

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 518	\$ 539
Accounts receivable	825	730
Unbilled receivables	319	231
Inventory	1,627	1,477
Other assets	331	237
Total current assets	\$ 3,620	\$ 3,214
Property, plant, and equipment	902	867
Rental equipment	459	430
Intangible assets	305	322
Goodwill	233	205
Distribution network	100	100
Investment in joint ventures and associate	86	85
Other assets	231	235
Total assets	\$ 5,936	\$ 5,458
LIABILITIES		
Current liabilities		
Short-term debt (Note 5)	\$ 419	\$ 92
Accounts payable and accruals	898	761
Deferred revenue	432	374
Current portion of long-term debt	191	201
Other liabilities	216	195
Total current liabilities	\$ 2,156	\$ 1,623
Long-term debt	923	1,107
Long-term lease liabilities	247	216
Net post-employment obligation	59	97
Other liabilities	231	209
Total liabilities	\$ 3,616	\$ 3,252
EQUITY		
Share capital	\$ 567	\$ 566
Contributed surplus	—	1
Accumulated other comprehensive income	218	218
Retained earnings	1,514	1,421
Equity attributable to shareholders of Finning International Inc.	\$ 2,299	\$ 2,206
Non-controlling interests (Note 11)	21	—
Total equity	2,320	2,206
Total liabilities and equity	\$ 5,936	\$ 5,458

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	
	2021	2020	2021	2020
Revenue				
New equipment	\$ 631	\$ 435	\$ 1,627	\$ 1,171
Used equipment	83	83	285	215
Equipment rental	68	53	167	147
Product support	932	842	2,746	2,596
Fuel and other	190	140	520	401
Total revenue	\$ 1,904	\$ 1,553	\$ 5,345	\$ 4,530
Cost of sales	(1,443)	(1,163)	(4,028)	(3,378)
Gross profit	\$ 461	\$ 390	\$ 1,317	\$ 1,152
Selling, general, and administrative expenses	(311)	(290)	(938)	(921)
Equity earnings of joint ventures	—	1	1	3
Other income (Note 4)	—	37	15	101
Other expenses (Note 4)	—	—	—	(51)
Earnings before finance costs and income taxes	\$ 150	\$ 138	\$ 395	\$ 284
Finance costs (Note 5)	(19)	(22)	(56)	(67)
Income before provision for income taxes	\$ 131	\$ 116	\$ 339	\$ 217
Provision for income taxes	(32)	(28)	(79)	(57)
Net income and net income attributable to shareholders of Finning International Inc.	\$ 99	\$ 88	\$ 260	\$ 160

Earnings per share (Note 3)

Basic	\$ 0.61	\$ 0.54	\$ 1.61	\$ 0.99
Diluted	\$ 0.61	\$ 0.54	\$ 1.60	\$ 0.99

Weighted average number of shares outstanding (Note 3)

Basic	160,819,146	162,103,503	161,747,466	162,351,640
Diluted	161,289,234	162,177,022	162,318,877	162,362,739

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 (LOSS)

(Canadian \$ millions)	3 months ended		9 months ended	
	September 30		September 30	
	2021	2020	2021	2020
Net income	\$ 99	\$ 88	\$ 260	\$ 160
Other comprehensive income (loss), net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	41	(24)	(6)	44
Share of foreign currency translation adjustments of joint ventures	—	1	—	—
(Loss) gain on net investment hedges	(17)	12	2	(18)
Impact of foreign currency translation and net investment hedges, net of income tax	\$ 24	\$ (11)	\$ (4)	\$ 26
Gain (loss) on cash flow hedges	3	(3)	1	3
Loss on cash flow hedges, reclassified to net income	—	3	—	1
Provision for income taxes on cash flow hedges	(1)	—	—	(1)
Impact of cash flow hedges, net of income tax	\$ 2	\$ —	\$ 1	\$ 3
Items that will not be subsequently reclassified to net income:				
Actuarial gain (Note 9)	24	17	49	6
Provision for income taxes on actuarial gain	(6)	(4)	(21)	(2)
Actuarial gain, net of income tax	\$ 18	\$ 13	\$ 28	\$ 4
Total comprehensive income and total comprehensive income attributable to shareholders of Finning International Inc.	\$ 143	\$ 90	\$ 285	\$ 193

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Canadian \$ millions)	Attributable to Shareholders of Finning International Inc.							
	Accumulated					Total	Non-	
	Share Capital	Contributed Surplus	Other Comprehensive Income	Retained Earnings	Interests		Total	
Balance, January 1, 2020	\$ 570	\$ 2	\$ 228	\$ 1,315	\$ 2,115	\$ —	\$ 2,115	
Net income	\$ —	\$ —	\$ —	\$ 160	\$ 160	\$ —	\$ 160	
Other comprehensive income	—	—	29	4	33	—	33	
Total comprehensive income	\$ —	\$ —	\$ 29	\$ 164	\$ 193	—	\$ 193	
Share option expense	—	1	—	—	1	—	1	
Hedging gain transferred to statement of financial position	—	—	(2)	—	(2)	—	(2)	
Repurchase of common shares (Note 7)	(5)	(2)	—	(16)	(23)	—	(23)	
Dividends on common shares	—	—	—	(100)	(100)	—	(100)	
Balance, September 30, 2020	\$ 565	\$ 1	\$ 255	\$ 1,363	\$ 2,184	\$ —	\$ 2,184	
Balance, January 1, 2021	\$ 566	\$ 1	\$ 218	\$ 1,421	\$ 2,206	\$ —	\$ 2,206	
Net income	\$ —	\$ —	\$ —	\$ 260	\$ 260	\$ —	\$ 260	
Other comprehensive (loss) income	—	—	(3)	28	25	—	25	
Total comprehensive (loss) income	\$ —	\$ —	\$ (3)	\$ 288	\$ 285	\$ —	\$ 285	
Issued on exercise of share options	11	(2)	—	(9)	—	—	—	
Share option expense	—	1	—	—	1	—	1	
Hedging loss transferred to statement of financial position	—	—	3	—	3	—	3	
Non-controlling interests on acquisition of subsidiary	—	—	—	—	—	21	21	
Repurchase of common shares (Note 7)	(10)	—	—	(83)	(93)	—	(93)	
Dividends on common shares	—	—	—	(103)	(103)	—	(103)	
Balance, September 30, 2021	\$ 567	\$ —	\$ 218	\$ 1,514	\$ 2,299	\$ 21	\$ 2,320	

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		9 months ended	
	September 30		September 30	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Net income	\$ 99	\$ 88	\$ 260	\$ 160
Adjusting for:				
Depreciation and amortization	80	77	235	231
Loss on disposal of property, plant, and equipment	1	1	3	1
Impairment of long-lived assets	—	—	—	9
Final return on investment in Energyst B.V. (Note 11)	—	—	(5)	—
Equity earnings of joint ventures	—	(1)	(1)	(3)
Share-based payment expense	4	6	25	5
Provision for income taxes	32	28	79	57
Finance costs (Note 5)	19	22	56	67
Net benefit cost of post-employment benefit plans in selling, general, and administrative expenses (Note 9)	2	—	10	7
Changes in operating assets and liabilities (Note 10)	55	173	(247)	266
Additions to rental fleet	(30)	(27)	(84)	(69)
Additions to rental equipment with purchase options	(53)	(21)	(87)	(72)
Proceeds on disposal of rental fleet	13	16	46	58
Proceeds on disposal of rental equipment with purchase options	15	9	28	19
Interest paid	(16)	(21)	(53)	(68)
Income tax paid	(9)	(10)	(33)	(23)
Cash flow provided by operating activities	\$ 212	\$ 340	\$ 232	\$ 645
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	\$ (38)	\$ (26)	\$ (88)	\$ (81)
Proceeds on disposal of property, plant, and equipment	2	2	8	14
Consideration for business acquisition, net of cash acquired (Note 11)	(5)	—	(18)	—
Increase in short-term investments	(27)	—	(27)	—
Decrease in long-term investment	—	—	7	—
Return on investment in Energyst B.V.	—	—	6	—
Cash flow used in investing activities	\$ (68)	\$ (24)	\$ (112)	\$ (67)
FINANCING ACTIVITIES				
Increase (decrease) in short-term debt (Note 10)	\$ 297	\$ 66	\$ 322	\$ (11)
Decrease in long-term debt (Note 10)	(200)	(200)	(200)	(200)
Decrease in lease liabilities (Note 10)	(21)	(21)	(63)	(65)
Credit facility fee	(1)	—	(1)	(1)
Repurchase of common shares	(54)	—	(88)	(23)
Dividends paid	(36)	(33)	(103)	(100)
Cash flow used in financing activities	\$ (15)	\$ (188)	\$ (133)	\$ (400)
Effect of currency translation on cash balances	\$ 11	\$ (13)	\$ (8)	\$ 7
Increase (decrease) in cash and cash equivalents	\$ 140	\$ 115	\$ (21)	\$ 185
Cash and cash equivalents, beginning of period	\$ 378	\$ 338	\$ 539	\$ 268
Cash and cash equivalents, end of period (Note 10)	\$ 518	\$ 453	\$ 518	\$ 453

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, 2020 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 8, 2021. 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) Amendments to Standards

The Company has adopted the following amendments to IFRS:

- Amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts*, and IFRS 16, *Leases*, collectively named 'Interest Rate Benchmark Reform – Phase 2' (effective January 1, 2021). The amendments provide relief for modifications of financial contracts and leases and the discontinuation of hedge accounting required solely by Interest Rate Benchmark Reform. The amendments include a practical expedient to apply the change in the basis for determining the contractual cash flows prospectively by revising the effective interest rate. A similar practical expedient is also provided for modifications of the cash flows of lease liabilities. In relation to hedge accounting, the amendments introduce an exception to the existing requirements so that changes in the formal designation of a hedge accounting relationship that are needed to reflect the changes required by Interest Rate Benchmark Reform do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship. These amendments did not impact the Company's consolidated financial statements.

b) 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 the contract. The amendments apply to contracts existing at the date when the amendments are first applied. On adoption of this amendment, management expects there will be no impact to the Company's consolidated financial statements.
- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2023):
 - Clarify the presentation of liabilities in the consolidated 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 or accelerate 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.
 - Require entities to disclose their material accounting policy information rather than significant accounting policy information. The amendments provide guidance on how an entity can identify material accounting policy information and clarify that information may be material because of its nature, even if the related amounts are immaterial. Management will review and update the Company's financial statements to disclose material accounting policy information as appropriate when the amendments become effective.

- Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (effective January 1, 2023) introduce a definition of 'accounting estimates' and clarify the difference between changes in accounting policies and changes in accounting estimates. These amendments will impact changes in accounting policies and changes in accounting estimates made after these amendments are adopted by the Company.
- Amendments to IAS 12, *Income Taxes* (effective January 1, 2023) clarify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of the related asset and liability. Management is currently assessing the impact of these amendments.

2. SEGMENTED INFORMATION

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

3 months ended September 30, 2021 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 170	\$ 256	\$ 205	\$ —	\$ 631
Used equipment	63	12	8	—	83
Equipment rental	47	10	11	—	68
Product support	491	360	81	—	932
Fuel and other	190	—	—	—	190
Total revenue	\$ 961	\$ 638	\$ 305	\$ —	\$ 1,904
Cost of fuel	(156)	—	—	—	(156)
Net revenue	\$ 805	\$ 638	\$ 305	\$ —	\$ 1,748
Operating costs ⁽¹⁾	(673)	(558)	(278)	(9)	(1,518)
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 132	\$ 80	\$ 27	\$ (9)	\$ 230
Depreciation and amortization	(48)	(22)	(10)	—	(80)
Earnings (loss) before finance costs and income taxes	\$ 84	\$ 58	\$ 17	\$ (9)	\$ 150
Finance costs					(19)
Provision for income taxes					(32)
Net income					\$ 99
Invested capital ⁽²⁾	\$ 1,922	\$ 1,057	\$ 339	\$ 17	\$ 3,335
Capital and rental equipment ⁽³⁾	\$ 1,029	\$ 403	\$ 150	\$ 84	\$ 1,666
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 27	\$ 33	\$ —	\$ 5	\$ 65
Gross rental equipment spend ⁽⁴⁾	\$ 71	\$ 9	\$ 3	\$ —	\$ 83

(1) Operating costs are calculated as cost of sales less cost of fuel plus selling, general, and administrative 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 and cash equivalents.

(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, 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 equipment spend ⁽⁴⁾	\$ 41	\$ 3	\$ 3	\$ —	\$ 47

- (1) Operating costs are calculated as cost of sales less cost of fuel plus selling, general, and administrative 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 and cash equivalents.
- (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, 2021	South		UK &		
(\$ millions)	Canada	America	Ireland	Other	Total
Revenue					
New equipment	\$ 577	\$ 523	\$ 527	\$ —	\$ 1,627
Used equipment	212	37	36	—	285
Equipment rental	108	28	31	—	167
Product support	1,463	1,044	239	—	2,746
Fuel and other	520	—	—	—	520
Total revenue	\$ 2,880	\$ 1,632	\$ 833	\$ —	\$ 5,345
Cost of fuel	(423)	—	—	—	(423)
Net revenue	\$ 2,457	\$ 1,632	\$ 833	\$ —	\$ 4,922
Operating costs ⁽¹⁾	(2,092)	(1,420)	(762)	(34)	(4,308)
Equity earnings of joint ventures	1	—	—	—	1
Other income (Note 4)	10	—	—	5	15
Earnings (loss) before finance costs					
income taxes, depreciation and amortization	\$ 376	\$ 212	\$ 71	\$ (29)	\$ 630
Depreciation and amortization	(141)	(62)	(30)	(2)	(235)
Earnings (loss) before finance costs					
and income taxes	\$ 235	\$ 150	\$ 41	\$ (31)	\$ 395
Finance costs					(56)
Provision for income taxes					(79)
Net income					\$ 260
Invested capital ⁽²⁾	\$ 1,922	\$ 1,057	\$ 339	\$ 17	\$ 3,335
Capital and rental equipment ⁽³⁾	\$ 1,029	\$ 403	\$ 150	\$ 84	\$ 1,666
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 61	\$ 53	\$ 7	\$ 14	\$ 135
Gross rental equipment spend ⁽⁴⁾	\$ 142	\$ 17	\$ 13	\$ —	\$ 172

(1) Operating costs are calculated as cost of sales less cost of fuel plus selling, general, and administrative 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 and cash equivalents.

(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 equipment spend ⁽⁴⁾	\$ 117	\$ 15	\$ 9	\$ —	\$ 141

- (1) Operating costs are calculated as cost of sales less cost of fuel plus selling, general, and administrative 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 and cash equivalents.
- (3) Capital includes property, plant and equipment and intangible assets.
- (4) Includes leases and borrowing costs capitalized and excludes additions through business acquisitions.

3. EARNINGS PER SHARE

3 months ended (\$ millions, except share and per share amounts)	September 30, 2021		September 30, 2020	
	Basic	Diluted	Basic	Diluted
Net income attributable to shareholders of Finning	\$ 99	\$ 99	\$ 88	\$ 88
Weighted average shares outstanding (WASO)	160,819,146	160,819,146	162,103,503	162,103,503
Effect of dilutive share options		470,088		73,519
WASO with assumed conversions		161,289,234		162,177,022
Earnings per share	\$ 0.61	\$ 0.61	\$ 0.54	\$ 0.54

9 months ended (\$ millions, except share and per share amounts)	September 30, 2021		September 30, 2020	
	Basic	Diluted	Basic	Diluted
Net income attributable to shareholders of Finning	\$ 260	\$ 260	\$ 160	\$ 160
WASO	161,747,466	161,747,466	162,351,640	162,351,640
Effect of dilutive share options		571,411		11,099
WASO with assumed conversions		162,318,877		162,362,739
Earnings per share	\$ 1.61	\$ 1.60	\$ 0.99	\$ 0.99

Share options granted to employees that were anti-dilutive were excluded from the weighted average number of shares for the purpose of calculating diluted earnings per share. Anti-dilutive share options related to the three and nine months ended September 30, 2021 were 1 million (three and nine months ended September 30, 2020: 3 million).

4. OTHER INCOME AND OTHER EXPENSES

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
Canada Emergency Wage Subsidy (a)	\$ —	\$ 37	\$ 10	\$ 101
Final return on investment in Energyst B.V. (Note 11)	—	—	5	—
Other income	\$ —	\$ 37	\$ 15	\$ 101

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
Severance costs (b)	\$ —	\$ —	\$ —	\$ (42)
Impairment of long-lived assets (b)	—	—	—	(7)
Facility closures and restructuring costs (b)	—	—	—	(2)
Other expenses	\$ —	\$ —	\$ —	\$ (51)

- (a) In response to the negative economic impact of the novel coronavirus (COVID-19), various government programs were introduced to provide financial relief to affected businesses, including wage-subsidy programs for eligible entities that meet certain criteria. The Company records government grants and subsidies when it is reasonably assured that the Company will comply with the relevant conditions and that the amount will be received.
- (b) In 2020, as part of actions taken to focus on operational efficiencies and to adjust to market conditions, the Company implemented plans to restructure its global workforce and facility footprint. As a result, the Company recorded provisions related to the reduction of its workforce. The Company also implemented plans to consolidate certain branches and exit some facilities and therefore recorded impairment losses on leased properties and any related equipment and leasehold improvements, as well as provisions for the unavoidable non-lease costs for these properties.

5. DEBT AND FINANCE COSTS

At September 30, 2021, short-term debt included \$415 million drawn on the Company's committed revolving credit facility and \$4 million in local bank borrowings (December 31, 2020: \$92 million drawn on the Company's revolving credit facility).

In September 2021, the Company secured sustainability-linked terms for its \$1.3 billion committed revolving credit facility. The amended credit facility aligns cost of borrowing to progress towards achieving the Company's absolute greenhouse gas emissions reduction target. In addition, the term of the credit facility, which was set to fully mature in December 2024, was extended to September 2026.

In April 2020, the Company secured a \$500 million committed revolving credit facility for general corporate purposes, which had a term of two years. In March 2021, the Company cancelled this facility and expensed \$1 million of capitalized debt issue costs related to this facility in finance costs for the three months ended March 31, 2021.

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	
	2021	2020	2021	2020
Interest on short-term debt	\$ —	\$ 2	\$ 1	\$ 12
Interest on long-term debt	13	13	37	42
Interest on debt securities	\$ 13	\$ 15	\$ 38	\$ 54
Net interest recovery on pension and other post-employment benefit obligations (Note 9)	—	—	(1)	(1)
Interest on lease liabilities	3	2	8	8
Other finance related expenses	3	5	11	6
Finance costs	\$ 19	\$ 22	\$ 56	\$ 67

6. INCOME TAXES

In June 2021, the following tax rate changes were substantively enacted:

- The Argentine government increased its corporate income tax rate from 25% to 35% effective January 1, 2021.
- The UK government will increase its corporate income tax rate from 19% to 25% effective April 1, 2023.

7. SHARE CAPITAL

During the nine months ended September 30, 2021, the Company repurchased 2,879,340 common shares for cancellation for \$93 million. During the nine months ended September 30, 2020, 1,215,617 common shares were repurchased for cancellation for \$23 million.

8. 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, 2021		September 30, 2020	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	3,683,449	\$ 24.40	3,416,168	\$ 25.66
Granted	370,776	\$ 33.11	724,739	\$ 17.75
Exercised	(2,049,289)	\$ 25.10	—	\$ —
Forfeited	(71,001)	\$ 26.77	(104,703)	\$ 25.13
Expired	(8,160)	\$ 30.83	(275,937)	\$ 22.06
Options outstanding, end of period	1,925,775	\$ 25.21	3,760,267	\$ 24.41
Options exercisable, end of period	947,817	\$ 26.39	2,565,570	\$ 26.18

In the three and nine months ended September 30, 2021, the Company granted 3,848 and 370,776 common share options, respectively, to senior executives and management of the Company (three and nine months ended September 30, 2020: 30,083 and 724,739 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, 2021, 2,049,289 options were exercised resulting in 430,626 common shares being issued; 1,618,663 options were withheld in respect of the exercise price, and returned to the option pool for future issues/grants (nine months ended September 30, 2020: no options were exercised).

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	
	2021	2020	2021	2020
Dividend yield	3.14%	3.19%	3.18%	3.16%
Expected volatility ⁽¹⁾	31.23%	32.17%	31.37%	32.21%
Risk-free interest rate	0.79%	0.39%	0.97%	0.38%
Expected life (in years)	5.24	5.62	5.18	5.35
Grant date fair value of options	\$ 6.53	3.94	\$ 6.70	\$ 3.63

⁽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	
	2021	2020	2021	2020
Executive Deferred Share Unit Plan	—	—	3,585	9,085
Directors' Deferred Share Unit Plan A	12,851	19,537	37,799	76,647
Performance Share Unit Plan ⁽²⁾	2,188	16,158	320,416	578,238
Restricted Share Unit Plan	1,312	9,737	207,430	360,649

⁽²⁾ Based on 100% vesting

9. 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, 2021			September 30, 2020		
	Canada	UK	South America	Canada	UK	South America
Discount rate – obligation	3.4%	2.1%	2.1%	2.7%	1.6%	(0.2)%
Discount rate – expense ⁽¹⁾	2.7%	1.4%	(0.2)%	3.1%	2.0%	0.4%
Retail price inflation – obligation	n/m ⁽²⁾	3.1%	n/a ⁽²⁾	n/m ⁽²⁾	2.9%	n/a ⁽²⁾
Retail price inflation – expense ⁽¹⁾	n/m ⁽²⁾	2.6%	n/a ⁽²⁾	n/m ⁽²⁾	3.0%	n/a ⁽²⁾
Average staff turnover – obligation	n/m ⁽²⁾	n/m ⁽²⁾	7.9%	n/m ⁽²⁾	n/m ⁽²⁾	9.4%
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, 2021 and September 30, 2020

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

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

3 months ended (\$ millions)	September 30, 2021				September 30, 2020			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 1	\$ —	\$ 1	\$ 2	\$ 2	\$ —	\$ 1	\$ 3
Gain on settlement of accrued benefit obligation	—	—	—	—	(3)	—	—	(3)
Net benefit cost (recovery)	\$ 1	\$ —	\$ 1	\$ 2	\$ (1)	\$ —	\$ 1	\$ —
Actuarial loss (gain) on plan assets	\$ 2	\$ (13)	\$ —	\$ (11)	(3)	\$ 6	\$ —	\$ 3
Actuarial gain on accrued benefit obligation	(6)	(2)	(5)	(13)	(2)	(17)	(1)	(20)
Total actuarial gain recognized in other comprehensive income	\$ (4)	\$ (15)	\$ (5)	\$ (24)	\$ (5)	\$ (11)	\$ (1)	\$ (17)

9 months ended (\$ millions)	September 30, 2021				September 30, 2020			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 4	\$ 1	\$ 5	\$ 10	\$ 5	\$ 1	\$ 4	\$ 10
Gain on settlement of accrued benefit obligation	—	—	—	—	(3)	—	—	(3)
Net interest recovery	—	(1)	—	(1)	—	(1)	—	(1)
Net benefit cost	\$ 4	\$ —	\$ 5	\$ 9	\$ 2	\$ —	\$ 4	\$ 6
Actuarial loss (gain) on plan assets	\$ 5	\$ 21	\$ —	\$ 26	\$ (14)	\$ (63)	\$ —	\$ (77)
Actuarial (gain) loss on accrued benefit obligation	(22)	(36)	(17)	(75)	21	40	10	71
Total actuarial (gain) loss recognized in other comprehensive income	\$ (17)	\$ (15)	\$ (17)	\$ (49)	\$ 7	\$ (23)	\$ 10	\$ (6)

10. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents were as follows:

September 30 (\$ millions)	2021	2020
Cash	\$ 207	\$ 238
Cash equivalents	311	215
Cash and cash equivalents	\$ 518	\$ 453

The changes in operating assets and liabilities are as follows:

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
Accounts receivable	\$ —	\$ 22	\$ (89)	\$ 272
Unbilled receivables	(66)	(17)	(89)	19
Inventory	38	255	(144)	387
Other assets	59	(17)	(49)	(58)
Accounts payable and accruals	45	(28)	130	(271)
Other liabilities	(21)	(42)	(6)	(83)
Changes in operating assets and liabilities	\$ 55	\$ 173	\$ (247)	\$ 266

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, 2021	\$ 92	\$ 1,308	\$ 298	\$ 1,698
Cash flows provided by (used in)				
Financing activities	322	(200)	(63)	59
Operating activities	—	—	(8)	(8)
Total cash movements	\$ 322	\$ (200)	\$ (71)	\$ 51
Non-cash changes				
Additions	—	—	49	49
Additions through business combination	3	8	14	25
Disposals and remeasurement of liability	—	—	34	34
Interest expense	—	—	8	8
Foreign exchange rate changes	2	(2)	(2)	(2)
Total non-cash movements	\$ 5	\$ 6	\$ 103	\$ 114
Balance, September 30, 2021	\$ 419	\$ 1,114	\$ 330	\$ 1,863

(\$ millions)	Short-term debt	Long-term debt	Lease liabilities	Total
Balance, January 1, 2020	\$ 226	\$ 1,518	\$ 357	\$ 2,101
Cash flows used in				
Financing activities	(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

11. ACQUISITIONS AND INVESTMENT

Compression Technology Corporation

On September 3, 2021, the Company's Canadian operations acquired a 54.5% controlling ownership interest in Compression Technology Corporation (ComTech) through Finning's subsidiary, 4Refuel Holdings Limited (4Refuel). ComTech is an early-stage developer of alternative energy infrastructure and provider of proprietary mobile fueling solutions for low-carbon fuels, including compressed natural gas (CNG), renewable natural gas (RNG), and hydrogen, in North America. ComTech provides 4Refuel with the capability to be a leading provider of turn-key, low-carbon energy solutions. This acquisition expands the Company's fueling capabilities beyond diesel and allows the Company to support customers' energy transition journey, starting with solutions for CNG and RNG. This investment in ComTech leverages 4Refuel's leading mobile on-site refueling platform to enable customers to reduce their emissions and improve productivity.

Cash consideration for this acquisition was \$25 million, which included \$20 million cash acquired. The acquisition was funded with cash on hand. Net assets acquired consist primarily of cash, property, plant, and equipment, intangible assets, goodwill, and debt. Also, non-controlling interests (45.5% ownership interest in ComTech) of \$21 million was recorded. The Company expects to finalize the purchase price allocation no later than June 30, 2022.

Goodwill relates to the expected synergies from combining complementary capabilities and the expected growth potential for natural gas opportunity in Canada and the US. The goodwill is assigned to the Company's Canada reportable segment and is not deductible for tax purposes.

Energyst B.V.

Energyst B.V. (Energyst) was the Caterpillar dealer in Europe for rental power and temperature control solutions. In December 2020, the shareholders of Energyst, which included Finning, decided to restructure the company and convert its rental activities into four separate regional organizations which were sold in January 2021. A plan is in place to sell any remaining assets and wind-up Energyst, with the net proceeds from the sale to be distributed to Energyst's shareholders. During the three months ended March 31, 2021, the Company recorded a \$5 million final return on its investment in Energyst.

On January 7, 2021, the Company's UK & Ireland operations acquired a 100% ownership interest in the Energyst rental business operations in the UK and Ireland, one of the four regional organizations, and is now the authorized supplier of rental services for Caterpillar power generation in these territories. This purchase has been accounted for as a business combination using the acquisition method of accounting.

Cash consideration of \$14 million (€9 million) was paid at the date of acquisition, which included \$1 million cash acquired. The Company funded the transaction with cash on hand.

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

Preliminary purchase price allocation (\$ millions)	September 30, 2021
Cash and cash equivalents	\$ 1
Accounts receivable	3
Inventory and other assets	1
Rental equipment	9
Property, plant & equipment	1
Goodwill	1
Accounts payable and accruals and other liabilities	(2)
Net assets acquired	\$ 14

The Company expects to finalize the purchase price allocation by December 31, 2021.

Goodwill relates to the expected synergies from being the authorized supplier of rental services for Caterpillar power generation in the Company's UK & Ireland territories. The goodwill is assigned to the Company's UK & Ireland reportable segment and is not deductible for tax purposes.