

TOROMONT INDUSTRIES LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

(\$ thousands)	Note	September 30 2021	December 31 2020	September 30 2020
Assets				
Current assets				
Cash		\$ 732,551	\$ 591,128	471,022
Accounts receivable		539,110	541,580	512,472
Inventories		685,239	728,404	849,230
Income taxes recoverable		-	135	31,981
Derivative financial instruments	5	11,456	-	-
Other current assets		18,087	10,897	14,321
Total current assets		1,986,443	1,872,144	1,879,026
Property, plant and equipment	2	450,469	423,282	427,554
Rental equipment	2	536,133	539,412	559,010
Other assets		25,821	33,263	35,575
Deferred tax assets		533	504	1,246
Goodwill and intangible assets		475,662	478,187	480,246
Total assets		\$ 3,475,061	\$ 3,346,792	\$ 3,382,657
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 562,445	\$ 584,003	\$ 700,042
Provisions		25,528	26,645	25,710
Deferred revenues and contract liabilities		188,908	149,109	141,761
Derivative financial instruments	5	-	11,043	6,283
Income taxes payable		857	23,416	568
Total current liabilities		777,738	794,216	874,364
Deferred revenues and contract liabilities		25,589	16,383	14,218
Long-term lease liabilities		13,056	16,565	17,336
Long-term debt	3, 5	647,099	646,299	645,981
Post-employment obligations	9	82,025	149,451	148,327
Deferred tax liabilities		54,400	25,226	52,923
Total liabilities		1,599,907	1,648,140	1,753,149
Shareholders' equity				
Share capital	4	531,794	516,591	508,369
Contributed surplus		16,173	14,243	14,121
Retained earnings		1,318,216	1,169,239	1,104,534
Accumulated other comprehensive income (loss)		8,971	(1,421)	2,484
Total shareholders' equity		1,875,154	1,698,652	1,629,508
Total liabilities and shareholders' equity		\$ 3,475,061	\$ 3,346,792	\$ 3,382,657

See accompanying notes

TOROMONT INDUSTRIES LTD.
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
(Unaudited)

(\$ thousands, except share amounts)	Note	Three months ended September 30		Nine months ended September 30	
		2021	2020	2021	2020
Revenues	11	\$ 997,198	\$ 921,656	\$ 2,930,502	\$ 2,486,712
Cost of goods sold		738,764	695,043	2,229,984	1,895,454
Gross profit		258,434	226,613	700,518	591,258
Selling and administrative expenses		123,991	113,736	373,351	346,006
Operating income		134,443	112,877	327,167	245,252
Interest expense	6	7,093	7,874	21,272	22,695
Interest and investment income	6	(1,936)	(1,719)	(6,200)	(6,008)
Income before income taxes		129,286	106,722	312,095	228,565
Income taxes		35,522	29,363	84,975	62,600
Net earnings		\$ 93,764	\$ 77,359	\$ 227,120	\$ 165,965
Earnings per share					
Basic	7	\$ 1.13	\$ 0.94	\$ 2.75	\$ 2.02
Diluted	7	\$ 1.12	\$ 0.94	\$ 2.73	\$ 2.01
Weighted average number of shares outstanding					
Basic	7	82,704,637	82,195,332	82,597,423	82,078,763
Diluted	7	83,522,761	82,724,575	83,346,677	82,513,989

See accompanying notes

TOROMONT INDUSTRIES LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net earnings	\$ 93,764	\$ 77,359	\$ 227,120	\$ 165,965
Other comprehensive income (loss), net of income taxes:				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	368	(233)	56	244
Unrealized gains (losses) on derivatives designated as cash flow hedges	11,350	(2,939)	2,061	5,360
Income tax (expense) recovery	(2,951)	773	(534)	(1,405)
Unrealized gains (losses) on cash flow hedges, net of income taxes	8,399	(2,166)	1,527	3,955
Realized (gains) losses on derivatives designated as cash flow hedges	(2,327)	3,757	11,906	(1,873)
Income tax expense (recovery)	606	(993)	(3,097)	499
Realized (gains) losses on cash flow hedges, net of income taxes	(1,721)	2,764	8,809	(1,374)
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Actuarial and other gains (losses)	13,974	9,113	71,184	(17,003)
Income tax (expense) recovery	(3,702)	(2,417)	(18,863)	4,505
Actuarial and other gains (losses), net of income taxes	10,272	6,696	52,321	(12,498)
Other comprehensive income (loss)	17,318	7,061	62,713	(9,673)
Total comprehensive income	\$ 111,082	\$ 84,420	\$ 289,833	\$ 156,292

See accompanying notes

TOROMONT INDUSTRIES LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(\$ thousands)	Note	Three months ended September 30		Nine months ended September 30	
		2021	2020	2021	2020
Operating activities					
Net earnings		\$ 93,764	\$ 77,359	\$ 227,120	\$ 165,965
Items not requiring cash:					
Depreciation and amortization		40,096	41,530	118,787	124,616
Stock-based compensation		2,074	1,410	4,950	4,230
Post-employment obligations		1,456	32	3,758	5,617
Deferred income taxes		1,533	10,042	6,650	23,355
Gain on sale of rental equipment and property, plant and equipment		(4,485)	(5,616)	(17,113)	(17,511)
		134,438	124,757	344,152	306,272
Net change in non-cash working capital and other	10	23,068	(61,044)	8,693	(70,010)
Additions to rental equipment	2	(19,142)	(19,810)	(97,483)	(74,875)
Proceeds on disposal of rental equipment		8,633	14,435	40,738	39,527
Cash provided by operating activities		146,997	58,338	296,100	200,914
Investing activities					
Additions to property, plant and equipment	2	(27,348)	(6,562)	(60,250)	(36,014)
Proceeds on disposal of property, plant and equipment		390	253	2,326	10,277
Decrease in other assets		(90)	(24)	(178)	(140)
Cash used in investing activities		(27,048)	(6,333)	(58,102)	(25,877)
Financing activities					
Drawings on credit facility		-	(100,000)	-	-
Debt issuance costs		-	(57)	-	(338)
Dividends paid	4	(28,929)	(25,446)	(80,076)	(73,020)
Cash received on exercise of stock options		7,337	9,138	15,214	15,530
Shares purchased for cancellation	4	(24,222)	-	(24,222)	(4,043)
Payment of lease liabilities		(2,434)	(1,707)	(7,493)	(7,845)
Cash used in financing activities		(48,248)	(118,072)	(96,577)	(69,716)
Effect of currency translation on cash balances		79	(86)	2	112
Increase (decrease) in cash during the period		71,780	(66,153)	141,423	105,433
Cash, at beginning of the period		660,771	537,175	591,128	365,589
Cash, at end of the period		\$ 732,551	\$ 471,022	\$ 732,551	\$ 471,022

Supplemental cash flow information (note 10)

See accompanying notes

TOROMONT INDUSTRIES LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Share capital		Accumulated other comprehensive income (loss)					Total shareholders' equity
	Number	Amount	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Cash flow hedges	Total	
(\$ thousands, except share numbers)								
At January 1, 2021	82,474,658	\$ 516,591	\$ 14,243	\$ 1,169,239	\$ 1,880	\$ (3,301)	\$ (1,421)	\$ 1,698,652
Net earnings	-	-	-	227,120	-	-	-	227,120
Other comprehensive income	-	-	-	52,321	56	10,336	10,392	62,713
Total comprehensive income	-	-	-	279,441	56	10,336	10,392	289,833
Exercise of stock options	323,116	18,234	(3,020)	-	-	-	-	15,214
Stock-based compensation expense	-	-	4,950	-	-	-	-	4,950
Effect of stock compensation plans	323,116	18,234	1,930	-	-	-	-	20,164
Shares purchased for cancellation	(230,000)	(1,481)	-	(22,741)	-	-	-	(24,222)
Share repurchase commitment under NCIB	-	(1,550)	-	(24,230)	-	-	-	(25,780)
Dividends declared	-	-	-	(83,493)	-	-	-	(83,493)
At September 30, 2021	82,567,774	\$ 531,794	\$ 16,173	\$ 1,318,216	\$ 1,936	\$ 7,035	\$ 8,971	\$ 1,875,154
At January 1, 2020	82,012,448	\$ 490,047	\$ 13,088	\$ 1,031,097	\$ 2,219	\$ (2,560)	\$ (341)	\$ 1,533,891
Net earnings	-	-	-	165,965	-	-	-	165,965
Other comprehensive loss	-	-	-	(12,498)	244	2,581	2,825	(9,673)
Total comprehensive income	-	-	-	153,467	244	2,581	2,825	156,292
Exercise of stock options	368,490	18,727	(3,197)	-	-	-	-	15,530
Stock-based compensation expense	-	-	4,230	-	-	-	-	4,230
Effect of stock compensation plans	368,490	18,727	1,033	-	-	-	-	19,760
Shares purchased for cancellation	(67,800)	(405)	-	(3,638)	-	-	-	(4,043)
Dividends declared	-	-	-	(76,392)	-	-	-	(76,392)
At September 30, 2020	82,313,138	\$ 508,369	\$ 14,121	\$ 1,104,534	\$ 2,463	\$ 21	\$ 2,484	\$ 1,629,508

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three and nine months ended September 30, 2021
(Unaudited)

(\$ thousands, except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

Toromont Industries Ltd. (the “Company” or “Toromont”) is a limited company incorporated and domiciled in Canada whose shares are publicly traded on the Toronto Stock Exchange under the symbol TIH. The registered office is located at 3131 Highway 7 West, Concord, Ontario, Canada.

Toromont operates through two reportable segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory in addition to industry-leading rental operations and an agricultural equipment business. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities.

Basis of Preparation

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard (“IAS”) 34 — *Interim Financial Reporting* (“IAS 34”). Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company as at and for the year ended December 31, 2020.

The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements, were the same as those that applied to the Company’s consolidated financial statements as at and for the year ended December 31, 2020. Management also incorporated the potential impact of COVID-19 into its estimates and assumptions.

These interim condensed consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousands, except where otherwise indicated.

These interim condensed consolidated financial statements were authorized for issue by the Board of the Directors on November 4, 2021.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended December 31, 2020. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Company. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

Activity within property, plant and equipment and rental equipment during the period included:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Additions				
Rental equipment	\$ 19,142	\$ 19,810	\$ 97,483	\$ 74,875
Property, plant and equipment	27,348	6,562	60,250	36,014
Total additions	\$ 46,490	\$ 26,372	\$ 157,733	\$ 110,889
Disposals — Net book value ("NBV")				
Rental equipment	\$ 4,331	\$ 9,040	\$ 25,182	\$ 26,599
Property, plant and equipment	206	31	769	5,695
Total disposals - NBV	\$ 4,537	\$ 9,071	\$ 25,951	\$ 32,294
Depreciation				
Cost of goods sold	\$ 32,033	\$ 32,477	\$ 94,647	\$ 96,389
Selling and administrative expenses	4,583	5,223	13,222	16,707
Total depreciation	\$ 36,616	\$ 37,700	\$ 107,869	\$ 113,096

3. LONG-TERM DEBT

	September 30 2021	December 31 2020	September 30 2020
Senior debentures:			
3.71%, \$150.0 million, due September 30, 2025 ⁽¹⁾	\$ 150,000	\$ 150,000	\$ 150,000
3.84%, \$500.0 million, due October 27, 2027 ⁽¹⁾	500,000	500,000	500,000
	650,000	650,000	650,000
Debt issuance costs, net of amortization	(2,901)	(3,701)	(4,019)
Total long-term debt	\$ 647,099	\$ 646,299	\$ 645,981

⁽¹⁾ Interest payable semi-annually, principal due on maturity.

All debt is unsecured.

The Company maintains a \$500.0 million committed revolving credit facility that matures in October 2022. Debt under this facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

No amounts were drawn on this facility as at September 30, 2021 (December 31, 2020 — \$nil; September 30, 2020 — \$nil). Standby letters of credit issued utilized \$28.7 million of the facility as at September 30, 2021 (December 31, 2020 — \$30.8 million and September 30, 2020 — \$35.7 million).

The Company entered into an additional \$250.0 million committed revolving credit facility on April 17, 2020, that matured in April 2021. This facility was never drawn, and was not renewed at maturity.

Subsequent to quarter end, in November 2021, the Company extended the \$500.0 million committed revolving credit facility to November 2026, with no material changes to the terms and conditions.

4. SHARE CAPITAL

Normal Course Issuer Bid (“NCIB”)

The Company’s NCIB program commenced on September 15, 2021. The current issuer bid allows the Company to purchase up to approximately 8.2 million of its common shares in the 12-month period ending September 14, 2022, representing 10% of common shares in the public float, as estimated at the time of renewal. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont, except for purchases designated under the Automatic Share Purchase Plan (“ASPP”). All shares purchased under the bid will be cancelled.

Under this bid, the Company purchased and cancelled 230,000 common shares for \$24.2 million (average cost of \$105.31 per share, including transaction costs) through to September 30, 2021.

The Company purchased and cancelled 67,800 common shares for \$4.0 million (average cost of \$59.62 per share, including transaction costs) during the nine months ended September 30, 2020, under the NCIB program in place at that time.

The Company entered into an ASPP with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. As at September 30, 2021, an obligation for the repurchase of shares of \$25.8 million was recognized under the ASPP.

Dividends

The Company paid dividends of \$28.9 million or \$0.35 per share during the three months ended September 30, 2021 (2020 — \$25.5 million or \$0.31 per share) and \$80.1 million or \$1.01 per share during the nine months ended September 30, 2021 (2020 — \$73.0 million or \$0.89 per share).

The quarterly dividend was increased on May 4, 2021, to \$0.35 per share effective with the dividend paid on July 5, 2021.

5. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities – Classification and Measurement

The following table highlights the carrying amounts and classifications of certain financial assets and liabilities:

	September 30 2021	December 31 2020	September 30 2020
Other financial liabilities:			
Long-term debt	\$ 647,099	\$ 646,299	\$ 645,981
Derivative financial instruments assets (liabilities), net:			
Foreign exchange forward contracts	\$ 11,456	\$ (11,043)	\$ (6,283)

Fair Value of Financial Instruments

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract's value at maturity based on the contracted foreign exchange rate and the contract's value at maturity based on the comparable foreign exchange rate at period-end under the same conditions. The financial institution's credit risk is also taken into consideration in determining fair value. The valuation is determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the asset or liability, most significantly foreign exchange spot and forward rates.

The fair value and carrying value of long-term debt is as follows:

	September 30 2021	December 31 2020	September 30 2020
Long-term debt			
Fair value	\$ 705,051	\$ 726,871	\$ 721,910
Carrying value	\$ 650,000	\$ 650,000	\$ 650,000

The fair value was determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities and based on Toromont's credit risk. The Company does not plan to prepay these instruments prior to maturity.

During the nine months ended September 30, 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency-denominated obligations related to purchases of inventory and sales of products. As at September 30, 2021, the Company was committed to USD purchase contracts with a notional amount of \$575.0 million at an average exchange rate of \$1.2541, maturing between October 2021 and March 2023. The Company was also committed to USD sell contracts with a notional amount of \$7.8 million at an average exchange rate of \$1.2327, maturing between October 2021 and June 2022.

Management estimates that a net gain of \$11.4 million (December 31, 2020 — loss of \$11.0 million; September 30, 2020 — loss of \$6.3 million) would be realized if the contracts were terminated on September 30, 2021. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized net gain of \$9.5 million (December 31, 2020 — unrealized loss of \$4.4 million; September 30, 2020 — unrealized gain of \$0.1 million) has been included in other comprehensive income (loss). These gains/losses are not expected to affect net earnings as the

amounts will be reclassified to net earnings within the next 11 months and will offset losses recorded on the underlying hedged items, namely foreign currency-denominated accounts payable and accrued liabilities. Certain of those forward contracts are not designated as cash flow hedges, but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A net gain of \$2.0 million (December 31, 2020 — loss of \$6.6 million; September 30, 2020 — loss of \$6.4 million) on forward contracts not designated as hedges is included in net earnings, which offsets losses recorded on the foreign currency-denominated items, namely accounts payable and accrued liabilities.

6. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Credit facilities	\$ 575	\$ 1,326	\$ 1,867	\$ 3,118
Senior debentures	6,357	6,330	18,889	18,871
Interest on lease liabilities	161	218	516	706
	\$ 7,093	\$ 7,874	\$ 21,272	\$ 22,695

The components of interest and investment income were as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Interest on conversion of rental equipment	\$ 282	\$ 432	\$ 1,588	\$ 1,635
Other	1,654	1,287	4,612	4,373
	\$ 1,936	\$ 1,719	\$ 6,200	\$ 6,008

7. EARNINGS PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net earnings available to common shareholders	\$ 93,764	\$ 77,359	\$ 227,120	\$ 165,965
Weighted average common shares outstanding	82,704,637	82,195,332	82,597,423	82,078,763
Dilutive effect of stock option conversions	818,124	529,243	749,254	435,226
Diluted weighted average common shares outstanding	83,522,761	82,724,575	83,346,677	82,513,989
Earnings per share:				
Basic	\$ 1.13	\$ 0.94	\$ 2.75	\$ 2.02
Diluted	\$ 1.12	\$ 0.94	\$ 2.73	\$ 2.01

For the three-month period ended September 30, 2021 and for the comparative period in 2020, there were no anti-dilutive options.

For the nine-month period ended September 30, 2021, 367,957 outstanding share options with an average exercise price of \$104.91 were considered anti-dilutive (exercise price in excess of

average market price) and were excluded from the calculation (2020 — 532,443 anti-dilutive options with an average exercise price of \$72.95).

8. STOCK-BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, January 1	2,328,038	\$ 58.67	2,329,705	\$ 51.68
Granted	367,957	104.91	532,443	72.95
Exercised ⁽¹⁾	(323,116)	47.09	(368,490)	42.41
Forfeited	(89,060)	57.59	(2,000)	65.97
Options outstanding, September 30	2,283,819	\$ 67.80	2,491,658	\$ 57.62
Options exercisable, September 30	954,481	\$ 53.16	1,017,195	\$ 45.94

⁽¹⁾ The weighted average share price at date of exercise for the nine months ended September 30, 2021 was \$103.30 (2020 – \$71.03).

The following table summarizes stock options outstanding and exercisable as at September 30, 2021.

Range of exercise prices	Options outstanding			Options exercisable	
	Number	Weighted average remaining life (years)	Weighted average exercise price	Number	Weighted average exercise price
\$23.40 – \$26.52	112,590	2.5	\$ 25.41	112,590	\$ 25.41
\$36.65 – \$39.79	229,350	4.4	\$ 38.43	229,350	\$ 38.43
\$53.88 – \$66.22	1,054,345	7.0	\$ 63.23	516,935	\$ 62.07
\$66.23 – \$72.95	519,577	8.9	\$ 72.95	95,606	\$ 72.95
\$104.91	367,957	9.7	\$ 104.91	-	\$ -
	2,283,819	7.4	\$ 67.80	954,481	\$ 53.16

The fair value of the stock options granted during the nine-month period ended September 30, 2021 and 2020 were determined at the time of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30 2021	September 30 2020
Fair value price per option	\$ 18.23	\$ 11.14
Share price	\$ 104.91	\$ 72.95
Expected life of options (years)	5.30	5.76
Expected stock price volatility	21.5%	21.0%
Expected dividend yield	1.33%	1.70%
Risk-free interest rate	0.90%	0.34%

Deferred Share Unit (“DSU”) Plan

A reconciliation of the DSU plan was as follows:

	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, January 1	394,154	\$ 35,555	388,547	\$ 27,392
Units taken or taken in lieu and dividends	22,539	2,185	24,169	1,641
Redemptions	(217,933)	(21,751)	(23,477)	(1,527)
Fair market value adjustment	-	5,233	-	2,501
Outstanding, September 30	198,760	\$ 21,222	389,239	\$ 30,007

The liability for DSUs is recorded in accounts payable and accrued liabilities.

9. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense included the following components:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Defined benefit plans	\$ 4,875	\$ 4,914	\$ 14,372	\$ 14,741
Defined contribution plans	4,149	3,743	12,221	11,381
401(k) matched savings plans	63	68	193	206
	\$ 9,087	\$ 8,725	\$ 26,786	\$ 26,328

Subsequent to the quarter-end, in October 2021, an annuity purchase transaction was entered into in which the defined benefit obligations associated with retired plan members were assumed by a third-party insurer, in exchange for a lump sum payment of \$221 million from plan assets. A settlement charge of \$5.0 million in connection with this transaction will be recorded in the fourth quarter of 2021.

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net change in non-cash working capital and other				
Accounts receivable	\$ (7,580)	\$ (54,095)	\$ 2,470	\$ 12,580
Inventories	27,629	83,446	43,165	62,956
Accounts payable and accrued liabilities	(8,113)	(65,915)	(50,036)	(122,632)
Provisions	(1,196)	1,127	(1,117)	2,030
Deferred revenues and contract liabilities	9,781	1,906	49,005	(1,326)
Income taxes	9,473	(27,858)	(22,424)	(22,138)
Derivative financial instruments	(3,066)	2,955	(8,532)	(606)
Other	(3,860)	(2,610)	(3,838)	(874)
	\$ 23,068	\$ (61,044)	\$ 8,693	\$ (70,010)
Cash paid during the period for:				
Interest	\$ -	\$ 2,783	\$ 12,388	\$ 16,480
Income taxes	\$ 26,682	\$ 47,972	\$ 104,403	\$ 61,922
Cash received during the period for:				
Interest	\$ 1,781	\$ 1,563	\$ 5,923	\$ 5,575
Income taxes	\$ 2,251	\$ 457	\$ 3,712	\$ 623

Government Grants

No amounts were recognized under the Canada Emergency Wage Subsidy (“CEWS”) program in 2021. During the quarter ended September 30, 2020, the Company recognized a \$7.3 million government grant (\$8.1 million in the first nine months of 2020).

11. SEGMENTED INFORMATION

The Company has two reportable segments: the Equipment Group and CIMCO, as described in note 1, each supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. The corporate office provides finance, treasury, legal, human resources and other administrative support to the segments and does not meet the definition of a reportable operating segment as defined in International Financial Reporting Standards (“IFRS”) 8 — *Operating Segments*, as it does not earn revenue.

The accounting policies of each of the reportable segments are the same as the significant accounting policies described in the most recent annual audited consolidated financial statements.

Segment performance is assessed based on operating income, which is measured differently than income from operations in the interim condensed consolidated financial statements. Corporate overheads are allocated to the segments based on revenue. Income taxes, interest expense, interest and investment income are managed at a consolidated level and are not allocated to the reportable operating segments. Current income taxes, deferred income taxes and certain financial assets and liabilities are not allocated to the segments as they are also managed on a consolidated level.

The aggregation of the operating segments is based on the economic characteristics of the business units. These business units are considered to have similar economic characteristics

including nature of products and services, class of customers and markets served and similar distribution models.

No reportable segment is reliant on any single external customer.

The following table sets forth information by segment for the three and nine months ended September 30, 2021 and 2020:

Three months ended September 30	Equipment Group		CIMCO		Consolidated	
	2021	2020	2021	2020	2021	2020
Equipment/package sales	\$ 446,653	\$ 383,764	\$ 40,650	\$ 48,490	\$ 487,303	\$ 432,254
Rentals	111,252	104,541	-	-	111,252	104,541
Product support	353,642	343,657	42,162	38,450	395,804	382,107
Power generation	2,839	2,754	-	-	2,839	2,754
Total revenues	\$ 914,386	\$ 834,716	\$ 82,812	\$ 86,940	\$ 997,198	\$ 921,656
Operating income	\$ 129,388	\$ 103,404	\$ 5,055	\$ 9,473	\$ 134,443	\$ 112,877
Interest expense					7,093	7,874
Interest and investment income					(1,936)	(1,719)
Income taxes					35,522	29,363
Net earnings					\$ 93,764	\$ 77,359

Nine months ended September 30	Equipment Group		CIMCO		Consolidated	
	2021	2020	2021	2020	2021	2020
Equipment/package sales	\$ 1,329,272	\$ 1,022,896	\$ 160,751	\$ 107,210	\$ 1,490,023	\$ 1,130,106
Rentals	275,013	257,818	-	-	275,013	257,818
Product support	1,045,725	980,325	111,437	110,307	1,157,162	1,090,632
Power generation	8,304	8,156	-	-	8,304	8,156
Total revenues	\$ 2,658,314	\$ 2,269,195	\$ 272,188	\$ 217,517	\$ 2,930,502	\$ 2,486,712
Operating income	\$ 315,648	\$ 230,977	\$ 11,519	\$ 14,275	\$ 327,167	\$ 245,252
Interest expense					21,272	22,695
Interest and investment income					(6,200)	(6,008)
Income taxes					84,975	62,600
Net earnings					\$ 227,120	\$ 165,965

Operating income from rental operations was \$23.3 million for the three months ended September 30, 2021 (2020 — operating income of \$13.7 million) and \$37.8 million for the nine months ended September 30, 2021 (2020 — \$19.6 million).

12. BUSINESS SEASONALITY

Interim period revenues and earnings historically reflect seasonality. For the Equipment Group, the first quarter is typically the weakest due to winter shutdowns in the construction industry while the fourth quarter has consistently been the strongest quarter due to higher conversions at the Caterpillar dealership of equipment on rent with a purchase option. This pattern is impacted by the timing of significant sales to mining and other customers, resulting from the timing of mine site development and access, and construction project schedules. For CIMCO, the fourth quarter tends to be the strongest due to higher activity in recreational markets in advance of the winter

recreational season. Across both the Equipment Group and CIMCO this trend can also be impacted during periods of equipment supply constraints from suppliers.

In 2020 and 2021, these patterns were impacted by the governmental and market response and reaction to COVID-19. The second quarter of 2020 experienced the most significant slowdown in market activity. COVID-19 variants, vaccine roll-out and further governmental measures may further alter the typical seasonal trend.

The breadth, duration, impact and response of this pandemic are unknown and evolving. Staff shortages, reduced customer activity and demand, supplier constraints, increased government regulations or intervention, are some of the factors that have and may continue to negatively impact the business, consolidated financial results and conditions of the Company. It is not possible to reliably estimate the length and severity of these developments as well as the impact on the consolidated financial results and condition of the Company in future periods.