FINNING

Q3 2020 EARNINGS RELEASE **November 3, 2020**

Finning reports Q3 2020 results

Vancouver, B.C. – Finning International Inc. (TSX: FTT) ("Finning", "the Company", "we", "our" or "us") reported third quarter 2020 results today. All monetary amounts are in Canadian dollars unless otherwise stated.

HIGHLIGHTS

All comparisons are to Q3 2019 results unless indicated otherwise.

- Q3 2020 EPS[(1)] of $0.54 represented a 17% increase from Q3 2019. Canada Emergency Wage Subsidy ("CEWS") in Q3 2020 was $0.17 per share. Q3 2020 Adjusted EPS[(2)(3)] was $0.37, representing a 25% decline from Q3 2019 and a $0.31 increase from Q2 2020.
- Q3 2020 revenue of $1.6 billion and net revenue[(2)] of $1.4 billion were down 21% from Q3 2019, reflecting reduced market activity in Canada and South America. Compared to Q2 2020, net revenue was up 8%, driven by a recovering market in the UK & Ireland and modest market improvements in Canada and South America.
- Q3 2020 gross profit was 15% lower than in Q3 2019. Gross profit as a percentage of net revenue of 27.0% in Q3 2020 was 170 basis points higher than Q3 2019, mainly due to a revenue mix shift to product support revenue.
- SG&A[(1)] costs decreased by 13%, or $43 million, from Q3 2019 and by 5%, or $16 million, from Q2 2020, reflecting successful execution of global productivity initiatives and tight cost control. We are on track to deliver more than $100 million of annualized cost savings.
- Improved execution and cost actions in South America resulted in EBIT[(1)] as a percentage of net revenue[(2)] of 8.2% in Q3 2020, the highest since Q2 2018.
- In Canada, a reduced cost structure drove improved profitability from Q2 2020 in a slow recovery environment.
- UK & Ireland achieved strong Q3 2020 results, underpinned by recovering product support and continued cost discipline.
- Strong EBITDA[(1)(2)] to free cash flow[(2)] conversion[(2)] resulted in free cash flow of $316 million in Q3 2020, further strengthening our financial position. Finance costs of $22 million in Q3 2020 decreased 16% from Q3 2019. As at September 30, 2020, net debt to Adjusted EBITDA[(2)(3)] ratio[(2)(3)] was 1.7, down from 2.5 at September 30, 2019.

"I am very proud of how our organization has operated safely, served our customers, and executed on our strategic priorities in a very dynamic operating environment. Our strong results in the third quarter are a reflection of how we have delivered on the commitments we set out at the beginning of the year to improve execution in South America, lower our cost base in Canada, position the UK for High Speed Rail 2 opportunities, and reduce our finance costs," said Scott Thomson, president and CEO of Finning International.

"We saw some sequential end market improvements in Q3 2020, particularly in rental and product support activity as customers resumed work and machine utilization hours increased. We expect most of our markets to continue to improve in Q4 2020 and into 2021 as mining trucks have gone back to work, strengthened copper prices are supporting recovery and growth in activity, and government stimulus spending supports large infrastructure projects. Going forward, we are focused on growing product support revenue through the market recovery by strengthening relationships with customers and leveraging technology. Recovering volumes, combined with our productivity initiatives throughout the organization, support our mid-cycle target for SG&A as a percentage of net revenue[(2)] of 17%. Our overall outlook for the balance of 2020 and into 2021 remains positive," concluded Mr. Thomson.

Q3 2020 FINANCIAL SUMMARY

Quarterly Overview *$ millions, except per share amounts*	**Q3 2020**	Q3 2019	% change
Revenue	**1,553**	1,959	(21)
Net revenue	**1,443**	1,819	(21)
EBIT	**138**	129	6
EBIT as a percentage of net revenue[(2)]	***9.6%***	*7.1%*	
EBITDA	**215**	201	7
EBITDA as a percentage of net revenue[(2)]	***14.9%***	*11.1%*	
Net income	**88**	76	16
EPS	**0.54**	0.46	17
Free cash flow	**316**	165	91

Q3 2020 EBIT and EBITDA by Operation *$ millions, except per share amounts*	Canada	South America	UK & Ireland	Corporate & Other	Finning Total	EPS
EBIT / EPS	93	40	9	(4)	138	0.54
CEWS support	(35)	-	-	(2)	(37)	(0.17)
Adjusted EBIT[(2)(3)] / Adjusted EPS	58	40	9	(6)	101	0.37
Adjusted EBIT as a percentage of net revenue[(2)(3)]	*8.1%*	*8.2%*	*4.1%*	-	*7.0%*	
Adjusted EBITDA	106	59	18	(5)	178	
Adjusted EBITDA as a percentage of net revenue[(2)(3)]	*14.6%*	*12.2%*	*7.9%*	-	*12.3%*	

Q3 2019 EBIT and EBITDA by Operation *$ millions, except per share amounts*	Canada	South America	UK & Ireland	Corporate & Other	Finning Total	EPS
EBIT / EPS	82	42	14	(9)	129	0.46
Severance and restructuring costs in Argentina	-	3	-	-	3	0.01
Tax impact of devaluation of Argentine peso	-	-	-	-	-	0.02
Adjusted EBIT / Adjusted EPS	82	45	14	(9)	132	0.49
Adjusted EBIT as a percentage of net revenue	*8.5%*	*7.8%*	*5.1%*	-	*7.3%*	
Adjusted EBITDA	125	65	22	(8)	204	
Adjusted EBITDA as a percentage of net revenue	*12.8%*	*11.2%*	*8.3%*	-	*11.2%*	

Invested Capital[(2)] and ROIC	**Q3 2020**	Q3 2019	Q4 2019
Invested capital *($ millions)*			
Consolidated	**3,284**	3,907	3,591
Canada	**1,921**	2,209	2,026
South America (US dollars)	**776**	964	918
UK & Ireland (UK pound sterling)	**188**	256	210
Invested capital turnover[(2)] *(times)*	**1.68**	1.99	1.92
Working capital[(2)] to net revenue ratio[(2)]	**29.2%**	26.9%	27.8%
Inventory	**1,626**	2,215	1,990
Inventory turns (dealership)[(2)] *(times)*	**2.30**	2.49	2.53
Adjusted ROIC[(2)(3)] *(%)*			
Consolidated	**9.3**	12.2	12.0
Canada	**10.8**	15.0	14.4
South America	**11.3**	9.0	10.5
UK & Ireland	**3.9**	14.1	12.1

Q3 2020 HIGHLIGHTS BY OPERATION

All comparisons are to Q3 2019 results unless indicated otherwise. All numbers are in functional currency: Canada – Canadian dollar; South America – US dollar; UK & Ireland – UK pound sterling (GBP).

Canada

- Net revenue decreased by 26% with lower revenue across all sectors and lines of business, reflecting challenging market conditions related to COVID-19 and the lower price of oil.
  - New equipment sales were down 51% as customers reduced activity, restricted capital spending, and implemented cost containment measures. By contrast, Q3 2019 benefitted from deliveries of large mining equipment packages.
  - Product support revenue declined by 11% from Q3 2019, however, it increased by 4% compared to Q2 2020. Oil sands producers' truck fleet utilization returned to pre-COVID-19 levels at the end of September, approximately one month later than expected due to certain operational challenges at customer sites. In the construction sector, equipment utilization hours increased, driving improved demand for parts and service compared to Q2 2020.
  - Although rental revenue was down 24% from Q3 2019, a rebound in rental activity and utilization led to a 40% increase in rental revenue from Q2 2020.
- Gross profit in Q3 2020 was lower than Q3 2019, mostly driven by lower volumes across all our lines of business. Gross profit as a percentage of net revenue increased in Q3 2020 compared to Q3 2019 due to a revenue mix shift to product support, less large mining equipment in the sales mix, and improved operating efficiencies.
- Due to a significant reduction in revenues in our Canadian operations year over year, we continued to qualify for CEWS and recognized $35 million of this wage subsidy in Q3 2020, which is included in other income and excluded from our adjusted earnings. We estimate that we were able to preserve approximately 500 full-time jobs, including key technical capabilities and talent, as a result of the CEWS program. In addition, during Q3 2020 we recalled approximately 50 technicians to support increasing service volumes.
- SG&A costs were reduced by 9% from Q3 2019 and by 4% from Q2 2020, reflecting the actions we have taken to improve employee and facility productivity and our continued tight cost control.
- A reduced cost structure drove improved profitability from Q2 2020 in a slow recovery environment. Q3 2020 Adjusted EBIT as a percentage of net revenue was 8.1%, up 410 basis points compared to Q2 2020, while net revenue increased by 3%. Q3 2019 EBIT as a percentage of net revenue was 8.5%.

South America

- Revenue decreased by 18% from Q3 2019, reflecting difficult market conditions primarily as a result of COVID-19 impacts.
  - New equipment sales were down 29% due to lower mining deliveries in Chile and reduced construction activity in Argentina.
  - Product support revenue declined by 16%, impacted by lower demand from Chilean mining. As the pandemic peaked in the third quarter, copper production in the country decreased by about 6% year-over-year in July and August, and operating restrictions in Chilean copper mines led to a deferral of component exchange and major maintenance work. Compared to Q2 2020, product support revenue was relatively flat.
- SG&A costs were down 21% from Q3 2019, driven by improvements in employee and facility productivity as we are leveraging one common technology system. We have reduced managerial and administrative workforce, and consolidated our branch network in South America. SG&A also benefited from the devaluation of the CLP relative to the USD. EBIT as a percentage of net revenue improved to 8.2% compared to Adjusted EBIT as a percentage of net revenue of 7.8% in Q3 2019, reflecting the benefit of a reduced cost base.

United Kingdom & Ireland

- Revenue decreased by 15% from Q3 2019 primarily due to an 18% decline in new equipment sales. The construction sector continued to be impacted by slower market activity following COVID-19 lockdowns and restrictions. Power systems revenue was slightly below Q3 2019 reflecting the timing of project deliveries in the data centre and electricity capacity markets. Product support revenue was down 5% year over year.

- Compared to Q2 2020, revenue was up 46%, underpinned by a recovery in construction activity following the easing of lockdown measures and the resumption of large power systems project deliveries. Machine utilization hours and product support run-rates were approaching pre-pandemic levels by the end of Q3 2020. Product support revenue was up 27% compared to Q2 2020.

- The UK & Ireland team demonstrated great resiliency through the crisis and achieved a strong Q3 2020 EBIT as a percentage of net revenue of 4.1% (Q3 2019 EBIT as a percentage of net revenue was 5.1%). SG&A costs decreased by 10% from Q3 2019, reflecting savings from cost actions and lower variable costs. Approximately 20% of UK & Ireland employees were on furlough during Q3 2020 compared to nearly 50% in Q2 2020.

Q3 2020 MARKET UPDATE AND BUSINESS OUTLOOK

Canada

In the oil sands, production has recovered and is expected to increase in 2021 compared to 2020. Oil sands producers' truck fleet utilization returned to pre-COVID-19 levels at the end of September, and contractor fleets have begun to increase utilization and should ramp up further in Q4 2020 and into 2021. We expect product support activity in the oil sands to improve in Q4 2020 and into 2021, driven by catch up on major rebuild and maintenance work and an increase in oil production and non-production mining activities.

The outlook for copper and precious and other metals has improved, however, coal prices are expected to remain soft. While restricted capital spending and ongoing cost containment are impacting demand for new mining equipment, we expect mining product support activity to improve as customers increase production output and resume full-scope maintenance activities.

Our mining customers in Western Canada operate approximately 620 large and ultra-class Caterpillar off-highway trucks, of which 6% are autonomous. The average age of this Caterpillar truck population in Western Canada is about 11 years. This large and aging fleet is expected to drive opportunities for future fleet renewals, rebuilds and autonomy conversions, as well as continued demand for product support.

We are also seeing a notable resumption in request for proposal activity from Canadian mining customers.

In construction, continued recovery in machine utilization hours and rental utilization are expected to drive improved demand for product support and rentals. Large infrastructure programs are planned in Alberta, British Columbia, and Saskatchewan. Additional infrastructure stimulus spending announced by the federal and provincial governments is expected to provide opportunities for equipment, product support, heavy rentals, and prime and standby electric power generation in 2021.

While we have seen an increase in order intake[(2)] for construction equipment, we expect the pricing environment to remain highly competitive in the near term due to a surplus of competitive equipment inventories in Western Canada.

We expect improved profitability in Canada in 2021 even in a modest revenue recovery environment.

South America

In Chilean mining, COVID-19-related operating restrictions are easing, and customers are beginning to catch up on component exchange and major maintenance work. We expect mining product support revenue to recover significantly as we exit 2020 and begin 2021. We are optimistic about mining recovery in Chile in 2021, driven by a strengthened copper price and expected increase in copper production. Over 570 large and ultra-class Caterpillar off-highway trucks with an average age of 11 years are currently operating in Chile's copper mines and will continue to drive demand for product support. We are also encouraged by the resumption of Teck's QB2 project - the first deployment of autonomous trucks in

Chile - and have started to deliver equipment to QB2 in Q4 2020. We have also seen a notable increase in request for proposal activity from mining customers in Chile.

Activity and order intake in construction and power systems markets in Chile have improved. However, the overall economic uncertainty related to the government's social reform agenda is expected to continue to impact customer confidence and the pace of economic recovery in Chile.

In Argentina, market activity is expected to remain at low levels due to a challenging economic environment following the restructuring of the country's debt and a slow re-opening of the economy after COVID-19 lockdowns. To the extent possible, we are managing our ARS currency exposure and maintaining a minimal level of investment in our operations. Our focus is on delivering product support to customers and ensuring our operations in Argentina remain profitable. The government's restrictive monetary policies, combined with capital and import controls, are expected to limit our growth opportunities in Argentina for the foreseeable future.

We are well positioned to deliver higher year over year profitability in Q4 2020 and 2021 in South America.

UK & Ireland

Construction activity in the UK & Ireland rebounded following the easing of lockdown measures, and machine utilization hours and product support run-rates were approaching pre-pandemic levels by the end of Q3 2020. While there have been some delays and the construction work is now expected to ramp up slower than initially planned, the HS2 project is expected to begin to drive improved activity in the general construction equipment markets starting in 2021. This multi-year mega-project is expected to require approximately 1,100 units of heavy equipment representing a total industry-wide direct sales opportunity of approximately £390 million. We are well positioned to capture new equipment and product support opportunities, while leveraging our technology solutions related to earthmoving work for HS2.

In power systems, we expect to continue benefitting from strong demand in the electric power capacity, combined heat and power, and data centre markets. A large backlog of high-quality power systems projects is expected to drive the UK operation's revenue in Q4 2020 and into 2021.

Overall economic activity in the UK & Ireland has been significantly impacted by COVID-19 mitigation measures, which resulted in declining GDP and high unemployment rates. Although a second wave of COVID-19 is impacting economic activity in the UK, and the UK government has just announced a four-week lockdown, we do not expect to see the same extent of lockdown measures implemented in the sectors we serve as were implemented in the second quarter. Brexit, which is scheduled for December 31, 2020, continues to provide a degree of risk and uncertainty for economic activity and supply chain logistics in the UK & Ireland. We have developed an action plan with Caterpillar to minimize the potential impact on the supply chain during the Brexit transition.

Cost Actions to Drive Earnings Capacity in a Recovery

We have accelerated our strategic plans to drive employee and facility productivity improvements, while maximizing flexibility and competitiveness to serve customers.

- In Canada, we have taken significant cost actions to address oil price dislocation and move customer work to locations with lower operating costs.
- In South America, our previous investment in technology has enabled us to reduce cost to serve, address labour inflation, and improve operational execution going forward.
- In the UK & Ireland, we are tightly managing costs through the recovery period, while building the right technology skill set to support us in capturing future market opportunities.

The execution of global initiatives announced in Q2 2020 is on track to deliver more than $100 million of annualized cost savings. We expect approximately one-third of our workforce to return when market activity fully recovers. These will be mostly revenue generating employees in lower cost locations. Our goal is to reduce SG&A as a percentage of net revenue to about 17% in mid-cycle.

Our overall outlook for the balance of 2020 and into 2021 remains positive. We expect to generate higher earnings on a modestly lower revenue base in Q4 2020 compared to Q4 2019. Given economic uncertainties in all our regions, we expect 2021 revenue to be below 2019.

We expect to achieve an EBITDA to FCF conversion of approximately 100% in 2020. While we continue to expect positive free cash flow in Q4 2020, we are planning for revenue recovery and are increasing inventory purchasing in Q4 2020.

CORPORATE AND BUSINESS DEVELOPMENTS

Dividend

The Board of Directors has approved a quarterly dividend of $0.205 per share, payable on December 3, 2020 to shareholders of record on November 19, 2020. This dividend will be considered an eligible dividend for Canadian income tax purposes.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

$ millions, except per share amounts	**Three months ended September 30**			**Nine months ended September 30**		
	2020	2019	% change fav (unfav)	**2020**	2019	% change fav (unfav)
New equipment	**435**	689	(37)	**1,171**	2,127	(45)
Used equipment	**83**	75	10	**215**	262	(18)
Equipment rental	**53**	71	(26)	**147**	191	(23)
Product support	**842**	952	(12)	**2,596**	2,871	(10)
Net fuel and other	**30**	32		**88**	82	
Net revenue	**1,443**	1,819	(21)	**4,217**	5,533	(24)
Gross profit	**390**	459	(15)	**1,152**	1,371	(16)
Gross profit as a percentage of net revenue[2]	***27.0%***	*25.3%*		***27.3%***	*24.8%*	
SG&A	**(290)**	(333)	13	**(921)**	(1,026)	10
SG&A as a percentage of net revenue	***(20.1)%***	*(18.3)%*		***(21.8)%***	*(18.5)%*	
Equity earnings of joint ventures	**1**	3		**3**	12	
Other income	**37**	-		**101**	-	
Other expenses	**-**	-		**(51)**	(29)	
EBIT	**138**	129	6	**284**	328	(14)
EBIT as a percentage of net revenue	***9.6%***	*7.1%*		***6.7%***	*5.9%*	
Adjusted EBIT	**101**	132	(24)	**234**	360	(35)
Adjusted EBIT as a percentage of net revenue	***7.0%***	*7.3%*		***5.6%***	*6.5%*	
Net income	**88**	76	16	**160**	192	(17)
Basic EPS	**0.54**	0.46	17	**0.99**	1.17	(16)
Adjusted EPS	**0.37**	0.49	(25)	**0.76**	1.34	(43)
EBITDA	**215**	201	7	**515**	548	(6)
EBITDA as a percentage of net revenue	***14.9%***	*11.1%*		***12.2%***	*9.9%*	
Adjusted EBITDA	**178**	204	(13)	**465**	580	(20)
Adjusted EBITDA as a percentage of net revenue	***12.3%***	*11.2%*		***11.0%***	*10.5%*	
Free cash flow	**316**	165	91	**578**	(344)	n/m

	Sept 30, 2020	Dec 31, 2019
Invested capital	**3,284**	3,591
Invested capital turnover (times)	**1.68**	1.92
Net debt to Adjusted EBITDA ratio	**1.7**	2.0
ROIC	**10.7%**	11.2%
Adjusted ROIC	**9.3%**	12.0%

n/m – not meaningful

To access Finning's complete Q3 2020 results in PDF, please visit our website at https://www.finning.com/en_CA/company/investors.html

Q3 2020 INVESTOR CALL

The Company will hold an investor call on November 4, 2020 at 10:00 am Eastern Time. Dial-in numbers: 1-800-319-4610 (Canada and US), 1-416-915-3239 (Toronto area), 1-604-638-5340 (international). The investor call will be webcast live and archived for three months. The webcast and accompanying presentation can be accessed at https://www.finning.com/en_CA/company/investors.html.

ABOUT FINNING

Finning International Inc. (TSX: FTT) is the world's largest Caterpillar equipment dealer delivering unrivalled service to customers for over 87 years. Finning sells, rents, and provides parts and service for equipment and engines to help customers maximize productivity. Headquartered in Vancouver, B.C., the Company operates in Western Canada, Chile, Argentina, Bolivia, the United Kingdom and Ireland.

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FOOTNOTES

(1) Earnings Before Finance Costs and Income Taxes (EBIT); Basic Earnings per Share (EPS); Earnings Before Finance Costs, Income Taxes, Depreciation and Amortization (EBITDA); Selling, General & Administrative Expenses (SG&A); Return on Invested Capital (ROIC).

(2) These financial metrics, referred to as "non-GAAP financial measures", do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP), and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-GAAP financial measures to their most directly comparable measure under GAAP, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" in the Company's Q2 2020 management discussion and analysis (MD&A). Management believes that providing certain non-GAAP financial measures provides users of the Company's MD&A and consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS financial measures (where available) set out in the MD&A, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS financial measures alone.

(3) Certain 2020 and 2019 financial metrics were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 5, 11 and 33-34 of the MD&A. The financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics.

FORWARD-LOOKING INFORMATION CAUTION

This news release contains information about our business outlook, objectives, plans, strategic priorities and other information that is not historical fact. Information we provide is forward-looking when we use what we know and expect today to give information about the future. Forward-looking information may include terminology such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will, and variations of such terminology. Forward-looking information in this news release includes, but is not limited to, the following: we are on track to deliver more than $100 million of annualized cost savings; the position of the UK business for High Speed Rail 2 opportunities; most of our markets will continue to improve in Q4 2020 and into 2021; our focus on growing product support revenue through the market recovery by strengthening relationships with customers and leveraging technology; our mid-cycle target for SG&A as a percentage of net revenue of 17%; our positive overall outlook for the balance of 2020 and into 2021; regarding our outlook for our Canadian operations: oil sands production is expected to increase in 2021 compared to 2020, oil sands contractors are expected to ramp up machine utilization further in Q4 2020 and into 2021 and product support activity in the oil sands is expected to improve in Q4 2020 and into 2021 driven by catch up on major rebuild and maintenance work and an increase in oil production and non-production mining activities; the improved outlook for copper and precious and other metals; coal prices will remain soft; expected improvement in mining product support activity as customers increase production output and resume full-scope maintenance activities; the large and aging large and ultra-class Caterpillar off-highway truck population in Western Canada is expected to drive opportunities for future fleet renewals, rebuilds and autonomy conversions, as well as continued demand for product support; resumption in request for proposal activity from Canadian mining customers; in construction, expected continued recovery in machine utilization hours and rental utilization is expected to drive improved demand for product support and rentals, large infrastructure programs are planned in Alberta, British Columbia and Saskatchewan, infrastructure stimulus spending announced by the federal and provincial governments is expected to provide opportunities for equipment, product support, heavy rentals, and prime and standby electric power generation in 2021 and the pricing environment is expected to remain highly competitive in the near term due to a surplus of competitive equipment inventories in Western Canada; and our expectation of improved profitability in Canada in 2021 even in a modest revenue recovery environment; regarding our outlook for our South American operations: we expect mining product support revenue in Chile to recover significantly as we exit 2020 and begin 2021 and are optimistic about mining recovery in Chile in 2021, driven by a strengthened copper price and expected increase in copper production; the large and aging large and ultra-class Caterpillar off-highway truck population operating in Chile's copper mines will continue to drive demand for product support; an increase in mining and mining contractor request for proposal activity in Chile; overall economic uncertainty related to the government's social reform agenda is expected to continue to impact customer confidence and the pace of economic recovery in Chile; in Argentina, market activity is expected to remain at low levels due to a challenging economic environment; management of our ARS currency exposure to the extent possible; maintenance of a minimal level of investment in our operations; our focus on delivering product support and ensuring our operations in Argentina remain profitable; and expected limited growth opportunities in Argentina for the foreseeable future due to the government's restrictive monetary policies and capital and import controls; and that we are well positioned to deliver year over year profitability in Q4 2020 and 2021 in South America; regarding our outlook for our UK and Ireland operations: HS2 is expected to ramp up slower than initially planned and begin to drive improved activity in the general construction equipment markets starting in 2021 and, over the life of this multi-year mega-project, require approximately 1,100 units of heavy equipment representing a total industry-wide direct sales opportunity of approximately £390 million and we are well-positioned to capture new equipment and products support opportunities while leveraging our technology solutions related to earthmoving work for HS2; we expect to continue benefitting from strong demand in the electric power capacity, combined heat and power, and data centre markets and a large backlog of high-quality power systems projects is expected to drive the UK operation's revenue in Q4 2020 and into 2021; in a second wave of COVID-19, we do not expect to see the same extent of lockdown measures implemented in the sectors we serve in the UK and Ireland as were implemented in the second quarter; and the continuing degree of risk and uncertainty from Brexit for economic activity and supply chain logistics in the UK and Ireland and our action plan with Caterpillar to minimize the potential impact on the supply chain during the Brexit transition; and our outlook related to our cost actions to drive earnings capacity in a recovery: that while we are on track to deliver more than $100 million of annualized cost savings, we expect that approximately one-third of our workforce will return when market activity fully recovers, which will be mostly revenue generating employees in lower cost locations; our goal to reduce SG&A as a percentage of net revenue to about 17% in mid-cycle; our expectation to generate higher earnings on a modestly lower revenue base in Q4 2020 compared to Q4 2019; our expectation that, given economic uncertainties in all our regions, our 2021 revenue will be below 2019; our expectation to achieve an EBITDA to FCF conversion of approximately 100% in 2020; while we expect positive free cash flow in Q4 2020, we are planning for revenue recovery and increasing inventory purchasing in Q4 2020; and the Canadian income tax treatment of the quarterly dividend. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless we indicate otherwise, forward-looking information in this news release reflects our expectations at the date in this news release. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise.

Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on a number of assumptions. This gives rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking information and that our business outlook, objectives, plans, strategic priorities and other information that is not historical fact may not be achieved. As a result, we cannot guarantee that any forward-looking information will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by this forward-looking information include: the impact and duration of the COVID-19 pandemic and measures taken by governments and businesses in response; general economic and market conditions and economic and market conditions in the regions where we operate; foreign exchange rates; commodity prices; the impact of changes in the UK's trade relationship with the European Union as a result of Brexit; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our ability to maintain our relationship with Caterpillar; our dependence on the continued market acceptance of our products, including Caterpillar products, and the timely supply of parts and equipment; our ability to continue to sustainably reduce costs and improve productivity and operational efficiencies while continuing to maintain customer service; our ability to manage cost pressures as growth in revenue occurs; our ability to negotiate satisfactory purchase or investment terms and prices, obtain necessary regulatory or other approvals, and secure financing on attractive terms or at all; our ability to manage our growth strategy effectively; our ability to effectively price and manage long-term product support contracts with our customers; our ability to reduce costs in response to slowing activity levels; our ability to drive continuous cost efficiency in a recovering market; our ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; our ability to negotiate and renew collective bargaining agreements with satisfactory terms for our employees and us; the intensity of competitive activity; our ability to raise the capital needed to implement our business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments in the regions where we carry on business; our ability to respond to climate change-related risks; the occurrence of natural disasters, pandemic outbreaks, geo-political events, acts of terrorism, social unrest or similar disruptions; fluctuations in defined benefit pension plan contributions and related pension expenses; the availability of insurance at commercially reasonable rates and whether the amount of insurance coverage will be adequate to cover all liability or loss that we incur; the potential of warranty claims being greater than we anticipate; the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology; and our ability to protect our business from cybersecurity threats or incidents. Forward-looking information is provided in this news release for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of our operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information made in this news release is based on a number of assumptions that we believed were reasonable on the day the information was given, including but not limited to (i) that we will be able to successfully manage our business through the current challenging times involving the effects of the COVID-19 response and volatile commodity prices; (ii) that our cost actions to drive earnings capacity in a recovery, including the lower cost base in Canada, improved operational execution in South America, and tight management of costs in the UK and Ireland, can be sustained, including that we will be able to manage the return of our workforce in lower cost jurisdictions/regions as planned; (iii) that our action plan to minimize the impact of Brexit will be successful; (iv) that general economic and market conditions will improve; (v) that the level of customer confidence and spending, and the demand for, and prices of, our products and services will be maintained; (vi) our ability to successfully execute our plans and intentions; (vii) our ability to attract and retain skilled staff; (viii) market competition will remain at similar levels; (ix) the products and technology offered by our competitors will be as expected; and (x) that our current good relationships with Caterpillar, our customers and our suppliers, service providers and other third parties will be maintained. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this news release are discussed in Section 4 of the our current AIF, in the annual MD&A for the financial risks, and in the most recent quarterly MD&A for updated risks related to the COVID-19 pandemic.

We caution readers that the risks described in the AIF and in the annual and most recent quarterly MD&A are not the only ones that could impact the Company. We cannot accurately predict the full impact that COVID-19 will have on our business, results of operations, financial condition or the demand for our services, due in part to the uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, the steps our customers and suppliers may take in current circumstances, including slowing or halting operations, the duration of travel and quarantine restrictions imposed by governments of affected countries and other steps that may be taken by such governments to respond to the pandemic. Additional risks and uncertainties not currently known to us or that are currently deemed to be immaterial may also have a material adverse effect on our business, financial condition, or results of operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 3, 2020

This ***MD&A*** should be read in conjunction with our ***Interim Financial Statements*** and the accompanying notes thereto for the three and nine months ended September 30, 2020, which have been prepared in accordance with ***IAS*** 34, *Interim Financial Reporting*, and our ***Annual Financial Statements*** and the accompanying notes thereto for the year ended December 31, 2019. In this MD&A, unless context otherwise requires, the terms we, us, our, and ***Finning*** refer to Finning International Inc. and/or its subsidiaries. All dollar amounts presented in this MD&A are expressed in ***CAD***, unless otherwise stated. Additional information relating to Finning, including our ***AIF*** and MD&A, can be found under our profile on the ***SEDAR*** website at www.sedar.com and in the investors section of our website at www.finning.com.

A glossary of defined terms is included on page 45. The first time a defined term is used in this MD&A, it is shown in bold italics.

Third Quarter Overview

($ millions, except for per share amounts)	Q3 2020	Q3 2019	% change fav (unfav)
Revenue	**$ 1,553**	$ 1,959	(21)%
Net revenue [1]	**$ 1,443**	$ 1,819	(21)%
Gross profit	**$ 390**	$ 459	(15)%
SG&A	**(290)**	(333)	13%
Equity earnings of joint ventures	**1**	3	(71)%
Other income	**37**	—	*n/m*
EBIT	**$ 138**	$ 129	6%
Net income	**$ 88**	$ 76	16%
Basic ***EPS***	**$ 0.54**	$ 0.46	17%
EBITDA [1]	**$ 215**	$ 201	7%
Free Cash Flow [1]	**$ 316**	$ 165	91%
Adjusted EBIT [1][2]	**$ 101**	$ 132	(24)%
Adjusted net income [1][2]	**$ 61**	$ 81	(25)%
Adjusted basic EPS [1][2]	**$ 0.37**	$ 0.49	(25)%
Adjusted EBITDA [1][2]	**$ 178**	$ 204	(13)%
Gross profit as a % of net revenue [1]	***27.0%***	*25.3%*	
SG&A as a % of net revenue [1]	***20.1%***	*18.3%*	
EBIT as a % of net revenue [1]	***9.6%***	*7.1%*	
EBITDA as a % of net revenue [1]	***14.9%***	*11.1%*	
Adjusted EBIT as a % of net revenue [1][2]	***7.0%***	*7.3%*	
Adjusted EBITDA as a % of net revenue [1][2]	***12.3%***	*11.2%*	
Adjusted ***ROIC*** [1][2]	***9.3%***	*12.2%*	

(1) These are "non-***GAAP*** financial measures". See "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

(2) Reported financial metrics may be impacted by significant items described on pages 5 and 33 - 34 of this MD&A. Financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics. See "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

Recent Developments

On March 11, 2020, the ***COVID-19*** outbreak was declared a pandemic by the World Health Organization. The most significant impacts on our operations related to COVID-19 during the nine months ended September 30, 2020 included postponed equipment orders and deliveries, lower equipment utilization hours, temporary shutdowns of customer operations, and postponement of some projects. In addition, product support revenue was impacted by parked truck fleets and support equipment, deferral of non-essential maintenance, lower parts sales in the construction sector, lower labour recovery at our branches due to shift separation and physical distancing measures, and temporary closure of certain facilities in South America. Our results were also impacted by volatility in oil and other commodity prices. Although the timing and pace of market recovery from the effects of both COVID-19 and volatile oil and other commodity prices are unclear, we saw end market improvements in Q3 2020. These challenging market conditions have had a material negative impact on our 2020 year-to-date financial results. Measures taken to slow the spread of COVID-19 in the jurisdictions where we operate have allowed for a phased reopening of those economies and an increase in associated business activity.

In response to the negative economic impact of COVID-19, various government programs have been announced to provide financial relief to affected businesses. The Government of Canada introduced the ***CEWS*** program, which subsidizes a portion of employee wages (up to a specified maximum) for Canadian employers whose businesses have been affected by COVID-19. The program is intended to help employers rehire previously laid off workers, prevent further job losses, and better position Canadian businesses to resume normal operations. To encourage companies to retain employees, the ***UK*** government introduced the ***CJRS*** to pay a portion of salaries for employees (up to a specified maximum) who are furloughed (on paid leave). The CJRS support was recorded in SG&A to offset a portion of the salaries of furloughed employees. As required by the scheme, we did not derive any benefit from employees while they were on furlough. We have taken advantage of CEWS and CJRS, as well as tax deferral programs that governments in most regions where we operate have made available. These government programs have supported us in retaining key technical talent and positioned us well for an economic recovery.

Refer to the Outlook and Risk Factors and Management sections later in this MD&A for further discussion of the potential impact of the COVID-19 pandemic and volatile commodity prices on our operations and financial results.

2020 Third Quarter Highlights

- Q3 2020 revenue of $1.6 billion and net revenue of $1.4 billion were down 21% from Q3 2019, reflecting reduced market activity in Canada and South America. Net revenue was lower in all of our operations and most lines of business, primarily new equipment and product support revenue. Compared to Q2 2020, net revenue was up 8%, driven by a recovering market in the UK & Ireland and modest market improvements in Canada and South America.
- Q3 2020 EBIT was $138 million and EBIT as a percentage of net revenue was 9.6%. Excluding significant items not considered indicative of operational and financial trends, Adjusted EBIT was $101 million and Adjusted EBIT as a percentage of net revenue was 7.0%, compared to $132 million and 7.3%, respectively in Q3 2019. Q3 2020 Adjusted EBIT was impacted by lower market activity resulting in reduced gross profit partially offset by lower SG&A, reflecting the successful execution of global productivity initiatives and tight cost control.
- Adjusted EBITDA was $178 million and Adjusted EBITDA as a percentage of net revenue was 12.3% in Q3 2020, compared to $204 million and 11.2%, respectively, in Q3 2019. Q3 2020 Adjusted EBITDA as a percentage of net revenue improved from Q3 2019 as a result of improved gross profit as a percentage of net revenue reflecting a mix shift to more product support revenue which more than offset higher SG&A as a percentage of net revenue on a significantly lower revenue base.
- Q3 2020 basic EPS of $0.54 represented a 17% increase from Q3 2019. CEWS in Q3 2020 was $0.17 per share. Q3 2020 Adjusted basic EPS was $0.37, representing a 25% decline from Q3 2019 and a $0.31 increase from Q2 2020.
- Strong EBITDA to free cash flow conversion [(1)] resulted in free cash flow of $316 million in Q3 2020, higher than the $165 million free cash flow generated in Q3 2019 further strengthening our financial position. Financing costs of $22 million in Q3 2020 decreased 15% Q3 2019. As at September 30, 2020, net debt to Adjusted EBITDA [(1)(2)] ratio was 1.7, down from 2.5 at September 30, 2019.
- Adjusted ROIC at September 30, 2020 was 9.3%, a decrease from Adjusted ROIC of 12.2% at September 30, 2019, driven by a decline in Adjusted EBIT in the last twelve months which exceeded the reduction in invested capital. Lower Adjusted ROIC in our UK & Ireland and Canadian operations was partially offset by an improvement in our South American operations.

(1) These are “non-GAAP financial measures”. See “Description of Non-GAAP Financial Measures and Reconciliations” later in this MD&A.

(2) Reported financial metrics may be impacted by significant items described on pages 5 and 33 - 34 of this MD&A. Financial metrics that have been adjusted to take into account these items are referred to as “Adjusted” metrics. See “Description of Non-GAAP Financial Measures and Reconciliations” later in this MD&A.

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Strategic Framework

Our customer-centric growth strategy is based on three pillars – Develop, Perform, and Innovate – which provide a strong foundation for our five Global Strategic Priorities:

- Customer Centricity – be our customers' trusted partner by providing consistent and innovative services that add value to their business;
- Lean & Agile Global Finning – maintain relentless focus on productivity, efficiency, and our customers' total cost of equipment ownership;
- Global Supply Chain – transform our globally-leveraged supply chain to enhance the omni-channel customer experience while increasing working capital efficiencies and generating free cash flow;
- Digital Enterprise – advance the use of technology to improve our customers' experience, enable data-driven decisions, and reduce cost to serve; and,
- Growth & Diversification – achieve profitable and capital efficient growth.

STRATEGIC PILLARS

OUR PURPOSE

We believe in partnering and innovating to build and power a better world.

OUR VISION

Leveraging our global expertise and insight, we are a trusted partner in transforming our customers' performance.

OUR VALUES

We are trusted: We act ethically and honour our commitments.

We are collaborative: We build diverse and respectful partnerships.

We are innovative: We look for new and better ways to serve our customers.

We are passionate: We are driven to safely deliver results.

Strategic Focus Areas

Our focus areas to support our strategy are: capture growth in mining and construction industries through market leadership and improve performance through transforming service; accelerate supply chain capabilities; and lower the cost to serve. Our decisions about capital investments and allocation of resources are focused on initiatives that we believe best align with our Global Strategic Priorities and our strategic areas of focus.

Sustainability

Sustainability is an integral part of our business, and is woven through our strategy and operations. We live our values every day, and they guide our behaviour in every interaction we have. Living our values means that how we do things is just as important as what we do.

Our approach to sustainability is closely aligned with our purpose and covers all of our material sustainability topics.

Our Sustainability Report can be found in the sustainability section of our website at www.finning.com.

We continue to pursue our strategy, while maintaining our immediate focus on safety of employees and customers and preserving financial and operational flexibility as we deal with the uncertain impacts of COVID-19.

Adjusted Metrics

Reported financial metrics may be impacted by significant items we do not consider indicative of operational and financial trends by either nature or amount; these are referred to as “Adjusted metrics”. Adjusted metrics are considered non-GAAP financial measures and do not have a standardized meaning under ***IFRS***, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these Adjusted metrics to their most directly comparable measure under GAAP, where available, see the heading “Description of Non-GAAP Financial Measures and Reconciliations” on pages 32 - 40 of this MD&A.

Significant items that affected our reported results for the three months ended September 30, 2020 which we do not consider to be indicative of operational and financial trends, either by nature or amount, are detailed below.

Q3 2020 significant items:

- Finning qualified for CEWS, which was introduced by the Government of Canada in response to COVID-19 for eligible entities that meet specific criteria. This government program has supported us in retaining key technical talent and positioned us well for an economic recovery.

Q3 2019 significant items:

The impact of economic and business uncertainty following the primary elections in Argentina and the imposition of restrictive monetary policies by the Argentina government was as follows:

- The ***ARS*** experienced a significant devaluation relative to the ***USD*** in the third quarter of 2019, losing approximately 35% of its value in Q3 2019 (2019 year-to-date devaluation of approximately 53%) and reaching a historic low of $1 USD to 60.1 ARS in Q3 2019. This devaluation resulted in higher tax expense due to the revaluation of deferred taxes in Q3 2019.
- Severance costs related to workforce reductions and restructuring costs related to facility closures in Argentina.

The following table shows the magnitude of these significant items and provides reconciliations of the Adjusted metrics to their most directly comparable GAAP measures:

3 months ended September 30, 2020 ($ millions, except per share amounts)	**EBIT**				**Net Income**	**Basic EPS**
	Canada	**South America**	**UK & Ireland**	***Consol*** [(1)]	**Consol** [(1)]	**Consol** [(1)]
EBIT, net income, and basic EPS	**$ 93**	**$ 40**	**$ 9**	**$ 138**	**$ 88**	**$ 0.54**
Significant item:						
CEWS support	**(35)**	**—**	**—**	**(37)**	**(27)**	**(0.17)**
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	**$ 58**	**$ 40**	**$ 9**	**$ 101**	**$ 61**	**$ 0.37**

3 months ended September 30, 2019 ($ millions, except per share amounts)	EBIT				Net Income	Basic EPS
	Canada	South America	UK & Ireland	Consol [(1)]	Consol [(1)]	Consol [(1)]
EBIT, net income, and basic EPS	$ 82	$ 42	$ 14	$ 129	$ 76	$ 0.46
Significant items:						
Severance costs	—	2	—	2	1	0.01
Facility closure related restructuring costs	—	1	—	1	—	—
Tax impact of devaluation of ARS	—	—	—	—	4	0.02
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	$ 82	$ 45	$ 14	$ 132	$ 81	$ 0.49

(1) Includes Other segment

Quarterly Key Performance Measures

We utilize the following ***KPI***s to enable consistent measurement of performance across the organization.

	2020			2019				2018 [1]	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
ROIC [2][3] (%)									
Consolidated	**10.7%**	10.0%	11.9%	11.2%	11.3%	10.7%	10.8%	12.8%	13.7%
Canada	**14.3%**	13.3%	14.2%	13.7%	14.2%	14.5%	14.6%	16.6%	16.4%
South America	**9.5%**	9.3%	11.9%	9.6%	8.1%	7.9%	8.6%	12.2%	16.2%
UK & Ireland	**2.9%**	3.7%	8.4%	12.1%	14.1%	14.5%	14.8%	14.2%	14.0%
EBIT [2] ($ millions)									
Consolidated	**138**	52	94	97	129	137	62	91	93
Canada	**93**	63	60	72	82	92	50	71	78
South America	**40**	2	38	31	42	41	6	12	37
UK & Ireland	**9**	(5)	1	5	14	14	13	12	15
EBIT as a % of net revenue [2]									
Consolidated	**9.6%**	3.9%	6.6%	5.5%	7.1%	6.9%	3.6%	4.9%	5.3%
Canada	**12.8%**	8.9%	7.9%	7.4%	8.5%	8.5%	5.5%	7.1%	8.6%
South America	**8.2%**	0.5%	7.8%	6.0%	7.3%	6.5%	1.2%	2.5%	6.7%
UK & Ireland	**4.1%**	(3.2)%	0.5%	1.9%	5.1%	4.8%	4.4%	3.7%	5.1%
EBITDA [2] ($ millions)									
Consolidated	**215**	130	170	170	201	213	134	140	142
Canada	**141**	110	103	114	125	138	93	97	104
South America	**59**	24	60	51	62	62	26	29	52
UK & Ireland	**18**	4	11	15	22	23	22	18	23
EBITDA as a % of net revenue [2]									
Consolidated	**14.9%**	9.7%	11.8%	9.7%	11.1%	10.7%	7.8%	7.6%	8.1%
Canada	**19.3%**	15.6%	13.7%	11.8%	12.8%	12.9%	10.2%	9.7%	11.4%
South America	**12.2%**	5.2%	12.4%	10.0%	10.8%	9.8%	5.2%	5.8%	9.3%
UK & Ireland	**7.9%**	2.7%	5.2%	5.4%	8.3%	7.7%	7.3%	5.7%	7.7%
Invested Capital [3] ($ millions)									
Consolidated	**3,284**	3,495	3,883	3,591	3,907	3,964	3,753	3,163	3,431
Canada	**1,921**	2,037	2,093	2,026	2,209	2,285	2,148	1,675	1,889
South America	**1,035**	1,106	1,330	1,192	1,276	1,287	1,243	1,190	1,173
UK & Ireland	**323**	349	428	361	416	390	361	336	404
Invested Capital Turnover [3] (times)									
Consolidated	**1.68**	1.71	1.83	1.92	1.99	2.04	2.06	2.12	2.14
Canada	**1.56**	1.63	1.75	1.81	1.91	1.95	1.98	2.05	1.98
South America	**1.67**	1.67	1.73	1.78	1.77	1.80	1.78	1.86	2.01
UK & Ireland	**2.39**	2.32	2.60	2.98	3.18	3.27	3.25	3.22	3.30
Inventory ($ millions)	**1,626**	1,893	2,152	1,990	2,215	2,366	2,356	2,061	2,017
Inventory Turns (Dealership) [3] (times)	**2.30**	1.97	2.25	2.53	2.49	2.36	2.46	2.68	2.58
Working Capital [3] to Net Revenue [3]	**29.2%**	29.9%	28.9%	27.8%	26.9%	26.7%	26.7%	26.6%	26.7%
Free Cash Flow ($ millions)	**316**	312	(50)	386	165	(162)	(347)	418	(49)
Net Debt [3] to EBITDA Ratio [2][3]	**1.6**	2.0	2.2	2.1	2.6	3.0	2.9	1.7	2.1

(1) Comparative results prior to Q1 2019 have not been restated for our adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) Certain of these reported financial metrics have been impacted in some quarters in this table by significant items management does not consider indicative of operational and financial trends either by nature or amount. Financial metrics that have been adjusted to take into account these items are referred to as "Adjusted" metrics and are summarized on page 7 of this MD&A.

(3) These are "non-GAAP financial measures". See "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

Adjusted KPIs

KPIs may be impacted by significant items described on pages 5, 11, and 33 - 34 of this MD&A. KPIs that have been adjusted to take these items into account are referred to as “Adjusted” KPIs and were as follows:

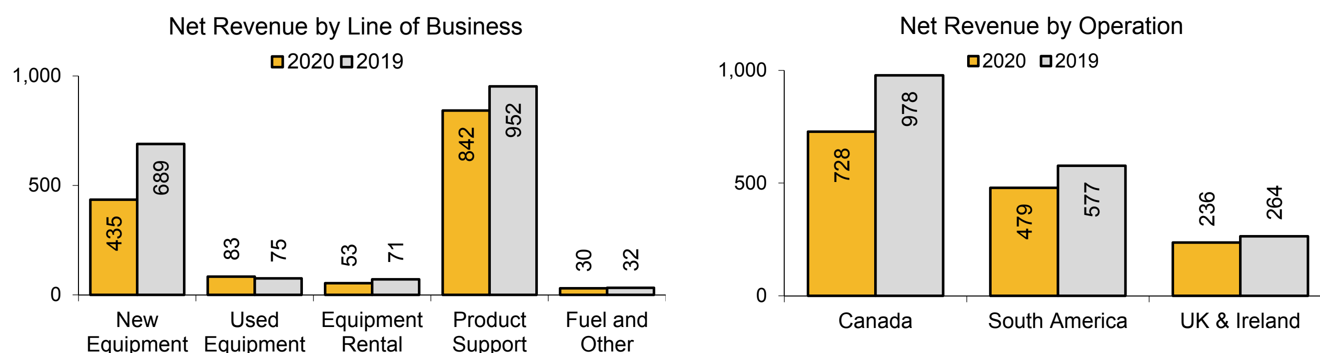
	2020			2019				2018 [1]	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Adjusted ROIC									
Consolidated	**9.3%**	9.7%	12.0%	12.0%	12.2%	12.3%	12.5%	13.5%	14.5%
Canada	**10.8%**	11.6%	14.2%	14.4%	15.0%	15.4%	15.5%	16.2%	16.0%
South America	**11.3%**	11.2%	12.2%	10.5%	9.0%	8.5%	9.2%	12.2%	16.4%
UK & Ireland	**3.9%**	4.6%	8.4%	12.1%	14.1%	14.5%	14.8%	14.2%	14.0%
Adjusted EBIT ($ millions)									
Consolidated	**101**	39	94	97	132	137	91	91	123
Canada	**58**	28	60	72	82	92	67	71	78
South America	**40**	23	38	31	45	41	14	12	37
UK & Ireland	**9**	(1)	1	5	14	14	13	12	15
Adjusted EBIT as a % of net revenue									
Consolidated	**7.0%**	2.9%	6.6%	5.5%	7.3%	6.9%	5.3%	4.9%	7.0%
Canada	**8.1%**	4.0%	7.9%	7.4%	8.5%	8.5%	7.4%	7.1%	8.6%
South America	**8.2%**	5.1%	7.8%	6.0%	7.8%	6.5%	2.7%	2.5%	6.7%
UK & Ireland	**4.1%**	(1.0)%	0.5%	1.9%	5.1%	4.8%	4.4%	3.7%	5.1%
Adjusted EBITDA ($ millions)									
Consolidated	**178**	117	170	170	204	213	163	140	172
Canada	**106**	75	103	114	125	138	110	97	104
South America	**59**	45	60	51	65	62	34	29	52
UK & Ireland	**18**	8	11	15	22	23	22	18	23
Adjusted EBITDA as a % of net revenue									
Consolidated	**12.3%**	8.8%	11.8%	9.7%	11.2%	10.7%	9.4%	7.6%	9.7%
Canada	**14.6%**	10.6%	13.7%	11.8%	12.8%	12.9%	12.1%	9.7%	11.4%
South America	**12.2%**	9.8%	12.4%	10.0%	11.2%	9.8%	6.7%	5.8%	9.3%
UK & Ireland	**7.9%**	4.9%	5.2%	5.4%	8.3%	7.7%	7.3%	5.7%	7.7%
Net Debt to Adjusted EBITDA Ratio	**1.7**	2.1	2.2	2.0	2.5	2.8	2.6	1.7	2.0

[1] Comparative results prior to Q1 2019 have not been restated for our adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Third Quarter Results

Revenue

Net Revenue by Line of Business and by Operation
3 months ended September 30
($ millions)



Revenue was $1.6 billion in the third quarter of 2020 and $2.0 billion in Q3 2019. Q3 2020 net revenue of $1.4 billion was 21% lower than net revenue of $1.8 billion in Q3 2019, across all of our operations. Net revenue was down in Q3 2020 primarily due to the negative impact of COVID-19 and lower commodity prices. Compared to Q2 2020, net revenue was up 8%, driven by a recovery in the UK & Ireland and modest market improvements in Canada and South America.

Third quarter 2020 new equipment revenue was 37% lower than the same prior year period driven by lower volumes in all industry sectors, particularly in the mining and construction sectors.

Equipment backlog [(1)] of approximately $650 million at September 30, 2020 was down from approximately $700 million at December 31, 2019 and June 30, 2020. In Q3 2020 equipment deliveries outpaced order intake [(1)], primarily in Canada.

Product support revenue was down 12% in Q3 2020 from the same prior year period driven by the mining sector in South America and the construction sector in Canada. Industry activity has not yet returned to pre-COVID-19 levels but we have seen a gradual ramp up of customer operations following the easing of COVID-19 restrictions.

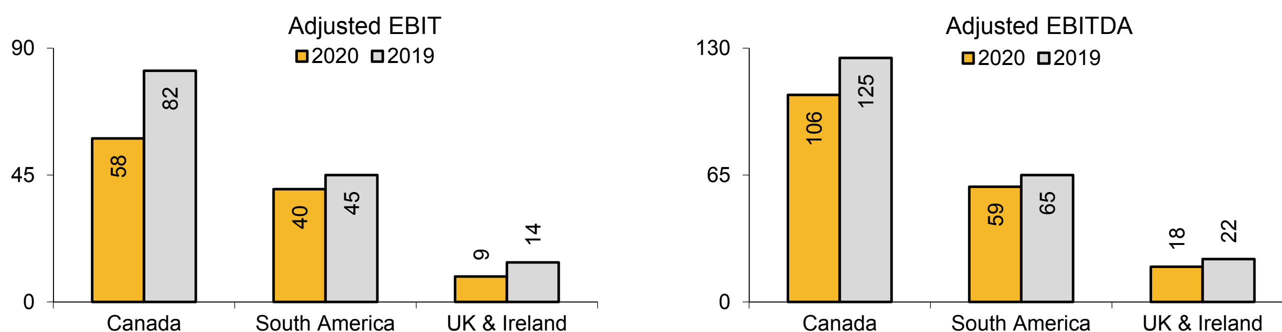
Q3 2020 gross profit was $390 million, 15% lower than the same period in the prior year, driven by lower revenues. Overall gross profit as a percentage of net revenue of 27.0% in Q3 2020 was 170 basis points higher than Q3 2019, mainly due to a revenue mix shift to product support revenue (Q3 2020: 58% compared to Q3 2019: 52%).

SG&A in Q3 2020 of $290 million was 13% lower than Q3 2019, driven by the benefit of measures taken to reduce cost to serve, lower discretionary spend, lower variable costs from reduced volumes, and weaker ***CLP*** relative to the USD in Q3 2020 compared to the prior year quarter. Although SG&A was down in all operations compared to Q3 2019, the fixed nature of certain SG&A costs on a much lower revenue base resulted in a 180 basis points increase in SG&A as a percentage of net revenue.

(1) These are "non-GAAP financial measures". See "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

EBIT and EBITDA

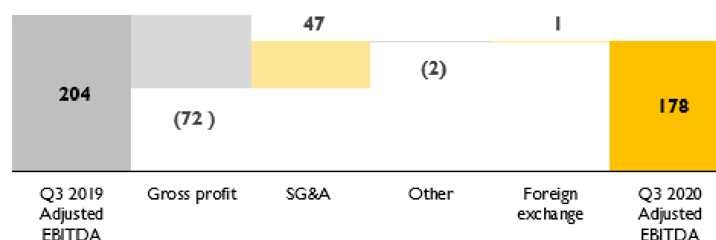
Adjusted EBIT and Adjusted EBITDA by Operation (1)
3 months ended September 30
($ millions)



(1) Excluding Other operations

Q3 2020 EBIT was $138 million and EBIT as a percentage of net revenue was 9.6%. Excluding the significant items described on page 5, Q3 2020 Adjusted EBIT was $101 million and Adjusted EBIT as a percentage of net revenue was 7.0%, compared to $132 million and 7.3%, respectively, in Q3 2019. The year over year Adjusted EBIT decrease was in line with volume reductions. Adjusted EBIT as a percentage of net revenue decreased from the same prior year period as the benefit of a higher proportion of product support revenue was more than offset by higher SG&A as a percentage of net revenue.

Adjusted EBITDA in Q3 2020 was $178 million, down 13% from $204 million Adjusted EBITDA in Q3 2019 with lower earnings in all of our operations. Adjusted EBITDA as a percentage of net revenue in Q3 2020 was 12.3%, up 110 basis points from 11.2% in Q3 2019. Adjusted EBITDA as a percentage of net revenue improved in our Canadian and South American operations.



The net debt to Adjusted EBITDA ratio at September 30, 2020 was 1.7 times, down from 2.5 times at September 30, 2019, primarily due to average debt levels reducing more than the decline in Adjusted EBITDA. This ratio remains below our long-term target of < 3.0 times.

Finance Costs

Finance costs in Q3 2020 were $22 million, down from $26 million in Q3 2019 on lower average debt levels.

Provision for Income Taxes

The effective income tax rate in Q3 2020 was 24.5%, compared to 27.3% in Q3 2019. The higher effective income tax rate in Q3 2019 was due to the impact of the significant devaluation of the ARS relative to the USD, primarily relating to the revaluation of deferred tax balances.

We expect our effective tax rate generally to be within the 25-30% range on an annual basis. The rate may fluctuate from period to period as a result of changes in the relative income from the various jurisdictions in which we carry on business, sources of income, changes in the estimation of tax reserves, outcomes of any tax audits, or tax rates and tax legislation.

Net Income and Basic EPS

Net income was $88 million and basic EPS was $0.54 in Q3 2020. Q3 2020 Adjusted net income was $61 million and Adjusted basic EPS was $0.37, compared to $81 million and $0.49, respectively, in Q3 2019. Q3 2020 results were down from Q3 2019 with lower earnings reported in all of our operations due to challenging market conditions. Q3 2020 Adjusted EPS of $0.37 improved significantly from $0.06 in Q2 2020.

Year-to-Date Overview

($ millions, except for per share amounts)	**YTD 2020**	YTD 2019	% change fav (unfav)
Revenue	**$ 4,530**	$ 5,906	(23)%
Net revenue	**$ 4,217**	$ 5,533	(24)%
Gross profit	**$ 1,152**	$ 1,371	(16)%
SG&A	**(921)**	(1,026)	10%
Equity earnings of joint ventures	**3**	12	(74)%
Other income	**101**	—	n/m
Other expenses	**(51)**	(29)	(76)%
EBIT	**$ 284**	$ 328	(14)%
Net income	**$ 160**	$ 192	(17)%
Basic EPS	**$ 0.99**	$ 1.17	(15)%
EBITDA	**$ 515**	$ 548	(6)%
Free cash flow	**$ 578**	$ (344)	n/m
Adjusted EBIT	**$ 234**	$ 360	(35)%
Adjusted net income	**$ 124**	$ 219	(44)%
Adjusted basic EPS	**$ 0.76**	$ 1.34	(43)%
Adjusted EBITDA	**$ 465**	$ 580	(20)%
Gross profit as a % of net revenue	***27.3%***	*24.8%*	
SG&A as a % of net revenue	***21.8%***	*18.5%*	
EBIT as a % of net revenue	***6.7%***	*5.9%*	
EBITDA as a % of net revenue	***12.2%***	*9.9%*	
Adjusted EBIT as a % of net revenue	***5.6%***	*6.5%*	
Adjusted EBITDA as a % of net revenue	***11.0%***	*10.5%*	
Adjusted ROIC	***9.3%***	*12.2%*	

Significant items that affected our reported results for the nine months ended September 30, 2020 and September 30, 2019 which were not considered by management to be indicative of operational and financial trends, either by nature or amount, are detailed below.

Year-to-date 2020 significant items:

- CEWS from the Canadian government for eligible entities.
- We accelerated existing strategies to further improve employee and facility productivity. As a result, we incurred:
  - Severance costs related to workforce reductions in all of our operations; and,
  - Restructuring and impairment losses in our Canadian and South American operations.

Year-to-date 2019 significant items:

- Severance costs related to workforce reductions and restructuring costs related to planned facility closures in Canada and South America.
- Acquisition costs related to the purchase of ***4Refuel***.
- Tax impact of the significant devaluation of the ARS relative to the USD.

The following table shows the magnitude of these items and reconciliations of the non-GAAP financial measures to their most directly comparable GAAP measures:

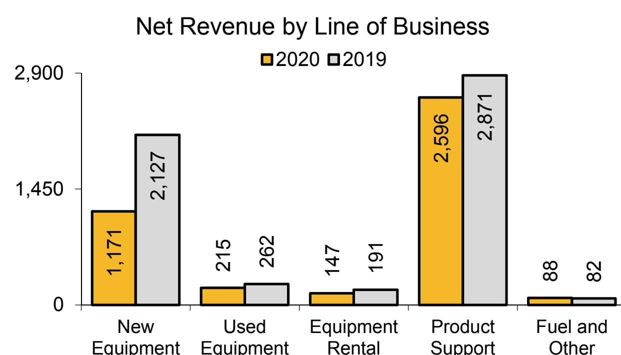
9 months ended September 30, 2020 ($ millions, except for per share amounts)	**EBIT**				**Net Income**	**EPS**
	Canada	**South America**	**UK & Ireland**	**Consol [(1)]**	**Consol [(1)]**	**Consol [(1)]**
EBIT, net income, and basic EPS	**$ 216**	**$ 80**	**$ 5**	**$ 284**	**$ 160**	**$ 0.99**
Significant items:						
CEWS support	**(95)**	**—**	**—**	**(101)**	**(75)**	**(0.47)**
Severance costs	**20**	**17**	**4**	**42**	**32**	**0.20**
Facility closure related restructuring costs and impairment losses	**5**	**4**	**—**	**9**	**7**	**0.04**
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	**$ 146**	**$ 101**	**$ 9**	**$ 234**	**$ 124**	**$ 0.76**

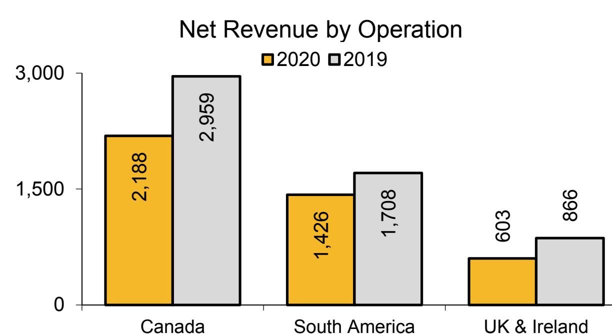
9 months ended September 30, 2019 ($ millions, except for per share amounts)	EBIT				Net Income	EPS
	Canada	South America	UK & Ireland	Consol [(1)]	Consol [(1)]	Consol [(1)]
EBIT, net income, and basic EPS	$ 224	$ 89	$ 41	$ 328	$ 192	$ 1.17
Significant items:						
Severance costs	10	10	—	20	14	0.09
Facility closure related restructuring costs and impairment losses	7	1	—	8	5	0.03
Acquisition costs	—	—	—	4	4	0.03
Tax impact of devaluation of ARS	—	—	—	—	4	0.02
Adjusted EBIT, Adjusted net income, and Adjusted basic EPS	$ 241	$ 100	$ 41	$ 360	$ 219	$ 1.34

(1) Includes Other segment

Revenue

Net Revenue by Line of Business and by Operation
9 months ended September 30
($ millions)





Revenue was $4.5 billion in the nine months ended September 30, 2020 compared to $5.9 billion in the first nine months of 2019. Net revenue of $4.2 billion decreased 24% from the same period last year, down in all of our operations due to lower customer demand as a result of volatility in commodity prices and COVID-19.

New equipment revenue in the nine months ended September 30, 2020 was 45% lower than the prior year period, down in all operations. The decline in volumes reflected lower capital spending by our customers and weak market conditions globally.

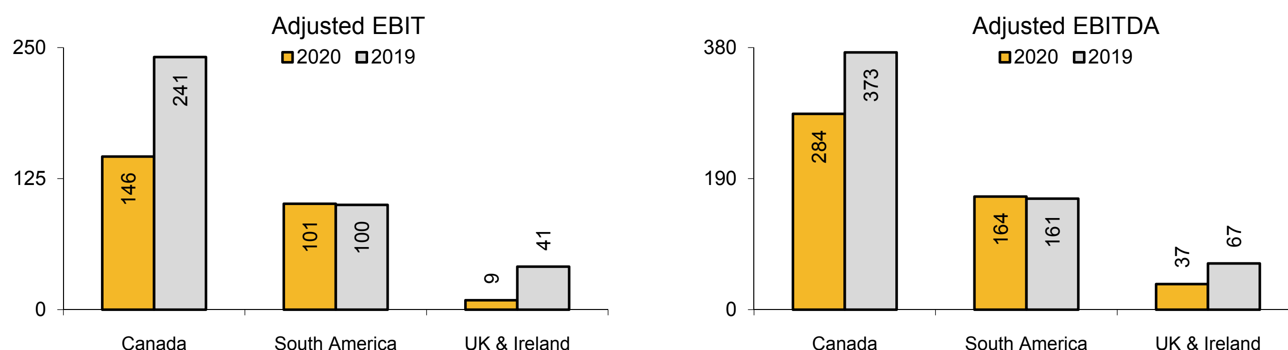
Product support revenue in the nine months ended September 30, 2020 was 10% lower than the first nine months of 2019, primarily due to lower activity in all operations, but mainly in our Canadian operations where customers have been deferring non-essential maintenance in the construction and mining sectors.

EBIT and EBITDA

Gross profit in the first nine months of 2020 of $1.2 billion was 16% lower than the comparative prior year period largely due to a significant decrease in volumes. Overall gross profit as a percentage of net revenue of 27.3% was higher than the first nine months of 2019 primarily due to a higher proportion of product support revenue in all of our operations (year-to-date 2020: 62%; year-to-date 2019: 52%).

SG&A for the first nine months of 2020 was $921 million, 10% lower than the same period of the prior year reflecting the benefit of cost reduction initiatives including lower people-related costs, tight cost control in all of our operations, and a weaker CLP relative to the USD in the nine months ended 2020 compared to 2019. Although SG&A decreased, SG&A as a percentage of net revenue was up in all of our operations reflecting the fixed nature of certain SG&A costs on a significantly lower revenue base.

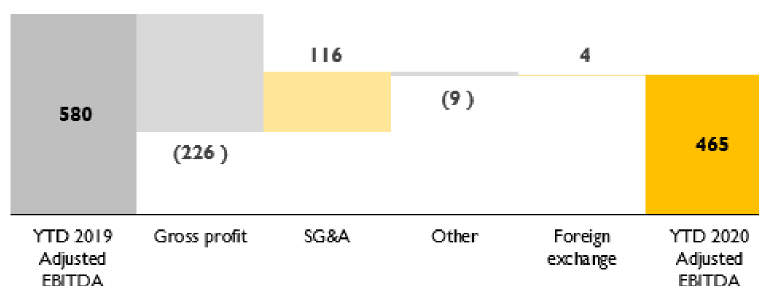
Adjusted EBIT and Adjusted EBITDA by Operation [(1)]
9 months ended September 30
($ millions)



(1) Excluding Other operations

EBIT was $284 million and EBIT as a percentage of net revenue was 6.7% in the first nine months of 2020, compared to $328 million and 5.9%, respectively, in the first nine months of 2019. Excluding significant items not indicative of financial and operational trends described on page 11, Adjusted EBIT in the first nine months of 2020 was $234 million and Adjusted EBIT as a percentage of net revenue was 5.6%, lower than Adjusted EBIT of $360 million and Adjusted EBIT as a percentage of net revenue of 6.5% in the first nine months of 2019.

2020 year-to-date Adjusted EBITDA was $465 million, down from $580 million in the same prior year period. The 20% decrease was primarily due to lower volumes partially offset by lower SG&A. Adjusted EBITDA as a percentage of net revenue of 11.0% was higher than 10.5% earned in the same prior year period. This increase was largely driven by an improvement in gross profit as a percentage of net revenue in all of our operations, primarily in Canada and South America as a result of a higher mix of product support revenue.



Finance Costs

Finance costs for the nine months ended September 30, 2020 were $67 million, lower than the $77 million in the same period in 2019 due to lower average debt levels.

Provision for Income Taxes

The effective income tax rate for the first nine months of 2020 was 26.3% compared to 23.7% for the first nine months of 2019. The effective income tax rate was higher in 2020 due to a higher proportion of earnings from high tax jurisdictions compared to the prior year period and a positive revaluation of deferred tax balances resulting from tax rate changes in Alberta in 2019.

Net Income and Basic EPS

Net income was $160 million in the first nine months of 2020, compared to $192 million earned in the comparable period in 2019 and basic EPS was $0.99 compared with $1.17 in 2019. Excluding the significant items not indicative of financial and operational trends described on page 11, Adjusted net income in the first nine months of 2020 was $124 million and Adjusted basic EPS was $0.76, lower than Adjusted net income of $219 million and Adjusted basic EPS of $1.34 in the same prior year period.

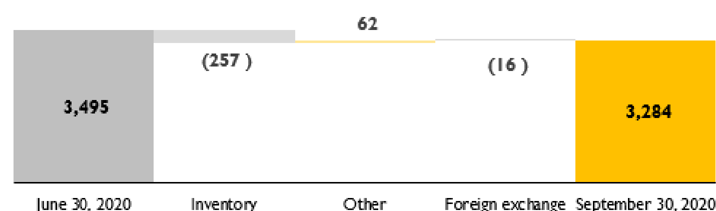
Invested Capital

($ millions, unless otherwise stated)		September 30, 2020		June 30, 2020		Decrease from June 30, 2020		December 31, 2019		Decrease from December 31, 2019
Consolidated	**$**	**3,284**	$	3,495	$	(211)	$	3,591	**$**	(307)
Canada	**$**	**1,921**	$	2,037	$	(116)	$	2,026	**$**	(105)
South America	**$**	**1,035**	$	1,106	$	(71)	$	1,192	**$**	(157)
UK & Ireland	**$**	**323**	$	349	$	(26)	$	361	**$**	(38)
South America (USD)	***$***	***776***	*$*	*812*	$	*(36)*	$	*918*	***$***	*(142)*
*UK & Ireland (**GBP**)*	***£***	***188***	*£*	*207*	*£*	*(19)*	*£*	*210*	***£***	*(22)*

Compared to June 30, 2020:

The $211 million decrease in consolidated invested capital from June 30, 2020 to September 30, 2020 includes a foreign exchange impact of $16 million in translating the invested capital balances of our South American and UK & Ireland operations. The foreign exchange impact was primarily the result of the 2% stronger CAD relative to the USD partially offset by the 2% weaker CAD relative to the GBP at September 30, 2020 compared to the rates at June 30, 2020.

Excluding the impact of foreign exchange, consolidated invested capital decreased by $195 million from June 30, 2020 to September 30, 2020 reflecting a decrease in inventories, primarily equipment and parts, in all regions from strong inventory management.

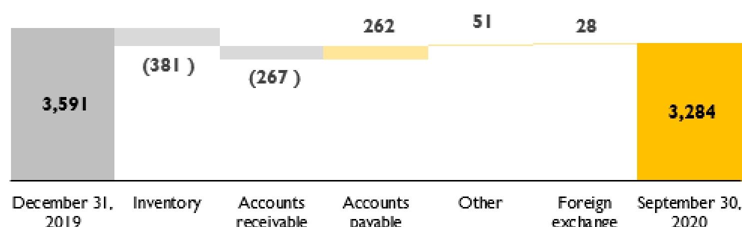


Compared to December 31, 2019:

The $307 million decrease in consolidated invested capital from December 31, 2019 to September 30, 2020 includes a foreign exchange impact of $28 million in translating the invested capital balances of our South American and UK & Ireland operations. The foreign exchange impact was primarily the result of the 3% weaker CAD relative to the USD at September 30, 2020 compared to the rates at December 31, 2019.

Excluding the impact of foreign exchange, consolidated invested capital decreased by $335 million from December 31, 2019 to September 30, 2020 reflecting:

- a decrease in new equipment and parts inventory in all operations from strong inventory management;
- lower accounts receivable in all regions primarily due to a decrease in sales activity and strong collections; partially offset by,
- lower accounts payable, mainly in South America and Canada, from reduced inventory purchases.



Adjusted ROIC and Invested Capital Turnover

	September 30, 2020	December 31, 2019	September 30, 2019
Adjusted ROIC			
Consolidated	**9.3%**	12.0%	12.2%
Canada	**10.8%**	14.4%	15.0%
South America	**11.3%**	10.5%	9.0%
UK & Ireland	**3.9%**	12.1%	14.1%
Invested Capital Turnover (times)			
Consolidated	**1.68**	1.92	1.99
Canada	**1.56**	1.81	1.91
South America	**1.67**	1.78	1.77
UK & Ireland	**2.39**	2.98	3.18

Adjusted ROIC

On a consolidated basis, Adjusted ROIC at September 30, 2020 was lower than December 31, 2019 primarily due to lower Adjusted EBIT for the last twelve-month period, outpacing a reduction in average invested capital levels, in our Canadian and UK & Ireland operations. In South America, Adjusted ROIC at September 30, 2020 was higher than December 31, 2019 primarily due to lower average invested capital levels and comparable Adjusted EBIT in the last twelve-month period.

On a consolidated basis, the decrease in Adjusted ROIC at September 30, 2020 compared to September 30, 2019 reflects lower Adjusted EBIT for the last twelve-month period outpacing a reduction in average invested capital levels in our Canadian and UK & Ireland operations. Adjusted ROIC at September 30, 2020 in South America was up 230 basis points from September 30, 2019 primarily due to lower average invested capital levels and higher Adjusted EBIT earned in the last twelve-month period.

Invested Capital Turnover

Consolidated invested capital turnover at September 30, 2020 was down from December 31, 2019 with the decline in net revenue over the last twelve-month period in all of our operations outpacing the reduction in average invested capital levels. The decrease in invested capital turnover in all of our operations was largely driven by the negative impact of the COVID-19 pandemic on net revenues.

Consolidated invested capital turnover at September 30, 2020 was lower than at September 30, 2019 due to a reduction in net revenues in all of our operations.

Results by Reportable Segment

We operate primarily in one principal business: the sale, service, and rental of heavy equipment, engines, and related products in various markets worldwide as described on pages 17 - 21. Our reportable segments are Canada, South America, UK & Ireland, and Other segment.

The table below provides details of net revenue by lines of business for our Canadian, South American, and UK & Ireland operations.

3 months ended September 30, 2020 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consol**	**Net Revenue %**
New equipment	**$ 176**	**$ 120**	**$ 139**	**$ 435**	**30%**
Used equipment	**46**	**23**	**14**	**83**	**6%**
Equipment rental	**38**	**7**	**8**	**53**	**4%**
Product support	**438**	**329**	**75**	**842**	**58%**
Fuel and other	**30**	**—**	**—**	**30**	**2%**
Net revenue	**$ 728**	**$ 479**	**$ 236**	**$ 1,443**	**100%**
Net revenue % by operation	**51%**	**33%**	**16%**	**100%**	

3 months ended September 30, 2019 ($ millions)	Canada	South America	UK & Ireland	Consol	Net Revenue %
New equipment	$ 360	$ 167	$ 162	$ 689	38%
Used equipment	47	10	18	75	4%
Equipment rental	49	13	9	71	4%
Product support	491	387	74	952	52%
Fuel and other	31	—	1	32	2%
Net revenue	$ 978	$ 577	$ 264	$ 1,819	100%
Net revenue % by operation	54%	32%	14%	100%	

9 months ended September 30, 2020 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consol**	**Net Revenue %**
New equipment	**$ 534**	**$ 311**	**$ 326**	**$ 1,171**	**28%**
Used equipment	**115**	**50**	**50**	**215**	**5%**
Equipment rental	**97**	**28**	**22**	**147**	**3%**
Product support	**1,354**	**1,037**	**205**	**2,596**	**62%**
Fuel and other	**88**	**—**	**—**	**88**	**2%**
Net revenue	**$ 2,188**	**$ 1,426**	**$ 603**	**$ 4,217**	**100%**
Net revenue % by operation	**52%**	**34%**	**14%**	**100%**	

9 months ended September 30, 2019 ($ millions)	Canada	South America	UK & Ireland	Consol	Net Revenue %
New equipment	$ 1,018	$ 555	$ 554	$ 2,127	38%
Used equipment	166	37	59	262	5%
Equipment rental	129	36	26	191	3%
Product support	1,567	1,080	224	2,871	52%
Fuel and other	79	—	3	82	2%
Net revenue	$ 2,959	$ 1,708	$ 866	$ 5,533	100%
Net revenue % by operation	53%	31%	16%	100%	

Canada Operations

Our Canadian reporting segment includes ***Finning (Canada)***, ***OEM***, and a 25% interest in ***PLM***, as well as 4Refuel since its acquisition on February 1, 2019. Our Canadian operations sell, service, and rent mainly ***Caterpillar*** equipment and engines in British Columbia, Alberta, Saskatchewan, Yukon, the Northwest Territories, and a portion of Nunavut, and also provide mobile refueling services in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia and in Texas, ***US***. Our Canadian operations' markets include mining (including the oil sands), construction, conventional oil and gas, forestry, and power systems.

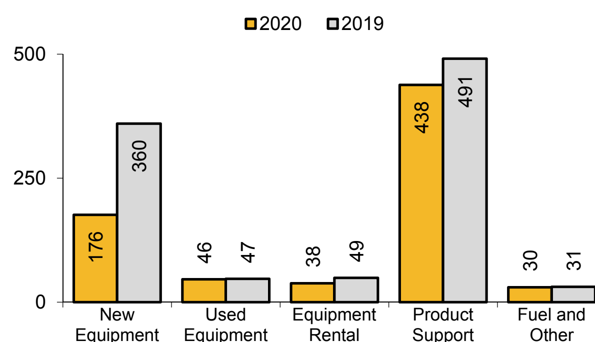
The table below provides details of the results from our Canadian operations:

3 months ended September 30 ($ millions)		**2020**		2019
Net revenue	**$**	**728**	$	978
Operating costs		**(623)**		(856)
Equity earnings of joint venture		**1**		3
Other income		**35**		—
EBITDA	**$**	**141**	$	125
Depreciation and amortization		**(48)**		(43)
EBIT	**$**	**93**	$	82
Adjusted EBITDA	**$**	**106**	$	125
Adjusted EBIT	**$**	**58**	$	82
EBITDA as a % of net revenue		***19.3%***		*12.8%*
EBIT as a % of net revenue		***12.8%***		*8.5%*
Adjusted EBITDA as a % of net revenue		***14.6%***		*12.8%*
Adjusted EBIT as a % of net revenue		***8.1%***		*8.5%*

Third Quarter Overview

Q3 2020 net revenue of $728 million was 26% lower than Q3 2019, with challenging market conditions affecting all lines of business as customers continued to be impacted by COVID-19 and lower oil prices. Customers' focus on cost reductions and reduced capital spending contributed to lower demand in Q3 2020 compared to the same prior year period. As oil sands producers gradually put their truck fleets back to work and oil sands contractors started to increase activity during Q3 2020, product support revenue increased 4% from Q2 2020. In addition, a rebound in rental activity and utilization led to a 40% increase in rental revenue from Q2 2020.

Net revenue by Line of Business
Canada Operations
3 months ended September 30
($ millions)



New equipment revenue was down 51% in Q3 2020 compared to Q3 2019, primarily driven by customers' reduced activity, restricted capital spending, and implementation of cost containment measures, as well as lower demand in gas compression and project delays. By contrast, Q3 2019 benefited from deliveries of large, lower margin mining equipment packages to oil sands customers. Equipment backlog was down from June 30, 2020 and December 31, 2019, driven by deliveries outpacing order intake in the mining and construction sectors.

Product support revenue in Q3 2020 was down 11% compared to the same prior year period, largely driven by lower customer spend on parts in the construction sector.

Gross profit in Q3 2020 was lower than Q3 2019, mostly driven by lower volumes across all our lines of business. Overall gross profit as a percentage of net revenue increased in Q3 2020 compared to Q3 2019 due to a revenue mix shift to product support, less large mining equipment in the sales mix, and improved operating efficiencies.

Q3 2020 SG&A was down 9% compared to the prior year period, reflecting the benefit of strategies taken to improve employee and facility productivity, lower variable costs from reduced volumes, as well as tight cost control. In Q3 2020, we recorded $35 million in wage subsidies available under the CEWS program, which allowed us to preserve jobs and technical capabilities in Canada through a unique period of uncertainty. The costs related to retained employees were included in SG&A whereas the CEWS benefit was included in other income. SG&A as a percentage of net revenue was up compared to the prior year period driven by certain costs that are fixed or semi-variable in nature combined with a lower labour recovery on significantly lower revenues.

Excluding the benefit of CEWS, our Canadian operations contributed Adjusted EBITDA of $106 million in Q3 2020, down 15% from the same period in the prior year on 26% lower net revenues. Adjusted EBITDA as a percentage of net revenue in Q3 2020 was 14.6%, higher than the 12.8% in Q3 2019. This increase was driven by higher gross profit as a percentage of net revenue, which was partially offset by higher SG&A as a percentage of net revenue.

Other Developments

On October 7, 2020, Finning (Canada)'s hourly employees represented by ***IAMAW*** Local 692 voted in support of a new collective agreement. IAMAW Local 692 represents approximately 700 hourly employees in British Columbia and the Yukon. The new three-year collective agreement will expire on April 14, 2023.

Discussion of our Canadian operation's year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 10 - 13.

South America Operations

Our South American operations sell, service, and rent mainly Caterpillar equipment and engines in Chile, Argentina, and Bolivia. Our South American operations' markets include mining, construction, forestry, and power systems.

The table below provides details of the results from our South American operations:

3 months ended September 30 ($ millions)	**2020**	2019
Net revenue	**$ 479**	$ 577
Operating costs	**(420)**	(515)
EBITDA	**$ 59**	$ 62
Depreciation and amortization	**(19)**	(20)
EBIT	**$ 40**	$ 42
Adjusted EBITDA	**$ 59**	$ 65
Adjusted EBIT	**$ 40**	$ 45
EBITDA as a % of net revenue	***12.2%***	*10.8%*
EBIT as a % of net revenue	***8.2%***	*7.3%*
Adjusted EBITDA as a % of net revenue	***12.2%***	*11.2%*
Adjusted EBIT as a % of net revenue	***8.2%***	*7.8%*

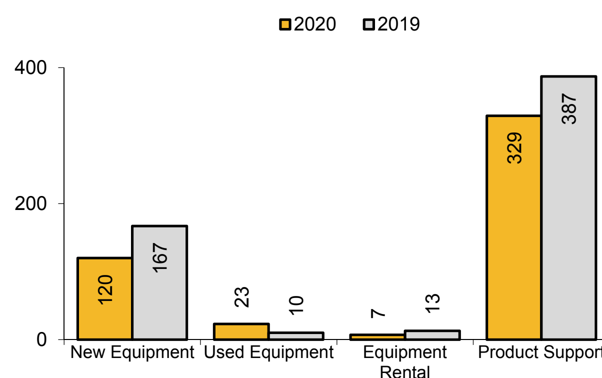
The CAD relative to the USD on average in Q3 2020 compared to Q3 2019 did not have a significant foreign currency translation impact on net revenue or EBITDA.

All $ figures in this section are in CAD as this is our reporting currency. All variances and ratios in this section are based on the functional currency of our South American operations, which is the USD.

Third Quarter Overview

Q3 2020 net revenue was 18% lower than Q3 2019 with a decline in revenue across most lines of business, which were significantly impacted by COVID-19 related business interruptions. An increase in infection rates in Northern Chile in the latter part of Q2 2020 led to reductions in on-site workforce and restrictions to contractor access. After hitting a peak at the beginning of Q3 2020, COVID-19 infection rates stabilized and operating restrictions eased, resulting in a modest improvement in most lines of business compared with Q2 2020.

Net revenue by Line of Business
South America Operations
3 months ended September 30
($ millions)



New equipment revenue in Q3 2020 was 29% lower than the prior year quarter, primarily in the mining sector in Chile and the construction sector in Argentina. Equipment backlog at September 30, 2020 was down slightly from December 31, 2019 and June 30, 2020. Order intake in the quarter was driven by demand from contractors supporting the mining sector and was comparable to deliveries.

Product support revenue in Q3 2020 was down 16% from Q3 2019, primarily in the mining sector in Chile.

Used equipment revenue more than doubled from the prior year comparable period driven by sales of surplus equipment.

Gross profit in Q3 2020 was lower than the same period in the prior year primarily due to lower volumes. Gross profit as a percentage of net revenue in Q3 2020 was comparable to Q3 2019.

Q3 2020 SG&A was down 21% from Q3 2019 driven by lower people-related costs from actions taken to improve employee and facility productivity, tight cost control, lower variable costs attributable to lower volumes, and the benefit from the devaluation of the CLP relative to the USD in Chile. Q3 2020 SG&A as a percentage of net revenue decreased from Q3 2019 reflecting our continued focus on managing costs.

Q3 2020 EBITDA was $59 million, down from Adjusted EBITDA in Q3 2019 of $65 million which excluded severance and restructuring costs of $3 million. This decline from the same prior year period was primarily due to lower gross profit from decreased volumes partially offset by the benefit of lower SG&A. Q3 2020 EBITDA as a percentage of net revenue of 12.2% was 100 basis points higher than Q3 2019 due to the improvement of SG&A relative to net revenue.

Discussion of our South American operation's year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 10 - 13.

UK & Ireland Operations

Our UK & Ireland operations sell, service, and rent mainly Caterpillar equipment and engines in England, Scotland, Wales, Northern Ireland, and the Republic of Ireland. Our UK & Ireland operations' markets include quarrying, construction, power systems, and mining.

The table below provides details of the results from our UK & Ireland operations:

3 months ended September 30 ($ millions)	**2020**	2019
Net revenue	**$ 236**	$ 264
Operating costs	**(218)**	(242)
EBITDA	**$ 18**	$ 22
Depreciation and amortization	**(9)**	(8)
EBIT	**$ 9**	$ 14
EBITDA as a % of net revenue	***7.9%***	*8.3%*
EBIT as a % of net revenue	***4.1%***	*5.1%*

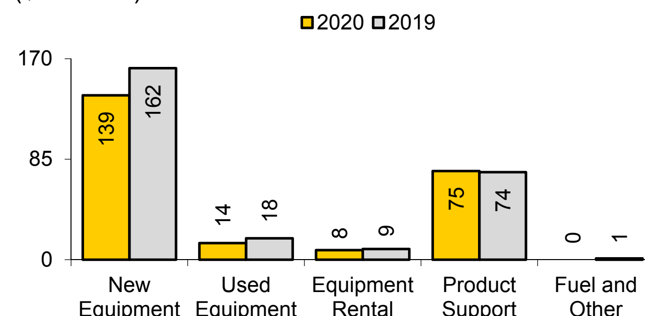
The weaker CAD relative to the GBP on average in Q3 2020 compared to Q3 2019 had a favourable foreign currency translation impact on net revenue in 2020 of approximately $12 million and was not significant at the EBITDA level.

All $ figures in this section are in CAD as this is our reporting currency. All variances and ratios in this section are based on the functional currency of our UK & Ireland operations, which is the GBP.

Third Quarter Overview

Third quarter 2020 net revenue was 15% lower than the same period in 2019, largely driven by lower deliveries in the construction sector and revenue reductions across all lines of business related to COVID-19. During Q3 2020, machine utilization hours and product support run-rates moved closer to pre-COVID-19 levels. Q3 2020 product support revenue was up 27% from Q2 2020.

Net revenue by Line of Business UK & Ireland Operations
3 months ended September 30
($ millions)



New equipment revenue was 18% lower than the third quarter of 2019, driven primarily by significantly lower deliveries to the construction sector. Equipment backlog at September 30, 2020 was slightly lower than June 30, 2020 and up from December 31, 2019, with increased backlog in the power systems sector for planned deliveries in Q4 2020 and into 2021.

Used equipment revenue in Q3 2020 was 27% lower than Q3 2019, primarily due to lower activity in the construction sector.

Q3 2020 product support revenue was down slightly from the same prior year period, mainly in the power systems sector.

Q3 2020 gross profit was down compared to the same prior year period driven by lower sales volumes. Overall gross profit as a percentage of net revenue was comparable to the same prior year period.

SG&A was down 10% in Q3 2020 compared to the prior year period reflecting cost reduction measures. SG&A as a percentage of net revenue was higher in Q3 2020 compared to Q3 2019 primarily due to the fixed nature of certain SG&A costs on lower revenues.

Q3 2020 EBITDA of $18 million and EBITDA as a percentage of net revenue of 7.9% were lower than Q3 2019 EBITDA of $22 million and EBITDA as a percentage of net revenue of 8.3%. EBITDA as a percentage of net revenue was lower in Q3 2020 compared to the prior year period primarily due to higher SG&A relative to net revenue.

Discussion of our UK & Ireland operation's year-to-date results is included in the Year-to-Date Results section of this MD&A on pages 10 - 13.

Other Segment

Our Other segment includes corporate operating costs.

Q3 2020 EBITDA of this segment was a loss of $3 million, an improvement from a loss of $8 million in Q3 2019. This variance is driven by the CEWS benefit of $2 million in the quarter, lower consulting, travel, and salaries and employee benefit costs. In the nine months ended September 30, 2020 EBITDA was a loss of $15 million, an improvement from a loss of $25 million in the same prior year period. This improvement was primarily due to the CEWS benefit of $6 million in 2020 and acquisition costs of $4 million in connection with the purchase of 4Refuel in 2019.

Market Update and Business Outlook

Canada Operations

In the oil sands, production has recovered and is expected to increase in 2021 compared to 2020. Oil sands producers' truck fleet utilization returned to pre-COVID-19 levels at the end of September, and contractor fleets have begun to increase utilization and should ramp up further in Q4 2020 and into 2021. We expect product support activity in the oil sands to improve in Q4 2020 and into 2021, driven by catch up on major rebuild and maintenance work and an increase in oil production and non-production mining activities.

The outlook for copper and precious and other metals has improved, however, coal prices are expected to remain soft. While restricted capital spending and ongoing cost containment are impacting demand for new mining equipment, we expect mining product support activity to improve as customers increase production output and resume full-scope maintenance activities.

Our mining customers in Western Canada operate approximately 620 large and ultra-class Caterpillar off-highway trucks, of which 6% are autonomous. The average age of this Caterpillar truck population in Western Canada is about 11 years. This large and aging fleet is expected to drive opportunities for future fleet renewals, rebuilds and autonomy conversions, as well as continued demand for product support.

We are also seeing a notable resumption in request for proposal activity from Canadian mining customers.

In construction, continued recovery in machine utilization hours and rental utilization are expected to drive improved demand for product support and rentals. Large infrastructure programs are planned in Alberta, British Columbia, and Saskatchewan. Additional infrastructure stimulus spending announced by the federal and provincial governments is expected to provide opportunities for equipment, product support, heavy rentals, and prime and standby electric power generation in 2021.

While we have seen an increase in order intake for construction equipment, we expect the pricing environment to remain highly competitive in the near term due to a surplus of competitive equipment inventories in Western Canada.

We expect improved profitability in Canada in 2021 even in a modest revenue recovery environment.

South America Operations

In Chilean mining, COVID-19-related operating restrictions are easing, and customers are beginning to catch up on component exchange and major maintenance work. We expect mining product support revenue to recover significantly as we exit 2020 and begin 2021. We are optimistic about mining recovery in Chile in 2021, driven by a strengthened copper price and expected increase in copper production. Over 570 large and ultra-class Caterpillar off-highway trucks with an average age of 11 years are currently operating in Chile's copper mines and will continue to drive demand for product support. We are also encouraged by the resumption of Teck's ***QB2*** project - the first deployment of autonomous trucks in Chile - and have started to deliver equipment to QB2 in Q4 2020. We have also seen a notable increase in request for proposal activity from mining customers in Chile.

Activity and order intake in construction and power systems markets in Chile have improved. However, the overall economic uncertainty related to the government's social reform agenda is expected to continue to impact customer confidence and the pace of economic recovery in Chile.

In Argentina, market activity is expected to remain at low levels due to a challenging economic environment following the restructuring of the country's debt and a slow re-opening of the economy after COVID-19 lockdowns. To the extent possible, we are managing our ARS currency exposure and maintaining a minimal level of investment in our operations. Our focus is on delivering product support to customers and ensuring our operations in Argentina remain profitable. The government's restrictive monetary policies, combined with capital and import controls, are expected to limit our growth opportunities in Argentina for the foreseeable future.

We are well positioned to deliver higher year over year profitability in Q4 2020 and 2021 in South America.

UK & Ireland Operations

Construction activity in the UK & Ireland rebounded following the easing of lockdown measures, and machine utilization hours and product support run-rates were approaching pre-pandemic levels by the end of Q3 2020. While there have been some delays and the construction work is now expected to ramp up slower than initially planned, the ***HS2*** project is expected to begin to drive improved activity in the general construction equipment markets starting in 2021. This multi-year mega-project is expected to require approximately 1,100 units of heavy equipment representing a total industry-wide direct sales opportunity of approximately £390 million. We are well positioned to capture new equipment and product support opportunities, while leveraging our technology solutions related to earthmoving work for HS2.

In power systems, we expect to continue benefitting from strong demand in the electric power capacity, combined heat and power, and data centre markets. A large backlog of high-quality power systems projects is expected to drive the UK operation's revenue in Q4 2020 and into 2021.

Overall economic activity in the UK & Ireland has been significantly impacted by COVID-19 mitigation measures, which resulted in declining ***GDP*** and high unemployment rates. Although a second wave of COVID-19 is impacting economic activity in the UK, and the UK government has just announced a four-week lockdown, we do not expect to see the same extent of lockdown measures implemented in the sectors we serve as were implemented in the second quarter. ***Brexit***, which is scheduled for December 31, 2020, continues to provide a degree of risk and uncertainty for economic activity and supply chain logistics in the UK & Ireland. We have developed an action plan with Caterpillar to minimize the potential impact on the supply chain during the Brexit transition.

Cost Actions to Drive Earnings Capacity in a Recovery

We have accelerated our strategic plans to drive employee and facility productivity improvements, while maximizing flexibility and competitiveness to serve customers.

- In Canada, we have taken significant cost actions to address oil price dislocation and move customer work to locations with lower operating costs.
- In South America, our previous investment in technology has enabled us to reduce cost to serve, address labour inflation, and improve operational execution going forward.
- In the UK & Ireland, we are tightly managing costs through the recovery period, while building the right technology skill set to support us in capturing future market opportunities.

The execution of global initiatives announced in Q2 2020 is on track to deliver more than $100 million of annualized cost savings. We expect approximately one-third of our workforce to return when market activity fully recovers. These will be mostly revenue generating employees in lower cost locations. Our goal is to reduce SG&A as a percentage of net revenue to about 17% in mid-cycle.

Our overall outlook for the balance of 2020 and into 2021 remains positive. We expect to generate higher earnings on a modestly lower revenue base in Q4 2020 compared to Q4 2019. Given economic uncertainties in all our regions, we expect 2021 revenue to be below 2019.

We expect to achieve an EBITDA to FCF conversion of approximately 100% in 2020. While we continue to expect positive free cash flow in Q4 2020, we are planning for revenue recovery and are increasing inventory purchasing in Q4 2020.

Liquidity and Capital Resources

We assess liquidity in terms of our ability to generate sufficient cash flow, along with other sources of liquidity including cash and borrowings, to fund operations and growth. Liquidity is affected by operating, investing, and financing activities.

Cash flows provided by (used in) each of these activities were as follows:

($ millions)	3 months ended September 30			9 months ended September 30		
	2020	2019	Increase (Decrease)	**2020**	2019	Increase (Decrease)
Operating activities	**$ 340**	$ 204	$ 136	**$ 645**	$ (247)	$ 892
Investing activities	**$ (24)**	$ (39)	$ 15	**$ (67)**	$ (326)	$ 259
Financing activities	**$ (188)**	$ (73)	$ (115)	**$ (400)**	$ 384	$ (784)
Free Cash Flow	**$ 316**	$ 165	$ 151	**$ 578**	$ (344)	$ 922

The most significant contributors to the changes in cash flows for 2020 over 2019 were as follows (all events described were in the current quarter or year-to-date period, unless otherwise stated):

	Quarter over Quarter	Year-to-date over Year-to-date
Operating activities	• lower inventory spend in all of our operations as a result of strong inventory management • lower spend driven by strong cost management • the receipt of approximately $40 million in government wage subsidies in Canada and the UK & Ireland • partially offset by lower collections due to reduced sales volumes in all operations	• lower inventory spend, primarily equipment and parts, across all of our operations mainly driven by strong inventory management • lower spend driven by strong cost management • lower income tax instalments driven by lower earnings and lower tax payments due to payment deferrals allowed by global governments in response to COVID-19 • the receipt of approximately $75 million in government wage subsidies in Canada and the UK & Ireland • partially offset by lower collections due to reduced sales volumes in all our operations
Investing activities	• lower net spend on capital expenditures due to our focus on capital management	• $229 million net cash consideration paid to acquire 4Refuel in 2019
Financing activities	• approximately $65 million increase in short-term debt in Q3 2020 compared to approximately $220 million repayment of short-term debt in 2019 • repayment of $200 million of long-term debt in Q3 2020 compared with approximately $200 million increase in long-term borrowings in Q3 2019	• approximately $10 million repayment of short-term debt in 2020 compared with $380 million increase in short-term borrowings in 2019 • repayment of long-term debt in 2020 compared with approximately $200 million increase in long-term borrowings in 2019
Free Cash Flow	• higher cash generated from operating activities for the reasons outlined above	• higher cash generated from operating activities for the reasons outlined above

Capital resources and management

Our cash and cash equivalents balance at September 30, 2020 was $453 million (December 31, 2019: $268 million). At September 30, 2020, to complement internally generated funds from operating and investing activities, we had approximately $2.6 billion in unsecured committed and uncommitted credit facilities. Included in this amount is a committed revolving credit facility totaling $1.8 billion with various Canadian and global financial institutions, of which approximately $1.6 billion was available at September 30, 2020. We are subject to certain covenants in our committed revolving credit facility and were in compliance with these covenants as at September 30, 2020.

We are closely evaluating the impact of COVID-19 on our business and are adapting and adjusting daily to changes. We continuously monitor actual and forecasted cash flows, manage the maturity profiles of our financial liabilities and maintain committed and uncommitted credit facilities. We believe that based on cash on hand, available credit facilities and the discretionary nature of certain cash flows, such as rental and capital expenditures, we have sufficient liquidity to meet operational needs.

Refer to the Risk Factors and Management section later in this MD&A for further discussion of our exposure to liquidity risk.

Finning is rated [(1)] by both ***DBRS*** and ***S&P***:

	Long-term debt		**Short-term debt**	
	Sep 30, 2020	Dec 31, 2019	**Sep 30, 2020**	Dec 31, 2019
DBRS	BBB (high)	BBB (high)	R-2 (high)	R-2 (high)
S&P	BBB+	BBB+	***n/a***	n/a

In March 2020, S&P placed Finning's BBB+ rating on CreditWatch with negative implications. In June 2020, S&P removed Finning from CreditWatch and assigned a negative outlook while affirming our BBB+ rating.

During the first three months of 2020, we repurchased 1,215,617 common shares for $23 million (at costs ranging from $12.14 to $22.20 per share and an average cost of $19.25 per share) through an ***NCIB*** [(2)]. No common shares were repurchased in Q2 2020 or Q3 2020. During the first three months of 2019, we repurchased 1,073,354 common shares for cancellation for $27 million (at costs ranging from $23.15 to $26.36 per share and an average cost of $24.75 per share). No common shares were repurchased in Q2 2019 or Q3 2019.

Net Debt to Adjusted EBITDA

We monitor net debt to Adjusted EBITDA to assess our operating leverage and ability to repay debt. This ratio approximates the length of time, in years, that it would take to repay our debt, with net debt and Adjusted EBITDA held constant.

September 30	**Finning long-term target**	**2020**	2019
Net debt to Adjusted EBITDA Ratio	**< 3.0**	**1.7**	2.5

(1) A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

(2) We renewed our NCIB for a further year effective May 11, 2020. A copy of the NCIB notice is available on request to us directed to the Corporate Secretary, 300 – 565 Great Northern Way, Vancouver, BC V5T 0H8.

Accounting Policies and Pronouncements

Management's discussion and analysis of our financial condition and results of operations is based on our Interim Financial Statements. Our 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 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 us as a result of changing economic conditions, including the impact of COVID-19.

Allowance for Doubtful Accounts

We record 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.

Expected credit losses related to the current economic environment have been incorporated in our estimate of allowance for doubtful accounts at September 30, 2020. No assurance can be given that this provision will be sufficient or that we will not suffer material credit losses that will adversely affect our results. This remains an area that we will continue to monitor closely.

Refer to the Risk Factors and Management section later in this MD&A for further discussion of our exposure to credit risk.

Inventory

We record 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 our inventory is unknown at this time and will depend on market activity, customer activity, and the expected outlook in the short-term. We have reviewed our inventory provision and concluded that the inventory provision at September 30, 2020 adequately reflects the current economic conditions. This remains an area that we will continue to monitor closely.

Goodwill, intangible assets with indefinite lives, and ***CGUs***

We perform impairment tests on our goodwill and intangible assets with indefinite lives at the appropriate level (CGU or group of CGUs). 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 we operate. In addition to the impairment tests performed for goodwill and distribution network, recent economic uncertainty and financial performance triggered an impairment review of our Argentina CGU. At September 30, 2020, management concluded there were no impairments. This remains an area that we will continue to monitor closely.

Property, plant, and equipment, rental equipment, 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. A review of our facilities network and long-term strategy prompted a review of our property, plant, and equipment and rental equipment. Impairment losses of $7 million related to our property, plant, and equipment were recorded in the three months ended June 30, 2020. A review determined that there was no impairment of rental equipment or intangible assets with finite lives. This remains an area that we will continue to monitor closely.

Amendments to Accounting Standards

We have 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 our 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. We did not have any hedging relationships directly affected by the interest rate benchmark reform and as a result, these amendments did not impact our 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 our 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. We have elected to early adopt this amendment with retrospective application to April 1, 2020. Upon applying this amendment, eligible rent concessions in our UK & Ireland operations were not accounted for as rent modifications and as a result, there was no impact to our financial statements.

Future Accounting Pronouncements

We have 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. We are 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. We are currently assessing the impact of these amendments.

Risk Factors and Management

Finning and its subsidiaries are exposed to market, credit, liquidity, and other risks in the normal course of business activities. Our ***ERM*** process is designed to ensure that these risks are identified, managed, and reported. The ERM framework assists us in managing risks and business activities to mitigate these risks across the organization in order to achieve our strategic objectives.

We maintain a strong risk management culture to protect and enhance shareholder value. On a quarterly basis, ***Board*** level committees review our processes for business risk assessment and the management of key business risks, any changes to key risks and exposures, and the steps taken to monitor and control such exposures. These reviews are reported to the Board quarterly. The Board reviews, in detail, all material risks on an annual basis. The Board also reviews the adequacy of disclosures of key risks in our AIF, MD&A, and financial statements on a quarterly and annual basis. All key financial risks are disclosed in the annual MD&A and other key business risks are disclosed in the AIF. Certain updated key risks and key risks arising after the date of our AIF and annual MD&A are included in the relevant quarterly MD&A. Certain key risks impacting us in Q3 2020 are described below.

Pandemic Outbreak and Impact on Operations

Epidemic and pandemic diseases, such as the recent outbreak of COVID-19, may have a significant impact on us. We continue to adapt to the impacts of COVID-19 on the business, with the health and safety of employees, customers, and communities as the highest priority. Since the World Health Organization's declaration of the global pandemic in March 2020, we successfully expedited our business continuity program; however, a risk of this nature may still have a material adverse impact on our business, results of operations, and financial condition.

The outbreak of COVID-19 has caused considerable disruption to the world economy, including financial markets and commodity prices. In periods of significantly lower commodity prices, development of new projects can be slowed or stopped and production from existing projects can be curtailed, leading to less demand for equipment or services supplied by us. To date, some of our customers have requested to delay equipment deliveries as a result of their halted operations, parked equipment fleets, or delayed projects, and we have also received some equipment order cancellations.

All of our operations have been deemed essential services and are currently open. During the six months ended June 30, 2020, a few branches in South America were closed in compliance with local quarantine restrictions but have since re-opened. A localized outbreak of a contagious illness such as COVID-19 could impact operations, risk the health of our employees who continue to work in branches or on customer sites, and result in the temporary closure of one or more of our major facilities. We are following the requirements and advice of government and health authorities in each jurisdiction where we operate. All non-critical travel has been eliminated. We have applied a risk-based approach to assessing each facility in our global operations. A series of preventative measures have been developed and executed at each facility that at minimum include communication on the COVID-19 response protocol, awareness training, personal and facility specific hygiene practices, physical distancing, and work-from-home arrangements where possible. Further, in South America, given rising infection rates in the latter half of the second quarter, we took additional measures to identify and protect high risk individuals, and implement low density transportation, employee testing, contact tracing, and preventative quarantine measures. As certain regions in our operating areas begin to re-open, we have outlined a specific set of risk mitigation requirements that must be in place before any employees who are working from home return to office. We remain on high alert and are prepared with immediate action plans should COVID-19 infection rates emerge strongly again in one of our centralized operating areas. Rules in all jurisdictions are changing rapidly and further government intervention or quarantine restrictions could impede our ability to continue to manage the business. Similarly, significant curtailment or shutdown of customers' operations could negatively impact our business and financial results.

Our financial results for 2020 could be negatively impacted by the actions taken by governments, customers, and/or suppliers, including business disruptions, force majeure, and/or supply chain constraints in response to the pandemic, and there is uncertainty over the severity and duration of any resulting adverse impact on our business, results of operations, and financial condition. Actions or failures to act could impede our ability to successfully recover within a reasonable timeframe. We will continue to evaluate and adapt our business plans as the situation evolves. This includes working with the Board and salaried and hourly employees as well as union partners, and managing costs in line with expected changes in business activity levels in each region. To date, we have implemented Board and employee pay reductions, reduced work schedules and furloughs, as well as workforce reductions in all regions. Where the eligibility criteria has been met, we have applied for and obtained available government support. We will continue evaluating government programs and subsidies in all jurisdictions where we carry on business. The goal is to maximize flexibility and preserve critical talent and capabilities through this disruptive period.

Relationship with Caterpillar – Product and Supply

The majority of our business involves the distribution and servicing of Caterpillar products. We are dependent on Caterpillar for the timely supply of parts and equipment to fulfill deliveries to customers and meet the requirements of service maintenance contracts. In instances where Caterpillar reduces its production capacity or during periods of intense demand, Caterpillar may find it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not, in the past, proven to be a significant impediment to us in conducting business. The impact of COVID-19 on the future supply of products is unknown and there can be no assurance that Caterpillar will continue to be able to supply its products in the quantities and timeframes required by our customers. Caterpillar reported that as of mid-July 2020, nearly all of its primary production facilities continued to operate. In addition, Brexit, which is scheduled for December 31, 2020, continues to provide a degree of risk and uncertainty for economic activity and supply chain logistics in the UK & Ireland. We have developed an action plan with Caterpillar to minimize the impact on supply chain during this transition. When supply constraints have occurred in the past, we have been successful in utilizing our rental assets, used equipment, and other sources (such as the dealer network) to meet demand, but there can be no assurance of continued success in this area. A significant disruption to our global supply chain could adversely affect our business, results of operations, and financial condition.

We have also been reliant on Caterpillar to supply financing to our customers. In periods of global credit market disruption, Caterpillar may tighten sources or terms of financing for our customers. In the current economic climate, our customers may have limited access to financing from Caterpillar or alternate sources (such as financial institutions). Disruption in Caterpillar's or our customers' access to liquidity, due to effects of the pandemic or otherwise, could have a material adverse impact on our business, results of operations, and financial condition.

Cybersecurity

Cybersecurity incidents related to our information technology systems are a threat to the integrity, reliability, and availability of technology and data. Cybersecurity incidents may take the form of malware, computer viruses, cyber threats, cyber extortion, employee error, malfeasance, system errors and other types of security and data breaches, and may arise from inside and outside of our organization. Cybersecurity incidents could also target customer data or the security, integrity and/or reliability of the hardware and software installed in products we sell or service. We rely heavily on information technology systems, some of which are managed by third parties, to process, transmit and store electronic information, including personally identifiable information, credit card payment data and other sensitive customer and employee information, and to manage or support a variety of critical business processes and activities.

Our risk of experiencing a cybersecurity incident has increased due to the increase in users working remotely as a result of COVID-19. There is heightened risk that cyber criminals increase social engineering, phishing or ransomware events that may be introduced via emails or websites. To mitigate the heightened risk of cybersecurity incidents, our security monitoring and detection services were expanded and the ability to handle load on the current systems increased. We increased the monitoring of network activity and implemented mandatory security awareness training for users. Also, new tools and technologies to assist in the increased system load have been introduced, external based threats are monitored, critical work-from-home technologies have been reviewed to ensure enforcement of multi-factor authentication, and additional licenses for home technologies have been purchased to increase the number of remote users.

Cybersecurity and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. Although we make significant efforts to maintain the security and integrity of our information technology systems, there can be no assurance that those efforts and measures will be able to prevent all cybersecurity incidents. We carry cyber insurance coverage as part of a stand-alone cyber insurance policy, however, there is no assurance that this coverage will apply or fully cover damages incurred in the event of a cyber incident. The occurrence of a significant loss or claim, or a greater number of these losses than anticipated, could have a material adverse impact on us. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats.

Commodity Prices

We are affected by fluctuations in the prices of commodities, such as copper, gold, and other metals, metallurgical coal, natural gas, oil, and lumber. We provide equipment and parts and service to customers in resource and construction industries. In the resource sector, fluctuations in commodity prices and changes in long-term outlook for commodities impact customer decisions regarding capital expenditures and production levels, which determine demand for equipment, parts and service. In the construction sector, publicly funded infrastructure spending is indirectly impacted by fluctuations in commodity prices, particularly in regions with resource-based economies. In Canada, our customers, mostly in the oil sands in Northern Alberta, are exposed to the price of oil. In South America, our customers are primarily exposed to the price of copper and, to a much lesser extent, the prices of gold, other metals, and natural gas. In the UK & Ireland, our resource sector customers operate in off-shore oil & gas. Significant fluctuations in these commodity prices could have a material impact on our financial results.

Financial Instruments Risk

We are exposed to risks through our operations that arise from the use of financial instruments, which include credit risk and liquidity risk. Under the normal course of operations, we have mitigation strategies to minimize these risks for our financial instruments. In the current economic climate, we have heightened exposure to these risks.

Credit Risk

Credit risk associated with accounts receivable, unbilled receivables, and instalment notes receivable from customers is minimized because of the diversification of our operations as well as our large customer base and geographical dispersion. Also, we have policies in place to manage credit risk, including maintaining credit limits for customers taking into account factors such as projected purchase values, credit worthiness of the customer, and payment performance.

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 and duration of the 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, credit risk exposure related to our accounts receivable has increased. No assurance can be given that our provision for potential losses on customer receivables will be sufficient or that we will not suffer material credit losses that will adversely affect our results. This remains an area that we will continue to monitor closely.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. Our approach to managing liquidity is to ensure, as far as possible, that we will have sufficient liquid financial resources to fund operations and meet commitments and obligations. We maintain uncommitted bilateral and committed revolving credit facilities, continuously monitor actual and forecast cash flows, and manage maturity profiles of financial liabilities. Based on the availability of credit facilities, our business operating plans, and the discretionary nature of some cash outflows, such as rental and capital expenditures, we believe we continue to have sufficient liquidity to meet operational needs.

We will require capital to finance future growth and to refinance outstanding debt obligations as they come due for repayment. If the cash generated from our operations is not sufficient to fund future capital and debt repayment requirements, we will require additional debt or equity financing in the capital markets. Our ability to access capital markets on terms that are acceptable will be dependent upon prevailing market conditions, as well as our financial condition. Further, our ability to increase the level of debt financing may be limited by financial covenants or credit rating objectives. The actual and threatened spread of COVID-19 globally could adversely impact our ability to carry out our plans and raise capital. The ability to raise additional financing for future activities may be impaired, or such financing may not be available on favourable terms, due to conditions beyond our control, such as uncertainty in the capital markets, depressed commodity prices or country risk factors.

Foreign Exchange Risk

Key exchange rates that impacted our results were as follows:

Exchange rate	September 30			December 31		3 months ended September 30 – average			9 months ended September 30 – average		
	2020	2019	Change	2019	Change	**2020**	2019	Change	**2020**	2019	Change
USD/CAD	**1.3339**	1.3243	(1)%	1.2988	(3)%	**1.3321**	1.3204	(1)%	**1.3541**	1.3292	(2)%
GBP/CAD	**1.7199**	1.6290	(6)%	1.7174	(0)%	**1.7208**	1.6279	(6)%	**1.7197**	1.6929	(2)%
USD/CLP	**784.46**	725.68	(8)%	744.62	(5)%	**780.48**	704.85	(11)%	**801.86**	684.89	(17)%
USD/ARS	**76.18**	57.59	(32)%	59.89	(27)%	**73.26**	49.57	(48)%	**67.13**	43.73	(53)%

The impact of foreign exchange due to fluctuation in the value of the CAD relative to the USD, GBP, CLP, and ARS is expected to continue to affect our results.

Controls and Procedures Certification

Disclosure Controls and Procedures

We are responsible for establishing and maintaining a system of controls and procedures over the public disclosure of our financial and non-financial information. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the ***CEO*** and ***CFO***, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO, together with other members of management, have designed our disclosure controls and procedures in order to provide reasonable assurance that material information relating to Finning and its consolidated subsidiaries is made known to them in a timely manner.

We have a Corporate Disclosure Policy and a Disclosure Committee in place to mitigate risks associated with the disclosure of inaccurate or incomplete information, or failure to disclose required information.

- The Corporate Disclosure Policy sets out accountabilities, authorized spokespersons, and our approach to the determination, preparation, and dissemination of material information. The policy also defines restrictions on insider trading and the handling of confidential information.
- The Disclosure Committee, consisting of senior management, including legal counsel, reviews all financial information prepared for communication to the public to ensure it meets all regulatory requirements. The Disclosure Committee is responsible for raising any outstanding issues it believes require the attention of the ***Audit Committee*** for the Audit Committee’s approval prior to recommending disclosure, subject to legal requirements applicable to disclosure of material information.

Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. In March 2020, we employed remote work arrangements for the majority of our finance workforce. Although this has continued through subsequent financial close periods, there has been no change in the design of our internal control over financial reporting during the quarters ended March 31, 2020, June 30, 2020, and September 30, 2020 that would materially affect, or is reasonably likely to materially affect, our internal control over financial reporting. We have taken additional steps to ensure key financial internal controls remained in place during the financial reporting period and these controls were completed electronically.

Regular involvement of our internal audit function and quarterly reporting to the Audit Committee assist in providing reasonable assurance that the objectives of the control system are met. While our officers have designed our disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that the objectives of the control systems are met, they are aware that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Outstanding Share Data

As at October 29, 2020	
Common shares outstanding	162,103,503
Options outstanding	3,758,107

Description of Non-GAAP Financial Measures and Reconciliations

Non-GAAP Financial Measures

We believe that providing certain non-GAAP financial measures provide users of our MD&A and consolidated financial statements with important information regarding the operational performance and related trends of our business. The non-GAAP financial measures used by management do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for GAAP measures as determined in accordance with IFRS. By considering these measures in combination with the comparable IFRS financial measures (where available) we believe that users are provided a better overall understanding of our business and financial performance during the relevant period than if they simply considered the IFRS financial measures alone.

We use KPIs to consistently measure performance against our priorities across the organization. KPIs, including those that are expressed as ratios, are non-GAAP financial measures.

There may be significant items that we do not consider indicative of our future operational and financial trends, either by nature or amount. We exclude these items when evaluating our operating financial performance. These items may not be non-recurring, but we believe that excluding these significant items from GAAP results provides a better understanding of our financial performance when considered in conjunction with the GAAP results. Financial metrics that have been adjusted to take into account these significant items are referred to as “Adjusted” metrics. Adjusted metrics are non-GAAP financial measures and are intended to provide additional information to readers of the MD&A.

A description of the non-GAAP financial measures used by us in this MD&A is set out below. A quantitative reconciliation from each non-GAAP financial measure to their most directly comparable measure, where available, specified, defined, or determined under GAAP and used in our consolidated financial statements (GAAP measures) can be found on pages 33 - 40 of this MD&A.

Adjusted net income and Adjusted basic EPS

Adjusted net income excludes from net income the after-tax amounts of significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance. The tax impact of each significant item is calculated by applying the relevant applicable tax rate for the jurisdiction in which the significant item occurred.

Adjusted basic EPS is calculated by dividing Adjusted net income by the weighted average number of common shares outstanding during the period.

A reconciliation between net income and basic EPS (the most directly comparable GAAP measure) and Adjusted net income and Adjusted basic EPS can be found on pages 5 and 11 of this MD&A.

EBITDA, Adjusted EBITDA, and Adjusted EBIT

EBITDA is defined as earnings before finance costs, income taxes, depreciation, and amortization. We use EBITDA to assess and evaluate the financial performance of our reportable segments. We believe that EBITDA improves comparability between periods by eliminating the impact of finance costs, income taxes, depreciation, and amortization.

Adjusted EBIT and Adjusted EBITDA exclude items that are not considered to be indicative of operational and financial trends, either by nature or amount, to provide a better overall understanding of our underlying business performance.

EBITDA is calculated by adding depreciation and amortization to EBIT. Adjusted EBITDA is calculated by adding depreciation and amortization to Adjusted EBIT.

The most directly comparable GAAP measure to EBITDA is EBIT.

A reconciliation from EBIT to EBITDA, Adjusted EBIT, and Adjusted EBITDA for the consolidated operations for the last nine quarters is as follows:

3 months ended	**2020**			2019				2018 [1]	
($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**138**	52	94	97	129	137	62	91	93
Depreciation and amortization	**77**	78	76	73	72	76	72	49	49
EBITDA	**215**	130	170	170	201	213	134	140	142
EBITDA – last 12 months	**685**	671	754	718	688	629	587	610	624
EBIT	**138**	52	94	97	129	137	62	91	93
Significant items:									
CEWS support	**(37)**	(64)	—	—	—	—	—	—	—
Severance costs	**—**	42	—	—	2	—	18	—	—
Facility closures, restructuring costs, and impairment losses	**—**	9	—	—	1	—	7	—	—
Acquisition costs related to 4Refuel	**—**	—	—	—	—	—	4	—	—
Write-off and loss related to ***Energyst***	**—**	—	—	—	—	—	—	—	30
Adjusted EBIT	**101**	39	94	97	132	137	91	91	123
Depreciation and amortization	**77**	78	76	73	72	76	72	49	49
Adjusted EBITDA	**178**	117	170	170	204	213	163	140	172
Adjusted EBIT – last 12 months	**331**	362	460	457	451	442	431	446	465
Adjusted EBITDA – last 12 months	**635**	661	757	750	720	688	646	633	648

[1] Comparative results prior to Q1 2019 have not been restated for our adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the Canadian operations for the last nine quarters is as follows:

3 months ended	**2020**			2019				2018 [(1)]	
($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**93**	63	60	72	82	92	50	71	78
Significant items:									
CEWS support	**(35)**	(60)	—	—	—	—	—	—	—
Severance costs	**—**	20	—	—	—	—	10	—	—
Facility closures, restructuring costs, and impairment losses	**—**	5	—	—	—	—	7	—	—
Adjusted EBIT	**58**	28	60	72	82	92	67	71	78
Depreciation and amortization	**48**	47	43	42	43	46	43	26	26
Adjusted EBITDA	**106**	75	103	114	125	138	110	97	104
Adjusted EBIT – last 12 months	**218**	242	306	313	312	308	293	290	285

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the South American operations for the last nine quarters is as follows:

3 months ended	**2020**			2019				2018 [(1)]	
($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**40**	2	38	31	42	41	6	12	37
Significant items:									
Severance costs	**—**	17	—	—	2	—	8	—	—
Facility closures, restructuring costs, and impairment losses	**—**	4	—	—	1	—	—	—	—
Adjusted EBIT	**40**	23	38	31	45	41	14	12	37
Depreciation and amortization	**19**	22	22	20	20	21	20	17	15
Adjusted EBITDA	**59**	45	60	51	65	62	34	29	52
Adjusted EBIT – last 12 months	**132**	137	155	131	112	104	110	142	182

A reconciliation from EBIT to Adjusted EBIT and Adjusted EBITDA for the UK & Ireland operations for the last nine quarters is as follows:

3 months ended	**2020**			2019				2018 [(1)]	
($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
EBIT	**9**	(5)	1	5	14	14	13	12	15
Significant items:									
Severance costs	**—**	4	—	—	—	—	—	—	—
Adjusted EBIT	**9**	(1)	1	5	14	14	13	12	15
Depreciation and amortization	**9**	9	10	10	8	9	9	6	8
Adjusted EBITDA	**18**	8	11	15	22	23	22	18	23
Adjusted EBIT – last 12 months	**14**	19	34	46	53	54	54	51	47

[(1)] Comparative results prior to Q1 2019 have not been restated for our adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

EBITDA to Free Cash Flow Conversion

EBITDA to Free Cash Flow Conversion is calculated as EBITDA (defined and calculated on pages 32 - 33) divided by free cash flow (defined and calculated on page 35). We use EBITDA to Free Cash Flow Conversion to assess our efficiency in turning EBITDA into cash.

Equipment Backlog and Order Intake

Our global equipment backlog is defined as the retail value of new equipment units ordered by customers for future deliveries. Order intake represents committed new equipment orders. We use equipment backlog and order intake as measures of projecting future new equipment deliveries. There are no directly comparable IFRS measures for equipment backlog and order intake.

Free Cash Flow

Free Cash Flow is defined as cash flow provided by or used in operating activities less net additions to property, plant, and equipment and intangible assets, as disclosed in our Interim Financial Statements. We use Free Cash Flow to assess cash operating performance and the ability to raise and service debt. A reconciliation of Free Cash Flow is as follows:

3 months ended	**2020**			2019				2018 [1]	
($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cash flow provided by (used in) operating activities	**340**	319	(14)	438	204	(127)	(324)	490	(6)
Additions to property, plant, and equipment and intangible assets	**(26)**	(17)	(38)	(54)	(40)	(37)	(23)	(77)	(46)
Proceeds on disposal of property, plant, and equipment	**2**	10	2	2	1	2	—	5	3
Free Cash Flow	**316**	312	(50)	386	165	(162)	(347)	418	(49)

Inventory Turns (Dealership)

Inventory Turns (Dealership) is the number of times our dealership inventory is sold and replaced over a period. We use this metric to measure asset utilization. Inventory Turns (Dealership) is calculated as annualized cost of sales (excluding cost of sales related to the mobile refueling operations) for the last six months divided by average inventory (excluding fuel inventory), based on an average of the last two quarters, as follows:

	2020			2019				2018 [1]	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cost of sales (3 months ended)	**1,163**	1,075	1,140	1,483	1,500	1,655	1,380	1,429	1,306
Cost of sales related to mobile refueling operations (3 months ended)	**(124)**	(95)	(133)	(168)	(156)	(156)	(99)	—	—
Cost of sales related to the dealership (3 months ended)	**1,039**	980	1,007	1,315	1,344	1,499	1,281	1,429	1,306
Inventory	**1,626**	1,893	2,152	1,990	2,215	2,366	2,356	2,061	2,017
Fuel inventory	**(2)**	(2)	(3)	(3)	(3)	(3)	(3)	—	—
Inventory related to the dealership	**1,624**	1,891	2,149	1,987	2,212	2,363	2,353	2,061	2,017
Cost of sales related to the dealership – annualized	**4,039**	3,973	4,644	5,317	5,686	5,559	5,420	5,470	5,139
Inventory related to the dealership – 2 quarter average	**1,757**	2,020	2,068	2,099	2,287	2,359	2,208	2,039	1,992
Inventory turns (dealership) (number of times)	**2.30**	1.97	2.25	2.53	2.49	2.36	2.46	2.68	2.58

(1) Comparative results prior to Q1 2019 have not been restated for our adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Invested Capital

Invested capital is calculated as net debt plus shareholders' equity. Invested capital is also calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term and long-term debt, net of cash and cash equivalents. We use invested capital as a measure of the total cash investment made in Finning and in each reportable segment. We use invested capital in a number of different measurements in assessing financial performance against other companies and between reportable segments. Invested capital is calculated as follows:

	2020			2019				2018 [1]	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Cash and cash equivalents	**(453)**	(338)	(260)	(268)	(252)	(160)	(290)	(454)	(221)
Short-term debt	**217**	158	329	226	532	751	658	154	223
Current portion of long-term debt	**200**	200	200	200	200	—	—	—	—
Long-term debt	**1,136**	1,348	1,381	1,318	1,325	1,321	1,341	1,354	1,315
Net debt	**1,100**	1,368	1,650	1,476	1,805	1,912	1,709	1,054	1,317
Shareholders' equity	**2,184**	2,127	2,233	2,115	2,102	2,052	2,044	2,109	2,114
Invested capital	**3,284**	3,495	3,883	3,591	3,907	3,964	3,753	3,163	3,431

(1) Comparative results prior to Q1 2019 have not been restated for our adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Invested Capital Turnover

We use invested capital turnover to measure the efficiency of our invested capital and is calculated as net revenue (defined and calculated on page 38) for the last twelve months divided by invested capital (defined and calculated on page 36) based on an average of the last four quarters, as follows:

	2020			2019				2018 [1]	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Consolidated									
Net revenue – last 12 months	**5,974**	6,350	7,010	7,290	7,375	7,311	7,045	6,996	6,887
Invested capital – 4 quarter average	**3,563**	3,719	3,836	3,804	3,697	3,578	3,427	3,295	3,212
Invested capital turnover (number of times)	**1.68**	1.71	1.83	1.92	1.99	2.04	2.06	2.12	2.14
Canada									
Net revenue – last 12 months	**3,156**	3,406	3,775	3,927	3,964	3,896	3,729	3,674	3,525
Invested capital – 4 quarter average	**2,019**	2,091	2,153	2,167	2,079	1,999	1,888	1,795	1,782
Invested capital turnover (number of times)	**1.56**	1.63	1.75	1.81	1.91	1.95	1.98	2.05	1.98
South America									
Net revenue – last 12 months	**1,944**	2,042	2,199	2,226	2,217	2,198	2,123	2,170	2,250
Invested capital – 4 quarter average	**1,166**	1,226	1,271	1,250	1,249	1,223	1,195	1,169	1,117
Invested capital turnover (number of times)	**1.67**	1.67	1.73	1.78	1.77	1.80	1.78	1.86	2.01
UK & Ireland									
Net revenue – last 12 months	**874**	902	1,036	1,137	1,194	1,217	1,193	1,152	1,112
Invested capital – 4 quarter average	**365**	389	399	382	376	373	368	358	337
Invested capital turnover (number of times)	**2.39**	2.32	2.60	2.98	3.18	3.27	3.25	3.22	3.30

Net Debt to EBITDA Ratio and Net Debt to Adjusted EBITDA Ratio

These ratios are calculated, respectively, as net debt (defined and calculated on page 36) divided by EBITDA, and net debt divided by Adjusted EBITDA, for the last twelve months. We use these ratios to assess operating leverage and ability to repay debt. These ratios approximate the length of time, in years, that it would take us to repay debt, with net debt and EBITDA or Adjusted EBITDA held constant. These ratios are calculated as follows:

	2020			2019				2018 [1]	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Net debt	**1,100**	1,368	1,650	1,476	1,805	1,912	1,709	1,054	1,317
EBITDA – last 12 months	**685**	671	754	718	688	629	587	610	624
Adjusted EBITDA – last 12 months	**635**	661	757	750	720	688	646	633	648
Net Debt to EBITDA Ratio	**1.6**	2.0	2.2	2.1	2.6	3.0	2.9	1.7	2.1
Net Debt to Adjusted EBITDA Ratio	**1.7**	2.1	2.2	2.0	2.5	2.8	2.6	1.7	2.0

(1) Comparative results prior to Q1 2019 have not been restated for our adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Net Revenue, Gross Profit as a % of Net Revenue, SG&A as a % of Net Revenue, EBITDA as a % of Net Revenue, and EBIT as a % of Net Revenue

Net revenue is defined as total revenue less the cost of fuel related to the mobile refueling operations in our Canadian operations. As these fuel costs are pass-through in nature for this business, we view net revenue as more representative in assessing the performance of the business because the rack price for the cost of fuel is fully passed through to the customer and is not in our control.

Prior to 2019, net revenue from all operations was the same as total revenue and our non-GAAP financial measures, including KPIs and ratios, were calculated using total revenue. Effective Q1 2019, these financial measures are calculated using net revenue. For our South American and UK & Ireland operations, net revenue is the same as total revenue.

We use these measures, including KPIs and ratios, to assess and evaluate the financial performance or profitability of our reportable segments. We may also calculate these financial measures using an Adjusted EBITDA and Adjusted EBIT to exclude significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance.

The most directly comparable GAAP measure to net revenue is total revenue. The ratios are calculated, respectively, as gross profit divided by net revenue, SG&A divided by net revenue, EBITDA divided by net revenue, and EBIT divided by net revenue. Net revenue and these ratios are calculated as follows:

3 months ended	**2020**			2019				2018 [(1)]	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total revenue	**1,553**	1,419	1,558	1,911	1,959	2,137	1,810	1,842	1,755
Cost of fuel	**(110)**	(84)	(119)	(154)	(140)	(142)	(91)	—	—
Net revenue	**1,443**	1,335	1,439	1,757	1,819	1,995	1,719	1,842	1,755
Gross profit	**390**	344	418	428	459	482	430	413	449
Gross profit as a % of net revenue	***27.0%***	*25.7%*	*29.1%*	*24.3%*	*25.3%*	*24.1%*	*25.0%*	*22.4%*	*25.6%*
SG&A	**290**	306	325	334	333	350	343	324	330
SG&A as a % of net revenue	***20.1%***	*22.9%*	*22.6%*	*19.0%*	*18.3%*	*17.5%*	*20.0%*	*17.6%*	*18.9%*
EBITDA	**215**	130	170	170	201	213	134	140	142
EBITDA as a % of net revenue	***14.9%***	*9.7%*	*11.8%*	*9.7%*	*11.1%*	*10.7%*	*7.8%*	*7.6%*	*8.1%*
Adjusted EBITDA	**178**	117	170	170	204	213	163	140	172
Adjusted EBITDA as a % of net revenue	***12.3%***	*8.8%*	*11.8%*	*9.7%*	*11.2%*	*10.7%*	*9.4%*	*7.6%*	*9.7%*
EBIT	**138**	52	94	97	129	137	62	91	93
EBIT as a % of net revenue	***9.6%***	*3.9%*	*6.6%*	*5.5%*	*7.1%*	*6.9%*	*3.6%*	*4.9%*	*5.3%*
Adjusted EBIT	**101**	39	94	97	132	137	91	91	123
Adjusted EBIT as a % of net revenue	***7.0%***	*2.9%*	*6.6%*	*5.5%*	*7.3%*	*6.9%*	*5.3%*	*4.9%*	*7.0%*

(1) Comparative results prior to Q1 2019 have not been restated for our adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

ROIC and Adjusted ROIC

Return on Invested Capital, or ROIC, is defined as EBIT for the last twelve months divided by invested capital (calculated on page 36) based on an average of the last four quarters, expressed as a percentage.

We view ROIC as a useful measure for supporting investment and resource allocation decisions, as it adjusts for certain items that may affect comparability between certain competitors and segments. We may also calculate an Adjusted ROIC using Adjusted EBIT to exclude significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of our underlying business performance.

ROIC and Adjusted ROIC is calculated as follows:

	2020			2019				2018 [(1)]	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Consolidated									
EBIT – last 12 months	**381**	372	457	425	419	383	372	423	441
Adjusted EBIT – last 12 months	**331**	362	460	457	451	442	431	446	465
Invested capital – 4 quarter average	**3,563**	3,719	3,836	3,804	3,697	3,578	3,427	3,295	3,212
ROIC	**10.7%**	10.0%	11.9%	11.2%	11.3%	10.7%	10.8%	12.8%	13.7%
Adjusted ROIC	**9.3%**	9.7%	12.0%	12.0%	12.2%	12.3%	12.5%	13.5%	14.5%
Canada									
EBIT – last 12 months	**288**	277	306	296	295	291	276	297	293
Adjusted EBIT – last 12 months	**218**	242	306	313	312	308	293	290	285
Invested capital – 4 quarter average	**2,019**	2,091	2,153	2,167	2,079	1,999	1,888	1,795	1,782
ROIC	**14.3%**	13.3%	14.2%	13.7%	14.2%	14.5%	14.6%	16.6%	16.4%
Adjusted ROIC	**10.8%**	11.6%	14.2%	14.4%	15.0%	15.4%	15.5%	16.2%	16.0%
South America									
EBIT – last 12 months	**111**	113	152	120	101	96	102	142	180
Adjusted EBIT – last 12 months	**132**	137	155	131	112	104	110	142	182
Invested capital – 4 quarter average	**1,166**	1,226	1,271	1,250	1,249	1,223	1,195	1,169	1,117
ROIC	**9.5%**	9.3%	11.9%	9.6%	8.1%	7.9%	8.6%	12.2%	16.2%
Adjusted ROIC	**11.3%**	11.2%	12.2%	10.5%	9.0%	8.5%	9.2%	12.2%	16.4%
UK & Ireland									
EBIT – last 12 months	**10**	15	34	46	53	54	54	51	47
Adjusted EBIT – last 12 months	**14**	19	34	46	53	54	54	51	47
Invested capital – 4 quarter average	**365**	389	399	382	376	373	368	358	337
ROIC	**2.9%**	3.7%	8.4%	12.1%	14.1%	14.5%	14.8%	14.2%	14.0%
Adjusted ROIC	**3.9%**	4.6%	8.4%	12.1%	14.1%	14.5%	14.8%	14.2%	14.0%

(1) Comparative results prior to Q1 2019 have not been restated for our adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

Working Capital & Working Capital to Net Revenue Ratio

Working capital is defined as total current assets (excluding cash and cash equivalents) less total current liabilities (excluding short-term debt and current portion of long-term debt). We view working capital as a measure for assessing overall liquidity.

The working capital to net revenue ratio is calculated as working capital, based on an average of the last four quarters, divided by net revenue for the last twelve months. We use this KPI to assess the efficiency in our use of working capital to generate net revenue.

The working capital to net revenue ratio is calculated as follows:

	2020			2019				2018 [1]	
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Total current assets	**3,261**	3,416	3,828	3,659	3,959	4,217	4,187	3,924	3,696
Cash and cash equivalents	**(453)**	(338)	(260)	(268)	(252)	(160)	(290)	(454)	(221)
Total current assets in working capital [2]	**2,808**	3,078	3,568	3,391	3,707	4,057	3,897	3,470	3,475
Total current liabilities	**1,717**	1,735	2,112	2,026	2,331	2,584	2,574	1,992	1,734
Short-term debt	**(217)**	(158)	(329)	(226)	(532)	(751)	(658)	(154)	(223)
Current portion of long-term debt	**(200)**	(200)	(200)	(200)	(200)	—	—	—	—
Total current liabilities in working capital [3]	**1,300**	1,377	1,583	1,600	1,599	1,833	1,916	1,838	1,511
Working capital	**1,508**	1,701	1,985	1,791	2,108	2,224	1,981	1,632	1,964
Working capital – 4 quarter average	**1,746**	1,896	2,026	2,026	1,986	1,950	1,878	1,859	1,837
Net revenue – last 12 months	**5,974**	6,350	7,010	7,290	7,375	7,311	7,045	6,996	6,887
Working capital to net revenue	**29.2%**	29.9%	28.9%	27.8%	26.9%	26.7%	26.7%	26.6%	26.7%

(1) Comparative results prior to Q1 2019 have not been restated for our adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) Excluding cash and cash equivalents.

(3) Excluding short-term debt and current portion of long-term debt.

Selected Quarterly Information

($ millions, except for share, per share, and option amounts)	2020			2019				2018 [1]
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue from operations [2]								
Canada	**$ 838**	$ 789	$ 874	$ 1,122	$ 1,118	$ 1,216	$ 998	$ 1,005
South America	**479**	469	478	518	577	626	505	509
UK & Ireland	**236**	161	206	271	264	295	307	328
Total revenue	**$ 1,553**	$ 1,419	$ 1,558	$ 1,911	$ 1,959	$ 2,137	$ 1,810	$ 1,842
Net income [2][3]	**$ 88**	$ 18	$ 54	$ 50	$ 76	$ 88	$ 28	$ 55
Earnings Per Share [2][3]								
Basic EPS	**$ 0.54**	$ 0.12	$ 0.33	$ 0.31	$ 0.46	$ 0.54	$ 0.17	$ 0.33
Diluted EPS	**$ 0.54**	$ 0.12	$ 0.33	$ 0.31	$ 0.46	$ 0.54	$ 0.17	$ 0.33
Total assets [2]	**$ 5,535**	$ 5,716	$ 6,255	$ 5,990	$ 6,253	$ 6,473	$ 6,459	$ 5,696
Long-term debt								
Current	**$ 200**	$ 200	$ 200	$ 200	$ 200	$ —	$ —	$ —
Non-current	**$ 1,136**	$ 1,348	$ 1,381	$ 1,318	$ 1,325	$ 1,321	$ 1,341	$ 1,354
Total long-term debt [4]	**$ 1,336**	$ 1,548	$ 1,581	$ 1,518	$ 1,525	$ 1,321	$ 1,341	$ 1,354
Cash dividends paid per common share	**20.5¢**	20.5¢	20.5¢	20.5¢	20.5¢	20.5¢	20.0¢	20.0¢
Common shares outstanding (000's)	**162,104**	162,104	162,104	163,319	163,310	163,310	163,310	164,382
Options outstanding (000's)	**3,760**	3,758	3,353	3,416	3,547	3,550	3,055	3,164

(1) Comparative results prior to Q1 2019 have not been restated for our adoption of IFRS 16, *Leases* effective for the financial year beginning January 1, 2019.

(2) In February 2019, Finning acquired 4Refuel in its Canadian reportable segment. The results of operations and financial position of this acquired business have been included in the figures since the date of acquisition.

(3) Results were impacted by the following significant items:

($ millions except per share amounts)	2020		2019 [a]	
	Q3	Q2	Q3	Q1
CEWS support	**$ (37)**	$ (64)	$ —	$ —
Severance costs	**—**	42	2	18
Facility closures, restructuring costs, and impairment losses	**—**	9	1	7
Acquisition costs related to 4Refuel	**—**	—	—	4
Impact of significant items on EBIT	**$ (37)**	$ (13)	$ 3	$ 29
Significant items impacting EBIT - impact on basic EPS [b]	**$ (0.17)**	$ (0.06)	$ 0.01	$ 0.13
Significant items impacting net income only - impact on basic EPS [b]:				
Tax impact of devaluation of ARS [c]	**—**	—	0.02	—
Impact of significant items on basic EPS [b]:	**$ (0.17)**	$ (0.06)	$ 0.03	$ 0.13

(a) There were no significant items in Q1 2020, Q4 2019, Q2 2019, and Q4 2018.
(b) The per share impact for each quarter has been calculated using the weighted average number of shares issued and outstanding during the respective quarters; therefore, quarterly amounts may not add to the annual or year to date total.
(c) Tax impact of devaluation of ARS Q3 2019 ($4 million).

(4) In July 2020, we settled our 3.232%, $200 million note which was due July 3, 2020.

In April 2020, we 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 of the existing $1.3 billion committed revolving credit facility.

In December 2019, we amended the credit facility which was set to fully mature in December 2023 by, among other things, extending the maturity date to December 2024.

In August 2019, we issued $200 million of 2.626% senior unsecured notes due August 14, 2026. Proceeds of the issuance were used to reduce outstanding short-term debt under our committed revolving credit facility.

Forward-Looking Information Disclaimer

This report contains information about our business outlook, objectives, plans, strategic priorities and other statements that is not historical fact. Information is forward-looking when we use what we know and expect today to given information about the future. Forward-looking information may include terminology such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will, and variations of such terminology. Forward-looking information in this report includes, but is not limited to, the following: the effects of COVID-19 and volatile oil and other commodity prices are expected to have a material negative impact on our 2020 financial results; we are positioned well for an economic recovery; expected results from execution of our strategic framework, including our Global Strategic Priorities, strategic pillars, and strategic focus areas; we will continue to pursue our strategy, while maintaining immediate focus on preserving financial and operational flexibility as we deal with the uncertain impacts of COVID-19; our effective tax rate will generally be within the 25-30% range on an annual basis; our outlook for our Canadian operations, including: oil sands production is expected to increase in 2021 compared to 2020, oil sands contractors are expected to ramp up machine utilization further in Q4 2020 and into 2021 and product support activity in the oil sands is expected to improve in Q4 2020 and into 2021 driven by catch up on major rebuild and maintenance work and an increase in oil production and non-production mining activities; the improved outlook for copper and precious and other metals; coal prices will remain soft; expected improvement in mining product support activity as customers increase production output and resume full-scope maintenance activities; the large and aging large and ultra-class Caterpillar off-highway truck population in Western Canada is expected to drive opportunities for future fleet renewals, rebuilds and autonomy conversions, as well as continued demand for product support; resumption in request for proposal activity from Canadian mining customers; in construction, expected continued recovery in machine utilization hours and rental utilization is expected to drive improved demand for product support and rentals, large infrastructure programs are planned in Alberta, British Columbia and Saskatchewan, infrastructure stimulus spending announced by the federal and provincial governments is expected to provide opportunities for equipment, product support, heavy rentals, and prime and standby electric power generation in 2021 and the pricing environment is expected to remain highly competitive in the near term due to a surplus of competitive equipment inventories in Western Canada; and our expectation of imported profitability in Canada in 2021 even in a modest revenue recovery environment; our outlook for our South American operations, including: we expect mining product support revenue in Chile to recover significantly as we exit 2020 and begin 2021 and are optimistic about mining recovery in Chile in 2021, driven by a strengthened copper price and expected increase in copper production; the large and aging large and ultra-class Caterpillar off-highway truck population operating in Chile's copper mines will continue to drive demand for product support; a notable increase in request for proposal activity from mining customers in Chile; overall economic uncertainty related to the government's social reform agenda is expected to continue to impact customer confidence and the pace of economic recovery in Chile; in Argentina, market activity is expected to remain at low levels due to a challenging economic environment; management of our ARS currency exposure to the extent possible; maintenance of a minim level of investment in our operations; our focus on delivering product support and ensuring our operations in Argentina remain profitable and expected limited growth opportunities in Argentina for the foreseeable future due to the government's restrictive monetary policies and capital and import controls; and that we are well positioned to deliver year over year profitability in Q4 2020 and 2021 in South America; our outlook for our UK and Ireland operations, including: HS2 is expected to ramp up slower than initially planned and begin to drive improved activity in the general construction equipment markets starting in 2021 and, over the life of this multi-year mega-project, require approximately 1,100 units of heavy equipment representing a total industry-wide direct sales opportunity of approximately £390 million and we are well-positioned to capture new equipment and products support opportunities while leveraging our technology solutions related to earthmoving work for HS2; we expect to continue benefitting from strong demand in the electric power capacity, combined heat and power, and data centre markets and a large backlog of high-quality power systems projects is expected to drive the UK operation's revenue in Q4 2020 and into 2021; in a second wave of COVID-19, we do not expect to see the same extent of lockdown measures implemented in the sectors we serve in the UK and Ireland as were implemented in the second quarter; and the continuing degree of risk and uncertainty from Brexit for economic activity and supply chain logistics in the UK and Ireland and our action plan with Caterpillar to minimize the potential impact on the supply chain during the Brexit transition; our outlook related to our cost actions to drive earnings capacity in a recovery: that while we are on track to deliver more than $100 million of annualized cost savings, we expect that approximately one-third of our workforce will return when market activity fully recovers, which will be mostly revenue generating employees in lower cost locations; our goal to reduce SG&A as a percentage of net revenue to about 17% in mid-cycle; our positive overall outlook for the balance of 2020 and into 2021; our expectation to generate higher earnings on a modestly lower revenue base in Q4 2020 compared to Q4 2019; our expectation that, given economic uncertainties in all our regions, our 2021 revenue will be below 2019; our expectation to achieve an EBITDA to FCF conversion of approximately 100% in 2020; and while we expect positive free cash flow in Q4 2020, we are planning for revenue recovery and increasing inventory purchasing in Q4 2020; that we continue to have sufficient liquidity to meet operational needs; that we continually monitor our significant

accounting policies related to allowances for doubtful accounts, inventory, goodwill, intangible assets with indefinite lives and CGUs, and property, plant, and equipment, rental equipment and intangible assets with finite lives; that we will continue evaluating government programs and subsidies in all jurisdictions where we carry on business, with a goal to maximize flexibility and preserve critical talent and capabilities through this disruptive period; that we will continue to closely monitor credit risk; about our plans to manage financial risks and uncertainties; about the expected impact of the COVID-19 pandemic on our operations; and about our plans to manage the risks and uncertainties associated with the spread of COVID-19.

All such forward-looking information is provided pursuant to the ‘safe harbour’ provisions of applicable Canadian securities laws. Unless otherwise indicated by us, forward-looking information in this report reflects our expectations at the date in this MD&A. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise.

Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on a number of assumptions which give rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking information and that our business outlook, objectives, plans, strategic priorities and other information that is not historical fact may not be achieved. As a result, we cannot guarantee that any forward-looking information will materialize.

Factors that could cause actual results or events to differ materially from those expressed in or implied by this forward-looking information include: the impact and duration of the COVID-19 pandemic and measures taken by governments, customers and suppliers in response; general economic and market conditions and economic and market conditions in the regions where we operate; foreign exchange rates; commodity prices; the impact of changes in the UK’s trade relationship with the European Union as a result of Brexit; the level of customer confidence and spending, and the demand for, and prices of, our products and services; our ability to maintain our relationship with Caterpillar; our dependence on the continued market acceptance of our products, including Caterpillar products, and the timely supply of parts and equipment; our ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; our ability to manage cost pressures as growth in revenue occurs; our ability to negotiate satisfactory purchase or investment terms and prices, obtain necessary approvals, and secure financing on attractive terms or at all; our ability to manage growth strategy effectively; our ability to effectively price and manage long-term product support contracts with customers; our ability to reduce costs in response to slowing activity levels; our ability to drive continuous cost efficiency in a recovering market; our ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; our ability to negotiate and renew collective bargaining agreements with satisfactory terms for both Finning and our employees; the intensity of competitive activity; our ability to maintain a safe and healthy work environment across all regions, our ability to raise the capital needed to implement our business plan; regulatory initiatives or proceedings, litigation and changes in laws, regulations, or policies; stock market volatility; changes in political and economic environments in the regions where we carry on business; our ability to respond to climate change-related risks; the occurrence of one or more natural disasters, pandemic outbreaks, geo-political events, acts of terrorism, social unrest or similar disruptions; fluctuations in defined benefit pension plan contributions and related pension expenses; the availability of insurance at commercially reasonable rates; the adequacy of insurance to cover all liability or loss that we incur; the potential of warranty claims being greater than we anticipate; the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology; our ability to protect our business from cybersecurity threats or incidents; and the actual impact of the COVID-19 pandemic and our ability to respond to and manage the evolving risks. Forward-looking statements are provided in this report to give information about management’s current expectations and plans and allow investors and others to get a better understanding of our operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this report are based on a number of assumptions that we believed were reasonable on the day we made the forward-looking statements including but not limited to (i) that we will be able to successfully manage our business through the current challenging times involving the effects of the COVID-19 response and low and/or volatile commodity prices and successfully implement our COVID-19 risk management plans; (ii) that our cost actions to drive earnings capacity in a recovery, including the lower cost base in Canada, improved operational execution in South America, and tight management of costs in the UK and Ireland, can be sustained, including that we will be able to manage the return of our workforce in lower cost jurisdictions/regions as planned; (iii) that our action plan to minimize the impact of Brexit will be successful; (iv) that general economic and market conditions will improve; (v) that the level of customer confidence and spending, and the demand for, and prices of, our products and services will be maintained; (vi) our ability to successfully execute our plans and intentions; (vii) our ability to successfully attract and retain skilled staff; (viii) market competition will remain at similar levels; (ix) the products and technology offered by our competitors will be as expected; and (x) that our current good relationships with Caterpillar, our customers and our suppliers, service providers and other third parties will be maintained. Refer in particular to the Outlook section of this MD&A for forward-looking statements. Some of the

assumptions, risks, and other factors, which could cause results to differ materially from those expressed in the forward-looking information contained in this report, are discussed in Section 4 of current AIF and in the annual MD&A for the financial risks.

We caution readers that the risks described in the MD&A and the AIF are not the only ones that could impact us. We cannot accurately predict the full impact that COVID-19 will have on our business, results of operations, financial condition or the demand for our services, due in part to the uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, the steps our customers and suppliers may take in current circumstances, including slowing or halting operations, the duration of travel and quarantine restrictions imposed by governments and other steps that may be taken by such governments to respond to the pandemic. Additional risks and uncertainties not currently known to us or that are currently deemed to be immaterial may also have a material adverse effect on our business, financial condition, or results of operation.

Except as otherwise indicated, forward-looking information does not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date of this report. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.

Glossary of Defined Terms

4Refuel	4Refuel Canada and 4Refuel US
AIF	Annual Information Form
Annual Financial Statements	Audited annual consolidated financial statements
ARS	Argentine Peso
Audit Committee	Audit Committee of the Board of Directors of Finning
Board	Board of Directors of Finning
Brexit	Withdrawal of the UK from the European Union
CAD	Canadian dollar
Caterpillar	Caterpillar Inc.
CEO	Chief Executive Officer
CEWS	Canadian Emergency Wage Subsidy
CFO	Chief Financial Officer
CGU	Cash-generating unit
CJRS	Coronavirus Job Retention Scheme
CLP	Chilean Peso
Consol	Consolidated
COVID-19	Novel Coronavirus
DBRS	Dominion Bond Rating Service
EBIT	Earnings (loss) before finance costs and income tax
EBITDA	Earnings (loss) before finance costs, income tax, depreciation, and amortization
Energyst	Energyst B.V.
EPS	Earnings per share
ERM	Enterprise risk management
fav	Favourable
Finning	Finning International Inc.
Finning (Canada)	A division of Finning, with dealer territories in British Columbia, Alberta, Saskatchewan, the Yukon Territory, the Northwest Territories, and a portion of Nunavut
GAAP	Generally accepted accounting principles
GBP	UK pound sterling
GDP	Gross domestic product
HS2	High Speed 2, a partly planned high speed railway in the UK
IAMAW	International Association of Machinists and Aerospace Workers Union
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Interim Financial Statements	Interim condensed consolidated financial statements
KPI	Key performance indicator
MD&A	Management's Discussion and Analysis
n/a	not applicable
n/m	% change not meaningful
NCIB	Normal course issuer bid
OEM	OEM Remanufacturing Company Inc.
PLM	PipeLine Machinery International
QB2	Quebrada Blanca Phase 2
ROIC	Return on invested capital
S&P	Standard and Poor's
SEDAR	System for Electronic Document Analysis
SG&A	Selling, general, and administrative costs
UK	United Kingdom
unfav	Unfavourable
US	United States of America
USD	US dollar
YTD	Year-to-date

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 September 30		9 months ended 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

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 September 30 **2020**	3 months ended September 30 2019	9 months ended September 30 **2020**	9 months ended September 30 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: Number of shares	Share Capital: Amount	Contributed Surplus	Accumulated Other Comprehensive Income (Loss): Impact of Foreign Currency Translation and Net Investment Hedges	Accumulated Other Comprehensive Income (Loss): Impact of Cash Flow Hedges	Retained Earnings	Total Shareholders' Equity
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 2020	3 months ended September 30 2019	9 months ended September 30 2020	9 months ended September 30 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 ($ millions)	**As reported**	**Lease liability (current portion)**	**Commodity taxes payable**	**Provisions (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.

3. Earnings Per Share

($ millions, except share and per share amounts)	3 months ended September 30			9 months ended September 30		
2020	**Net Income**	**Shares**	**Per Share**	**Net Income**	**Shares**	**Per Share**
Basic earnings per share (EPS):						
Net income, weighted average shares outstanding, EPS	**$ 88**	**162,103,503**	**$ 0.54**	**$ 160**	**162,351,640**	**$ 0.99**
Effect of dilutive share options	**—**	**73,519**	**—**	**—**	**11,099**	**—**
Diluted EPS:						
Net income and assumed conversions	**$ 88**	**162,177,022**	**$ 0.54**	**$ 160**	**162,362,739**	**$ 0.99**
2019						
Basic EPS:						
Net income, weighted average shares outstanding, EPS	$ 76	163,310,284	$ 0.46	$ 192	163,465,427	$ 1.17
Effect of dilutive share options	—	49,453	—	—	67,893	—
Diluted EPS:						
Net income and assumed conversions	$ 76	163,359,737	$ 0.46	$ 192	163,533,320	$ 1.17

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, 2020 were 3 million (three and nine months ended September 30, 2019: 2 million).

4. Other Income and Expenses

($ millions)	3 months ended September 30		9 months ended September 30	
	2020	2019	**2020**	2019
Canada Emergency Wage Subsidy (a)	**$ 37**	$ —	**$ 101**	$ —
Other income	**$ 37**	$ —	**$ 101**	$ —

($ millions)	3 months ended September 30		9 months ended September 30	
	2020	2019	**2020**	2019
Severance costs (b)	**$ —**	$ —	**$ (42)**	$ (18)
Impairment of long-lived assets (b)	**—**	—	**(7)**	(5)
Facility closures and restructuring costs (b)	**—**	—	**(2)**	(2)
Acquisition costs (Note 9)	**—**	—	**—**	(4)
Other expenses	**$ —**	$ —	**$ (51)**	$ (29)

(a) As a result of COVID-19, some governments made available wage-subsidy programs for eligible entities who meet certain criteria. The Company records government grants when it is reasonably assured that the Company will comply with the relevant conditions and the grant will be received. In the three and nine months ended September 30, 2020, the Company recorded a $37 and $101 million benefit, respectively, from the Canada Emergency Wage Subsidy for its Canadian entities for the March 15, 2020 to September 26, 2020 period as it was reasonably assured that it complied with the relevant eligibility requirements and conditions of the grant and that the grant would be received.

(b) In 2020 and 2019, as part of actions taken to adjust to market conditions and focusing on operational efficiencies, the Company implemented plans to restructure its global workforce and facility footprint. As a result, the Company recorded provisions related to the reduction in 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

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:

	3 months ended September 30		9 months ended September 30	
($ millions)	**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:

	September 30, 2020		September 30, 2019	
9 months ended	**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:

	3 months ended September 30		**9 months ended September 30**	
(Share units granted)	**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 Canada	UK	South America	Total	September 30, 2019 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 2020	2019	9 months ended September 30 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.