

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ millions)	June 30, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	170	502
Accounts receivable	960	839
Unbilled receivables	384	270
Inventory	2,228	1,687
Other assets	356	321
Total current assets	4,098	3,619
Property, plant, and equipment	909	914
Rental equipment	417	434
Intangible assets	318	306
Goodwill (Note 10)	300	237
Net post-employment assets	151	189
Distribution network	100	100
Investment in joint ventures and associate	84	84
Other assets	93	88
Total assets	6,470	5,971
LIABILITIES		
Current liabilities		
Short-term debt (Note 5)	992	374
Accounts payable and accruals	1,093	908
Deferred revenue	411	428
Current portion of long-term debt	110	190
Other liabilities	183	255
Total current liabilities	2,789	2,155
Long-term debt	807	921
Long-term lease liabilities	236	241
Deferred tax liabilities	155	149
Other liabilities	146	162
Total liabilities	4,133	3,628
EQUITY		
Share capital	548	561
Accumulated other comprehensive income	208	212
Retained earnings	1,562	1,550
Equity attributable to shareholders of Finning International Inc.	2,318	2,323
Non-controlling interests	19	20
Total equity	2,337	2,343
Total liabilities and equity	6,470	5,971

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET INCOME

(Canadian \$ millions, except per share amounts)	3 months ended		6 months ended	
	June 30		June 30	
	2022	2021	2022	2021
Revenue				
New equipment	733	593	1,260	996
Used equipment	86	99	165	202
Equipment rental	70	54	135	99
Product support	1,075	927	2,102	1,814
Fuel and other	325	172	580	330
Total revenue	2,289	1,845	4,242	3,441
Cost of sales	(1,761)	(1,396)	(3,224)	(2,585)
Gross profit	528	449	1,018	856
Selling, general, and administrative expenses	(338)	(313)	(689)	(627)
Equity earnings of joint ventures	—	1	1	1
Other income (Note 4)	—	—	—	15
Earnings before finance costs and income taxes	190	137	330	245
Finance costs (Note 5)	(21)	(18)	(39)	(37)
Income before provision for income taxes	169	119	291	208
Provision for income taxes	(44)	(28)	(74)	(47)
Net income	125	91	217	161
Net income (loss) attributable to:				
Shareholders of Finning International Inc.	126	91	218	161
Non-controlling interests	(1)	—	(1)	—
Earnings per share (Note 3)				
Basic	0.80	0.56	1.39	0.99
Diluted	0.80	0.56	1.39	0.99

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Canadian \$ millions)	3 months ended		6 months ended	
	2022	June 30 2021	2022	June 30 2021
Net income	125	91	217	161
Other comprehensive income (loss), net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	28	(26)	(10)	(47)
(Loss) gain on net investment hedges	(8)	10	6	19
Impact of foreign currency translation and net investment hedges, net of income tax	20	(16)	(4)	(28)
Gain (loss) on cash flow hedges	6	(1)	4	(2)
Gain on cash flow hedges, reclassified to net income	(2)	—	(1)	—
(Provision for) recovery of income taxes on cash flow hedges	(1)	1	(1)	1
Impact of cash flow hedges, net of income tax	3	—	2	(1)
Items that will not be subsequently reclassified to net income:				
Actuarial (loss) gain	(11)	9	(20)	25
Recovery of (provision for) income taxes on actuarial (loss) gain	3	(11)	5	(15)
Actuarial (loss) gain, net of income tax	(8)	(2)	(15)	10
Total comprehensive income	140	73	200	142
Total comprehensive income (loss) attributable to:				
Shareholders of Finning International Inc.	141	73	201	142
Non-controlling interests	(1)	—	(1)	—

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Canadian \$ millions)	Attributable to Shareholders of Finning International Inc.						
	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total	Non- controlling Interests	Total
Balance, January 1, 2021	566	1	218	1,421	2,206	—	2,206
Net income	—	—	—	161	161	—	161
Other comprehensive (loss) income	—	—	(29)	10	(19)	—	(19)
Total comprehensive (loss) income	—	—	(29)	171	142	—	142
Exercise of share options	11	(3)	—	(8)	—	—	—
Share option expense	—	2	—	—	2	—	2
Hedging loss transferred to statement of financial position	—	—	3	—	3	—	3
Repurchase of common shares (Note 6)	(4)	—	—	(30)	(34)	—	(34)
Dividends on common shares	—	—	—	(67)	(67)	—	(67)
Balance, June 30, 2021	573	—	192	1,487	2,252	—	2,252
Balance, January 1, 2022	561	—	212	1,550	2,323	20	2,343
Net income	—	—	—	218	218	(1)	217
Other comprehensive loss	—	—	(2)	(15)	(17)	—	(17)
Total comprehensive (loss) income	—	—	(2)	203	201	(1)	200
Exercise of share options	2	(1)	—	(1)	—	—	—
Share option expense	—	1	—	—	1	—	1
Hedging gain transferred to statement of financial position	—	—	(2)	—	(2)	—	(2)
Repurchase of common shares (Note 6)	(13)	—	—	(110)	(123)	—	(123)
Share repurchase commitment under the automatic share purchase program (Note 6)	(2)	—	—	(8)	(10)	—	(10)
Dividends on common shares	—	—	—	(72)	(72)	—	(72)
Balance, June 30, 2022	548	—	208	1,562	2,318	19	2,337

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

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Canadian \$ millions)	3 months ended		6 months ended	
	June 30		June 30	
	2022	2021	2022	2021
OPERATING ACTIVITIES				
Net income	125	91	217	161
Adjusting for:				
Depreciation and amortization	81	78	162	155
Loss on disposal of property, plant, and equipment	—	1	—	2
Return on investment in Energyst B.V.	—	—	—	(5)
Equity earnings of joint ventures	—	(1)	(1)	(1)
Share-based payment (recovery) expense	(11)	7	7	21
Provision for income taxes	44	28	74	47
Finance costs (Note 5)	21	18	39	37
Net benefit cost of defined benefit pension plans and other post-employment benefit plans in selling, general, and administrative expenses	3	4	7	8
Changes in operating assets and liabilities (Note 9)	(251)	(159)	(706)	(302)
Additions to rental fleet	(29)	(35)	(44)	(54)
Additions to rental equipment with purchase options	(28)	(21)	(42)	(34)
Proceeds on disposal of rental fleet	9	16	19	33
Proceeds on disposal of rental equipment with purchase options	4	3	25	13
Interest paid	(24)	(16)	(39)	(37)
Income tax paid	(56)	(6)	(103)	(24)
Cash flow (used in) provided by operating activities	(112)	8	(385)	20
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	(30)	(17)	(60)	(50)
Proceeds on disposal of property, plant, and equipment	—	5	—	6
Consideration paid for business acquisition, net of cash acquired (Note 10)	—	—	(84)	(13)
(Increase) decrease in short-term and long-term investments	—	—	(3)	7
Return on investment in Energyst B.V.	—	—	—	6
Cash flow used in investing activities	(30)	(12)	(147)	(44)
FINANCING ACTIVITIES				
Increase in short-term debt (Note 9)	170	14	608	25
Decrease in long-term debt (Note 9)	(63)	—	(188)	—
Decrease in lease liabilities (Note 9)	(20)	(21)	(39)	(42)
Repurchase of common shares	(61)	(34)	(122)	(34)
Dividends paid	(36)	(33)	(72)	(67)
Cash flow (used in) provided by financing activities	(10)	(74)	187	(118)
Effect of currency translation on cash balances	27	(13)	13	(19)
Decrease in cash and cash equivalents	(125)	(91)	(332)	(161)
Cash and cash equivalents, beginning of period	295	469	502	539
Cash and cash equivalents, end of period (Note 9)	170	378	170	378

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

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

These unaudited condensed interim consolidated financial statements (Interim Financial Statements) of Finning International Inc. and its subsidiaries (together, Finning or the Company) have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and therefore these Interim Financial Statements should be read in conjunction with the December 31, 2021 audited annual consolidated financial statements and the notes to such financial statements.

These Interim Financial Statements are based on the IFRS issued and effective for the current year. The Interim Financial Statements were authorized for issuance by the Company's Board of Directors on August 2, 2022. 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 IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* (effective January 1, 2022) clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendments apply to contracts existing at the date when the amendments are first applied. On adoption of this amendment, there was no impact to the Company's consolidated financial statements.

b) Future Accounting Pronouncements

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

- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2023):
 - Clarify the presentation of liabilities in the consolidated statement of financial position. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. Management is currently assessing the impact of these amendments.
 - Require entities to disclose their material accounting policy information rather than significant accounting policy information. The amendments provide guidance on how an entity can identify material accounting policy information and clarify that information may be material because of its nature, even if the related amounts are immaterial. Management will review and update the Company's financial statements to disclose material accounting policy information as appropriate when the amendments become effective.
- Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (effective January 1, 2023) introduce a definition of 'accounting estimates' and clarify the difference between changes in accounting policies and changes in accounting estimates. These amendments will impact changes in accounting policies and changes in accounting estimates made after these amendments are adopted by the Company.
- Amendments to IAS 12, *Income Taxes* (effective January 1, 2023) clarify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of the related asset and liability. Management is currently assessing the impact of these amendments.

2. SEGMENTED INFORMATION

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

3 months ended June 30, 2022 (\$ millions)	Canada	South America	UK & Ireland	Other	Total
Revenue					
New equipment	249	242	242	—	733
Used equipment	71	8	7	—	86
Equipment rental	45	14	11	—	70
Product support	608	373	94	—	1,075
Fuel and other	325	—	—	—	325
Total revenue	1,298	637	354	—	2,289
Cost of fuel	(285)	—	—	—	(285)
Net revenue	1,013	637	354	—	2,004
Operating costs (recovery) ⁽¹⁾	(864)	(550)	(321)	2	(1,733)
Earnings before finance costs, income taxes, depreciation, and amortization	149	87	33	2	271
Depreciation and amortization	(47)	(23)	(10)	(1)	(81)
Earnings before finance costs and income taxes	102	64	23	1	190
Finance costs					(21)
Provision for income taxes					(44)
Net income					125
Invested capital ⁽²⁾	2,319	1,203	458	96	4,076
Gross capital expenditures ⁽³⁾⁽⁴⁾	23	3	2	11	39
Gross rental equipment spend ⁽⁴⁾	49	7	1	—	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.

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
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 was as follows:

6 months ended June 30, 2022					Total
(\$ millions)	Canada	South America	UK & Ireland	Other	
Revenue					
New equipment	434	409	417	—	1,260
Used equipment	128	18	19	—	165
Equipment rental	85	28	22	—	135
Product support	1,172	753	177	—	2,102
Fuel and other	580	—	—	—	580
Total revenue	2,399	1,208	635	—	4,242
Cost of fuel	(502)	—	—	—	(502)
Net revenue	1,897	1,208	635	—	3,740
Operating costs ⁽¹⁾	(1,622)	(1,033)	(578)	(16)	(3,249)
Equity earnings of joint ventures	1	—	—	—	1
Earnings (loss) before finance costs, income taxes, depreciation, and amortization	276	175	57	(16)	492
Depreciation and amortization	(94)	(46)	(20)	(2)	(162)
Earnings (loss) before finance costs and income taxes	182	129	37	(18)	330
Finance costs					(39)
Provision for income taxes					(74)
Net income					217
Invested capital ⁽²⁾	2,319	1,203	458	96	4,076
Gross capital expenditures ⁽³⁾⁽⁴⁾	49	14	4	14	81
Gross rental equipment spend ⁽⁴⁾	70	14	3	—	87

(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	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
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.

3. EARNINGS PER SHARE

3 months ended (\$ millions, except share and per share amounts)	June 30, 2022		June 30, 2021	
	Basic	Diluted	Basic	Diluted
Net income attributable to shareholders of Finning	126	126	91	91
Weighted average shares outstanding (WASO)	155,791,056	155,791,056	162,213,146	162,213,146
Effect of dilutive share options		362,115		534,992
WASO with assumed conversions		156,153,171		162,748,138
Earnings per share	0.80	0.80	0.56	0.56

6 months ended (\$ millions, except share and per share amounts)	June 30, 2022		June 30, 2021	
	Basic	Diluted	Basic	Diluted
Net income attributable to shareholders of Finning	218	218	161	161
WASO	156,535,225	156,535,225	162,219,319	162,219,319
Effect of dilutive share options		431,531		618,150
WASO with assumed conversions		156,966,756		162,837,469
Earnings per share	1.39	1.39	0.99	0.99

Share options granted to employees that were anti-dilutive were excluded from the weighted average number of shares for the purpose of calculating diluted earnings per share. Anti-dilutive share options related to the three months ended June 30, 2022 were one million and were not significant for the six months ended June 30, 2022 (three and six months ended June 30, 2021: not significant).

4. OTHER INCOME

(\$ millions)	3 months ended		6 months ended	
	June 30		June 30	
	2022	2021	2022	2021
Canada Emergency Wage Subsidy (a)	—	—	—	10
Return on investment in Energyst B.V. (Note 10)	—	—	—	5
Other income	—	—	—	15

(a) In response to the negative economic impact of the novel coronavirus (COVID-19), various government programs were introduced to provide financial relief to affected businesses, including wage-subsidy programs for eligible entities that met 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.

5. DEBT AND FINANCE COSTS

At June 30, 2022, short-term debt included \$973 million drawn on the Company's committed revolving credit facility (December 31, 2021: \$370 million). The Company's short-term borrowings were used primarily to fund operations and repay the 3.98% USD \$100 million Medium Term Note, due January 19, 2022 and the 4.18% USD \$50 million Medium Term Note, due April 3, 2022.

The components of finance costs were as follows:

(\$ millions)	3 months ended		6 months ended	
	June 30		June 30	
	2022	2021	2022	2021
Interest on short-term debt	5	—	7	1
Interest on long-term debt	10	12	20	24
Interest on debt	15	12	27	25
Interest on lease liabilities	2	3	5	5
Other finance related expenses	4	3	7	7
Finance costs	21	18	39	37

6. SHARE CAPITAL

During the six months ended June 30, 2022, the Company repurchased 3,625,448 Finning common shares for cancellation for \$123 million, at an average cost of \$33.89 per share, through the Company's normal course issuer bid. During the six months ended June 30, 2021, the Company repurchased 1,079,836 common shares for cancellation for \$34 million, at an average cost of \$31.46 per share.

In connection with the normal course issuer bid, the Company implemented an automatic share purchase plan with a designated broker to enable share repurchases for cancellation during selected blackout periods. At June 30, 2022, an obligation of \$10 million was recorded for the repurchase of shares from July 1, 2022 to August 3, 2022 under this automatic share purchase plan.

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:

	June 30, 2022		June 30, 2021	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
6 months ended				
Options outstanding, beginning of period	1,772,547	25.12	3,683,449	24.40
Granted	332,869	34.02	366,928	33.11
Exercised	(293,587)	25.83	(1,941,337)	25.30
Forfeited	(21,753)	25.42	—	—
Expired	(1,110)	25.44	(3,950)	29.17
Options outstanding, end of period	1,788,966	26.66	2,105,090	25.08
Options exercisable, end of period	1,002,396	24.74	1,067,939	26.05

In the three and six months ended June 30, 2022, the Company granted 332,869 common share options to senior executives and management of the Company (three and six months ended June 30, 2021: 366,928 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, 2022, 293,587 options were exercised resulting in 89,593 common shares being issued; 203,994 options were withheld in respect of the exercise price, and returned to the option pool for future issues/grants (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).

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	2022	2021
Dividend yield	3.07%	3.18%
Expected volatility ⁽¹⁾	31.73%	31.37%
Risk-free interest rate	2.81%	0.98%
Expected life (in years)	5.11	5.18
Grant date fair value of options	\$ 8.00	\$ 6.70

⁽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		6 months ended	
	2022	2021	2022	2021
(Share units granted)				
Executive Deferred Share Unit Plan	—	—	471	3,585
Directors' Deferred Share Unit Plan A	15,658	12,503	26,806	24,948
Performance Share Unit Plan ⁽²⁾	341,762	318,228	341,762	318,228
Restricted Share Unit Plan	253,249	206,118	253,249	206,118

⁽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, 2022			June 30, 2021		
	Canada	UK	South America	Canada	UK	South America
Discount rate – obligation	5.0%	3.8%	6.4%	3.2%	1.9%	1.4%
Discount rate – expense ⁽¹⁾	3.0%	2.0%	2.2%	2.7%	1.4%	(0.2)%
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⁾	3.0%	n/a ⁽²⁾	n/m ⁽²⁾	2.6%	n/a ⁽²⁾
Average staff turnover – obligation	n/m ⁽²⁾	n/m ⁽²⁾	7.9%	n/m ⁽²⁾	n/m ⁽²⁾	7.9%
Rate of compensation increase – obligation	n/m ⁽²⁾	n/a ⁽²⁾	3.5%	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, 2022 and June 30, 2021

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

9. SUPPLEMENTAL CASH FLOW INFORMATION

The components of cash and cash equivalents were as follows:

June 30 (\$ millions)	2022	2021
Cash	145	156
Cash equivalents	25	222
Cash and cash equivalents	170	378

The changes in operating assets and liabilities were as follows:

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2022	2021	2022	2021
Accounts receivable	(47)	(91)	(121)	(89)
Unbilled receivables	(51)	(18)	(116)	(23)
Inventory	(111)	(58)	(541)	(182)
Other assets	50	(42)	(30)	(108)
Accounts payable and accruals	(45)	29	175	85
Other liabilities	(47)	21	(73)	15
Changes in operating assets and liabilities	(251)	(159)	(706)	(302)

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, 2022	374	1,111	328	1,813
Cash flows provided by (used in)				
Financing activities	608	(188)	(39)	381
Operating activities	—	—	(5)	(5)
Total cash movements	608	(188)	(44)	376
Non-cash changes				
Additions	—	—	21	21
Remeasurement of liability and disposals	—	—	(1)	(1)
Interest expense	—	—	5	5
Foreign exchange rate changes	10	(6)	(4)	—
Total non-cash movements	10	(6)	21	25
Balance, June 30, 2022	992	917	305	2,214

(\$ 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
Remeasurement of liability and disposals	—	—	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

10. ACQUISITIONS AND INVESTMENT

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

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

The fair value of the total consideration at the acquisition date was \$116 million (£70 million), which may be subject to customary post-closing adjustments. Cash consideration of \$84 million, net of \$10 million cash acquired, was paid in the three months ended March 31, 2022. The fair value of deferred consideration was \$19 million and is payable in annual instalments over a period of three years after the acquisition. The vendors may qualify for additional consideration (possible range of £nil to £11 million) based on the acquired business unit achieving specified levels of financial performance. The acquisition-date fair value of the contingent consideration was estimated to be \$3 million (£2 million). The deferred and contingent consideration was recognized as a liability on the consolidated statement of financial position. Following finalization of the purchase price allocation, any changes in the estimated fair value of the contingent consideration will be recognized in the consolidated statement of income.

Management is currently in the process of estimating the acquisition-date fair values of certain tangible assets acquired and measuring the acquired intangible assets. The preliminary acquisition-date fair values of acquired tangible and intangible assets, and assumed liabilities were estimated to be:

Preliminary purchase price allocation (\$ millions)	June 30, 2022	March 31, 2022
Cash and cash equivalents	10	10
Working capital ⁽¹⁾	3	4
Property, plant & equipment	2	2
Intangible assets	31	31
Goodwill	70	69
Net assets acquired	116	116

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

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

Compression Technology Corporation (ComTech)

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

Cash consideration for this acquisition was \$25 million, which included \$20 million cash acquired. The acquisition was funded with cash on hand. Net assets acquired consist primarily of cash, property, plant, and equipment, intangible assets, goodwill, and debt. As part of this acquisition, Finning also recorded a non-controlling interest in ComTech (45.5% ownership interest) of \$21 million.

Management is currently in the process of finalizing the acquisition-date fair values of certain tangible assets acquired and measuring the acquired intangible assets. The preliminary acquisition-date fair values of acquired tangible and intangible assets, and assumed liabilities were estimated to be:

Preliminary purchase price allocation (\$ millions)	June 30, 2022	December 31, 2021
Cash and cash equivalents	20	20
Working capital ⁽¹⁾	1	1
Property, plant & equipment	20	17
Intangible assets	9	9
Goodwill	24	25
Debt	(11)	(11)
Lease liabilities	(15)	(15)
Deferred tax liabilities	(2)	—
Net identifiable assets	46	46
Non-controlling interests	(21)	(21)
Net assets acquired	25	25

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

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

Energyst B.V. (Energyst)

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 was put 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 year ended December 31, 2021, the Company received a return on its investment in Energyst.

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

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

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

Final purchase price allocation (\$ millions)	
Cash and cash equivalents	1
Working capital ⁽¹⁾	2
Rental equipment	9
Property, plant & equipment	1
Deferred tax asset	1
Net assets acquired	14

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