

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	March 31, 2018	December 31, 2017	January 1, 2017
		(Restated - Note 1)	(Restated - Note 1)
ASSETS			
Current assets			
Cash and cash equivalents	\$ 325	\$ 458	\$ 593
Accounts receivable	982	934	814
Unbilled work in progress	191	162	177
Inventories	1,906	1,708	1,597
Other assets	283	269	214
Total current assets	3,687	3,531	3,395
Property, plant, and equipment	573	572	606
Rental equipment	404	385	363
Goodwill	121	119	118
Intangible assets	130	117	71
Distribution network	100	100	100
Investments in joint ventures and associate	93	92	88
Other assets	146	153	152
Total assets	\$ 5,254	\$ 5,069	\$ 4,893
LIABILITIES			
Current liabilities			
Short-term debt	\$ 169	\$ 18	\$ 2
Accounts payable and accruals	1,119	1,160	946
Deferred revenue	291	296	233
Provisions	41	35	47
Other liabilities	6	36	7
Total current liabilities	1,626	1,545	1,235
Long-term debt	1,322	1,296	1,487
Net post-employment obligation	86	78	84
Other liabilities	160	176	172
Total liabilities	\$ 3,194	\$ 3,095	\$ 2,978
SHAREHOLDERS' EQUITY			
Share capital	\$ 584	\$ 580	\$ 573
Contributed surplus	—	—	2
Accumulated other comprehensive income	233	195	243
Retained earnings	1,243	1,199	1,097
Total shareholders' equity	2,060	1,974	1,915
Total liabilities and shareholders' equity	\$ 5,254	\$ 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

3 months ended March 31	2017	
(Canadian \$ millions, except share and per share amounts)	2018	(Restated Note 1)
Revenue		
New equipment	\$ 584	\$ 425
Used equipment	96	73
Equipment rental	50	51
Product support	936	849
Other	4	3
Total revenue	1,670	1,401
Cost of sales	(1,230)	(1,008)
Gross profit	440	393
Selling, general, and administrative expenses	(328)	(307)
Equity earnings (loss) of joint ventures and associate	1	(1)
Other income	—	1
Earnings before finance costs and income taxes	113	86
Finance costs (Note 4)	(18)	(22)
Income before provision for income taxes	95	64
Provision for income taxes	(24)	(17)
Net income	\$ 71	\$ 47
Earnings per share (Note 3)		
Basic	\$ 0.42	\$ 0.28
Diluted	\$ 0.42	\$ 0.28
Weighted average number of shares outstanding (Note 3)		
Basic	168,345,298	168,135,424
Diluted	169,174,420	168,372,738

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

3 months ended March 31 (Canadian \$ millions)	2018	2017
Net income	\$ 71	\$ 47
Other comprehensive income (loss), net of income tax		
Items that may be subsequently reclassified to net income:		
Foreign currency translation adjustments	62	(7)
Share of foreign currency translation adjustments of joint ventures and associate	—	(3)
(Loss) gain on net investment hedges	(25)	5
Impact of foreign currency translation and net investment hedges, net of income tax	37	(5)
Loss on cash flow hedges	(1)	—
Loss on cash flow hedges, reclassified to net income	1	—
Impact of cash flow hedges, net of income tax	—	—
Items that will not be subsequently reclassified to net income:		
Actuarial gain (Note 5)	10	8
Income tax expense on actuarial gain	(1)	(1)
Actuarial gain, net of income tax	9	7
Total comprehensive income	\$ 117	\$ 49

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Canadian \$ millions, except number of shares)	Share Capital		Accumulated Other Comprehensive Income				Total (Restated Note 1)
	Number of shares	Amount	Contributed Surplus	Impact of Foreign Currency Translation and Net Investment Hedges	Impact of Cash Flow Hedges	Retained Earnings (Restated Note 1)	
Balance, January 1, 2017	168,167,202	\$ 573	\$ 2	\$ 243	\$ —	\$ 1,097	\$ 1,915
Net income	—	—	—	—	—	47	47
Other comprehensive (loss) income	—	—	—	(5)	—	7	2
Total comprehensive (loss) income	—	—	—	(5)	—	54	49
Issued on exercise of share options	5,972	—	—	—	—	—	—
Share option expense	—	—	1	—	—	—	1
Repurchase of common shares	(89,900)	—	(2)	—	—	—	(2)
Dividends on common shares	—	—	—	—	—	(31)	(31)
Balance, March 31, 2017	168,083,274	\$ 573	\$ 1	\$ 238	\$ —	\$ 1,120	\$ 1,932
Balance, January 1, 2018	168,266,582	\$ 580	\$ —	\$ 195	\$ —	\$ 1,199	\$ 1,974
Net income	—	—	—	—	—	71	71
Other comprehensive income	—	—	—	37	—	9	46
Total comprehensive income	—	—	—	37	—	80	117
Issued on exercise of share options	134,556	4	(1)	—	—	(4)	(1)
Share option expense	—	—	1	—	—	—	1
Cost of hedging transferred to balance sheet	—	—	—	—	1	—	1
Dividends on common shares	—	—	—	—	—	(32)	(32)
Balance, March 31, 2018	168,401,138	\$ 584	\$ —	\$ 232	\$ 1	\$ 1,243	\$ 2,060

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

3 months ended March 31 (Canadian \$ millions)	2018	2017
OPERATING ACTIVITIES		
Net income	\$ 71	\$ 47
Adjusting for:		
Depreciation and amortization	44	45
Gain on disposal of rental equipment and property, plant, and equipment	(3)	—
Mark-to-market adjustment on investment	—	(1)
Equity (earnings) loss of joint ventures and associate	(1)	1
Share-based payment expense	5	—
Provision for income taxes	24	17
Finance costs	18	22
Net benefit cost of post-employment benefit plans (Note 5)	4	4
Changes in operating assets and liabilities (Note 6)	(329)	(138)
Additions to rental equipment	(66)	(61)
Proceeds on disposal of rental equipment	32	29
Interest paid	(15)	(11)
Income tax paid	(26)	(12)
Cash flow used in operating activities	(242)	(58)
INVESTING ACTIVITIES		
Additions to property, plant, and equipment and intangible assets	(32)	(19)
Proceeds on disposal of property, plant, and equipment	11	1
Investment in joint ventures and associate	—	(3)
Cash flow used in investing activities	(21)	(21)
FINANCING ACTIVITIES		
Increase in short-term debt (Note 6)	150	14
Decrease in finance lease liabilities (Note 6)	(1)	(2)
Repurchase of common shares	—	(2)
Dividends paid	(32)	(31)
Cash flow provided by (used in) financing activities	117	(21)
Effect of currency translation on cash balances	13	(4)
Decrease in cash and cash equivalents	(133)	(104)
Cash and cash equivalents, beginning of period	458	593
Cash and cash equivalents, end of period (Note 6)	\$ 325	\$ 489

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, 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 May 9, 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, the Company did not restate financial statements for any contracts completed prior to January 1, 2017 and management used 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 and 10.

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 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 the Company is expected 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 the Company is expected 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 involve the design, installation, and assembly of power and energy systems. Revenue is presented as new equipment revenue and estimated as the amount of consideration the Company is expected to be entitled. Revenue is recognized on a percentage of completion basis proportionate to the work that has been completed which 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 are 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 page 9 and 10.

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. For 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 exposure. 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 or not 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 statements of financial position for January 1, 2017 is presented below. IFRS 9 did not impact the statements 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 months ended March 31, 2017 and year ended December 31, 2017 is as follows:

For 3 months ended March 31, 2017 (\$ millions)	Previously reported	Adjustments for IFRS 15	Adjustments for IFRS 9	Restated
New equipment revenue	\$ 423	\$ 2	\$ —	\$ 425
Product support revenue	\$ 852	\$ (3)	\$ —	\$ 849
Total revenue	\$ 1,402	\$ (1)	\$ —	\$ 1,401
Cost of sales	\$ (1,009)	\$ 1	\$ —	\$ (1,008)
Gross profit	\$ 393	\$ —	\$ —	\$ 393
Net income	\$ 47	\$ —	\$ —	\$ 47

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 adoption of IFRS 15 and IFRS 9 did not impact basic or diluted EPS for the three month period ended March 31, 2017. The impact on basic and diluted EPS for the year ended December 31, 2017 is as follows:

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 amendment to standard 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 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 March 31, 2018 (\$ millions)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue					
New equipment	\$ 268	\$ 153	\$ 163	\$ —	\$ 584
Used equipment	56	23	17	—	96
Equipment rental	30	12	8	—	50
Product support	498	363	75	—	936
Other	—	1	3	—	4
Total revenue from external sources	\$ 852	\$ 552	\$ 266	\$ —	\$ 1,670
Operating costs	(764)	(491)	(249)	(10)	(1,514)
Depreciation and amortization	(22)	(15)	(7)	—	(44)
Equity earnings (loss) of joint ventures and associate	5	—	—	(4)	1
Earnings (loss) before finance costs and income taxes	\$ 71	\$ 46	\$ 10	\$ (14)	\$ 113
Finance costs					(18)
Provision for income taxes					(24)
Net income					\$ 71
Invested capital ⁽¹⁾	\$ 1,778	\$ 1,140	\$ 322	\$ (14)	\$ 3,226
Capital and rental equipment ⁽²⁾	\$ 553	\$ 396	\$ 144	\$ 14	\$ 1,107
Gross capital expenditures ⁽²⁾⁽³⁾	\$ 7	\$ 19	\$ 2	\$ 4	\$ 32
Gross rental asset expenditures ⁽³⁾	\$ 44	\$ 15	\$ 7	\$ —	\$ 66

3 months ended March 31, 2017 (\$ millions) (Restated - Note 1)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue					
New equipment	\$ 165	\$ 142	\$ 118	\$ —	\$ 425
Used equipment	46	12	15	—	73
Equipment rental	31	13	7	—	51
Product support	448	335	66	—	849
Other	—	1	2	—	3
Total revenue from external sources	\$ 690	\$ 503	\$ 208	\$ —	\$ 1,401
Operating costs	(622)	(444)	(195)	(9)	(1,270)
Depreciation and amortization	(24)	(15)	(6)	—	(45)
Equity earnings (loss) of joint ventures and associate	2	—	—	(3)	(1)
Other income	—	—	—	1	1
Earnings (loss) before finance costs and income taxes	\$ 46	\$ 44	\$ 7	\$ (11)	\$ 86
Finance costs					(22)
Provision for income taxes					(17)
Net income					\$ 47
Invested capital ⁽¹⁾	\$ 1,630	\$ 1,029	\$ 286	\$ (5)	\$ 2,940
Capital and rental equipment ⁽²⁾	\$ 573	\$ 350	\$ 117	\$ 5	\$ 1,045
Gross capital expenditures ⁽²⁾⁽³⁾	\$ 5	\$ 12	\$ 1	\$ 1	\$ 19
Gross rental asset expenditures ⁽³⁾	\$ 53	\$ 5	\$ 3	\$ —	\$ 61

⁽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

3. EARNINGS PER SHARE

3 months ended March 31				
(\$ millions, except share and per share amounts)				
	Net			
2018	Income	Shares		Per Share
Basic EPS:				
Net income, weighted average shares outstanding, EPS	\$ 71	168,345,298	\$	0.42
Effect of dilutive securities: share options	—	829,122		—
Diluted EPS:				
Net income and assumed conversions	\$ 71	169,174,420	\$	0.42
2017				
Basic EPS:				
Net income, weighted average shares outstanding, EPS	\$ 47	168,135,424	\$	0.28
Effect of dilutive securities: share options	—	237,314		—
Diluted EPS:				
Net income and assumed conversions	\$ 47	168,372,738	\$	0.28

4. SHORT-TERM DEBT AND FINANCE COSTS

At March 31, 2018, short-term debt includes \$140 million drawn on the Company's syndicated committed credit facility and local bank borrowings in the Company's Argentina operations of \$29 million (December 31, 2017: \$nil and \$18 million, respectively).

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

3 months ended March 31				
(\$ millions)				
	2018		2017	
Interest on short-term debt	\$	3	\$	1
Interest on long-term debt		13		17
Interest on debt securities		16		18
Other finance related expenses		2		4
Finance costs	\$	18	\$	22

5. POST-EMPLOYMENT BENEFITS

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

	March 31, 2018			March 31, 2017		
	Canada	UK	South America	Canada	UK	South America
Discount rate – obligation	3.4%	2.6%	1.7%	3.5%	2.6%	1.2%
Discount rate – expense ⁽¹⁾	3.4%	2.5%	1.8%	3.7%	2.7%	1.3%
Retail price inflation – obligation ⁽²⁾	n/m	3.2%	n/a	n/m	3.3%	n/a
Retail price inflation – expense ⁽¹⁾⁽²⁾	n/m	3.3%	n/a	n/m	3.4%	n/a

⁽¹⁾ Used to determine the net interest cost and expense for the three months ended March 31, 2018 and March 31, 2017

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

n/a – not applicable

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

3 months ended (\$ millions)	March 31, 2018				March 31, 2017			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 2	\$ —	\$ 2	\$ 4	\$ 2	\$ —	\$ 2	\$ 4
Net benefit cost	\$ 2	\$ —	\$ 2	\$ 4	\$ 2	\$ —	\$ 2	\$ 4
Actuarial loss (gain) on plan assets	\$ 5	\$ 9	\$ —	\$ 14	\$ (6)	\$ (17)	\$ —	\$ (23)
Actuarial (gain) loss on plan liabilities	—	(24)	—	(24)	13	1	1	15
Total actuarial loss (gain) recognized in other comprehensive income	\$ 5	\$ (15)	\$ —	\$ (10)	\$ 7	\$ (16)	\$ 1	\$ (8)

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.

6. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents are as follows:

March 31 (\$ millions)	2018		2017	
Cash	\$	217	\$	275
Cash equivalents		108		214
Cash and cash equivalents	\$	325	\$	489

The changes in operating assets and liabilities are as follows:

3 months ended March 31 (\$ millions)	2018		2017 (Restated Note 1)	
Accounts receivable	\$	(29)	\$	(5)
Unbilled work in progress		(25)		(2)
Inventories		(168)		(58)
Other assets		(14)		(28)
Accounts payable and accruals		(65)		(32)
Other liabilities		(28)		(13)
Changes in operating assets and liabilities	\$	(329)	\$	(138)

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	150	—	(1)	149
Total cash movements	\$ 150	\$ —	\$ (1)	\$ 149
Non-cash changes				
Foreign exchange rate changes	1	26	1	28
Total non-cash movements	\$ 1	\$ 26	\$ 1	\$ 28
Balance, March 31, 2018	\$ 169	\$ 1,322	\$ 34	\$ 1,525

(\$ 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	14	—	(2)	12
Operating activities	—	—	(1)	(1)
Total cash movements	\$ 14	\$ —	\$ (3)	\$ 11
Non-cash changes				
Interest expense	—	—	1	1
Foreign exchange rate changes	—	(6)	—	(6)
Total non-cash movements	\$ —	\$ (6)	\$ 1	\$ (5)
Balance, March 31, 2017	\$ 16	\$ 1,481	\$ 37	\$ 1,534