

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	March 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 469	\$ 539
Accounts receivable	728	730
Unbilled receivables	233	231
Inventory	1,593	1,477
Other assets	296	237
Total current assets	3,319	3,214
Property, plant, and equipment	860	867
Rental equipment	420	430
Intangible assets	314	322
Goodwill	205	205
Distribution network	100	100
Investment in joint ventures and associate	83	85
Other assets	223	235
Total assets	\$ 5,524	\$ 5,458
LIABILITIES		
Current liabilities		
Short-term debt	\$ 103	\$ 92
Accounts payable and accruals	813	761
Deferred revenue	405	374
Current portion of long-term debt	326	201
Other liabilities	170	195
Total current liabilities	1,817	1,623
Long-term debt	973	1,107
Long-term lease liabilities	202	216
Net post-employment obligation	78	97
Other liabilities	210	209
Total liabilities	\$ 3,280	\$ 3,252
SHAREHOLDERS' EQUITY		
Share capital	\$ 575	\$ 566
Contributed surplus	—	1
Accumulated other comprehensive income	207	218
Retained earnings	1,462	1,421
Total shareholders' equity	2,244	2,206
Total liabilities and shareholders' equity	\$ 5,524	\$ 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

3 months ended March 31 (Canadian \$ millions, except share and per share amounts)	2021	2020
Revenue		
New equipment	\$ 403	\$ 353
Used equipment	103	68
Equipment rental	45	53
Product support	887	934
Fuel and other	158	150
Total revenue	1,596	1,558
Cost of sales	(1,189)	(1,140)
Gross profit	407	418
Selling, general, and administrative expenses	(314)	(325)
Equity earnings of joint ventures	—	1
Other income (Note 4)	15	—
Earnings before finance costs and income taxes	108	94
Finance costs (Note 5)	(19)	(21)
Income before provision for income taxes	89	73
Provision for income taxes	(19)	(19)
Net income	\$ 70	\$ 54
Earnings per share (Note 3)		
Basic	\$ 0.43	\$ 0.33
Diluted	\$ 0.43	\$ 0.33
Weighted average number of shares outstanding (Note 3)		
Basic	162,225,560	162,850,641
Diluted	162,910,375	162,851,963

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

3 months ended March 31		
(Canadian \$ millions)	2021	2020
Net income	\$ 70	\$ 54
Other comprehensive (loss) income, net of income tax		
Items that may be subsequently reclassified to statement of net income:		
Foreign currency translation adjustments	(21)	149
Share of foreign currency translation adjustments of joint ventures	—	(2)
Gain (loss) on net investment hedges	9	(63)
Impact of foreign currency translation and net investment hedges, net of income tax	(12)	84
(Loss) gain on cash flow hedges	(1)	5
Gain on cash flow hedges, reclassified to statement of net income	—	(2)
Impact of cash flow hedges, net of income tax	(1)	3
Items that will not be subsequently reclassified to statement of net income:		
Actuarial gain (Note 6)	16	45
Provision for income taxes on actuarial gain	(4)	(10)
Actuarial gain, net of income tax	12	35
Total comprehensive income	\$ 69	\$ 176

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 and Net Hedges	Impact of Foreign Currency Translation and Net Cash Flow Hedges	Retained Earnings	
Balance, January 1, 2020	163,319,120	\$ 570	\$ 2	\$ 230	\$ (2)	\$ 1,315	\$ 2,115
Net income	—	—	—	—	—	54	54
Other comprehensive income	—	—	—	84	3	35	122
Total comprehensive income	—	—	—	84	3	89	176
Hedging gain transferred to statement of financial position	—	—	—	—	—	(1)	(1)
Repurchase of common shares	(1,215,617)	(5)	(2)	—	—	(16)	(23)
Dividends on common shares	—	—	—	—	—	(34)	(34)
Balance, March 31, 2020	162,103,503	\$ 565	\$ —	\$ 314	\$ 1	\$ 1,353	\$ 2,233
Balance, January 1, 2021	162,107,484	\$ 566	\$ 1	\$ 221	\$ (3)	\$ 1,421	\$ 2,206
Net income	—	—	—	—	—	70	70
Other comprehensive income	—	—	—	(12)	(1)	12	(1)
Total comprehensive income	—	—	—	(12)	(1)	82	69
Issued on exercise of share options	283,821	9	(2)	—	—	(7)	—
Share option expense	—	—	1	—	—	—	1
Hedging loss transferred to statement of financial position	—	—	—	—	2	—	2
Dividends on common shares	—	—	—	—	—	(34)	(34)
Balance, March 31, 2021	162,391,305	\$ 575	\$ —	\$ 209	\$ (2)	\$ 1,462	\$ 2,244

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

3 months ended March 31 (Canadian \$ millions)	2021	2020
OPERATING ACTIVITIES		
Net income	\$ 70	\$ 54
Adjusting for:		
Depreciation and amortization	77	76
Loss on disposal of property, plant, and equipment	1	—
Impairment of long-lived assets	—	1
Final return on investment in Energyst B.V. (Note 8)	(5)	—
Equity earnings of joint ventures	—	(1)
Share-based payment expense (recovery)	14	(10)
Provision for income taxes	19	19
Finance costs	19	21
Net benefit cost of post-employment benefit plans in selling, general, and administrative expenses (Note 6)	4	4
Changes in operating assets and liabilities (Note 7)	(143)	(113)
Additions to rental fleet	(19)	(23)
Additions to rental equipment with purchase options	(13)	(16)
Proceeds on disposal of rental fleet	17	18
Proceeds on disposal of rental equipment with purchase options	10	2
Interest paid	(21)	(23)
Income tax paid	(18)	(23)
Cash flow provided by (used in) operating activities	12	(14)
INVESTING ACTIVITIES		
Additions to property, plant, and equipment and intangible assets	(33)	(38)
Proceeds on disposal of property, plant, and equipment	1	2
Consideration paid for business acquisition, net of cash acquired (Note 8)	(13)	—
Decrease in long-term investment	7	—
Return on investment in Energyst B.V.	6	—
Cash flow used in investing activities	(32)	(36)
FINANCING ACTIVITIES		
Increase in short-term debt (Note 7)	11	78
Decrease in lease liabilities (Note 7)	(21)	(22)
Repurchase of common shares	—	(23)
Dividends paid	(34)	(34)
Cash flow used in financing activities	(44)	(1)
Effect of currency translation on cash balances	(6)	43
Decrease in cash and cash equivalents	(70)	(8)
Cash and cash equivalents, beginning of period	539	268
Cash and cash equivalents, end of period (Note 7)	\$ 469	\$ 260

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 May 10, 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 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. 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 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 clarifies 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.
- Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (effective January 1, 2023) introduce a definition of 'accounting estimates' and clarifies 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.

2. SEGMENTED INFORMATION

The Company views net revenue (calculated as total revenue less cost of fuel) as most representative in assessing business performance 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 March 31, 2021	South		UK &			
(\$ millions)	Canada	America	Ireland	Other	Total	
Revenue						
New equipment	\$ 166	\$ 126	\$ 111	\$ —	\$ 403	
Used equipment	73	14	16	—	103	
Equipment rental	27	8	10	—	45	
Product support	476	334	77	—	887	
Fuel and other	158	—	—	—	158	
Total revenue	\$ 900	\$ 482	\$ 214	\$ —	\$ 1,596	
Cost of fuel	(127)	—	—	—	(127)	
Net revenue	\$ 773	\$ 482	\$ 214	\$ —	\$ 1,469	
Operating costs ⁽¹⁾	(668)	(421)	(197)	(13)	(1,299)	
Other income (Note 4)	10	—	—	5	15	
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 115	\$ 61	\$ 17	\$ (8)	\$ 185	
Depreciation and amortization	(46)	(20)	(10)	(1)	(77)	
Earnings (loss) before finance costs and income taxes	\$ 69	\$ 41	\$ 7	\$ (9)	\$ 108	
Finance costs					(19)	
Provision for income taxes					(19)	
Net income					\$ 70	
Invested capital ⁽²⁾	\$ 1,832	\$ 982	\$ 350	\$ 13	\$ 3,177	
Capital and rental equipment ⁽³⁾	\$ 943	\$ 398	\$ 162	\$ 91	\$ 1,594	
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 24	\$ 14	\$ 4	\$ 4	\$ 46	
Gross rental equipment spend ⁽⁴⁾	\$ 25	\$ 4	\$ 3	\$ —	\$ 32	

(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 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 March 31, 2020 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 162	\$ 85	\$ 106	\$ —	\$ 353
Used equipment	33	15	20	—	68
Equipment rental	33	12	8	—	53
Product support	497	366	71	—	934
Fuel and other	149	—	1	—	150
Total revenue	\$ 874	\$ 478	\$ 206	\$ —	\$ 1,558
Cost of fuel	(119)	—	—	—	(119)
Net revenue	\$ 755	\$ 478	\$ 206	\$ —	\$ 1,439
Operating costs ⁽¹⁾	(653)	(418)	(195)	(4)	(1,270)
Equity earnings of joint ventures	1	—	—	—	1
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 103	\$ 60	\$ 11	\$ (4)	\$ 170
Depreciation and amortization	(43)	(22)	(10)	(1)	(76)
Earnings (loss) before finance costs and income taxes	\$ 60	\$ 38	\$ 1	\$ (5)	\$ 94
Finance costs					(21)
Provision for income taxes					(19)
Net income					\$ 54
Invested capital ⁽²⁾	\$ 2,093	\$ 1,330	\$ 428	\$ 32	\$ 3,883
Capital and rental equipment ⁽³⁾	\$ 1,043	\$ 489	\$ 180	\$ 79	\$ 1,791
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 15	\$ 23	\$ 7	\$ 4	\$ 49
Gross rental equipment spend ⁽⁴⁾	\$ 28	\$ 6	\$ 5	\$ —	\$ 39

(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 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 March 31 (\$ millions, except share and per share amounts)	Net	Shares	EPS
2021	Income		
Basic EPS:			
Net income, weighted average shares outstanding, EPS	\$ 70	162,225,560	\$ 0.43
Effect of dilutive securities: share options	—	684,815	—
Diluted EPS:			
Net income and assumed conversions	\$ 70	162,910,375	\$ 0.43
2020			
Basic EPS:			
Net income, weighted average shares outstanding, EPS	\$ 54	162,850,641	\$ 0.33
Effect of dilutive securities: share options	—	1,322	—
Diluted EPS:			
Net income and assumed conversions	\$ 54	162,851,963	\$ 0.33

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 months ended March 31, 2021 were not significant (2020: 3 million).

4. OTHER INCOME

3 months ended March 31 (\$ millions)	2021	2020
Canada Emergency Wage Subsidy (a)	\$ 10	\$ —
Final return on investment in Energyst B.V. (Note 8)	5	—
Other income	\$ 15	\$ —

(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. In the three months ended March 31, 2021, the Company qualified for and recorded a \$10 million benefit from the Canada Emergency Wage Subsidy for its Canadian entities for the December 20, 2020 to March 13, 2021 period.

5. DEBT AND FINANCE COSTS

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 in the three months ended March 31, 2021.

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

3 months ended March 31 (\$ millions)	2021	2020
Interest on short-term debt	\$ 1	\$ 5
Interest on long-term debt	12	14
Interest on debt securities	13	19
Interest on lease liabilities	2	3
Other finance related expenses (recovery)	4	(1)
Finance costs	\$ 19	\$ 21

6. 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:

	March 31, 2021			March 31, 2020		
	Canada	UK	South America	Canada	UK	South America
Discount rate – obligation	3.4%	2.1%	0.6%	3.6%	2.3%	0.7%
Discount rate – expense ⁽¹⁾	2.7%	1.4%	(0.2)%	3.1%	2.0%	0.4%
Retail price inflation – obligation	n/m ⁽²⁾	3.0%	n/a ⁽²⁾	n/m ⁽²⁾	2.6%	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 months ended March 31, 2021 and March 31, 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)	March 31, 2021				March 31, 2020			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 2	\$ —	\$ 2	\$ 4	\$ 2	\$ —	\$ 2	\$ 4
Net benefit cost	\$ 2	\$ —	\$ 2	\$ 4	\$ 2	\$ —	\$ 2	\$ 4
Actuarial loss on plan assets	\$ 11	\$ 47	\$ —	\$ 58	\$ 19	\$ 15	\$ —	\$ 34
Actuarial (gain) loss on accrued benefit obligation	(22)	(46)	(6)	(74)	(19)	(66)	6	(79)
Total actuarial (gain) loss recognized in other comprehensive income	\$ (11)	\$ 1	\$ (6)	\$ (16)	\$ —	\$ (51)	\$ 6	\$ (45)

7. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents were as follows:

March 31 (\$ millions)	2021	2020
Cash	\$ 167	\$ 91
Cash equivalents	302	169
Cash and cash equivalents	\$ 469	\$ 260

The changes in operating assets and liabilities were as follows:

3 months ended March 31 (\$ millions)	2021	2020
Accounts receivable	\$ 2	\$ 75
Unbilled receivables	(5)	(3)
Inventory	(124)	(85)
Other assets	(66)	4
Accounts payable and accruals	56	(66)
Other liabilities	(6)	(38)
Changes in operating assets and liabilities	\$ (143)	\$ (113)

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	11	—	(21)	(10)
Operating activities	—	—	(2)	(2)
Total cash movements	\$ 11	\$ —	\$ (23)	\$ (12)
Non-cash changes				
Additions	—	—	13	13
Disposals and remeasurement of liability	—	—	(6)	(6)
Interest expense	—	—	2	2
Foreign exchange rate changes	—	(9)	(1)	(10)
Total non-cash movements	\$ —	\$ (9)	\$ 8	\$ (1)
Balance, March 31, 2021	\$ 103	\$ 1,299	\$ 283	\$ 1,685

(\$ 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	78	—	(22)	56
Operating activities	—	—	(3)	(3)
Total cash movements	\$ 78	\$ —	\$ (25)	\$ 53
Non-cash changes				
Additions	—	—	12	12
Disposals and remeasurement of liability	—	—	4	4
Interest expense	—	—	3	3
Foreign exchange rate changes	25	63	3	91
Total non-cash movements	\$ 25	\$ 63	\$ 22	\$ 110
Balance, March 31, 2020	\$ 329	\$ 1,581	\$ 354	\$ 2,264

8. INVESTMENT AND ACQUISITION

Energyst B.V. (“Energyst”) was the exclusive 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, funded with cash on hand. Net assets acquired include \$1 million cash, \$2 million of net working capital (comprising receivables, inventory, and payables), and \$11 million of rental assets. The purchase price allocation is not final as management is continuing to identify assets acquired and obtaining and verifying information required to determine the fair value of certain assets and liabilities, goodwill (if appropriate), and the 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, but no later than December 31, 2021.