

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

(\$ thousands)	Note	June 30 2021	December 31 2020	June 30 2020
Assets				
Current assets				
Cash		\$ 660,771	\$ 591,128	537,175
Accounts receivable		531,530	541,580	458,377
Inventories		712,868	728,404	932,676
Income taxes recoverable		8,715	135	3,739
Other current assets		13,637	10,897	11,064
Total current assets		1,927,521	1,872,144	1,943,031
Property, plant and equipment	2	434,309	423,282	431,691
Rental equipment	2	546,861	539,412	575,349
Other assets		27,972	33,263	39,985
Deferred tax assets		494	504	1,293
Goodwill and intangible assets		476,448	478,187	481,092
Total assets		\$ 3,413,605	\$ 3,346,792	\$ 3,472,441
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 545,222	\$ 584,003	\$ 766,294
Provisions		26,724	26,645	24,583
Deferred revenues and contract liabilities		172,516	149,109	142,516
Derivative financial instruments	5	633	11,043	4,123
Income taxes payable		99	23,416	184
Total current liabilities		745,194	794,216	937,700
Deferred revenues and contract liabilities		32,200	16,383	11,557
Long-term lease liabilities		14,382	16,565	19,699
Long-term debt	3, 5	646,867	646,299	745,712
Post-employment obligations	9	94,543	149,451	157,406
Deferred tax liabilities		46,779	25,226	40,317
Total liabilities		1,579,965	1,648,140	1,912,391
Shareholders' equity				
Share capital	4	526,025	516,591	497,350
Contributed surplus		15,562	14,243	14,592
Retained earnings		1,290,128	1,169,239	1,045,989
Accumulated other comprehensive income (loss)		1,925	(1,421)	2,119
Total shareholders' equity		1,833,640	1,698,652	1,560,050
Total liabilities and shareholders' equity		\$ 3,413,605	\$ 3,346,792	\$ 3,472,441

See accompanying notes

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

(\$ thousands, except share amounts)	Note	Three months ended June 30		Six months ended June 30	
		2021	2020	2021	2020
Revenues	11	\$ 1,127,066	\$ 849,597	\$ 1,933,304	\$ 1,565,056
Cost of goods sold		872,360	655,810	1,491,220	1,200,411
Gross profit		254,706	193,787	442,084	364,645
Selling and administrative expenses		132,198	116,653	249,360	232,270
Operating income		122,508	77,134	192,724	132,375
Interest expense	6	7,002	7,890	14,179	14,821
Interest and investment income	6	(2,260)	(1,564)	(4,264)	(4,289)
Income before income taxes		117,766	70,808	182,809	121,843
Income taxes		32,366	19,598	49,453	33,237
Net earnings		\$ 85,400	\$ 51,210	\$ 133,356	\$ 88,606
Earnings per share					
Basic	7	\$ 1.03	\$ 0.62	\$ 1.62	\$ 1.08
Diluted	7	\$ 1.02	\$ 0.62	\$ 1.60	\$ 1.07
Weighted average number of shares outstanding					
Basic	7	82,586,778	82,024,236	82,542,927	82,019,838
Diluted	7	83,462,230	82,468,858	83,332,327	82,483,651

See accompanying notes

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

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Net earnings	\$ 85,400	\$ 51,210	\$ 133,356	\$ 88,606
Other comprehensive (loss) income, net of income taxes:				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	(168)	(454)	(312)	477
Unrealized (losses) gains on derivatives designated as cash flow hedges	(5,182)	(11,307)	(9,289)	8,299
Income tax recovery (expense)	1,350	2,977	2,417	(2,178)
Unrealized (losses) gains on cash flow hedges, net of income taxes	(3,832)	(8,330)	(6,872)	6,121
Realized losses (gains) on derivatives designated as cash flow hedges	9,987	(2,102)	14,233	(5,630)
Income tax (recovery) expense	(2,599)	555	(3,703)	1,492
Realized losses (gains) on cash flow hedges, net of income taxes	7,388	(1,547)	10,530	(4,138)
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Actuarial and other gains (losses)	10,617	(50,338)	57,210	(26,116)
Income tax (expense) recovery	(2,814)	13,341	(15,161)	6,922
Actuarial and other gains (losses), net of income taxes	7,803	(36,997)	42,049	(19,194)
Other comprehensive income (loss)	11,191	(47,328)	45,395	(16,734)
Total comprehensive income	\$ 96,591	\$ 3,882	\$ 178,751	\$ 71,872

See accompanying notes

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

(\$ thousands)	Note	Three months ended June 30		Six months ended June 30	
		2021	2020	2021	2020
Operating activities					
Net earnings		\$ 85,400	\$ 51,210	\$ 133,356	\$ 88,606
Items not requiring cash:					
Depreciation and amortization		39,620	41,219	78,691	83,086
Stock-based compensation		1,410	1,410	2,876	2,820
Post-employment obligations		357	3,624	2,302	5,585
Deferred income taxes		1,506	5,958	5,117	13,313
Gain on sale of rental equipment and property, plant and equipment		(4,923)	(3,802)	(12,628)	(11,895)
		123,370	99,619	209,714	181,515
Net change in non-cash working capital and other	10	15,022	89,585	(14,375)	(8,966)
Additions to rental equipment	2	(54,701)	(18,433)	(78,341)	(55,065)
Proceeds on disposal of rental equipment		14,529	12,690	32,105	25,092
Cash provided by operating activities		98,220	183,461	149,103	142,576
Investing activities					
Additions to property, plant and equipment	2	(28,297)	(10,435)	(32,902)	(29,452)
Proceeds on disposal of property, plant and equipment		143	258	1,936	10,024
Decrease in other assets		(44)	(70)	(88)	(116)
Cash used in investing activities		(28,198)	(10,247)	(31,054)	(19,544)
Financing activities					
Drawings on credit facility		-	-	-	100,000
Debt issuance costs		-	(281)	-	(281)
Dividends paid	4	(25,587)	(25,435)	(51,147)	(47,574)
Cash received on exercise of stock options		4,939	4,898	7,877	6,392
Shares purchased for cancellation	4	-	-	-	(4,043)
Payment of lease liabilities		(2,506)	(3,453)	(5,059)	(6,138)
Cash (used in) provided by financing activities		(23,154)	(24,271)	(48,329)	48,356
Effect of currency translation on cash balances		(39)	50	(77)	198
Increase in cash during the period		46,829	148,993	69,643	171,586
Cash, at beginning of the period		613,942	388,182	591,128	365,589
Cash, at end of the period		\$ 660,771	\$ 537,175	\$ 660,771	\$ 537,175

Supplemental cash flow information (note 10)

See accompanying notes

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

	Share capital		Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Total shareholders' equity
	Number	Amount			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	-	-	-	133,356	-	-	-	133,356
Other comprehensive income	-	-	-	42,049	(312)	3,658	3,346	45,395
Total comprehensive income	-	-	-	175,405	(312)	3,658	3,346	178,751
Exercise of stock options	180,405	9,434	(1,557)	-	-	-	-	7,877
Stock-based compensation expense	-	-	2,876	-	-	-	-	2,876
Effect of stock compensation plans	180,405	9,434	1,319	-	-	-	-	10,753
Dividends declared	-	-	-	(54,516)	-	-	-	(54,516)
At June 30, 2021	82,655,063	\$ 526,025	\$ 15,562	\$ 1,290,128	\$ 1,568	\$ 357	\$ 1,925	\$ 1,833,640
At January 1, 2020	82,012,448	\$ 490,047	\$ 13,088	\$ 1,031,097	\$ 2,219	\$ (2,560)	\$ (341)	\$ 1,533,891
Net earnings	-	-	-	88,606	-	-	-	88,606
Other comprehensive loss	-	-	-	(19,194)	477	1,983	2,460	(16,734)
Total comprehensive income	-	-	-	69,412	477	1,983	2,460	71,872
Exercise of stock options	150,720	7,708	(1,316)	-	-	-	-	6,392
Stock-based compensation expense	-	-	2,820	-	-	-	-	2,820
Effect of stock compensation plans	150,720	7,708	1,504	-	-	-	-	9,212
Shares purchased for cancellation	(67,800)	(405)	-	(3,638)	-	-	-	(4,043)
Dividends declared	-	-	-	(50,882)	-	-	-	(50,882)
At June 30, 2020	82,095,368	\$ 497,350	\$ 14,592	\$ 1,045,989	\$ 2,696	\$ (577)	\$ 2,119	\$ 1,560,050

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three and six months ended June 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 July 28, 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 June 30		Six months ended June 30	
	2021	2020	2021	2020
Additions				
Rental equipment	\$ 54,701	\$ 18,433	\$ 78,341	\$ 55,065
Property, plant and equipment	28,297	10,435	32,902	29,452
Total additions	\$ 82,998	\$ 28,868	\$ 111,243	\$ 84,517
Disposals - Net book value ("NBV")				
Rental equipment	\$ 9,735	\$ 9,041	\$ 20,850	\$ 17,559
Property, plant and equipment	14	107	563	5,664
Total disposals - NBV	\$ 9,749	\$ 9,148	\$ 21,413	\$ 23,223
Depreciation				
Cost of goods sold	\$ 31,550	\$ 31,821	\$ 62,614	\$ 63,912
Selling and administrative expenses	4,415	5,574	8,639	11,484
Total depreciation	\$ 35,965	\$ 37,395	\$ 71,253	\$ 75,396

3. LONG-TERM DEBT

	June 30 2021	December 31 2020	June 30 2020
Bank revolving credit facility	\$ -	\$ -	\$ 100,000
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	750,000
Debt issuance costs, net of amortization	(3,133)	(3,701)	(4,288)
Total long-term debt	\$ 646,867	\$ 646,299	\$ 745,712

⁽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 June 30, 2021 (December 31, 2020 – \$nil; June 30, 2020 – \$100.0 million). Standby letters of credit issued utilized \$30.0 million of the facility as at June 30, 2021 (December 31, 2020 – \$30.8 million and June 30, 2020 – \$34.0 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.

4. SHARE CAPITAL

Normal Course Issuer Bid (“NCIB”)

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

The Company’s NCIB expired in August 2020 and was not renewed.

Dividends

The Company paid dividends of \$25.6 million or \$0.31 per share during the three months ended June 30, 2021 (2020 – \$25.4 million or \$0.31 per share) and \$51.2 million or \$0.62 per share during the six months ended June 30, 2021 (2020 – \$47.6 million or \$0.58 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:

	June 30 2021	December 31 2020	June 30 2020
Other financial liabilities:			
Long-term debt	\$ 646,867	\$ 646,299	\$ 745,712
Derivative financial instruments (liabilities) assets, net:			
Foreign exchange forward contracts	\$ (633)	\$ (11,043)	\$ (4,123)

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:

Long-term debt	June 30 2021	December 31 2020	June 30 2020
Fair value	\$ 705,971	\$ 726,871	\$ 816,318
Carrying value	\$ 650,000	\$ 650,000	\$ 750,000

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 six months ended June 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 June 30, 2021, the Company was committed to USD purchase contracts with a notional amount of \$551.5 million at an average exchange rate of \$1.2405, maturing between July 2021 and March 2023. The Company was also committed to USD sell contracts with a notional amount of \$20.6 million at an average exchange rate of \$1.2277, maturing between July 2021 and June 2022.

Management estimates that a loss of \$0.4 million (December 31, 2020 – loss of \$11.0 million; June 30, 2020 – loss of \$4.1 million) would be realized if the contracts were terminated on June 30, 2021. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of \$0.5 million (December 31, 2020 – unrealized loss of \$4.4 million; June 30, 2020 – unrealized loss of \$0.8 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 loss of \$0.9 million (December 31, 2020 – loss of \$6.6 million; June 30, 2020 – loss of \$3.3 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 June 30		Six months ended June 30	
	2021	2020	2021	2020
Credit facilities	\$ 544	\$ 1,383	\$ 1,292	\$ 1,793
Senior debentures	6,289	6,262	12,532	12,540
Interest on lease liabilities	169	245	355	488
	\$ 7,002	\$ 7,890	\$ 14,179	\$ 14,821

The components of interest and investment income were as follows:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Interest on conversion of rental equipment	\$ 536	\$ 433	\$ 1,306	\$ 1,203
Other	1,724	1,131	2,958	3,086
	\$ 2,260	\$ 1,564	\$ 4,264	\$ 4,289

7. EARNINGS PER SHARE

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Net earnings available to common shareholders	\$ 85,400	\$ 51,210	\$ 133,356	\$ 88,606
Weighted average common shares outstanding	82,586,778	82,024,236	82,542,927	82,019,838
Dilutive effect of stock option conversions	875,452	444,622	789,400	463,813
Diluted weighted average common shares outstanding	83,462,230	82,468,858	83,332,327	82,483,651
Earnings per share:				
Basic	\$ 1.03	\$ 0.62	\$ 1.62	\$ 1.08
Diluted	\$ 1.02	\$ 0.62	\$ 1.60	\$ 1.07

For the three and six months period ended June 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.

For the three-month period ended June 30, 2020, 998,740 outstanding share options with an average exercise price of \$65.96 were considered anti-dilutive and were excluded from the calculation. There were no anti-dilutive options in the six-month period ended June 30, 2020.

8. STOCK-BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Six months ended June 30, 2021		Six months ended June 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	-	-
Exercised ⁽¹⁾	(180,405)	43.66	(150,720)	42.41
Forfeited	(86,400)	57.55	(2,000)	65.97
Options outstanding, June 30	2,429,190	\$ 66.83	2,176,985	\$ 52.30
Options exercisable, June 30	666,370	\$ 47.35	786,495	\$ 40.40

⁽¹⁾ The weighted average share price at date of exercise for the six months ended June 30, 2021 was \$100.88 (2020 – \$67.10).

The following table summarizes stock options outstanding and exercisable as at June 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	118,590	2.7	\$ 25.36	118,590	\$ 25.36
\$36.65 – \$39.79	281,760	4.7	\$ 38.64	212,800	\$ 38.26
\$53.88 – \$66.22	1,130,940	7.2	\$ 62.94	334,980	\$ 60.91
\$66.23 – \$72.95	529,943	9.1	\$ 72.95	-	\$ -
\$104.91	367,957	9.9	\$ 104.91	-	\$ -
	2,429,190	7.5	\$ 66.83	666,370	\$ 47.35

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

	June 30 2021
Fair value price per option	\$ 18.23
Share price	\$ 104.91
Expected life of options (years)	5.30
Expected stock price volatility	21.5%
Expected dividend yield	1.33%
Risk-free interest rate	0.90%

Deferred Share Unit (“DSU”) Plan

A reconciliation of the DSU plan was as follows:

	Six months ended June 30, 2021		Six months ended June 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	18,191	1,721	18,460	1,227
Redemptions	(157,421)	(15,346)	(23,477)	(1,527)
Fair market value adjustment	-	5,261	-	(1,766)
Outstanding, June 30	254,924	\$ 27,191	383,530	\$ 25,326

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 June 30		Six months ended June 30	
	2021	2020	2021	2020
Defined benefit plans	\$ 4,586	\$ 4,913	\$ 9,497	\$ 9,827
Defined contribution plans	4,223	3,637	8,072	7,638
401(k) matched savings plans	62	68	130	138
	\$ 8,871	\$ 8,618	\$ 17,699	\$ 17,603

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Net change in non-cash working capital and other				
Accounts receivable	\$ (48,686)	\$ (4,229)	\$ 10,050	\$ 66,675
Inventories	47,219	43,725	15,536	(20,490)
Accounts payable and accrued liabilities	3,815	15,086	(41,923)	(56,717)
Provisions	1,690	296	79	903
Deferred revenues and contract liabilities	5,179	(12,305)	39,224	(3,232)
Income taxes	4,167	13,096	(31,897)	5,720
Derivative financial instruments	(600)	27,833	(5,466)	(3,561)
Other	2,238	6,083	22	1,736
	\$ 15,022	\$ 89,585	\$ (14,375)	\$ (8,966)
Cash paid during the year for:				
Interest	\$ 9,605	\$ 9,605	\$ 12,388	\$ 13,697
Income taxes	\$ 26,707	\$ 80	\$ 77,721	\$ 13,950
Cash received during the year for:				
Interest	\$ 2,213	\$ 1,397	\$ 4,142	\$ 4,012
Income taxes	\$ -	\$ -	\$ 1,461	\$ 166

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 six months ended June 30, 2021 and 2020:

Three months ended June 30	Equipment Group		CIMCO		Consolidated	
	2021	2020	2021	2020	2021	2020
Equipment/package sales	\$ 559,524	\$ 387,397	\$ 73,712	\$ 36,111	\$ 633,236	\$ 423,508
Rentals	91,463	72,299	-	-	91,463	72,299
Product support	362,859	314,317	36,809	36,783	399,668	351,100
Power generation	2,699	2,690	-	-	2,699	2,690
Total revenues	\$ 1,016,545	\$ 776,703	\$ 110,521	\$ 72,894	\$ 1,127,066	\$ 849,597
Operating income	\$ 116,447	\$ 72,497	\$ 6,061	\$ 4,637	\$ 122,508	\$ 77,134
Interest expense					7,002	7,890
Interest and investment income					(2,260)	(1,564)
Income taxes					32,366	19,598
Net earnings					\$ 85,400	\$ 51,210

Six months ended June 30	Equipment Group		CIMCO		Consolidated	
	2021	2020	2021	2020	2021	2020
Equipment/package sales	\$ 882,619	\$ 639,132	\$ 120,101	\$ 58,720	\$ 1,002,720	\$ 697,852
Rentals	163,761	153,277	-	-	163,761	153,277
Product support	692,083	636,668	69,275	71,857	761,358	708,525
Power generation	5,465	5,402	-	-	5,465	5,402
Total revenues	\$ 1,743,928	\$ 1,434,479	\$ 189,376	\$ 130,577	\$ 1,933,304	\$ 1,565,056
Operating income	\$ 186,260	\$ 127,573	\$ 6,464	\$ 4,802	\$ 192,724	\$ 132,375
Interest expense					14,179	14,821
Interest and investment income					(4,264)	(4,289)
Income taxes					49,453	33,237
Net earnings					\$ 133,356	\$ 88,606

Operating income from rental operations was \$12.5 million for the three months ended June 30, 2021 (2020 – operating income of \$3.5 million) and \$14.5 million for the six months ended June 30, 2021 (2020 – \$5.9 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. For CIMCO, the fourth quarter tends to be the strongest due to higher activity in recreational markets in advance of the winter recreational season.

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, 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.