

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	June 30, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 160	\$ 454
Accounts receivable	1,169	969
Unbilled work in progress	205	152
Inventories	2,366	2,061
Other assets	317	288
Total current assets	4,217	3,924
Property, plant, and equipment	914	645
Rental equipment	471	441
Intangible assets	299	176
Goodwill (Note 10)	203	120
Distribution network	100	100
Investments in joint ventures and associate	88	87
Other assets	181	203
Total assets	\$ 6,473	\$ 5,696
<b>LIABILITIES</b>		
Current liabilities		
Short-term debt (Note 5)	\$ 751	\$ 154
Accounts payable and accruals	1,320	1,220
Deferred revenue	443	517
Provisions	50	46
Other liabilities	20	55
Total current liabilities	2,584	1,992
Long-term debt	1,321	1,354
Long-term lease liability	250	25
Net post-employment obligation	90	72
Other liabilities	176	144
Total liabilities	\$ 4,421	\$ 3,587
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	\$ 569	\$ 573
Contributed surplus	1	—
Accumulated other comprehensive income	228	282
Retained earnings	1,254	1,254
Total shareholders' equity	2,052	2,109
Total liabilities and shareholders' equity	\$ 6,473	\$ 5,696

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		6 months ended	
	June 30		June 30	
	2019	2018	2019	2018
Revenue				
New equipment	\$ 774	\$ 623	\$ 1,438	\$ 1,207
Used equipment	106	78	187	174
Equipment rental	62	57	120	107
Product support	1,023	968	1,919	1,904
Fuel and other	172	3	283	7
Total revenue	<b>2,137</b>	1,729	<b>3,947</b>	3,399
Cost of sales	<b>(1,655)</b>	(1,263)	<b>(3,035)</b>	(2,493)
Gross profit	<b>482</b>	466	<b>912</b>	906
Selling, general, and administrative expenses	<b>(350)</b>	(345)	<b>(693)</b>	(673)
Equity earnings of joint ventures and associate	5	5	9	6
Other expenses (Note 4)	—	—	<b>(29)</b>	—
Earnings before finance costs and income taxes	<b>137</b>	126	<b>199</b>	239
Finance costs (Note 5)	<b>(27)</b>	(18)	<b>(51)</b>	(36)
Income before provision for income taxes	<b>110</b>	108	<b>148</b>	203
Provision for income taxes (Note 6)	<b>(22)</b>	(27)	<b>(32)</b>	(51)
Net income	<b>\$ 88</b>	\$ 81	<b>\$ 116</b>	\$ 152
Earnings per share (Note 3)				
Basic	<b>\$ 0.54</b>	\$ 0.48	<b>\$ 0.71</b>	\$ 0.90
Diluted	<b>\$ 0.54</b>	\$ 0.48	<b>\$ 0.71</b>	\$ 0.90
Weighted average number of shares outstanding (Note 3)				
Basic	<b>163,309,985</b>	168,410,113	<b>163,544,283</b>	168,377,884
Diluted	<b>163,355,920</b>	169,124,130	<b>163,611,703</b>	169,150,039

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### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Canadian \$ millions)	3 months ended		6 months ended	
	June 30		June 30	
	2019	2018	2019	2018
Net income	\$ 88	\$ 81	\$ 116	\$ 152
Other comprehensive (loss) income, net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	(49)	14	(82)	76
Share of foreign currency translation adjustments of joint ventures and associate	—	(1)	(1)	(1)
Gain (loss) on net investment hedges	19	(9)	33	(34)
Impact of foreign currency translation and net investment hedges, net of income tax	(30)	4	(50)	41
Gain (loss) on cash flow hedges	—	1	(3)	—
Loss on cash flow hedges, reclassified to net income	—	—	—	1
Income tax recovery on cash flow hedges	—	—	1	—
Impact of cash flow hedges, net of income tax	—	1	(2)	1
Items that will not be subsequently reclassified to net income:				
Actuarial (loss) gain (Note 8)	(18)	20	(33)	30
Income tax recovery (expense) on actuarial (loss) gain	2	(4)	6	(5)
Actuarial (loss) gain, net of income tax	(16)	16	(27)	25
Total comprehensive income	\$ 42	\$ 102	\$ 37	\$ 219

### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Canadian \$ millions, except number of shares)	Share Capital			Accumulated Other Comprehensive Income			Total Shareholders' Equity
	Number of shares	Amount	Contributed Surplus	Impact of Foreign Currency Translation and Net Investment Hedges	Impact of Cash Flow Hedges	Retained Earnings	
Balance, January 1, 2018	168,266,582	\$ 580	\$ —	\$ 195	\$ —	\$ 1,199	\$ 1,974
Net income	—	—	—	—	—	152	152
Other comprehensive income	—	—	—	41	1	25	67
Total comprehensive income	—	—	—	41	1	177	219
Issued on exercise of share options	231,979	6	(1)	—	—	(5)	—
Share option expense	—	—	1	—	—	—	1
Hedging loss transferred to statement of financial position	—	—	—	—	1	—	1
Repurchase of common shares	(314,693)	(1)	—	—	—	(9)	(10)
Dividends on common shares	—	—	—	—	—	(66)	(66)
Balance, June 30, 2018	168,183,868	\$ 585	\$ —	\$ 236	\$ 2	\$ 1,296	\$ 2,119
Balance, January 1, 2019	164,381,967	\$ 573	\$ —	\$ 279	\$ 3	\$ 1,254	\$ 2,109
Net income	—	—	—	—	—	116	116
Other comprehensive loss	—	—	—	(50)	(2)	(27)	(79)
Total comprehensive (loss) income	—	—	—	(50)	(2)	89	37
Issued on exercise of share options	1,665	—	—	—	—	—	—
Share option expense	—	—	1	—	—	—	1
Hedging gain transferred to statement of financial position	—	—	—	—	(2)	—	(2)
Repurchase of common shares	(1,073,354)	(4)	—	—	—	(23)	(27)
Dividends on common shares	—	—	—	—	—	(66)	(66)
Balance, June 30, 2019	163,310,278	\$ 569	\$ 1	\$ 229	\$ (1)	\$ 1,254	\$ 2,052

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 June 30		6 months ended June 30	
	2019	2018	2019	2018
<b>OPERATING ACTIVITIES</b>				
Net income	\$ 88	\$ 81	\$ 116	\$ 152
Adjusting for:				
Depreciation and amortization	76	45	148	89
Gain on disposal of rental equipment and property, plant, and equipment	—	—	—	(3)
Impairment of long-lived assets (Note 4)	—	—	5	—
Equity earnings of joint ventures and associate	(5)	(5)	(9)	(6)
Share-based payment expense	6	11	5	16
Provision for income taxes	22	27	32	51
Finance costs	27	18	51	36
Net benefit cost of post-employment benefit plans benefit plans (Note 8)	5	7	8	11
Changes in operating assets and liabilities (Note 9)	(236)	(43)	(608)	(372)
Additions to rental equipment	(74)	(114)	(119)	(180)
Proceeds on disposal of rental equipment	22	30	51	62
Interest paid	(28)	(20)	(49)	(35)
Income tax paid	(30)	(19)	(82)	(45)
Cash flow (used in) provided by operating activities	(127)	18	(451)	(224)
<b>INVESTING ACTIVITIES</b>				
Additions to property, plant, and equipment and intangible assets	(37)	(46)	(60)	(78)
Proceeds on disposal of property, plant, and equipment	2	—	2	11
Consideration for business acquisition, net of cash acquired (Note 10)	—	—	(229)	—
Advances to and investment in joint ventures and associate	—	(1)	—	(1)
Cash flow used in investing activities	(35)	(47)	(287)	(68)
<b>FINANCING ACTIVITIES</b>				
Increase in short-term debt (Note 9)	94	44	598	194
Decrease in lease liabilities (Note 9)	(22)	(1)	(44)	(2)
Repurchase of common shares	—	(9)	(31)	(9)
Dividends paid	(33)	(34)	(66)	(66)
Cash flow provided by financing activities	39	—	457	117
Effect of currency translation on cash balances	(7)	4	(13)	17
Increase in cash and cash equivalents	(130)	(25)	(294)	(158)
Cash and cash equivalents, beginning of period	290	325	454	458
Cash and cash equivalents, end of period (Note 9)	\$ 160	\$ 300	\$ 160	\$ 300

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, 2018 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 August 6, 2019, 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 Standard and Interpretation

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

- IFRS 16, *Leases* (effective January 1, 2019) introduced new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases on the condensed consolidated statement of financial position. The adoption of IFRS 16 has resulted in higher non-current assets and current and non-current liabilities in the consolidated statement of financial position in all reporting segments, primarily in the Canadian segment. The categories of assets most impacted were properties and vehicles. Implementation of IFRS 16 results in lower selling, general and administrative expenses due to lower operating lease expense partially offset by higher depreciation expense and higher interest expense. Although total cash movement is unchanged, the presentation in the condensed consolidated statement of cash flows has been revised under the new standard. Cash flows used in operating activities are lower, offset by an increase in cash flows used in financing activities, as the principal component of lease payments previously accounted for as operating activities are now presented as financing activities.

The Company has applied IFRS 16 retrospectively and recognized the cumulative effect of initial application on January 1, 2019, on the condensed consolidated statement of financial position, subject to permitted and elected practical expedients. This method of application has not resulted in a restatement of amounts reported in periods prior to January 1, 2019. The Company measured the right-of-use asset at an amount equal to the lease liability on January 1, 2019 and applied a single discount rate to leases with a similar remaining lease term for similar classes of underlying assets. The weighted average borrowing rate applied to lease liabilities recognized in the statement of financial position is approximately 4%. The Company did not apply this standard to short-term leases and leases for which the underlying asset is of low value. The Company elected to rely on assessments of whether leases were onerous by applying IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review.

The difference between operating lease commitments disclosed in the 2018 annual financial statements and lease liabilities recorded at January 1, 2019 is due to discounting gross lease commitments, changes in determining lease terms (estimating extension options reasonably expected to be exercised), and applying this standard to embedded leases previously considered service arrangements.

Accounting for leases by lessors remains relatively unchanged under IFRS 16.

The impact of IFRS 16 on the statement of financial position for January 1, 2019 is as follows:

(\$ millions)	Increase
Property, plant, and equipment	\$ 253
Rental equipment	25
<b>Total assets</b>	<b>\$ 278</b>
Accounts payable and accruals	\$ 72
<b>Total current liabilities</b>	<b>\$ 72</b>
Long-term lease liability	206
<b>Total liabilities</b>	<b>\$ 278</b>

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

At inception of a contract, the Company assesses whether the contract is or contains a lease.

### **The Company as Lessee**

At the commencement of the lease, the Company recognizes a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The right-of-use asset at inception includes the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is recorded in selling, general, and administrative expenses for all assets except leases of rental equipment, where depreciation is recorded in cost of sales in the consolidated statement of net income. Depreciation is recorded on a straight-line basis over the shorter of the term of the lease or the estimated useful life of the underlying asset, commencing when the asset becomes available for use.

Right-of-use assets are reviewed for indicators of impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Where an impairment loss is recognized for a right-of-use asset, the asset is reviewed for possible reversal of the impairment at the end of each subsequent reporting period.

The lease liability is initially measured at the present value of the remaining lease payments that have not been paid at the commencement date, discounted by using the Company's incremental borrowing rate unless the rate implicit in the lease is readily determinable.

Lease payments over the estimated lease term included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and,
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term changes or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate,
- The lease payments change due to a change in an index, rate, or expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or,
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use asset is presented within property, plant, and equipment and the lease liability is presented within accrued liabilities (current portion) and other liabilities (non-current portion) on the statement of financial position.

### **Short-term leases and leases of low-value assets**

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a term of 12 months or less and leases of low-value assets. The Company recognizes these lease payments as an expense on a straight-line basis over the lease term.

### **The Company as Lessor**

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.

- 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. This interpretation did not have an impact on the Company's consolidated financial statements.

### **(b) Future Accounting Pronouncements**

The Company has not applied the following amendment that has been issued but is not yet effective:

- Amendments to IFRS 3, *Business Combinations* (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. The Company has not elected to apply this amendment early.

## 2. SEGMENTED INFORMATION

On February 1, 2019, the Company acquired 4Refuel Canada and 4Refuel US (4Refuel) (Note 10). 4Refuel is a mobile on-site refuelling company in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia and in Texas, US. Management reviews the results of 4Refuel with the Canada reportable segment, which has been revised as follows:

- Canada Operations: dealership territories comprising British Columbia, Alberta, Saskatchewan, Yukon, the Northwest Territories, and portions of Nunavut (Canada dealership) and mobile refuelling services in the above-listed provinces in Canada and in Texas, US.

With the acquisition of 4Refuel, the Company views total revenue less cost of fuel (net revenue) as more representative in assessing the performance of this business as the cost of fuel is not in the Company's control and is fully passed through to the customer.

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

<b>3 months ended June 30, 2019</b> <b>(\$ millions)</b>	<b>Canada</b>	<b>South America</b>	<b>UK &amp; Ireland</b>	<b>Other</b>	<b>Consolidated</b>
Revenue					
New equipment	\$ 384	\$ 198	\$ 192	\$ —	\$ 774
Used equipment	71	16	19	—	106
Equipment rental	41	12	9	—	62
Product support	549	400	74	—	1,023
Fuel and other	171	—	1	—	172
<b>Total revenue</b>	<b>\$ 1,216</b>	<b>\$ 626</b>	<b>\$ 295</b>	<b>\$ —</b>	<b>\$ 2,137</b>
Cost of fuel	(142)	—	—	—	(142)
<b>Net revenue</b>	<b>\$ 1,074</b>	<b>\$ 626</b>	<b>\$ 295</b>	<b>\$ —</b>	<b>\$ 1,995</b>
Operating costs <sup>(1)</sup>	(941)	(564)	(272)	(10)	(1,787)
Equity earnings of joint ventures	5	—	—	—	5
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 138	\$ 62	\$ 23	\$ (10)	\$ 213
Depreciation and amortization	(46)	(21)	(9)	—	(76)
Earnings (loss) before finance costs and income taxes	\$ 92	\$ 41	\$ 14	\$ (10)	\$ 137
Finance costs					(27)
Provision for income taxes					(22)
<b>Net income</b>					<b>\$ 88</b>
Invested capital <sup>(2)</sup>	\$ 2,285	\$ 1,287	\$ 390	\$ 2	\$ 3,964
Capital and rental equipment <sup>(3)</sup>	\$ 1,021	\$ 452	\$ 157	\$ 54	\$ 1,684
Gross capital expenditures <sup>(3)(4)</sup>	\$ 38	\$ 9	\$ 3	\$ 6	\$ 56
Gross rental fleet expenditures <sup>(4)</sup>	\$ 37	\$ 6	\$ 10	\$ —	\$ 53
Gross spend on rental purchase options <sup>(4)</sup>	\$ 24	\$ —	\$ —	\$ —	\$ 24

<sup>(1)</sup> Operating costs are calculated as cost of sales less cost of fuel plus selling, general, and administration expenses less depreciation and amortization.

<sup>(2)</sup> 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.

<sup>(3)</sup> Capital includes property, plant and equipment and intangible assets.

<sup>(4)</sup> Includes leases and borrowing costs capitalized and excludes additions through business acquisitions.

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

3 months ended June 30, 2018 (\$ millions)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue					
New equipment	\$ 308	\$ 145	\$ 170	\$ —	\$ 623
Used equipment	52	9	17	—	78
Equipment rental	33	15	9	—	57
Product support	513	381	74	—	968
Other	1	1	1	—	3
<b>Total revenue <sup>(1)</sup></b>	<b>\$ 907</b>	<b>\$ 551</b>	<b>\$ 271</b>	<b>\$ —</b>	<b>\$ 1,729</b>
Operating costs <sup>(2)</sup>	(813)	(489)	(250)	(11)	(1,563)
Equity earnings of joint ventures and associate	5	—	—	—	5
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 99	\$ 62	\$ 21	\$ (11)	\$ 171
Depreciation and amortization	(22)	(15)	(7)	(1)	(45)
Earnings (loss) before finance costs and income taxes	\$ 77	\$ 47	\$ 14	\$ (12)	\$ 126
Finance costs					(18)
Provision for income taxes					(27)
<b>Net income</b>					<b>\$ 81</b>
Invested capital <sup>(3)</sup>	\$ 1,840	\$ 1,172	\$ 372	\$ (22)	\$ 3,362
Capital and rental equipment <sup>(4)</sup>	\$ 612	\$ 413	\$ 151	\$ 20	\$ 1,196
Gross capital expenditures <sup>(4)(5)</sup>	\$ 21	\$ 17	\$ 2	\$ 7	\$ 47
Gross rental fleet expenditures <sup>(5)</sup>	\$ 63	\$ 15	\$ 21	\$ —	\$ 99
Gross spend on rental purchase options <sup>(5)</sup>	\$ 15	\$ —	\$ —	\$ —	\$ 15

(1) Total revenue is the same as net revenue.

(2) Operating costs are calculated as cost of sales and selling, general, and administration expenses less depreciation and amortization.

(3) 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.

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

(5) 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:

<b>6 months ended June 30, 2019</b> <b>(\$ millions)</b>	<b>Canada</b>	<b>South America</b>	<b>UK &amp; Ireland</b>	<b>Other</b>	<b>Consolidated</b>
Revenue					
New equipment	\$ 658	\$ 388	\$ 392	\$ —	\$ 1,438
Used equipment	119	27	41	—	187
Equipment rental	80	23	17	—	120
Product support	1,076	693	150	—	1,919
Fuel and other	281	—	2	—	283
Total revenue	\$ 2,214	\$ 1,131	\$ 602	\$ —	\$ 3,947
Cost of fuel	(233)	—	—	—	(233)
Net revenue	\$ 1,981	\$ 1,131	\$ 602	\$ —	\$ 3,714
Operating costs <sup>(1)</sup>	(1,742)	(1,035)	(557)	(13)	(3,347)
Equity earning of joint ventures	9	—	—	—	9
Other expenses (Note 4)	(17)	(8)	—	(4)	(29)
Earnings (loss) before finance costs					
income taxes, depreciation and amortization	\$ 231	\$ 88	\$ 45	\$ (17)	\$ 347
Depreciation and amortization	(89)	(41)	(18)	—	(148)
Earnings (loss) before finance costs					
and income taxes	\$ 142	\$ 47	\$ 27	\$ (17)	\$ 199
Finance costs					(51)
Provision for income taxes					(32)
Net income					\$ 116
Invested capital <sup>(2)</sup>	\$ 2,285	\$ 1,287	\$ 390	\$ 2	\$ 3,964
Capital and rental equipment <sup>(3)</sup>	\$ 1,021	\$ 452	\$ 157	\$ 54	\$ 1,684
Gross capital expenditures <sup>(3)(4)</sup>	\$ 69	\$ 10	\$ 7	\$ 11	\$ 97
Gross rental fleet expenditures <sup>(4)</sup>	\$ 68	\$ 9	\$ 14	\$ —	\$ 91
Gross spend on rental purchase options <sup>(4)</sup>	\$ 28	\$ —	\$ —	\$ —	\$ 28

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

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

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

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

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

6 months ended June 30, 2018 (\$ millions)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue					
New equipment	\$ 576	\$ 298	\$ 333	\$ —	\$ 1,207
Used equipment	108	32	34	—	174
Equipment rental	63	27	17	—	107
Product support	1,011	744	149	—	1,904
Other	1	2	4	—	7
Total revenue <sup>(1)</sup>	\$ 1,759	\$ 1,103	\$ 537	\$ —	\$ 3,399
Operating costs <sup>(2)</sup>	(1,577)	(980)	(499)	(21)	(3,077)
Equity earnings (loss) of joint ventures and associate	10	—	—	(4)	6
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 192	\$ 123	\$ 38	\$ (25)	\$ 328
Depreciation and amortization	(44)	(30)	(14)	(1)	(89)
Earnings (loss) before finance costs and income taxes	\$ 148	\$ 93	\$ 24	\$ (26)	\$ 239
Finance costs					(36)
Provision for income taxes					(51)
Net income					\$ 152
Invested capital <sup>(3)</sup>	\$ 1,840	\$ 1,172	\$ 372	\$ (22)	\$ 3,362
Capital and rental equipment <sup>(4)</sup>	\$ 612	\$ 413	\$ 151	\$ 20	\$ 1,196
Gross capital expenditures <sup>(4)(5)</sup>	\$ 28	\$ 36	\$ 4	\$ 11	\$ 79
Gross rental fleet expenditures <sup>(5)</sup>	\$ 96	\$ 30	\$ 28	\$ —	\$ 154
Gross spend on rental purchase options <sup>(5)</sup>	\$ 26	\$ —	\$ —	\$ —	\$ 26

(1) Total revenue is the same as net revenue.

(2) Operating costs are calculated as cost of sales and selling, general, and administration expenses less depreciation and amortization.

(3) 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.

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

(5) 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 June 30			6 months ended June 30		
	Income	Shares	Per Share	Income	Shares	Per Share
<b>2019</b>						
<b>Basic earnings per share (EPS):</b>						
Net income, weighted average shares outstanding, EPS	\$ 88	163,309,985	\$ 0.54	\$ 116	163,544,283	\$ 0.71
Effect of dilutive securities: share options	—	45,935	—	—	67,420	—
<b>Diluted EPS:</b>						
Net income and assumed conversions	\$ 88	163,355,920	\$ 0.54	\$ 116	163,611,703	\$ 0.71
<b>2018</b>						
<b>Basic EPS:</b>						
Net income, weighted average shares outstanding, EPS	\$ 81	168,410,113	\$ 0.48	\$ 152	168,377,884	\$ 0.90
Effect of dilutive securities: share options	—	714,017	—	—	772,155	—
<b>Diluted EPS:</b>						
Net income and assumed conversions	\$ 81	169,124,130	\$ 0.48	\$ 152	169,150,039	\$ 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 six months ended June 30, 2019 were 2 million (2018: not significant).

### 4. OTHER EXPENSES

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2019	2018	2019	2018
Severance costs (a)	\$ —	\$ —	\$ 18	\$ —
Impairment of long-lived assets (a)	—	—	5	—
Provision on onerous contracts (a)	—	—	2	—
Acquisition costs (Note 10)	—	—	4	—
Other expenses	\$ —	\$ —	\$ 29	\$ —

(a) As part of actions taken to adjust to market conditions, the Company implemented plans to reduce its workforce in its Canadian and South American operations and therefore, recorded provisions related to the restructuring plans in the three months ended March 31, 2019. The Company also implemented plans to consolidate certain branches and exit some facilities in its Canadian operations and therefore has recorded an impairment loss in the three months ended March 31, 2019 on leased properties and any related equipment and leasehold improvements, as well as provisions for the unavoidable non-lease costs for these properties.

## 5. SHORT-TERM DEBT AND FINANCE COSTS

At June 30, 2019, short-term debt includes \$690 million drawn on the Company's syndicated committed credit facility, partially to fund the acquisition of 4Refuel (Note 10), and local bank borrowings in the Company's UK and South American operations of \$61 million. At December 31, 2018, short-term debt represented \$150 million drawn on the Company's syndicated committed credit facility and local bank borrowings in the Company's Argentina operations of \$4 million.

Finance costs comprise the following:

(\$ millions)	3 months ended		6 months ended	
	June 30		June 30	
	2019	2018	2019	2018
Interest on short-term debt	\$ 10	\$ 3	\$ 17	\$ 6
Interest on long-term debt	13	12	26	25
Interest on debt securities	23	15	43	31
Net interest recovery on pension and other post-employment benefit obligations (Note 8)	(1)	—	(1)	—
Interest on lease liabilities	2	—	5	—
Other finance related expenses	3	3	4	5
<b>Finance costs</b>	<b>\$ 27</b>	<b>\$ 18</b>	<b>\$ 51</b>	<b>\$ 36</b>

## 6. INCOME TAXES

The Alberta provincial government announced the reduction of the corporate income tax rate from 12% to 11% effective July 1, 2019. The rate will further decrease to 10% effective January 1, 2020, 9% effective January 1, 2021, and 8% effective January 1, 2022. These tax rate changes were substantively enacted in Q2 2019.

## 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:

	June 30, 2019		June 30, 2018	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
<b>6 months ended</b>				
Options outstanding, beginning of period	3,164,352	\$ 26.22	3,864,338	\$ 25.45
Granted	590,961	\$ 22.31	349,509	\$ 33.68
Exercised <sup>(1)</sup>	(42,037)	\$ 22.23	(969,280)	\$ 25.94
Forfeited	(105,034)	\$ 27.21	(1,667)	\$ 25.44
Expired	(57,940)	\$ 25.49	(2,350)	\$ 28.29
Options outstanding, end of period	3,550,302	\$ 25.60	3,240,550	\$ 26.18
Options exercisable, end of period	2,587,900	\$ 25.55	2,411,823	\$ 25.32

<sup>(1)</sup> Under the Stock Option Plan, exercises generally utilize the cashless method, whereby the actual number of shares issued on exercise is based on the premium between the fair value of shares at the time of exercise and the grant value. Share options exercised in the six months ended June 30, 2019 comprised only cashless exercises.

In the three and six months ended June 30, 2019, the Company granted 590,961 common share options to senior executives and management of the Company (three and six months ended June 30, 2018: 349,509 common share options). The Company only grants and prices share options when all material information has been disclosed to the market.

In the six months ended June 30, 2019, 42,037 options were exercised resulting in 1,665 common shares being issued; 40,372 options were withheld and returned to the option pool for future issues/grants (six months ended June 30, 2018: 969,280 options were exercised resulting in 231,979 common shares issued; 737,301 options were withheld and returned).

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

3 and 6 months ended June 30	2019	2018
Dividend yield	2.88%	2.80%
Expected volatility <sup>(2)</sup>	27.55%	27.13%
Risk-free interest rate	1.54%	2.31%
Expected life	5.38 years	5.38 years
Grant date fair value of options	\$ 4.28	\$ 6.87

<sup>(2)</sup> 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 were as follows:

(share units granted)	3 months ended June 30		6 months ended June 30	
	2019	2018	2019	2018
Executive Deferred Share Unit Plan	—	—	3,791	4,747
Directors' Deferred Share Unit Plan A	17,595	11,004	35,004	23,744
Performance Share Unit Plan <sup>(3)</sup>	540,794	369,844	540,794	369,844
Restricted Share Unit Plan	240,221	162,439	240,221	162,439

<sup>(3)</sup> 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:

	June 30, 2019			June 30, 2018		
	Canada	UK	South America	Canada	UK	South America
Discount rate – obligation	3.0%	2.3%	0.8%	3.3%	2.8%	1.6%
Discount rate – expense <sup>(1)</sup>	3.7%	2.9%	1.5%	3.4%	2.5%	1.8%
Retail price inflation – obligation	n/m <sup>(2)</sup>	3.3%	n/a <sup>(2)</sup>	n/m <sup>(2)</sup>	3.2%	n/a <sup>(2)</sup>
Retail price inflation – expense <sup>(1)</sup>	n/m <sup>(2)</sup>	3.3%	n/a <sup>(2)</sup>	n/m <sup>(2)</sup>	3.3%	n/a <sup>(2)</sup>
Average staff turnover – obligation	n/m <sup>(2)</sup>	n/m <sup>(2)</sup>	9.8%	n/m <sup>(2)</sup>	n/m <sup>(2)</sup>	10.4%
Rate of compensation increase – obligation	n/m <sup>(2)</sup>	n/a <sup>(2)</sup>	3.0%	n/m <sup>(2)</sup>	n/a <sup>(2)</sup>	3.0%

<sup>(1)</sup> Used to determine the net interest cost and expense for the six months ended June 30, 2019 and June 30, 2018

<sup>(2)</sup> 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 post-employment benefit plans are as follows:

3 months ended (\$ millions)	June 30, 2019				June 30, 2018			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 2	\$ —	\$ 3	\$ 5	\$ 2	\$ 1	\$ 4	\$ 7
Net interest recovery	—	(1)	—	(1)	—	—	—	—
Net benefit cost (recovery)	\$ 2	\$ (1)	\$ 3	\$ 4	\$ 2	\$ 1	\$ 4	\$ 7
Actuarial (gain) loss on plan assets	\$ (7)	\$ (10)	\$ —	\$ (17)	\$ (11)	\$ 9	\$ —	\$ (2)
Actuarial loss (gain) on plan liabilities	12	23	—	35	11	(29)	—	(18)
Total actuarial loss (gain) recognized in other comprehensive income	\$ 5	\$ 13	\$ —	\$ 18	\$ —	\$ (20)	\$ —	\$ (20)

6 months ended (\$ millions)	June 30, 2019				June 30, 2018			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 4	\$ —	\$ 4	\$ 8	\$ 4	\$ 1	\$ 6	\$ 11
Net interest recovery	—	(1)	—	(1)	—	—	—	—
Net benefit cost (recovery)	\$ 4	\$ (1)	\$ 4	\$ 7	\$ 4	\$ 1	\$ 6	\$ 11
Actuarial (gain) loss on plan assets	\$ (23)	\$ (53)	\$ —	\$ (76)	\$ (6)	\$ 18	\$ —	\$ 12
Actuarial loss (gain) on plan liabilities	27	68	14	109	11	(53)	—	(42)
Total actuarial loss (gain) recognized in other comprehensive income	\$ 4	\$ 15	\$ 14	\$ 33	\$ 5	\$ (35)	\$ —	\$ (30)

## 9. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents are as follows:

<b>June 30</b> <b>(\$ millions)</b>	<b>2019</b>		<b>2018</b>	
Cash	\$	136	\$	220
Cash equivalents		24		80
Cash and cash equivalents	\$	160	\$	300

The changes in operating assets and liabilities are as follows:

<b>(\$ millions)</b>	<b>3 months ended</b> <b>June 30</b>		<b>6 months ended</b> <b>June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Accounts receivable	\$ (163)	\$ 7	\$ (166)	(22)
Unbilled work in progress	(10)	(13)	(57)	(38)
Inventories	(40)	(59)	(350)	(227)
Other assets	15	(12)	(16)	(26)
Accounts payable and accruals	(49)	(5)	28	(70)
Other liabilities	11	39	(47)	11
Changes in operating assets and liabilities	\$ (236)	\$ (43)	\$ (608)	\$ (372)

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

<b>(\$ millions)</b>	<b>Short-term</b> <b>debt</b>	<b>Long-term</b> <b>debt</b>	<b>Lease</b> <b>liability</b>	<b>Total</b>
Balance, December 31, 2018	\$ 154	\$ 1,354	\$ 30	\$ 1,538
IFRS 16 adjustment (Note 1)	—	—	278	278
Balance, January 1, 2019	\$ 154	\$ 1,354	\$ 308	\$ 1,816
Cash flows provided by (used in)				
Financing activities	598	—	(44)	554
Operating activities	—	—	(5)	(5)
Total cash movements	\$ 598	\$ —	\$ (49)	\$ 549
Non-cash changes				
Additions through business combination	—	—	30	30
Additions	—	—	37	37
Remeasurement of liability	—	—	(7)	(7)
Interest expense	—	—	5	5
Disposals	—	—	(4)	(4)
Foreign exchange rate changes	(1)	(33)	(4)	(38)
Total non-cash movements	\$ (1)	\$ (33)	\$ 57	\$ 23
Balance, June 30, 2019	\$ 751	\$ 1,321	\$ 316	\$ 2,388

<b>(\$ millions)</b>	<b>Short-term</b> <b>debt</b>	<b>Long-term</b> <b>debt</b>	<b>Lease</b> <b>liability</b>	<b>Total</b>
Balance, January 1, 2018	\$ 18	\$ 1,296	\$ 34	\$ 1,348
Cash flows provided by (used in)				
Financing activities	194	—	(2)	192
Total cash movements	\$ 194	\$ —	\$ (2)	\$ 192
Non-cash changes				
Foreign exchange rate changes	1	34	—	35
Total non-cash movements	\$ 1	\$ 34	\$ —	\$ 35
Balance, June 30, 2018	\$ 213	\$ 1,330	\$ 32	\$ 1,575

## 10. ACQUISITION

On February 1, 2019, the Company acquired a 100% ownership interest in the Canadian and US operations of 4Refuel. 4Refuel is a mobile on-site refueling company operating in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia and in Texas, US. Acquiring 4Refuel provides a complementary service offering to the Company's existing customer base and provides opportunities for the Company to sell, rent, and service to a new customer base.

Cash consideration of \$241 million was paid based on the fair value of the business at acquisition date, which includes \$12 million cash acquired and is subject to customary closing adjustments. The Company funded the transaction with cash on hand and from existing credit facilities. This purchase has been accounted for as a business combination using the acquisition method of accounting.

The purchase price allocation is not final as management is continuing to estimate the acquisition-date fair value of certain assets and liabilities, and related amount of deferred income taxes arising on their recognition. The Company expects to finalize the amounts recognized as it obtains the information necessary to complete the analysis, and no later than December 31, 2019.

The acquisition-date fair values of acquired tangible and intangible assets, assumed liabilities and deferred income tax liability are estimated to be:

Preliminary purchase price allocation (\$ millions)	June 30, 2019	March 31, 2019
Cash	\$ 12	\$ 12
Accounts and other receivables	60	60
Property, plant, and equipment	42	40
Intangible assets	130	126
Goodwill	85	61
Other assets	4	4
Accounts payable and other liabilities	(32)	(32)
Lease liabilities	(30)	(30)
Deferred income tax liability	(30)	—
<b>Net assets acquired</b>	<b>\$ 241</b>	<b>\$ 241</b>

Goodwill relates to the expected synergies from combining complementary capabilities and existing customer bases across Finning's territory in British Columbia, Alberta, Yukon, Northwest Territories and part of Nunavut and new customers in Canada and in Texas. The goodwill is assigned to the Company's Canada reportable segment and is not deductible for tax purposes.

Acquisition costs of \$4 million were paid on the transaction and recorded as other expense in the consolidated statement of income in the six months ended June 30, 2019.

The results of the newly acquired business since the date of acquisition have been included in the Company's Canada reportable segment. From the acquisition date to June 30, 2019, 4Refuel contributed approximately \$280 million of revenue.