$ (4,602)
Gross profit	\$ 1,657	\$ (3)	\$ —	\$ 1,654
Selling, general, and administrative expenses	\$ (1,267)	\$ —	\$ (4)	\$ (1,271)
Earnings before finance costs and income taxes	\$ 399	\$ (3)	\$ (4)	\$ 392
Provision for income taxes	\$ (78)	\$ —	\$ 2	\$ (76)
Net income	\$ 221	\$ (3)	\$ (2)	\$ 216
Other comprehensive income	\$ (35)	\$ —	\$ (1)	\$ (36)
Comprehensive income	\$ 186	\$ (3)	\$ (3)	\$ 180

The impact on basic and diluted EPS for the three and nine months ended September 30, 2017, and year ended December 31, 2017 is as follows:

For the 3 months ended September 30, 2017	Previously reported	Adjustments for IFRS 15	Adjustments for IFRS 9	Restated
Basic and Diluted EPS	\$ 0.31	\$ —	\$ (0.02)	\$ 0.29
For the 9 months ended September 30, 2017	Previously reported	Adjustments for IFRS 15	Adjustments for IFRS 9	Restated
Basic and Diluted EPS	\$ 0.92	\$ —	\$ (0.02)	\$ 0.90
For year ended December 31, 2017	Previously reported	Adjustments for IFRS 15	Adjustments for IFRS 9	Restated
Basic and Diluted EPS	\$ 1.31	\$ (0.01)	\$ (0.02)	\$ 1.28

- 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. This IFRIC clarifies the exchange rate used to translate deposits made on inventory purchases or advances received for equipment sales denominated in a foreign currency. Management elected to apply this interpretation prospectively to all in-scope assets, expenses, and income recognized on or after January 1, 2018. The future impact on the initial measurement of inventory and revenue will depend on movements in exchange rates.

(b) Future Accounting Pronouncements

The Company has not applied the following new standard and interpretation that have been issued but are not yet effective:

- 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, mainly properties and vehicles, and non-current liabilities recorded on the consolidated statement of financial position in all reporting segments but primarily in the Canadian segment. 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. Although total cash movement will be unchanged, the presentation in the statement of cash flows will look different under the new standard. There will be an increase in cash flows provided by operating activities offset by an increase in cash flows used within financing activities, as the principal component of lease payments currently accounted for as an operating activity will be presented as a financing activity.

The Company will apply IFRS 16 retrospectively and will recognize the cumulative effect of initial application on January 1, 2019, subject to permitted and elected practical expedients. This method of application will not result in a restatement of amounts reported in periods prior to January 1, 2019. The Company will measure the right-of-use asset at an amount equal to the lease liability on January 1, 2019 and apply a single discount rate to leases with a similar remaining lease term for similar classes of underlying assets. The Company will not apply this standard to short-term leases and leases for which the underlying asset is of low value.

- 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, 2018 (\$ millions)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue					
New equipment	\$ 322	\$ 198	\$ 191	\$ —	\$ 711
Used equipment	52	11	15	—	78
Equipment rental	46	12	10	—	68
Product support	490	335	69	—	894
Other	—	2	2	—	4
Total revenue from external sources	\$ 910	\$ 558	\$ 287	\$ —	\$ 1,755
Operating costs	(810)	(506)	(264)	(7)	(1,587)
Depreciation and amortization	(26)	(15)	(8)	—	(49)
Equity earnings of joint ventures and associate	4	—	—	—	4
Other expenses (Note 4b)	—	—	—	(30)	(30)
Earnings (loss) before finance costs and income taxes	\$ 78	\$ 37	\$ 15	\$ (37)	\$ 93
Finance costs					(20)
Provision for income taxes					(48)
Net income					\$ 25
Invested capital ⁽¹⁾	\$ 1,889	\$ 1,173	\$ 404	\$ (35)	\$ 3,431
Capital and rental equipment ⁽²⁾	\$ 647	\$ 408	\$ 150	\$ 26	\$ 1,231
Gross capital expenditures ⁽²⁾⁽³⁾	\$ 16	\$ 22	\$ 3	\$ 6	\$ 47
Gross rental asset expenditures ⁽³⁾	\$ 69	\$ 4	\$ 8	\$ —	\$ 81

3 months ended September 30, 2017 (\$ millions) (Restated - Note 1)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue					
New equipment	\$ 197	\$ 170	\$ 163	\$ —	\$ 530
Used equipment	51	14	15	—	80
Equipment rental	43	12	8	—	63
Product support	445	352	65	—	862
Other	—	1	2	—	3
Total revenue from external sources	\$ 736	\$ 549	\$ 253	\$ —	\$ 1,538
Operating costs	(656)	(488)	(237)	(13)	(1,394)
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	\$ 57	\$ 48	\$ 9	\$ (14)	\$ 100
Finance costs					(33)
Provision for income taxes					(17)
Net income					\$ 50
Invested capital ⁽¹⁾	\$ 1,746	\$ 1,069	\$ 311	\$ (31)	\$ 3,095
Capital and rental equipment ⁽²⁾	\$ 606	\$ 348	\$ 122	\$ 6	\$ 1,082
Gross capital expenditures ⁽²⁾⁽³⁾	\$ 7	\$ 23	\$ 2	\$ 1	\$ 33
Gross rental asset expenditures ⁽³⁾	\$ 74	\$ 16	\$ 6	\$ —	\$ 96

⁽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, 2018 (\$ millions)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue					
New equipment	\$ 898	\$ 496	\$ 524	\$ —	\$ 1,918
Used equipment	160	43	49	—	252
Equipment rental	109	39	27	—	175
Product support	1,501	1,079	218	—	2,798
Other	1	4	6	—	11
Revenue from external sources	\$ 2,669	\$ 1,661	\$ 824	\$ —	\$ 5,154
Operating costs	(2,387)	(1,486)	(763)	(28)	(4,664)
Depreciation and amortization	(70)	(45)	(22)	(1)	(138)
Equity earnings (loss) of joint ventures and associate	14	—	—	(4)	10
Other expenses (Note 4b)	—	—	—	(30)	(30)
Earnings (loss) before finance costs and income taxes	\$ 226	\$ 130	\$ 39	\$ (63)	\$ 332
Finance costs					(56)
Provision for income taxes					(99)
Net income					\$ 177
Invested capital ⁽¹⁾	\$ 1,889	\$ 1,173	\$ 404	\$ (35)	\$ 3,431
Capital and rental equipment ⁽²⁾	\$ 647	\$ 408	\$ 150	\$ 26	\$ 1,231
Gross capital expenditures ⁽²⁾⁽³⁾	\$ 44	\$ 58	\$ 7	\$ 17	\$ 126
Gross rental asset expenditures ⁽³⁾	\$ 191	\$ 34	\$ 36	\$ —	\$ 261
9 months ended September 30, 2017 (\$ millions) (Restated - Note 1)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue					
New equipment	\$ 602	\$ 451	\$ 458	\$ —	\$ 1,511
Used equipment	159	40	50	—	249
Equipment rental	107	38	23	—	168
Product support	1,347	1,036	202	—	2,585
Other	1	3	6	—	10
Revenue from external sources	\$ 2,216	\$ 1,568	\$ 739	\$ —	\$ 4,523
Operating costs	(1,993)	(1,391)	(690)	(35)	(4,109)
Depreciation and amortization	(75)	(43)	(20)	(1)	(139)
Equity earnings (loss) of joint venture and associate	10	—	—	(4)	6
Other income (Note 4a)	—	—	—	2	2
Earnings (loss) before finance costs and income taxes	\$ 158	\$ 134	\$ 29	\$ (38)	\$ 283
Finance costs					(78)
Provision for income taxes					(53)
Net income					\$ 152
Invested capital ⁽¹⁾	\$ 1,746	\$ 1,069	\$ 311	\$ (31)	\$ 3,095
Capital and rental equipment ⁽²⁾	\$ 606	\$ 348	\$ 122	\$ 6	\$ 1,082
Gross capital expenditures ⁽²⁾⁽³⁾	\$ 20	\$ 44	\$ 5	\$ 3	\$ 72
Gross rental asset expenditures ⁽³⁾	\$ 194	\$ 38	\$ 15	\$ —	\$ 247

(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) 2018	3 months ended September 30			9 months ended September 30		
	Income	Shares	Per Share	Income	Shares	Per Share
Basic earnings per share (EPS):						
Net income, weighted average shares outstanding, EPS	\$ 25	168,187,968	\$ 0.15	\$ 177	168,313,883	\$ 1.05
Effect of dilutive securities: share options	—	589,458	—	—	709,671	—
Diluted EPS:						
Net income and assumed conversions	\$ 25	168,777,426	\$ 0.15	\$ 177	169,023,554	\$ 1.05
2017 (Restated - Note 1)						
Basic EPS:						
Net income, weighted average shares outstanding, EPS	\$ 50	168,103,950	\$ 0.29	\$ 152	168,109,930	\$ 0.90
Effect of dilutive securities: share options	—	379,569	—	—	290,074	—
Diluted EPS:						
Net income and assumed conversions	\$ 50	168,483,519	\$ 0.29	\$ 152	168,400,004	\$ 0.90

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. Anti-dilutive share options related to the three and nine months ended September 30, 2018 were not significant (2017: 1.0 million and 1.3 million, respectively).

4. OTHER INCOME AND OTHER EXPENSES

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2018	2017	2018	2017
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	
	2018	2017	2018	2017
Write-off and loss related to investment (b)	\$ (30)	\$ —	\$ (30)	\$ —
Total other expenses	\$ (30)	\$ —	\$ (30)	\$ —

(b) During the quarter, the Company conducted a review of its 28.8% investment in Energyst B.V. (Energyst) and determined that Energyst was no longer a strategic fit. The Company decided that Energyst was held-for-sale at September 30, 2018 resulting in a write-down of its investment to its estimated fair value (\$nil). In the third quarter, the Company recorded a charge of \$30 million comprising the investment write-off of \$19 million and a reclassification of cumulative foreign translation losses of \$11 million from accumulated other comprehensive income to the statement of income upon Energyst's sale of its wholly-owned subsidiary in Argentina.

5. SHORT-TERM DEBT AND FINANCE COSTS

At September 30, 2018, short-term debt includes \$210 million drawn on the Company's syndicated committed credit facility and local bank borrowings in the Company's Argentina operations of \$13 million. At December 31, 2017, short-term debt represented local bank borrowings in the Company's Argentina operations of \$18 million.

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 was recorded in other finance related expenses in the three and nine 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	
	2018	2017	2018	2017
Interest on short-term debt	\$ 4	\$ 2	\$ 10	\$ 4
Interest on long-term debt	13	16	38	50
Interest on debt securities	17	18	48	54
Net interest on pension and other post-employment benefit obligations (Note 8)	1	1	1	1
Other finance related expenses	2	14	7	23
Finance costs	\$ 20	\$ 33	\$ 56	\$ 78

6. INCOME TAXES

The effective income tax rate for the three and nine months ended September 30, 2018 was 65.4% and 35.9% respectively (three and nine months ended September 30, 2017: 25.7%). This was primarily due to an increase in deferred tax expense arising from a significant devaluation of the Argentine Peso in the quarter as well as the non-deductibility of the write-down of the Company's Energyst investment.

7. 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, 2018		September 30, 2017	
	Options	Weighted Average	Options	Weighted Average
Options outstanding, beginning of period	3,864,338	\$ 25.45	4,563,871	\$ 25.20
Granted	360,724	\$ 33.60	434,806	\$ 26.79
Exercised ⁽¹⁾	(994,713)	\$ 25.90	(314,668)	\$ 24.04
Forfeited	(1,667)	\$ 25.44	(109,921)	\$ 27.47
Expired	(2,350)	\$ 28.29	—	\$ —
Options outstanding, end of period	3,226,332	\$ 26.22	4,574,088	\$ 25.37
Options exercisable, end of period	2,386,390	\$ 25.33	3,322,418	\$ 25.55

⁽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, 2018 comprised both cash and cashless exercises.

In the three and nine months ended September 30, 2018, the Company granted 11,215 and 360,724 common share options, respectively, to senior executives and management of the Company (three and nine months ended September 30, 2017: nil and 434,806 common share options, respectively). The Company only grants and prices share options when all material information has been disclosed to the market.

In the nine months ended September 30, 2018, 994,713 options were exercised resulting in 238,921 common shares being issued; 755,792 options were withheld and returned to the option pool for future issues/grants (nine months ended September 30, 2017: 314,668 options were exercised resulting in 40,451 common shares issued; 274,217 options were withheld and returned).

The fair value of the options granted in 2018 has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	3 months ended September 30		9 months ended September 30	
	2018	2017 ⁽¹⁾	2018	2017
Dividend yield	2.80%	n/a	2.80%	2.72%
Expected volatility ⁽²⁾	27.15%	n/a	27.13%	29.34%
Risk-free interest rate	2.21%	n/a	2.31%	1.09%
Expected life	5.40 years	n/a	5.38 years	5.56 years
Grant date fair value of options	\$ 6.32	n/a	\$ 6.85	\$ 5.48

(1) n/a – not applicable

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

Other Share-Based Payment Plans

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

(share units granted)	3 months ended September 30		9 months ended September 30	
	2018	2017	2018	2017
Executive Deferred Share Unit Plan	15,610	—	20,357	9,589
Directors' Deferred Share Unit Plan A	10,501	14,016	34,245	43,574
Performance Share Unit Plan ⁽³⁾	6,878	1,634	376,722	444,968
Restricted Share Unit Plan	1,973	1,089	164,412	194,849

(3) Based on 100% vesting

8. POST-EMPLOYMENT BENEFITS

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

	September 30, 2018			September 30, 2017		
	Canada	UK	South America	Canada	UK	South America
Discount rate – obligation	3.7%	2.9%	1.5%	3.6%	2.7%	1.5%
Discount rate – expense ⁽¹⁾	3.4%	2.5%	1.8%	3.7%	2.7%	1.3%
Retail price inflation – obligation	n/m ⁽²⁾	3.3%	n/a ⁽²⁾	n/m ⁽²⁾	3.3%	n/a ⁽²⁾
Retail price inflation – expense ⁽¹⁾	n/m ⁽²⁾	3.3%	n/a ⁽²⁾	n/m ⁽²⁾	3.4%	n/a ⁽²⁾

(1) Used to determine the net interest cost and expense for the three and nine months ended September 30, 2018 and September 30, 2017

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

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

3 months ended (\$ millions)	September 30, 2018				September 30, 2017			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 1	\$ —	\$ 3	\$ 4	\$ 2	\$ 1	\$ 1	\$ 4
Past service cost (recovery)	—	—	—	—	—	(7)	—	(7)
Net interest cost	—	—	1	1	—	—	1	1
Net benefit cost	\$ 1	\$ —	\$ 4	\$ 5	\$ 2	\$ (6)	\$ 2	\$ (2)
Actuarial loss (gain) on plan assets	\$ 18	\$ (12)	\$ —	\$ 6	\$ 25	\$ (2)	\$ —	\$ 23
Actuarial gain on plan liabilities	(26)	(1)	—	(27)	(26)	(3)	(1)	(30)
Total actuarial gain recognized in other comprehensive income	\$ (8)	\$ (13)	\$ —	\$ (21)	\$ (1)	\$ (5)	\$ (1)	\$ (7)

9 months ended (\$ millions)	September 30, 2018				September 30, 2017			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 5	\$ 1	\$ 9	\$ 15	\$ 5	\$ 2	\$ 5	\$ 12
Past service cost (recovery)	—	—	—	—	—	(7)	—	(7)
Net interest cost	—	—	1	1	—	—	1	1
Net benefit cost	\$ 5	\$ 1	\$ 10	\$ 16	\$ 5	\$ (5)	\$ 6	\$ 6
Actuarial loss (gain) on plan assets	\$ 12	\$ 6	\$ —	\$ 18	\$ (4)	\$ (13)	\$ —	\$ (17)
Actuarial (gain) loss on plan liabilities	(15)	(54)	—	(69)	5	(16)	(2)	(13)
Total actuarial (gain) loss recognized in other comprehensive income	\$ (3)	\$ (48)	\$ —	\$ (51)	\$ 1	\$ (29)	\$ (2)	\$ (30)

In March 2017, the Company invested a portion of its Canadian defined benefit plan assets in annuity contracts (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 the nine months ended September 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 provided members with additional flexibility than was previously available, and also assisted the Company in managing the plan liabilities and the associated risks (for example, inflation risk). Management estimated that the exercises would 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.

9. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents are as follows:

September 30 (\$ millions)	2018		2017	
Cash	\$	144	\$	450
Cash equivalents		77		66
Cash and cash equivalents	\$	221	\$	516

The changes in operating assets and liabilities are as follows:

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2018	2017 (Restated Note 1)	2018	2017 (Restated Note 1)
Accounts receivable	\$ (18)	\$ (36)	\$ (40)	(97)
Unbilled work in progress	17	3	(21)	5
Inventories	(67)	19	(294)	(195)
Other assets	(1)	(14)	(27)	(32)
Accounts payable and accruals	(24)	8	(94)	15
Other liabilities	(11)	2	—	(26)
Changes in operating assets and liabilities	\$ (104)	\$ (18)	\$ (476)	\$ (330)

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

(\$ millions)	Short-term debt	Long-term debt	Finance lease liability	Total
Balance, January 1, 2018	\$ 18	\$ 1,296	\$ 34	\$ 1,348
Cash flows provided by (used in)				
Financing activities	205	—	(3)	202
Total cash movements	\$ 205	\$ —	\$ (3)	\$ 202
Non-cash changes				
Foreign exchange rate changes	—	19	(1)	18
Total non-cash movements	\$ —	\$ 19	\$ (1)	\$ 18
Balance, September 30, 2018	\$ 223	\$ 1,315	\$ 30	\$ 1,568

(\$ 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)	—	(47)
Total non-cash movements	\$ (1)	\$ (46)	\$ 2	\$ (45)
Balance, September 30, 2017	\$ 32	\$ 1,641	\$ 35	\$ 1,708