

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	June 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 378	\$ 539
Accounts receivable	814	730
Unbilled receivables	249	231
Inventory	1,643	1,477
Other assets	332	237
Total current assets	3,416	3,214
Property, plant, and equipment	856	867
Rental equipment	432	430
Intangible assets	303	322
Goodwill	204	205
Distribution network	100	100
Investment in joint ventures and associate	84	85
Other assets	220	235
Total assets	\$ 5,615	\$ 5,458
LIABILITIES		
Current liabilities		
Short-term debt	\$ 114	\$ 92
Accounts payable and accruals	839	761
Deferred revenue	419	374
Current portion of long-term debt	386	201
Other liabilities	184	195
Total current liabilities	1,942	1,623
Long-term debt	903	1,107
Long-term lease liabilities	224	216
Net post-employment obligation	72	97
Other liabilities	222	209
Total liabilities	\$ 3,363	\$ 3,252
SHAREHOLDERS' EQUITY		
Share capital	\$ 573	\$ 566
Contributed surplus	—	1
Accumulated other comprehensive income	192	218
Retained earnings	1,487	1,421
Total shareholders' equity	2,252	2,206
Total liabilities and shareholders' equity	\$ 5,615	\$ 5,458

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

(Canadian \$ millions, except share and per share amounts)	3 months ended		6 months ended	
	June 30		June 30	
	2021	2020	2021	2020
Revenue				
New equipment	\$ 593	\$ 382	\$ 996	\$ 736
Used equipment	99	64	202	132
Equipment rental	54	41	99	94
Product support	927	820	1,814	1,754
Fuel and other	172	112	330	261
Total revenue	1,845	1,419	3,441	2,977
Cost of sales	(1,396)	(1,075)	(2,585)	(2,215)
Gross profit	449	344	856	762
Selling, general, and administrative expenses	(313)	(306)	(627)	(631)
Equity earnings of joint ventures	1	1	1	2
Other income (Note 4)	—	64	15	64
Other expenses (Note 4)	—	(51)	—	(51)
Earnings before finance costs and income taxes	137	52	245	146
Finance costs (Note 5)	(18)	(24)	(37)	(45)
Income before provision for income taxes	119	28	208	101
Provision for income taxes	(28)	(10)	(47)	(29)
Net income	\$ 91	\$ 18	\$ 161	\$ 72
Earnings per share (Note 3)				
Basic	\$ 0.56	\$ 0.12	\$ 0.99	\$ 0.45
Diluted	\$ 0.56	\$ 0.12	\$ 0.99	\$ 0.45
Weighted average number of shares outstanding (Note 3)				
Basic	162,213,146	162,103,503	162,219,319	162,477,072
Diluted	162,748,138	162,103,503	162,837,469	162,478,511

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 June 30		6 months ended June 30	
	2021	2020	2021	2020
Net income	\$ 91	\$ 18	\$ 161	\$ 72
Other comprehensive income (loss), net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	(26)	(81)	(47)	68
Share of foreign currency translation adjustments of joint ventures	—	1	—	(1)
Gain (loss) on net investment hedges	10	33	19	(30)
Impact of foreign currency translation and net investment hedges, net of income tax	(16)	(47)	(28)	37
(Loss) gain on cash flow hedges	(1)	1	(2)	6
Gain on cash flow hedges, reclassified to net income	—	—	—	(2)
Recovery of (provision for) income taxes on cash flow hedges	1	(1)	1	(1)
Impact of cash flow hedges, net of income tax	—	—	(1)	3
Items that will not be subsequently reclassified to net income:				
Actuarial gain (loss) (Note 8)	9	(56)	25	(11)
(Provision for) recovery of income taxes on actuarial gain (loss)	(11)	12	(15)	2
Actuarial (loss) gain, net of income tax	(2)	(44)	10	(9)
Total comprehensive income (loss)	\$ 73	\$ (73)	\$ 142	\$ 103

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Canadian \$ millions, except number of shares)	Share Capital			Accumulated Other Comprehensive Income (Loss)				Total Shareholders' Equity
	Number of shares	Amount	Contributed Surplus	Investment Hedges	Impact of Foreign Currency Translation and Net Cash Flow Hedges	Impact of Cash Flow Hedges	Retained Earnings	
Balance, January 1, 2020	163,319,120	\$ 570	\$ 2	\$ 230	\$ (2)	\$ 1,315	\$ 2,115	
Net income	—	—	—	—	—	72	72	
Other comprehensive income (loss)	—	—	—	37	3	(9)	31	
Total comprehensive income	—	—	—	37	3	63	103	
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	—	—	—	—	—	(67)	(67)	
Balance, June 30, 2020	162,103,503	\$ 565	\$ 1	\$ 267	\$ (1)	\$ 1,295	\$ 2,127	
Balance, January 1, 2021	162,107,484	\$ 566	\$ 1	\$ 221	\$ (3)	\$ 1,421	\$ 2,206	
Net income	—	—	—	—	—	161	161	
Other comprehensive (loss) income	—	—	—	(28)	(1)	10	(19)	
Total comprehensive (loss) income	—	—	—	(28)	(1)	171	142	
Issued on exercise of share options	391,381	11	(3)	—	—	(8)	—	
Share option expense	—	—	2	—	—	—	2	
Hedging loss transferred to statement of financial position	—	—	—	—	3	—	3	
Repurchase of common shares	(1,079,836)	(4)	—	—	—	(30)	(34)	
Dividends on common shares	—	—	—	—	—	(67)	(67)	
Balance, June 30, 2021	161,419,029	\$ 573	\$ —	\$ 193	\$ (1)	\$ 1,487	\$ 2,252	

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		6 months ended	
	June 30		June 30	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Net income	\$ 91	\$ 18	\$ 161	\$ 72
Adjusting for:				
Depreciation and amortization	78	78	155	154
Loss on disposal of property, plant, and equipment	1	—	2	—
Impairment of long-lived assets	—	8	—	9
Final return on investment in Energyst B.V. (Note 10)	—	—	(5)	—
Equity earnings of joint ventures	(1)	(1)	(1)	(2)
Share-based payment expense (recovery)	7	9	21	(1)
Provision for income taxes	28	10	47	29
Finance costs (Note 5)	18	24	37	45
Net benefit cost of post-employment benefit plans in selling, general, and administrative expenses (Note 8)	4	3	8	7
Changes in operating assets and liabilities (Note 9)	(159)	206	(302)	93
Additions to rental fleet	(35)	(19)	(54)	(42)
Additions to rental equipment with purchase options	(21)	(35)	(34)	(51)
Proceeds on disposal of rental fleet	16	24	33	42
Proceeds on disposal of rental equipment with purchase options	3	8	13	10
Interest paid	(16)	(24)	(37)	(47)
Income tax (paid) refund	(6)	10	(24)	(13)
Cash flow provided by operating activities	8	319	20	305
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	(17)	(17)	(50)	(55)
Proceeds on disposal of property, plant, and equipment	5	10	6	12
Consideration for business acquisition, net of cash acquired (Note 10)	—	—	(13)	—
Decrease in long-term investment	—	—	7	—
Return on investment in Energyst B.V.	—	—	6	—
Cash flow used in investing activities	(12)	(7)	(44)	(43)
FINANCING ACTIVITIES				
Increase (decrease) in short-term debt (Note 9)	14	(155)	25	(77)
Decrease in lease liabilities (Note 9)	(21)	(22)	(42)	(44)
Credit facility fee	—	(1)	—	(1)
Repurchase of common shares	(34)	—	(34)	(23)
Dividends paid	(33)	(33)	(67)	(67)
Cash flow used in financing activities	(74)	(211)	(118)	(212)
Effect of currency translation on cash balances	(13)	(23)	(19)	20
(Decrease) increase in cash and cash equivalents	(91)	78	(161)	70
Cash and cash equivalents, beginning of period	469	260	539	268
Cash and cash equivalents, end of period (Note 9)	\$ 378	\$ 338	\$ 378	\$ 338

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

1. SIGNIFICANT ACCOUNTING POLICIES, KEY ASSUMPTIONS, AND SIGNIFICANT JUDGMENTS

These unaudited interim condensed consolidated financial statements (Interim Statements) of Finning International Inc. and its subsidiaries (together, Finning or the Company) have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and therefore these Interim Statements should be read in conjunction with the December 31, 2020 audited annual consolidated financial statements and the notes to such financial statements.

These Interim Statements are based on the IFRS issued and effective for the current year. The Interim Statements were authorized for issuance by the Company's Board of Directors on August 3, 2021. The Company has applied the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policies disclosed below:

a) Amendments to Standards

The Company has adopted the following amendments to IFRS:

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

b) Future Accounting Pronouncements

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

- Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* (effective January 1, 2022) clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendments apply to contracts existing at the date when the amendments are first applied. Management is currently assessing the impact of these amendments.
- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2023):
 - Clarify the presentation of liabilities in the consolidated statement of financial position. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. Management is currently assessing the impact of these amendments.
 - Require entities to disclose their material accounting policy information rather than significant accounting policy information. The amendments provide guidance on how an entity can identify material accounting policy information and clarify that information may be material because of its nature, even if the related amounts are immaterial. Management will review and update the Company's financial statements to disclose material accounting policy information as appropriate when the amendments become effective.

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

2. SEGMENTED INFORMATION

The Company views net revenue (calculated as total revenue less cost of fuel) as most representative in assessing business performance as the cost of fuel is not in the Company's control and is fully passed through to the customer.

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

3 months ended June 30, 2021 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 241	\$ 141	\$ 211	\$ —	\$ 593
Used equipment	76	11	12	—	99
Equipment rental	34	10	10	—	54
Product support	496	350	81	—	927
Fuel and other	172	—	—	—	172
Total revenue	\$ 1,019	\$ 512	\$ 314	\$ —	\$ 1,845
Cost of fuel	(140)	—	—	—	(140)
Net revenue	\$ 879	\$ 512	\$ 314	\$ —	\$ 1,705
Operating costs ⁽¹⁾	(751)	(441)	(287)	(12)	(1,491)
Equity earnings of joint ventures	1	—	—	—	1
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 129	\$ 71	\$ 27	\$ (12)	\$ 215
Depreciation and amortization	(47)	(20)	(10)	(1)	(78)
Earnings (loss) before finance costs and income taxes	\$ 82	\$ 51	\$ 17	\$ (13)	\$ 137
Finance costs					(18)
Provision for income taxes					(28)
Net income					\$ 91
Invested capital ⁽²⁾	\$ 1,861	\$ 1,058	\$ 358	\$ —	\$ 3,277
Capital and rental equipment ⁽³⁾	\$ 971	\$ 379	\$ 158	\$ 83	\$ 1,591
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 10	\$ 6	\$ 3	\$ 5	\$ 24
Gross rental equipment spend ⁽⁴⁾	\$ 46	\$ 4	\$ 7	\$ —	\$ 57

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

(2) Invested capital is calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term debt and long-term debt, net of cash and cash equivalents.

(3) Capital includes property, plant and equipment and intangible assets.

(4) Includes leases and borrowing costs capitalized and excludes additions through business acquisitions.

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

3 months ended June 30, 2020 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 196	\$ 106	\$ 80	\$ —	\$ 382
Used equipment	36	12	16	—	64
Equipment rental	26	9	6	—	41
Product support	419	342	59	—	820
Fuel and other	112	—	—	—	112
Total revenue	\$ 789	\$ 469	\$ 161	\$ —	\$ 1,419
Cost of fuel	(84)	—	—	—	(84)
Net revenue	\$ 705	\$ 469	\$ 161	\$ —	\$ 1,335
Operating costs ⁽¹⁾	(631)	(424)	(153)	(11)	(1,219)
Equity earnings of joint ventures	1	—	—	—	1
Other income (Note 4)	60	—	—	4	64
Other expenses (Note 4)	(25)	(21)	(4)	(1)	(51)
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 110	\$ 24	\$ 4	\$ (8)	\$ 130
Depreciation and amortization	(47)	(22)	(9)	—	(78)
Earnings (loss) before finance costs and income taxes	\$ 63	\$ 2	\$ (5)	\$ (8)	\$ 52
Finance costs					(24)
Provision for income taxes					(10)
Net income					\$ 18
Invested capital ⁽²⁾	\$ 2,037	\$ 1,106	\$ 349	\$ 3	\$ 3,495
Capital and rental equipment ⁽³⁾	\$ 1,013	\$ 452	\$ 164	\$ 83	\$ 1,712
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 10	\$ 7	\$ 2	\$ 5	\$ 24
Gross rental equipment spend ⁽⁴⁾	\$ 48	\$ 6	\$ 1	\$ —	\$ 55

- (1) Operating costs are calculated as cost of sales less cost of fuel plus selling, general, and administrative expenses less depreciation and amortization.
- (2) Invested capital is calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term debt and long-term debt, net of cash and cash equivalents.
- (3) Capital includes property, plant and equipment and intangible assets.
- (4) Includes leases and borrowing costs capitalized and excludes additions through business acquisitions.

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

6 months ended June 30, 2021 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 407	\$ 267	\$ 322	\$ —	\$ 996
Used equipment	149	25	28	—	202
Equipment rental	61	18	20	—	99
Product support	972	684	158	—	1,814
Fuel and other	330	—	—	—	330
Total revenue	\$ 1,919	\$ 994	\$ 528	\$ —	\$ 3,441
Cost of fuel	(267)	—	—	—	(267)
Net revenue	\$ 1,652	\$ 994	\$ 528	\$ —	\$ 3,174
Operating costs ⁽¹⁾	(1,419)	(862)	(484)	(25)	(2,790)
Equity earnings of joint ventures	1	—	—	—	1
Other income (Note 4)	10	—	—	5	15
Earnings (loss) before finance costs					
income taxes, depreciation and amortization	\$ 244	\$ 132	\$ 44	\$ (20)	\$ 400
Depreciation and amortization	(93)	(40)	(20)	(2)	(155)
Earnings (loss) before finance costs					
and income taxes	\$ 151	\$ 92	\$ 24	\$ (22)	\$ 245
Finance costs					(37)
Provision for income taxes					(47)
Net income					\$ 161
Invested capital ⁽²⁾	\$ 1,861	\$ 1,058	\$ 358	\$ —	\$ 3,277
Capital and rental equipment ⁽³⁾	\$ 971	\$ 379	\$ 158	\$ 83	\$ 1,591
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 34	\$ 20	\$ 7	\$ 9	\$ 70
Gross rental equipment spend ⁽⁴⁾	\$ 71	\$ 8	\$ 10	\$ —	\$ 89

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

(2) Invested capital is calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term debt and long-term debt, net of cash and cash equivalents.

(3) Capital includes property, plant and equipment and intangible assets.

(4) Includes leases and borrowing costs capitalized and excludes additions through business acquisitions.

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

6 months ended June 30, 2020 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	\$ 358	\$ 191	\$ 187	\$ —	\$ 736
Used equipment	69	27	36	—	132
Equipment rental	59	21	14	—	94
Product support	916	708	130	—	1,754
Fuel and other	261	—	—	—	261
Total revenue	\$ 1,663	\$ 947	\$ 367	\$ —	\$ 2,977
Cost of fuel	(203)	—	—	—	(203)
Net revenue	\$ 1,460	\$ 947	\$ 367	\$ —	\$ 2,774
Operating costs ⁽¹⁾	(1,284)	(842)	(348)	(15)	(2,489)
Equity earnings of joint ventures	2	—	—	—	2
Other income (Note 4)	60	—	—	4	64
Other expenses (Note 4)	(25)	(21)	(4)	(1)	(51)
Earnings (loss) before finance costs, income taxes, depreciation and amortization	\$ 213	\$ 84	\$ 15	\$ (12)	\$ 300
Depreciation and amortization	(90)	(44)	(19)	(1)	(154)
Earnings (loss) before finance costs and income taxes	\$ 123	\$ 40	\$ (4)	\$ (13)	\$ 146
Finance costs					(45)
Provision for income taxes					(29)
Net income					\$ 72
Invested capital ⁽²⁾	\$ 2,037	\$ 1,106	\$ 349	\$ 3	\$ 3,495
Capital and rental equipment ⁽³⁾	\$ 1,013	\$ 452	\$ 164	\$ 83	\$ 1,712
Gross capital expenditures ⁽³⁾⁽⁴⁾	\$ 25	\$ 30	\$ 9	\$ 9	\$ 73
Gross rental equipment spend ⁽⁴⁾	\$ 76	\$ 12	\$ 6	\$ —	\$ 94

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

(2) Invested capital is calculated as total assets less total liabilities, excluding net debt. Net debt is calculated as short-term debt and long-term debt, net of cash and cash equivalents.

(3) Capital includes property, plant and equipment and intangible assets.

(4) Includes leases and borrowing costs capitalized and excludes additions through business acquisitions.

3. EARNINGS PER SHARE

(\$ millions, except share and per share amounts) 2021	3 months ended June 30			6 months ended June 30		
	Net Income	Shares	Per Share	Net Income	Shares	Per Share
Basic earnings per share (EPS):						
Net income, weighted average shares outstanding, EPS	\$ 91	162,213,146	\$ 0.56	\$ 161	162,219,319	\$ 0.99
Effect of dilutive share options	—	534,992	—	—	618,150	—
Diluted EPS:						
Net income and assumed conversions	\$ 91	162,748,138	\$ 0.56	\$ 161	162,837,469	\$ 0.99
2020						
Basic EPS:						
Net income, weighted average shares outstanding, EPS	\$ 18	162,103,503	\$ 0.12	\$ 72	162,477,072	\$ 0.45
Effect of dilutive share options	—	—	—	—	1,439	—
Diluted EPS:						
Net income and assumed conversions	\$ 18	162,103,503	\$ 0.12	\$ 72	162,478,511	\$ 0.45

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 six months ended June 30, 2021 were not significant (three and six months ended June 30, 2020: 4 million and 3 million respectively).

4. OTHER INCOME

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
Canada Emergency Wage Subsidy (a)	\$ —	\$ 64	\$ 10	\$ 64
Final return on investment in Energyst B.V. (Note 10)	—	—	5	—
Other income	\$ —	\$ 64	\$ 15	\$ 64
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(\$ millions)	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
Severance costs (b)	\$ —	\$ (42)	\$ —	\$ (42)
Impairment of long-lived assets (b)	—	(7)	—	(7)
Facility closures and restructuring costs (b)	—	(2)	—	(2)
Other expenses	\$ —	\$ (51)	\$ —	\$ (51)

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

5. DEBT AND FINANCE COSTS

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

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

(\$ millions)	3 months ended		6 months ended	
	June 30		June 30	
	2021	2020	2021	2020
Interest on short-term debt	\$ —	\$ 5	\$ 1	\$ 10
Interest on long-term debt	12	15	24	29
Interest on debt securities	12	20	25	39
Net interest recovery on pension and other post-employment benefit obligations (Note 8)	(1)	(1)	(1)	(1)
Interest on lease liabilities	3	3	5	6
Other finance related expenses	4	2	8	1
Finance costs	\$ 18	\$ 24	\$ 37	\$ 45

6. INCOME TAXES

The following tax rate changes were substantively enacted in the three months ended June 30, 2021:

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

7. SHARE-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:

6 months ended	June 30, 2021		June 30, 2020	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of period	3,683,449	\$ 24.40	3,416,168	\$ 25.66
Granted	366,928	\$ 33.11	694,656	\$ 17.75
Exercised	(1,941,337)	\$ 25.30	—	\$ —
Forfeited	—	\$ —	(76,421)	\$ 25.52
Expired	(3,950)	\$ 29.17	(275,937)	\$ 22.06
Options outstanding, end of period	2,105,090	\$ 25.08	3,758,466	\$ 24.46
Options exercisable, end of period	1,067,939	\$ 26.05	2,572,127	\$ 26.18

In the three and six months ended June 30, 2021, the Company granted 366,928 common share options to senior executives and management of the Company (three and six months ended June 30, 2020: 694,656 common share options). The Company only grants and prices share options when all material information has been disclosed to the market.

In the six months ended June 30, 2021, 1,941,337 options were exercised resulting in 391,381 common shares being issued; 1,549,956 options were withheld in respect of the exercise price, and returned to the option pool for future issues/grants (six months ended June 30, 2020: no options were exercised).

The fair value of the options granted has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

3 and 6 months ended June 30	2021	2020
Dividend yield	3.18%	3.16%
Expected volatility ⁽¹⁾	31.37%	32.22%
Risk-free interest rate	0.98%	0.38%
Expected life (in years)	5.18	5.34
Grant date fair value of options	\$ 6.70	\$ 3.61

⁽¹⁾ Expected volatility is based on historical share price volatility of Finning shares

Other Share-Based Payment Plans

The Company has other share-based payment plans in the form of deferred share units, performance share units, and restricted share units that use notional common share units. Grants under these plans were as follows:

(Share units granted)	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
Executive Deferred Share Unit Plan	—	—	3,585	9,085
Directors' Deferred Share Unit Plan A	12,503	21,875	24,948	57,110
Performance Share Unit Plan ⁽²⁾	318,228	562,080	318,228	562,080
Restricted Share Unit Plan	206,118	350,912	206,118	350,912

⁽²⁾ Based on 100% vesting

8. 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:

	June 30, 2021			June 30, 2020		
	Canada	UK	South America	Canada	UK	South America
Discount rate – obligation	3.2%	1.9%	1.4%	2.5%	1.5%	0.0%
Discount rate – expense ⁽¹⁾	2.7%	1.4%	(0.2)%	3.1%	2.0%	0.4%
Retail price inflation – obligation	n/m ⁽²⁾	2.9%	n/a ⁽²⁾	n/m ⁽²⁾	2.9%	n/a ⁽²⁾
Retail price inflation – expense ⁽¹⁾	n/m ⁽²⁾	2.6%	n/a ⁽²⁾	n/m ⁽²⁾	3.0%	n/a ⁽²⁾
Average staff turnover – obligation	n/m ⁽²⁾	n/m ⁽²⁾	7.9%	n/m ⁽²⁾	n/m ⁽²⁾	9.4%
Rate of compensation increase – obligation	n/m ⁽²⁾	n/a ⁽²⁾	3.0%	n/m ⁽²⁾	n/a ⁽²⁾	3.0%

⁽¹⁾ Used to determine the net interest cost and expense for the three and six months ended June 30, 2021 and June 30, 2020

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

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

3 months ended (\$ millions)	June 30, 2021				June 30, 2020			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 1	\$ 1	\$ 2	\$ 4	\$ 1	\$ 1	\$ 1	\$ 3
Net interest recovery	—	(1)	—	(1)	—	(1)	—	(1)
Net benefit cost	\$ 1	\$ —	\$ 2	\$ 3	\$ 1	\$ —	\$ 1	\$ 2
Actuarial gain on plan assets	\$ (8)	\$ (13)	\$ —	\$ (21)	(30)	\$ (84)	\$ —	\$ (114)
Actuarial loss (gain) on accrued benefit obligation	6	12	(6)	12	42	123	5	170
Total actuarial (gain) loss recognized in other comprehensive income	\$ (2)	\$ (1)	\$ (6)	\$ (9)	\$ 12	\$ 39	\$ 5	\$ 56

6 months ended (\$ millions)	June 30, 2021				June 30, 2020			
	Canada	UK	South America	Total	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	\$ 3	\$ 1	\$ 4	\$ 8	\$ 3	\$ 1	\$ 3	\$ 7
Net interest recovery	—	(1)	—	(1)	—	(1)	—	(1)
Net benefit cost	\$ 3	\$ —	\$ 4	\$ 7	\$ 3	\$ —	\$ 3	\$ 6
Actuarial loss (gain) on plan assets	\$ 3	\$ 34	\$ —	\$ 37	\$ (11)	\$ (69)	\$ —	\$ (80)
Actuarial (gain) loss on accrued benefit obligation	(16)	(34)	(12)	(62)	23	57	11	91
Total actuarial (gain) loss recognized in other comprehensive income	\$ (13)	\$ —	\$ (12)	\$ (25)	\$ 12	\$ (12)	\$ 11	\$ 11

9. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents were as follows:

June 30 (\$ millions)	2021	2020
Cash	\$ 156	\$ 105
Cash equivalents	222	233
Cash and cash equivalents	\$ 378	\$ 338

The changes in operating assets and liabilities are as follows:

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
Accounts receivable	\$ (91)	\$ 175	\$ (89)	250
Unbilled receivables	(18)	39	(23)	36
Inventory	(58)	217	(182)	132
Other assets	(42)	(45)	(108)	(41)
Accounts payable and accruals	29	(177)	85	(243)
Other liabilities	21	(3)	15	(41)
Changes in operating assets and liabilities	\$ (159)	\$ 206	\$ (302)	\$ 93

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

(\$ millions)	Short-term debt	Long-term debt	Lease liabilities	Total
Balance, January 1, 2021	\$ 92	\$ 1,308	\$ 298	\$ 1,698
Cash flows provided by (used in)				
Financing activities	25	—	(42)	(17)
Operating activities	—	—	(5)	(5)
Total cash movements	\$ 25	\$ —	\$ (47)	\$ (22)
Non-cash changes				
Additions	—	—	21	21
Disposals and remeasurement of liability	—	—	30	30
Interest expense	—	—	5	5
Foreign exchange rate changes	(3)	(19)	(2)	(24)
Total non-cash movements	\$ (3)	\$ (19)	\$ 54	\$ 32
Balance, June 30, 2021	\$ 114	\$ 1,289	\$ 305	\$ 1,708

(\$ millions)	Short-term debt	Long-term debt	Lease liabilities	Total
Balance, January 1, 2020	\$ 226	\$ 1,518	\$ 357	\$ 2,101
Cash flows used in				
Financing activities	(77)	—	(44)	(121)
Operating activities	—	—	(6)	(6)
Total cash movements	\$ (77)	\$ —	\$ (50)	\$ (127)
Non-cash changes				
Additions	—	—	17	17
Disposals and remeasurement of liability	—	—	2	2
Interest expense	—	—	6	6
Foreign exchange rate changes	9	30	(1)	38
Total non-cash movements	\$ 9	\$ 30	\$ 24	\$ 63
Balance, June 30, 2020	\$ 158	\$ 1,548	\$ 331	\$ 2,037

10. INVESTMENT AND ACQUISITION

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

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

Cash consideration of \$14 million (€9 million) was paid at the date of acquisition, funded with cash on hand. Net assets acquired include \$1 million cash, \$2 million of net working capital (comprising receivables, inventory, and payables), and \$11 million of rental assets. The purchase price allocation is not final as management is continuing to identify assets acquired and obtaining and verifying information required to determine the fair value of certain assets and liabilities, goodwill (if appropriate), and the related amount of deferred income taxes arising on their recognition. The Company expects to finalize the amounts recognized as it obtains the information necessary to complete the analysis, but no later than December 31, 2021.