

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	168	288
Accounts receivable	1,148	1,129
Unbilled receivables	469	422
Inventory (Note 9)	2,919	2,461
Other assets	513	481
Total current assets	5,217	4,781
Property, plant, and equipment	986	973
Rental equipment	489	469
Intangible assets	337	333
Goodwill	329	325
Distribution network	100	100
Net post-employment assets	89	98
Investment in joint ventures	89	83
Other assets	102	107
Total assets	7,738	7,269
LIABILITIES		
Current liabilities		
Short-term debt	1,372	1,068
Accounts payable and accruals	1,411	1,373
Deferred revenue	481	544
Current portion of long-term debt	203	114
Other liabilities	223	302
Total current liabilities	3,690	3,401
Long-term debt (Note 5)	955	815
Long-term lease liabilities	241	255
Deferred tax liabilities	136	153
Other liabilities	181	184
Total liabilities	5,203	4,808
EQUITY		
Share capital	520	536
Accumulated other comprehensive income	238	273
Retained earnings	1,761	1,634
Equity attributable to shareholders of Finning International Inc.	2,519	2,443
Non-controlling interests	16	18
Total equity	2,535	2,461
Total liabilities and equity	7,738	7,269

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET INCOME

(Canadian \$ millions, except per share amounts)	3 months ended		9 months ended	
	September 30		September 30	
	2023	2022	2023	2022
Revenue				
New equipment	870	679	2,443	1,939
Used equipment	72	96	257	261
Equipment rental	86	79	239	214
Product support	1,362	1,209	4,065	3,311
Fuel and other	314	321	859	901
Total revenue	2,704	2,384	7,863	6,626
Cost of sales	(2,044)	(1,807)	(5,927)	(5,031)
Gross profit	660	577	1,936	1,595
Selling, general, and administrative expenses	(412)	(353)	(1,234)	(1,042)
Equity earnings of joint ventures	4	—	8	1
Other income (Note 4)	—	—	41	—
Other expenses (Note 4)	—	—	(18)	—
Earnings before finance costs and income taxes	252	224	733	554
Finance costs (Note 5)	(40)	(23)	(117)	(62)
Income before provision for income taxes	212	201	616	492
Provision for income taxes (Note 6)	(57)	(52)	(180)	(126)
Net income	155	149	436	366
Net income (loss) attributable to:				
Shareholders of Finning International Inc.	156	149	438	367
Non-controlling interests	(1)	—	(2)	(1)
Earnings per share (Note 3)				
Basic	1.07	0.97	2.95	2.36
Diluted	1.06	0.97	2.94	2.36

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Canadian \$ millions)	3 months ended		9 months ended	
	September 30		September 30	
	2023	2022	2023	2022
Net income	155	149	436	366
Other comprehensive income (loss), net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	23	78	2	68
Share of foreign currency translation adjustments of joint ventures	—	(1)	—	(1)
Loss on net investment hedges	(10)	(25)	(2)	(19)
Foreign currency translation adjustments, net of net investment hedges, reclassified to net income (Note 4)	—	—	(41)	—
Provision for income taxes on foreign currency translation adjustments, reclassified to net income (Note 4)	—	—	9	—
Impact of foreign currency translation and net investment hedges, net of income tax	13	52	(32)	48
Gain on cash flow hedges	9	21	4	25
Gain on cash flow hedges, reclassified to net income	(1)	(1)	(1)	(2)
Provision for income taxes on cash flow hedges	(2)	(5)	(1)	(6)
Impact of cash flow hedges, net of income tax	6	15	2	17
Items that will not be subsequently reclassified to net income:				
Actuarial gain (loss)	8	(40)	(9)	(60)
(Provision for) recovery of income taxes on actuarial gain (loss)	(2)	10	2	15
Actuarial gain (loss), net of income tax	6	(30)	(7)	(45)
Total comprehensive income	180	186	399	386
Total comprehensive income (loss) attributable to:				
Shareholders of Finning International Inc.	181	186	401	387
Non-controlling interests	(1)	—	(2)	(1)

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Canadian \$ millions)	Attributable to Shareholders of Finning International Inc.						Non-controlling Interests	Total
	Share Capital	Contributed Surplus	Accumulated Comprehensive Income	Other Retained Earnings	Total	Total		
Balance, January 1, 2022	561	—	212	1,550	2,323	20	2,343	
Net income (loss)	—	—	—	367	367	(1)	366	
Other comprehensive income (loss)	—	—	65	(45)	20	—	20	
Total comprehensive income (loss)	—	—	65	322	387	(1)	386	
Exercise of share options	2	(2)	—	—	—	—	—	
Share option expense	—	2	—	—	2	—	2	
Hedging gain transferred to statement of financial position	—	—	(4)	—	(4)	—	(4)	
Repurchase of common shares (Note 7)	(17)	—	—	(132)	(149)	—	(149)	
Automatic share purchase plan commitment (Note 7)	(3)	—	—	(17)	(20)	—	(20)	
Dividends on common shares	—	—	—	(109)	(109)	—	(109)	
Balance, September 30, 2022	543	—	273	1,614	2,430	19	2,449	
Balance, January 1, 2023	536	—	273	1,634	2,443	18	2,461	
Net income (loss)	—	—	—	438	438	(2)	436	
Other comprehensive loss	—	—	(30)	(7)	(37)	—	(37)	
Total comprehensive (loss) income	—	—	(30)	431	401	(2)	399	
Exercise of share options	4	(1)	—	(3)	—	—	—	
Share option expense	—	1	—	—	1	—	1	
Hedging gain transferred to statement of financial position	—	—	(5)	—	(5)	—	(5)	
Repurchase of common shares (Note 7)	(21)	—	—	(206)	(227)	—	(227)	
Decrease in automatic share purchase plan commitment (Note 7)	1	—	—	14	15	—	15	
Dividends on common shares	—	—	—	(109)	(109)	—	(109)	
Balance, September 30, 2023	520	—	238	1,761	2,519	16	2,535	

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Canadian \$ millions)	3 months ended		9 months ended	
	September 30		September 30	
	2023	2022	2023	2022
OPERATING ACTIVITIES				
Net income	155	149	436	366
Adjusting for:				
Depreciation and amortization	94	84	280	246
Gain on disposal of property, plant, and equipment	(8)	—	(10)	—
Equity earnings of joint ventures	(4)	—	(8)	(1)
Share-based payment expense	7	—	26	7
Provision for income taxes	57	52	180	126
Finance costs	40	23	117	62
Net benefit cost of defined benefit pension plans and other post-employment benefit plans	4	3	12	10
Gain on wind up of foreign subsidiaries (Note 4)	—	—	(41)	—
Changes in operating assets and liabilities (Note 10)	(194)	(258)	(612)	(964)
Additions to rental fleet	(38)	(42)	(130)	(86)
Additions to rental equipment with purchase options	(25)	(14)	(71)	(56)
Proceeds on disposal of rental fleet	11	11	39	30
Proceeds on disposal of rental equipment with purchase options	24	23	51	48
Interest paid	(40)	(21)	(118)	(60)
Income tax paid	(46)	(34)	(214)	(137)
Cash flow provided by (used in) operating activities	37	(24)	(63)	(409)
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	(50)	(33)	(169)	(93)
Proceeds on disposal of property, plant, and equipment	13	—	18	—
Consideration paid for business acquisitions, net of cash acquired (Note 11)	—	(16)	(13)	(100)
(Increase) decrease in short-term and long-term investments	(12)	7	(12)	4
Cash flow used in investing activities	(49)	(42)	(176)	(189)
FINANCING ACTIVITIES				
Increase in short-term debt (Note 10)	209	37	313	645
Issuance of long-term debt, net of issue costs (Note 10)	—	—	348	—
Repayment of long-term debt (Note 10)	—	—	(122)	(188)
Decrease in lease liabilities (Note 10)	(20)	(18)	(64)	(57)
Repurchase of common shares	(65)	(22)	(230)	(144)
Dividends paid	(36)	(37)	(109)	(109)
Cash flow provided by (used in) financing activities	88	(40)	136	147
Effect of currency translation on cash balances	18	56	(17)	69
Increase (decrease) in cash and cash equivalents	94	(50)	(120)	(382)
Cash and cash equivalents, beginning of period	74	170	288	502
Cash and cash equivalents, end of period (Note 10)	168	120	168	120

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

1. MATERIAL ACCOUNTING POLICY INFORMATION, KEY ASSUMPTIONS, AND SIGNIFICANT JUDGMENTS

These unaudited condensed interim consolidated financial statements (Interim Financial 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 Financial Statements should be read in conjunction with the December 31, 2022 audited annual consolidated financial statements and the notes to such financial statements.

These Interim Financial Statements are based on the IFRS issued and effective for the current year. The Interim Financial Statements were authorized for issuance by the Company's Board of Directors on November 6, 2023. 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) New Accounting Standard and Amendments to Standards

The Company has adopted the following new accounting standard and amendments to IFRS:

- IFRS 17, *Insurance Contracts* (effective January 1, 2023) replaces IFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts. The adoption of this standard did not have any impact on the Company's financial statements.
- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2023) 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. The adoption of these amendments will not have any impact on the disclosure of material accounting policy information for the Company's December 31, 2023 annual financial statements.
- 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. The adoption of these amendments did not have any impact on the Company's financial statements.
- Amendments to IAS 12, *Income Taxes*:
 - 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 (effective January 1, 2023) 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 reviewed its global tax provision and concluded that there were no deferred taxes being netted or not recognized from a single tax treatment and has not applied the initial recognition exemption. The adoption of these amendments did not have any impact on the Company's financial statements.
 - Scope in income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development. The amendments (effective for the Company's June 30, 2023 Interim Financial Statements) provide temporary relief from accounting for and disclosure of deferred income taxes arising from this international tax reform. On June 20, 2023, Pillar Two was substantively enacted in the UK to be effective January 1, 2024 and as a result, the Company has taken this relief in these Interim Financial Statements. The amendments also introduce targeted disclosure requirements for current tax arising from this international tax reform (effective for the Company's December 31, 2023 annual financial statements). Management is currently assessing the impact on the Company's financial statements, including disclosures which will be required for the annual financial statements.

b) Future Accounting Pronouncements

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

- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2024):
 - Clarify the classification of liabilities as current or non-current 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 finalizing its assessment and determined the amendment will impact the presentation of certain of the Company's share-based payment arrangements. Deferred Share Units (DSUs) are cash-settled share-based payment arrangements. DSUs are issued to certain executives and board members, usually vest at the time of issuance, and are redeemable by December of the year following the year in which cessation of employment or service on the Board of Directors (Board) occurs. The Company does not have the ability to defer settlement of its vested DSUs for a period of twelve months after cessation of employment or service on the Board. As a result, effective January 1, 2024, the Company will reclassify its vested DSU liabilities as current liabilities. These amendments will be applied retrospectively. The impact of the amendments to IAS 1 on the date of initial application is expected to be as shown in the table below.

(\$ millions)	January 1, 2023
Increase in other liabilities (current)	24
Decrease in other liabilities (non-current)	(24)

Except as outlined in the table above, management does not expect the adoption of these amendments to result in any other changes to the consolidated statement of financial position.

- Clarify that only covenants with which an entity must comply on or before the reporting date will affect the classification of a liability as current or non-current. In addition, the amendments require a company to disclose information in the notes to the financial statements when liabilities are classified as non-current when the right to defer settlement of those liabilities is subject to complying with covenants within twelve months after the reporting date. Management expects no changes will be required to the Company's classification as a result of these amendments.
- Amendments to IAS 7, *Statement of Cash Flows* and IFRS 7, *Financial Instruments: Disclosures* (effective January 1, 2024) add disclosure requirements that require companies to provide qualitative and quantitative information about supplier finance arrangements that will assist users of financial statements to assess the effects of the company's supplier finance arrangements on its liabilities and cash flows. Management will continue to assess the impact on the disclosures of all supplier finance arrangements in scope of these amendments.
- Amendments to IFRS 16, *Leases* (effective January 1, 2024) explain how an entity accounts for a sale and leaseback after the transaction date. The amendments clarify how a seller-lessee should subsequently measure lease liabilities and when it is appropriate to record a gain or loss on these transactions. The amendments apply to all sale and leaseback transactions entered since the effective date of IFRS 16 (January 1, 2019). Management will continue to assess the impact on the accounting treatment of all sale and leaseback transactions in scope of these amendments.

2. SEGMENTED INFORMATION

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

3 months ended September 30, 2023	South				UK &	
(\$ millions)	Canada	America	Ireland	Other	Total	
Revenue						
New equipment	407	288	175	—	870	
Used equipment	45	13	14	—	72	
Equipment rental	55	19	12	—	86	
Product support	714	533	115	—	1,362	
Fuel and other	314	—	—	—	314	
Total revenue	1,535	853	316	—	2,704	
Cost of fuel	(267)	—	—	—	(267)	
Net revenue	1,268	853	316	—	2,437	
Operating costs ⁽¹⁾	(1,084)	(717)	(287)	(7)	(2,095)	
Depreciation and amortization	(51)	(32)	(10)	(1)	(94)	
Equity earnings of joint ventures	4	—	—	—	4	
Earnings (loss) before finance costs and income taxes	137	104	19	(8)	252	
Finance costs					(40)	
Provision for income taxes					(57)	
Net income					155	
Invested capital ⁽²⁾	2,826	1,479	558	34	4,897	
Gross capital expenditures ⁽³⁾⁽⁴⁾	22	30	2	4	58	
Gross rental equipment spend ⁽⁴⁾	47	8	8	—	63	
3 months ended September 30, 2022						
(\$ millions)	Canada	South	UK &	Other	Total	
Revenue						
New equipment	259	204	216	—	679	
Used equipment	69	10	17	—	96	
Equipment rental	53	15	11	—	79	
Product support	647	463	99	—	1,209	
Fuel and other	321	—	—	—	321	
Total revenue	1,349	692	343	—	2,384	
Cost of fuel	(277)	—	—	—	(277)	
Net revenue	1,072	692	343	—	2,107	
Operating costs ⁽¹⁾	(900)	(582)	(311)	(6)	(1,799)	
Depreciation and amortization	(47)	(25)	(11)	(1)	(84)	
Earnings (loss) before finance costs and income taxes	125	85	21	(7)	224	
Finance costs					(23)	
Provision for income taxes					(52)	
Net income					149	
Invested capital ⁽²⁾	2,450	1,438	400	70	4,358	
Gross capital expenditures ⁽³⁾⁽⁴⁾	37	8	2	8	55	
Gross rental equipment spend ⁽⁴⁾	34	17	5	—	56	

(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, 2023 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	1,146	782	515	—	2,443
Used equipment	177	33	47	—	257
Equipment rental	148	57	34	—	239
Product support	2,184	1,544	337	—	4,065
Fuel and other	859	—	—	—	859
Total revenue	4,514	2,416	933	—	7,863
Cost of fuel	(723)	—	—	—	(723)
Net revenue	3,791	2,416	933	—	7,140
Operating costs ⁽¹⁾	(3,245)	(2,034)	(847)	(32)	(6,158)
Depreciation and amortization	(151)	(93)	(32)	(4)	(280)
Equity earnings of joint ventures	8	—	—	—	8
Other income	—	—	—	41	41
Other expenses	(4)	(7)	(2)	(5)	(18)
Earnings before finance costs and income taxes	399	282	52	—	733
Finance costs					(117)
Provision for income taxes					(180)
Net income					436
Invested capital ⁽²⁾	2,826	1,479	558	34	4,897
Gross capital expenditures ⁽³⁾⁽⁴⁾	95	85	8	17	205
Gross rental equipment spend ⁽⁴⁾	140	47	18	—	205
9 months ended September 30, 2022 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	693	613	633	—	1,939
Used equipment	197	28	36	—	261
Equipment rental	138	43	33	—	214
Product support	1,819	1,216	276	—	3,311
Fuel and other	901	—	—	—	901
Total revenue	3,748	1,900	978	—	6,626
Cost of fuel	(779)	—	—	—	(779)
Net revenue	2,969	1,900	978	—	5,847
Operating costs ⁽¹⁾	(2,522)	(1,615)	(889)	(22)	(5,048)
Depreciation and amortization	(141)	(71)	(31)	(3)	(246)
Equity earnings of joint ventures	1	—	—	—	1
Earnings (loss) before finance costs and income taxes	307	214	58	(25)	554
Finance costs					(62)
Provision for income taxes					(126)
Net income					366
Invested capital ⁽²⁾	2,450	1,438	400	70	4,358
Gross capital expenditures ⁽³⁾⁽⁴⁾	86	22	6	22	136
Gross rental equipment spend ⁽⁴⁾	104	31	8	—	143

(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, 2023		September 30, 2022	
	Basic	Diluted	Basic	Diluted
Net income attributable to shareholders of Finning	156	156	149	149
Weighted average shares outstanding (WASO)	145,889,392	145,889,392	153,754,628	153,754,628
Effect of dilutive share options		287,025		228,970
WASO with assumed conversions		146,176,417		153,983,598
Earnings per share	1.07	1.06	0.97	0.97

9 months ended (\$ millions, except share and per share amounts)	September 30, 2023		September 30, 2022	
	Basic	Diluted	Basic	Diluted
Net income attributable to shareholders of Finning	438	438	367	367
WASO	148,386,631	148,386,631	155,598,174	155,598,174
Effect of dilutive share options		279,251		347,621
WASO with assumed conversions		148,665,882		155,945,795
Earnings per share	2.95	2.94	2.36	2.36

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 were not significant for the three and nine months ended September 30, 2023. Anti-dilutive share options related to the three and nine months ended September 30, 2022 were one million.

4. OTHER INCOME AND OTHER EXPENSES

In the three months ended March 31, 2023, the Company executed various transactions to simplify and adjust its organizational structure. The Company wound up two wholly owned subsidiaries, and incurred severance costs in each region as the Company reduced corporate overhead costs and simplified its operating model. As a result of these activities, the Company recorded the following:

- Net foreign currency translation gain of \$41 million and income tax expense of \$9 million (Note 6) were reclassified to net income on the wind up of foreign subsidiaries; and
- Severance costs.

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2023	2022	2023	2022
Gain on wind up of foreign subsidiaries	—	—	41	—
Other income	—	—	41	—

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2023	2022	2023	2022
Severance costs	—	—	(18)	—
Other expenses	—	—	(18)	—

5. DEBT AND FINANCE COSTS

In May 2023, the Company issued \$350 million of 4.445% senior unsecured notes due May 16, 2028. Proceeds of this issuance were used to repay existing debt, including £70 million principal amount of its 3.40% senior notes, Series F, that was due May 22, 2023, and for general corporate purposes.

The Company's \$300 million committed revolving credit facility, which was set to mature in October 2023, has been extended to October 2024.

The components of finance costs were as follows:

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2023	2022	2023	2022
Interest on short-term debt	23	10	66	17
Interest on long-term debt	13	9	34	29
Interest on debt	36	19	100	46
Interest on lease liabilities	3	3	9	8
Other finance related expenses	1	1	8	8
Finance costs	40	23	117	62

6. INCOME TAXES

As part of the organizational restructuring described in Note 4, the provision for income taxes in the three months ended March 31, 2023 included a \$9 million expense related to the wind up of foreign subsidiaries and a \$19 million expense for withholding taxes on the repatriation of \$170 million of profits from the Company's South American operations.

7. SHARE CAPITAL

During the nine months ended September 30, 2023, the Company repurchased 5,967,044 Finning common shares for cancellation for \$227 million, at an average cost of \$38.12 per share, through the Company's normal course issuer bid. During the nine months ended September 30, 2022, the Company repurchased 4,649,748 common shares for cancellation for \$149 million, at an average cost of \$32.04 per share.

In connection with the normal course issuer bid, the Company implemented an automatic share purchase plan (ASPP) with a designated broker to enable share repurchases for cancellation during selected blackout periods. At September 30, 2023, an estimated obligation of \$6 million was recorded for the repurchase of shares from October 2, 2023 to November 7, 2023 under this ASPP. At September 30, 2022, an estimated obligation of \$20 million was recorded for the repurchase of shares under the ASPP.

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 were as follows:

	September 30, 2023		September 30, 2022	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
9 months ended				
Share options outstanding, beginning of period	1,567,168	27.63	1,772,547	25.12
Granted	278,878	35.63	339,689	33.90
Exercised	(585,638)	26.07	(293,587)	25.83
Forfeited	(69,371)	28.95	(21,753)	25.42
Expired	—	—	(1,110)	25.44
Share options outstanding, end of period	1,191,037	30.20	1,795,786	26.66
Share options exercisable, end of period	601,397	25.89	1,008,349	24.73

The fair value of the share options granted was estimated on the date of grant using the following weighted-average assumptions:

	3 months ended September 30		9 months ended September 30	
	2023	2022	2023	2022
Dividend yield	n/a ⁽¹⁾	3.09%	3.17%	3.07%
Expected volatility ⁽²⁾	n/a	32.70%	33.91%	31.75%
Risk-free interest rate	n/a	3.13%	3.29%	2.82%
Expected life (in years)	n/a	5.20	5.02	5.11
Grant date fair value of share options	n/a	\$ 6.95	\$ 9.05	\$ 7.98
Share price	n/a	\$ 28.04	\$ 35.63	\$ 33.90

⁽¹⁾ n/a – not applicable

⁽²⁾ Expected volatility is based on historical share price volatility of Finning shares listed on the Toronto Stock Exchange.

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:

	3 months ended September 30		9 months ended September 30	
	2023	2022	2023	2022
(Share units granted)				
Executive Deferred Share Unit Plan	—	—	6,025	471
Directors' Deferred Share Unit Plan A	11,682	17,492	37,312	44,298
Performance Share Unit Plan ⁽³⁾	—	4,727	307,822	346,489
Restricted Share Unit Plan	—	6,374	193,235	259,623

⁽³⁾ Based on 100% vesting

9. INVENTORY

	September 30, 2023	December 31, 2022
(\$ millions)		
On-hand equipment	1,281	919
Parts and supplies	1,112	1,030
Internal service work in progress	526	512
Total inventory	2,919	2,461

10. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents were as follows:

September 30 (\$ millions)	2023	2022
Cash	155	119
Cash equivalents	13	1
Cash and cash equivalents	168	120

The changes in operating assets and liabilities were as follows:

(\$ millions)	3 months ended September 30		9 months ended September 30	
	2023	2022	2023	2022
Accounts receivable	84	(32)	(19)	(153)
Unbilled receivables	(11)	(81)	(46)	(197)
Inventory	(139)	(244)	(460)	(785)
Other assets	(21)	(128)	(47)	(158)
Accounts payable and accruals	77	163	70	338
Other liabilities	(184)	64	(110)	(9)
Changes in operating assets and liabilities	(194)	(258)	(612)	(964)

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, 2023	1,068	929	331	2,328
Cash flows provided by (used in)				
Financing activities	313	226	(64)	475
Operating activities	—	—	(9)	(9)
Total cash movements	313	226	(73)	466
Non-cash changes				
Additions	—	—	42	42
Remeasurement of liability and disposals	—	—	5	5
Interest expense	—	—	9	9
Foreign exchange rate changes	(9)	3	—	(6)
Total non-cash movements	(9)	3	56	50
Balance, September 30, 2023	1,372	1,158	314	2,844

(\$ millions)	Short-term debt	Long-term debt	Lease liabilities	Total
Balance, January 1, 2022	374	1,111	328	1,813
Cash flows provided by (used in)				
Financing activities	645	(188)	(57)	400
Operating activities	—	—	(8)	(8)
Total cash movements	645	(188)	(65)	392
Non-cash changes				
Additions	—	—	42	42
Additions through business combination	—	—	3	3
Remeasurement of liability and disposals	—	—	(2)	(2)
Interest expense	—	—	8	8
Foreign exchange rate changes	68	19	(4)	83
Total non-cash movements	68	19	47	134
Balance, September 30, 2022	1,087	942	310	2,339

11. ACQUISITION

Hydraquip Hose & Hydraulics Ltd. and Hoses Direct Ltd. (together, Hydraquip)

On March 22, 2022, the Company's UK & Ireland operations acquired a 100% ownership interest in Hydraquip, UK's second largest hose replacement and repair company. Hydraquip earns approximately 60% of its revenue from on-site mobile hose services and the remaining 40% from selling hydraulic and fluid power products and parts. This purchase has been accounted for as a business combination using the acquisition method of accounting.

The fair value of the total consideration at the acquisition date was estimated to be \$117 million (£70 million). Cash consideration of \$84 million, net of \$10 million cash acquired, was paid in the three months ended March 31, 2022. The fair value of deferred consideration was \$19 million. The vendors may qualify for additional consideration (possible range of £nil to £11 million) based on the acquired business unit achieving specified levels of financial performance. The acquisition-date fair value of the contingent consideration was estimated to be \$4 million (£2 million). The deferred and contingent consideration was recognized as a liability on the consolidated statement of financial position and is payable in annual instalments over a period of three years after the acquisition. In the three months ended June 30, 2023, the Company paid \$8 million (£5 million) of deferred and contingent consideration. Any changes in the estimated fair value of the contingent consideration will be recognized in the consolidated statement of income.

Management finalized its purchase price allocation during the year ended December 31, 2022. The acquisition-date fair values of acquired tangible and intangible assets, assumed liabilities, and deferred tax liabilities were estimated to be:

Purchase price allocation (\$ millions)	December 31, 2022
Cash and cash equivalents	10
Working capital ⁽¹⁾	3
Property, plant & equipment	6
Intangible assets	29
Goodwill	80
Lease liabilities	(3)
Deferred tax liabilities	(8)
Net assets acquired	117

⁽¹⁾ Working capital comprises accounts receivable, inventory, other assets, accounts payable and accruals, and provisions.

Goodwill relates to the expected synergies from combining complementary capabilities that help customers maximize uptime and reduce operating costs and the expected growth potential for product support revenue. Hydraquip expands Finning's service capabilities across multiple industries and equipment types to both new and existing customers. The goodwill is assigned to the Company's UK & Ireland reportable segment.