

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	September 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 453	\$ 268
Accounts receivable	658	919
Unbilled receivables	231	246
Inventories	1,626	1,990
Other assets	293	236
Total current assets	3,261	3,659
Property, plant, and equipment	902	971
Rental equipment	448	457
Intangible assets	325	321
Goodwill	204	204
Distribution network	100	100
Investment in joint ventures and associate	91	94
Other assets	204	184
Total assets	\$ 5,535	\$ 5,990
LIABILITIES		
Current liabilities		
Short-term debt	\$ 217	\$ 226
Accounts payable and accruals (Note 1b)	785	1,040
Deferred revenue	319	360
Current portion of long-term debt	200	200
Other liabilities (Note 1b)	196	200
Total current liabilities	1,717	2,026
Long-term debt	1,136	1,318
Long-term lease liabilities	224	273
Net post-employment obligation	87	76
Other liabilities	187	182
Total liabilities	\$ 3,351	\$ 3,875
SHAREHOLDERS' EQUITY		
Share capital	\$ 565	\$ 570
Contributed surplus	1	2
Accumulated other comprehensive income	255	228
Retained earnings	1,363	1,315
Total shareholders' equity	2,184	2,115
Total liabilities and shareholders' equity	\$ 5,535	\$ 5,990

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

(Canadian \$ millions, except share and per share amounts)	3 months ended		9 months ended	
	September 30		September 30	
	2020	2019	2020	2019
Revenue				
New equipment	\$ 435	\$ 689	\$ 1,171	\$ 2,127
Used equipment	83	75	215	262
Equipment rental	53	71	147	191
Product support	842	952	2,596	2,871
Fuel and other	140	172	401	455
Total revenue	1,553	1,959	4,530	5,906
Cost of sales	(1,163)	(1,500)	(3,378)	(4,535)
Gross profit	390	459	1,152	1,371
Selling, general, and administrative expenses	(290)	(333)	(921)	(1,026)
Equity earnings of joint ventures	1	3	3	12
Other income (Note 4)	37	—	101	—
Other expenses (Note 4)	—	—	(51)	(29)
Earnings before finance costs and income taxes	138	129	284	328
Finance costs (Note 5)	(22)	(26)	(67)	(77)
Income before provision for income taxes	116	103	217	251
Provision for income taxes	(28)	(27)	(57)	(59)
Net income	\$ 88	\$ 76	\$ 160	\$ 192
Earnings per share (Note 3)				
Basic	\$ 0.54	\$ 0.46	\$ 0.99	\$ 1.17
Diluted	\$ 0.54	\$ 0.46	\$ 0.99	\$ 1.17
Weighted average number of shares outstanding (Note 3)				
Basic	162,103,503	163,310,284	162,351,640	163,465,427
Diluted	162,177,022	163,359,737	162,362,739	163,533,320

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Canadian \$ millions)	3 months ended		9 months ended	
	September 30		September 30	
	2020	2019	2020	2019
Net income	\$ 88	\$ 76	\$ 160	\$ 192
Other comprehensive income (loss), net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	(24)	10	44	(72)
Share of foreign currency translation adjustments of joint ventures	1	1	—	—
Gain (loss) on net investment hedges	12	(5)	(18)	28
Impact of foreign currency translation and net investment hedges, net of income tax	(11)	6	26	(44)
(Loss) gain on cash flow hedges	(3)	(1)	3	(4)
Loss on cash flow hedges, reclassified to net income	3	—	1	—
Income tax (expense) recovery on cash flow hedges	—	—	(1)	1
Impact of cash flow hedges, net of income tax	—	(1)	3	(3)
Items that will not be subsequently reclassified to net income:				
Actuarial gain (loss) (Note 7)	17	1	6	(32)
Income tax (expense) recovery on actuarial gain (loss)	(4)	—	(2)	6
Actuarial gain (loss), net of income tax	13	1	4	(26)
Total comprehensive income	\$ 90	\$ 82	\$ 193	\$ 119

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Canadian \$ millions, except number of shares)	Share Capital			Accumulated Other Comprehensive Income (Loss)				Total Shareholders' Equity
	Number of shares	Amount	Contributed Surplus	Investment Hedges	Impact of Foreign Currency Translation and Net Cash Flow Hedges	Retained Earnings	Total	
Balance, January 1, 2019	164,381,967	\$ 573	\$ —	\$ 279	\$ 3	\$ 1,254	\$ 2,109	
Net income	—	—	—	—	—	192	192	
Other comprehensive loss	—	—	—	(44)	(3)	(26)	(73)	
Total comprehensive (loss) income	—	—	—	(44)	(3)	166	119	
Issued on exercise of share options	1,687	—	—	—	—	—	—	
Share option expense	—	—	2	—	—	—	2	
Hedging gain transferred to statement of financial position	—	—	—	—	(2)	—	(2)	
Repurchase of common shares	(1,073,354)	(4)	—	—	—	(23)	(27)	
Dividends on common shares	—	—	—	—	—	(99)	(99)	
Balance, September 30, 2019	163,310,300	\$ 569	\$ 2	\$ 235	\$ (2)	\$ 1,298	\$ 2,102	
Balance, January 1, 2020	163,319,120	\$ 570	\$ 2	\$ 230	\$ (2)	\$ 1,315	\$ 2,115	
Net income	—	—	—	—	—	160	160	
Other comprehensive income	—	—	—	26	3	4	33	
Total comprehensive income	—	—	—	26	3	164	193	
Share option expense	—	—	1	—	—	—	1	
Hedging gain transferred to statement of financial position	—	—	—	—	(2)	—	(2)	
Repurchase of common shares	(1,215,617)	(5)	(2)	—	—	(16)	(23)	
Dividends on common shares	—	—	—	—	—	(100)	(100)	
Balance, September 30, 2020	162,103,503	\$ 565	\$ 1	\$ 256	\$ (1)	\$ 1,363	\$ 2,184	

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	
	2020	2019	2020	2019
OPERATING ACTIVITIES				
Net income	\$ 88	\$ 76	\$ 160	\$ 192
Adjusting for:				
Depreciation and amortization	77	72	231	220
Loss on disposal of property, plant, and equipment	1	1	1	1
Impairment of long-lived assets	—	—	9	5
Equity earnings of joint ventures	(1)	(3)	(3)	(12)
Share-based payment expense	6	5	5	10
Provision for income taxes	28	27	57	59
Finance costs (Note 5)	22	26	67	77
Net benefit cost of post-employment benefit plans in selling, general, and administrative expenses (Note 7)	—	3	7	11
Changes in operating assets and liabilities (Note 8)	173	77	266	(531)
Additions to rental equipment	(48)	(51)	(141)	(170)
Proceeds on disposal of rental equipment	25	25	77	76
Interest paid	(21)	(27)	(68)	(76)
Income tax paid	(10)	(27)	(23)	(109)
Cash flow provided by (used in) operating activities	340	204	645	(247)
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	(26)	(40)	(81)	(100)
Proceeds on disposal of property, plant, and equipment	2	1	14	3
Consideration for business acquisition, net of cash acquired (Note 9)	—	—	—	(229)
Cash flow used in investing activities	(24)	(39)	(67)	(326)
FINANCING ACTIVITIES				
Increase (decrease) in short-term debt (Note 8)	66	(217)	(11)	381
(Decrease) increase in long-term debt (Note 8)	(200)	199	(200)	199
Decrease in lease liabilities (Note 8)	(21)	(22)	(65)	(66)
Credit facility fee	—	—	(1)	—
Repurchase of common shares	—	—	(23)	(31)
Dividends paid	(33)	(33)	(100)	(99)
Cash flow (used in) provided by financing activities	(188)	(73)	(400)	384
Effect of currency translation on cash balances	(13)	—	7	(13)
Increase (decrease) in cash and cash equivalents	115	92	185	(202)
Cash and cash equivalents, beginning of period	338	160	268	454
Cash and cash equivalents, end of period (Note 8)	\$ 453	\$ 252	\$ 453	\$ 252

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 Standards Board (IASB). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and therefore these Interim Statements should be read in conjunction with the December 31, 2019 audited annual consolidated financial statements and the notes to such financial statements.

These Interim Statements are based on the IFRS issued and effective for the current year. The Interim Statements were authorized for issuance by the Company's Board of Directors on November 3, 2020. The Company has applied the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policies disclosed below:

(a) Areas of Estimation Uncertainty and Significant Judgments

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The COVID-19 outbreak and related mitigation measures have had an adverse impact on global economic conditions resulting in government response actions, social distancing, business closures and disruptions. Epidemic diseases, such as COVID-19, may have a significant impact on the Company. The duration of the pandemic and its impact on the Company's financial performance and position is an area of estimation uncertainty and judgment, which is continuously monitored and reflected in management's estimates.

The Company's significant accounting policies, areas of estimation uncertainty, and significant judgments are contained in the notes to the Annual Financial Statements for the year ended December 31, 2019. Certain accounting policies require management to make judgments, estimates and assumptions in respect of the application of accounting policies and the reported amounts of assets, liabilities, revenues, expenses, and disclosure of contingent assets and liabilities. These policies may require particularly subjective and complex judgments to be made as they relate to matters that are inherently uncertain and because there is a likelihood that materially different amounts could be reported under different conditions or using different assumptions. The following summarizes the changes in the areas of estimation uncertainty and significant judgments facing the Company as a result of changing economic conditions, including the impact of COVID-19.

Financial instrument risk

The Company is exposed to risks through its operations that arise from its use of financial instruments, which include credit risk, interest rate risk, market price risk, liquidity risk and foreign exchange risk. Under the normal course of operations, the Company has mitigation strategies to minimize these risks for its financial instruments. In the current economic climate, the Company is further exposed to credit risk related to its accounts receivable.

Allowance for Doubtful Accounts

The Company records an allowance for doubtful accounts that represents management's best estimate of potential losses in respect of trade and other receivables and unbilled receivables. The main components of these allowances are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that are expected to occur. The collective loss allowance is estimated based on historical data of payment statistics for similar financial assets, adjusted for current and forecasted future economic conditions.

The COVID-19 pandemic has resulted in significant disruptions in financial markets, regional economies and the world economy. It is likely that the pandemic will continue to adversely affect the economies, financial markets, and social stability of many regions and countries in which our customers operate. There can be no assurance that these disruptions will not negatively affect the financial performance of our customers and our ability to collect customer receivables. The extent of the overall impact of the COVID-19 pandemic on our customers is unknown at this time. This will depend on future developments, and the availability of government support programs, all of which are highly uncertain and cannot be predicted with confidence. As a result, the Company's exposure to credit risk related to its accounts receivable has increased. Expected credit losses related to the current economic environment have been incorporated in management's estimate of its allowance for doubtful accounts at September 30, 2020. No assurance can be given that this will be sufficient or that the Company will not suffer material credit losses that will adversely affect its results. This remains an area that the Company will continue to monitor closely.

Inventory

The Company records a provision to reflect slow-moving and obsolete inventory, which is estimated based on age, redundancy, and stock levels. For equipment inventory, estimates are determined on a specific item basis. The extent of the overall impact of the COVID-19 pandemic on the Company's inventory is unknown at this time and will depend on market activity, customer activity, and the expected outlook in the short-term. The Company has reviewed its inventory provision and concluded that the inventory provision at September 30, 2020 adequately reflects the current economic conditions. This remains an area that the Company will continue to monitor closely.

Goodwill, intangible assets with indefinite lives, and cash-generating units

The Company performs impairment tests on its goodwill and intangible assets with indefinite lives at the appropriate level (cash-generating units (CGUs) or group of cash-generating units). These impairment tests are performed at least annually or more frequently when events or changes in circumstances, which may include the declaration of the COVID-19 pandemic, indicate that the carrying amount of these assets may not be fully recoverable. Management conducted its annual impairment test in Q2 2020 and estimated the recoverable amount of all CGUs and groups of CGUs based on a value-in-use calculation. Key assumptions included future cash flow and growth projections covering a three-year period, with consideration of additional risk for any uncertainty in the cash flow projections driven by the impact of the COVID-19 pandemic and volatility in commodity prices. These cash flow projections were discounted using after-tax weighted-average cost of capital rates. Cash flows subsequent to the three-year projection period were extrapolated using growth rates based on estimated long-term nominal gross domestic product in the markets in which the Company operates. In addition to the impairment tests performed for goodwill and distribution network, recent economic uncertainty and financial performance triggered an impairment review of the Company's Argentina CGU. At September 30, 2020, management concluded there were no impairments. This remains an area that the Company will continue to monitor closely.

Property, plant, and equipment and rental equipment (including right of use assets) and intangible assets with finite lives

Property, plant, and equipment, rental equipment, and intangible assets with finite lives 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. The Company's review of its facilities network and long-term strategy prompted a review of its property, plant, and equipment and rental equipment. Impairment losses related to the Company's property, plant, and equipment were recorded in the nine months ended September 30, 2020 (Note 4b). A review determined that there was no impairment of rental equipment or intangible assets with finite lives. This remains an area that the Company will continue to monitor closely.

(b) Changes to the presentation in the statement of financial position

In the second quarter of 2020, the Company changed the presentation of certain current liabilities in the statement of financial position as management believes it provides users of the financial statements with more relevant information. Previously, the Company presented the current portion of lease liabilities and commodity taxes payable within accounts payable and accruals. Effective June 30, 2020, management presented these items within other liabilities (current portion). To retain consistency in presentation, management reclassified \$129 million from accounts payable and accrued liabilities to other liabilities (current) as at December 31, 2019. In addition, provisions at December 31, 2019 were not significant and have been grouped with other liabilities.

The impact of this reclassification on the December 31, 2019 balances was as follows:

December 31, 2019			Lease liability	Commodity	Provisions		
(\$ millions)	As reported	(current portion)	taxes payable	(current)	Revised		
Accounts payable and accruals	\$ 1,169	\$ (84)	\$ (45)	\$ —	\$ 1,040		
Provisions (current)	\$ 57	\$ —	\$ —	\$ (57)	\$ —		
Other liabilities (current)	\$ 14	\$ 84	\$ 45	\$ 57	\$ 200		

(c) Amendments to Standards

The Company has adopted the following amendments to IFRS effective January 1, 2020, except as otherwise noted:

- Amendments to IFRS 3, *Business Combinations* assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. The definition of a business has been amended 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 to exclude returns in the form of lower costs and other economic benefits. These amendments did not impact the Company's consolidated financial statements.
- Amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures* affect entities that apply the hedge accounting requirements to hedging relationships directly affected by the interest rate benchmark reform. The amendments modify specific hedge accounting requirements, so that entities apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amended standards, then discontinuation of hedge accounting is still required. The Company did not have any hedging relationships directly affected by the interest rate benchmark reform and as a result, these amendments did not impact the Company's consolidated financial statements.
- Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* were made to refine the definition of material in IAS 1 and align the definitions used across IFRS Standards and other publications. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition and the threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. These amendments did not impact the Company's consolidated financial statements.
- Amendment to IFRS 16, *Leases* (effective for annual reporting periods beginning on or after June 1, 2020) allows lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19. The Company has elected to early adopt this amendment with retrospective application to April 1, 2020. Upon applying this amendment, eligible rent concessions in the Company's UK & Ireland operations were not accounted for as rent modifications and as a result, there was no impact to the Company's financial statements.

(d) Future Accounting Pronouncements

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

- Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* (effective January 1, 2022) clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts. The amendments apply to contracts existing at the date when the amendments are first applied. Management is currently assessing the impact of these amendments.
- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2023) clarify the presentation of liabilities in the statement of financial position. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. Management is currently assessing the impact of these amendments.

2. SEGMENTED INFORMATION

On February 1, 2019, the Company acquired 4Refuel Canada and 4Refuel US (4Refuel) (Note 9). 4Refuel is a mobile on-site refuelling company with operations in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia and in Texas, US. The results of 4Refuel are included in the Canada reportable segment.

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 was as follows:

3 months ended September 30, 2020 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 176	\$ 120	\$ 139	\$ —	\$ 435
Used equipment	46	23	14	—	83
Equipment rental	38	7	8	—	53
Product support	438	329	75	—	842
Fuel and other	140	—	—	—	140
Total revenue	\$ 838	\$ 479	\$ 236	\$ —	\$ 1,553
Cost of fuel	(110)	—	—	—	(110)
Net revenue	\$ 728	\$ 479	\$ 236	\$ —	\$ 1,443
Operating costs ⁽¹⁾	(623)	(420)	(218)	(5)	(1,266)
Equity earnings of joint ventures	1	—	—	—	1
Other income (Note 4)	35	—	—	2	37
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 141	\$ 59	\$ 18	\$ (3)	\$ 215
Depreciation and amortization	(48)	(19)	(9)	(1)	(77)
Earnings (loss) before finance costs and income taxes	\$ 93	\$ 40	\$ 9	\$ (4)	\$ 138
Finance costs					(22)
Provision for income taxes					(28)
Net income					\$ 88
Invested capital ⁽²⁾	\$ 1,921	\$ 1,035	\$ 323	\$ 5	\$ 3,284
Capital and rental equipment ⁽³⁾	\$ 1,001	\$ 426	\$ 162	\$ 86	\$ 1,675
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 9	\$ 14	\$ 2	\$ 5	\$ 30
Gross rental fleet expenditures ⁽⁴⁾	\$ 20	\$ 3	\$ 3	\$ —	\$ 26
Gross spend on rental equipment with purchase options ⁽⁴⁾	\$ 21	\$ —	\$ —	\$ —	\$ 21

(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 by reportable segment was as follows:

3 months ended September 30, 2019 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 360	\$ 167	\$ 162	\$ —	\$ 689
Used equipment	47	10	18	—	75
Equipment rental	49	13	9	—	71
Product support	491	387	74	—	952
Fuel and other	171	—	1	—	172
Total revenue	\$ 1,118	\$ 577	\$ 264	\$ —	\$ 1,959
Cost of fuel	(140)	—	—	—	(140)
Net revenue	\$ 978	\$ 577	\$ 264	\$ —	\$ 1,819
Operating costs ⁽¹⁾	(856)	(515)	(242)	(8)	(1,621)
Equity earnings of joint ventures	3	—	—	—	3
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 125	\$ 62	\$ 22	\$ (8)	\$ 201
Depreciation and amortization	(43)	(20)	(8)	(1)	(72)
Earnings (loss) before finance costs and income taxes	\$ 82	\$ 42	\$ 14	\$ (9)	\$ 129
Finance costs					(26)
Provision for income taxes					(27)
Net income					\$ 76
Invested capital ⁽²⁾	\$ 2,209	\$ 1,276	\$ 416	\$ 6	\$ 3,907
Capital and rental equipment ⁽³⁾	\$ 1,015	\$ 462	\$ 161	\$ 64	\$ 1,702
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 28	\$ 12	\$ 2	\$ 10	\$ 52
Gross rental fleet expenditures ⁽⁴⁾	\$ 21	\$ 19	\$ 14	\$ —	\$ 54
Gross spend on rental equipment with purchase options ⁽⁴⁾	\$ 7	\$ —	\$ —	\$ —	\$ 7

(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 was as follows:

9 months ended September 30, 2020 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 534	\$ 311	\$ 326	\$ —	\$ 1,171
Used equipment	115	50	50	—	215
Equipment rental	97	28	22	—	147
Product support	1,354	1,037	205	—	2,596
Fuel and other	401	—	—	—	401
Total revenue	\$ 2,501	\$ 1,426	\$ 603	\$ —	\$ 4,530
Cost of fuel	(313)	—	—	—	(313)
Net revenue	\$ 2,188	\$ 1,426	\$ 603	\$ —	\$ 4,217
Operating costs ⁽¹⁾	(1,907)	(1,262)	(566)	(20)	(3,755)
Equity earnings of joint ventures	3	—	—	—	3
Other income (Note 4)	95	—	—	6	101
Other expenses (Note 4)	(25)	(21)	(4)	(1)	(51)
Earnings (loss) before finance costs					
income taxes, depreciation and amortization	\$ 354	\$ 143	\$ 33	\$ (15)	\$ 515
Depreciation and amortization	(138)	(63)	(28)	(2)	(231)
Earnings (loss) before finance costs					
and income taxes	\$ 216	\$ 80	\$ 5	\$ (17)	\$ 284
Finance costs					(67)
Provision for income taxes					(57)
Net income					\$ 160
Invested capital ⁽²⁾	\$ 1,921	\$ 1,035	\$ 323	\$ 5	\$ 3,284
Capital and rental equipment ⁽³⁾	\$ 1,001	\$ 426	\$ 162	\$ 86	\$ 1,675
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 34	\$ 44	\$ 11	\$ 14	\$ 103
Gross rental fleet expenditures ⁽⁴⁾	\$ 45	\$ 15	\$ 9	\$ —	\$ 69
Gross spend on rental equipment with purchase options ⁽⁴⁾	\$ 72	\$ —	\$ —	\$ —	\$ 72

- (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 was as follows:

9 months ended September 30, 2019 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 1,018	\$ 555	\$ 554	\$ —	\$ 2,127
Used equipment	166	37	59	—	262
Equipment rental	129	36	26	—	191
Product support	1,567	1,080	224	—	2,871
Fuel and other	452	—	3	—	455
Total revenue	\$ 3,332	\$ 1,708	\$ 866	\$ —	\$ 5,906
Cost of fuel	(373)	—	—	—	(373)
Net revenue	\$ 2,959	\$ 1,708	\$ 866	\$ —	\$ 5,533
Operating costs ⁽¹⁾	(2,598)	(1,550)	(799)	(21)	(4,968)
Equity earnings of joint ventures	12	—	—	—	12
Other expenses (Note 4)	(17)	(8)	—	(4)	(29)
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 356	\$ 150	\$ 67	\$ (25)	\$ 548
Depreciation and amortization	(132)	(61)	(26)	(1)	(220)
Earnings (loss) before finance costs and income taxes	\$ 224	\$ 89	\$ 41	\$ (26)	\$ 328
Finance costs					(77)
Provision for income taxes					(59)
Net income					\$ 192
Invested capital ⁽²⁾	\$ 2,209	\$ 1,276	\$ 416	\$ 6	\$ 3,907
Capital and rental equipment ⁽³⁾	\$ 1,015	\$ 462	\$ 161	\$ 64	\$ 1,702
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 97	\$ 22	\$ 9	\$ 21	\$ 149
Gross rental fleet expenditures ⁽⁴⁾	\$ 89	\$ 28	\$ 28	\$ —	\$ 145
Gross spend on rental equipment with purchase options ⁽⁴⁾	\$ 35	\$ —	\$ —	\$ —	\$ 35

(1) Operating costs are calculated as cost of sales and 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.

5. DEBT AND FINANCE COSTS

In April 2020, the Company secured an additional \$500 million committed revolving credit facility, which provides further financial flexibility and liquidity. This facility has a term of two years, can be used for general corporate purposes, and has substantially the same terms and conditions as the existing \$1.3 billion committed revolving credit facility.

The Company is subject to certain covenants within its syndicated committed revolving credit facility. As at September 30, 2020, the Company was in compliance with these covenants.

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

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2020	2019	2020	2019
Interest on short-term debt	\$ 2	\$ 9	\$ 12	\$ 26
Interest on long-term debt	13	14	42	40
Interest on debt securities	15	23	54	66
Net interest recovery on pension and other post-employment benefit obligations (Note 7)	—	—	(1)	(1)
Interest on lease liabilities	2	3	8	8
Other finance related expenses	5	—	6	4
Finance costs	\$ 22	\$ 26	\$ 67	\$ 77

6. SHARE-BASED PAYMENTS

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

Share Options

Details of the share option plans are as follows:

9 months ended	September 30, 2020		September 30, 2019	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	3,416,168	\$ 25.66	3,164,352	\$ 26.22
Granted	724,739	\$ 17.75	608,821	\$ 22.31
Exercised	—	\$ —	(43,027)	\$ 22.23
Forfeited	(104,703)	\$ 25.13	(124,391)	\$ 27.19
Expired	(275,937)	\$ 22.06	(58,600)	\$ 25.48
Options outstanding, end of period	3,760,267	\$ 24.41	3,547,155	\$ 25.58
Options exercisable, end of period	2,565,570	\$ 26.18	2,569,975	\$ 25.55

In the three and nine months ended September 30, 2020, the Company granted 30,083 and 724,739 common share options, respectively, to senior executives and management of the Company (three and nine months ended September 30, 2019: 17,860 and 608,821 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, 2020, no options were exercised (nine months ended September 30, 2019: 43,027 options were exercised resulting in 1,687 common shares issued; 41,340 options were withheld and returned to the option pool for future issues/grants).

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 months ended September 30		9 months ended September 30	
	2020	2019	2020	2019
Dividend yield	3.19%	2.94%	3.16%	2.88%
Expected volatility ⁽¹⁾	32.17%	27.75%	32.21%	27.55%
Risk-free interest rate	0.39%	1.13%	0.38%	1.53%
Expected life (in years)	5.62	5.37	5.35	5.38
Grant date fair value of options	\$ 3.94	\$ 4.16	\$ 3.63	\$ 4.28

⁽¹⁾ 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 September 30		9 months ended September 30	
	2020	2019	2020	2019
Executive Deferred Share Unit Plan	—	—	9,085	3,791
Directors' Deferred Share Unit Plan A	19,537	17,499	76,647	52,503
Performance Share Unit Plan ⁽²⁾	16,158	10,810	578,238	551,604
Restricted Share Unit Plan	9,737	3,604	360,649	243,825

⁽²⁾ Based on 100% vesting

7. POST-EMPLOYMENT BENEFITS

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

	September 30, 2020			September 30, 2019		
	Canada	UK	South America	Canada	UK	South America
Discount rate – obligation	2.7%	1.6%	(0.2)%	2.9%	1.8%	0.0%
Discount rate – expense ⁽¹⁾	3.1%	2.0%	0.4%	3.7%	2.9%	1.5%
Retail price inflation – obligation	n/m ⁽²⁾	2.9%	n/a ⁽²⁾	n/m ⁽²⁾	3.1%	n/a ⁽²⁾
Retail price inflation – expense ⁽¹⁾	n/m ⁽²⁾	3.0%	n/a ⁽²⁾	n/m ⁽²⁾	3.3%	n/a ⁽²⁾
Average staff turnover – obligation	n/m ⁽²⁾	n/m ⁽²⁾	9.4%	n/m ⁽²⁾	n/m ⁽²⁾	9.8%
Rate of compensation increase – obligation	n/m ⁽²⁾	n/a ⁽²⁾	3.0%	n/m ⁽²⁾	n/a ⁽²⁾	3.0%

⁽¹⁾ Used to determine the net interest cost and expense for the three and nine months ended September 30, 2020 and September 30, 2019

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

The net benefit (recovery) cost and actuarial loss (gain) for the Company's post-employment benefit plans were as follows:

3 months ended (\$ millions)	September 30, 2020				September 30, 2019			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 2	\$ —	\$ 1	\$ 3	\$ 1	\$ 1	\$ 1	\$ 3
Gain on settlement of accrued benefit obligation	(3)	—	—	(3)	—	—	—	—
Net interest cost (recovery)	—	—	—	—	1	(1)	—	—
Net benefit (recovery) cost	\$ (1)	\$ —	\$ 1	\$ —	\$ 2	\$ —	\$ 1	\$ 3
Actuarial (gain) loss on plan assets	\$ (3)	\$ 6	\$ —	\$ 3	\$ (6)	\$ (58)	\$ —	\$ (64)
Actuarial (gain) loss on accrued benefit obligation	(2)	(17)	(1)	(20)	4	54	5	63
Total actuarial (gain) loss recognized in other comprehensive income	\$ (5)	\$ (11)	\$ (1)	\$ (17)	\$ (2)	\$ (4)	\$ 5	\$ (1)

9 months ended (\$ millions)	September 30, 2020				September 30, 2019			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 5	\$ 1	\$ 4	\$ 10	\$ 5	\$ 1	\$ 5	\$ 11
Gain on settlement of accrued benefit obligation	(3)	—	—	(3)	—	—	—	—
Net interest (recovery) cost	—	(1)	—	(1)	1	(2)	—	(1)
Net benefit cost (recovery)	\$ 2	\$ —	\$ 4	\$ 6	\$ 6	\$ (1)	\$ 5	\$ 10
Actuarial gain on plan assets	\$ (14)	\$ (63)	\$ —	\$ (77)	\$ (29)	\$ (111)	\$ —	\$ (140)
Actuarial loss on accrued benefit obligation	21	40	10	71	31	122	19	172
Total actuarial loss (gain) recognized in other comprehensive income	\$ 7	\$ (23)	\$ 10	\$ (6)	\$ 2	\$ 11	\$ 19	\$ 32

On July 31, 2020, the Company purchased buy-out annuities which settled a portion of its accrued benefit obligation. This settlement resulted in a reduction of both the plan assets and the accrued benefit obligation in the Canadian registered defined benefit plan by \$84 million and a gain of \$3 million was recorded in selling, general, and administrative expenses in the three months ended September 30, 2020.

8. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents were as follows:

September 30 (\$ millions)	2020	2019
Cash	\$ 238	\$ 122
Cash equivalents	215	130
Cash and cash equivalents	\$ 453	\$ 252

The changes in operating assets and liabilities are as follows:

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2020	2019	2020	2019
Accounts receivable	\$ 22	\$ 145	\$ 272	(21)
Unbilled receivables	(17)	(1)	19	(58)
Inventories	255	158	387	(192)
Other assets	(17)	52	(58)	36
Accounts payable and accruals	(28)	(167)	(271)	(139)
Other liabilities	(42)	(110)	(83)	(157)
Changes in operating assets and liabilities	\$ 173	\$ 77	\$ 266	\$ (531)

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

(\$ millions)	Short-term debt	Long-term debt	Lease liabilities	Total
Balance, January 1, 2020	\$ 226	\$ 1,518	\$ 357	\$ 2,101
Cash flows provided by (used in)				
Financing activities (a)	(11)	(200)	(65)	(276)
Operating activities	—	—	(8)	(8)
Total cash movements	\$ (11)	\$ (200)	\$ (73)	\$ (284)
Non-cash changes				
Additions	—	—	19	19
Disposals and remeasurement of liability	—	—	(2)	(2)
Interest expense	—	—	8	8
Foreign exchange rate changes	2	18	1	21
Total non-cash movements	\$ 2	\$ 18	\$ 26	\$ 46
Balance, September 30, 2020	\$ 217	\$ 1,336	\$ 310	\$ 1,863

(\$ millions)	Short-term debt	Long-term debt	Lease liabilities	Total
Balance, December 31, 2018	\$ 154	\$ 1,354	\$ 30	\$ 1,538
IFRS 16 Leases adjustment	—	—	278	278
Balance, January 1, 2019	\$ 154	\$ 1,354	\$ 308	\$ 1,816
Cash flows provided by (used in)				
Financing activities (b)	381	199	(66)	514
Operating activities	—	—	(8)	(8)
Total cash movements	\$ 381	\$ 199	\$ (74)	\$ 506
Non-cash changes				
Additions	—	—	58	58
Additions through business combination (Note 9)	—	—	30	30
Disposals and remeasurement of liability	—	—	(12)	(12)
Interest expense	—	—	8	8
Foreign exchange rate changes	(3)	(28)	(5)	(36)
Total non-cash movements	\$ (3)	\$ (28)	\$ 79	\$ 48
Balance, September 30, 2019	\$ 532	\$ 1,525	\$ 313	\$ 2,370

- (a) In July 2020, the Company repaid its \$200 million, 3.232% senior unsecured notes included in long-term debt.
- (b) In August 2019, the Company issued \$200 million, 2.626% senior unsecured notes due August 14, 2026 included in long-term debt, which rank pari passu with existing senior unsecured obligations.

9. 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 provide services to a new customer base.

Cash consideration of \$241 million was paid based on the fair value of the business at the acquisition date, which included \$12 million cash acquired and was 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.

Management finalized its purchase price allocation on December 31, 2019.

The acquisition-date fair values of acquired tangible and intangible assets, assumed liabilities and deferred tax liabilities were as follows:

Final purchase price allocation (\$ millions)	December 31 2019
Cash	\$ 12
Accounts receivable	60
Property, plant, and equipment	42
Intangible assets	130
Goodwill	85
Other assets	4
Accounts payable and accruals	(32)
Lease liabilities	(30)
Deferred tax liabilities	(30)
Net assets acquired	\$ 241

Goodwill relates to the expected synergies from combining complementary capabilities and existing customer bases across Finning's territory in British Columbia, Alberta, Saskatchewan, Yukon, the Northwest Territories and a portion 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 expenses in the consolidated statement of income in the nine months ended September 30, 2019.