

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

(\$ thousands)	Note	March 31 2021	December 31 2020	March 31 2020
Assets				
Current assets				
Cash		\$ 613,942	\$ 591,128	\$ 388,182
Accounts receivable		482,844	541,580	454,148
Inventories		760,087	728,404	976,401
Income taxes recoverable		12,783	135	16,651
Derivative financial instruments	5	-	-	36,916
Other current assets		13,533	10,897	16,547
Total current assets		1,883,189	1,872,144	1,888,845
Property, plant and equipment	2	416,824	423,282	432,087
Rental equipment	2	527,116	539,412	592,814
Other assets		31,293	33,263	41,760
Deferred tax assets		493	504	1,275
Goodwill and intangible assets		477,318	478,187	481,962
Total assets		\$ 3,336,233	\$ 3,346,792	\$ 3,438,743
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 538,004	\$ 584,003	\$ 751,517
Provisions		25,034	26,645	24,287
Deferred revenues and contract liabilities		181,671	149,109	153,483
Derivative financial instruments	5	6,037	11,043	-
Income taxes payable		-	23,416	-
Total current liabilities		750,746	794,216	929,287
Deferred revenues and contract liabilities		17,866	16,383	12,895
Long-term lease liabilities		15,362	16,565	21,098
Long-term debt	3, 5	646,616	646,299	745,703
Post-employment obligations	9	104,803	149,451	103,443
Deferred tax liabilities		41,209	25,226	51,011
Total liabilities		1,576,602	1,648,140	1,863,437
Shareholders' equity				
Share capital	4	520,126	516,591	491,452
Contributed surplus		15,112	14,243	14,182
Retained earnings		1,225,854	1,169,239	1,057,222
Accumulated other comprehensive (loss) income		(1,461)	(1,421)	12,450
Total shareholders' equity		1,759,631	1,698,652	1,575,306
Total liabilities and shareholders' equity		\$ 3,336,233	\$ 3,346,792	\$ 3,438,743

See accompanying notes

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

(\$ thousands, except share amounts)	Note	Three months ended March 31	
		2021	2020
Revenues	11	\$ 806,238	\$ 715,459
Cost of goods sold		618,860	544,601
Gross profit		187,378	170,858
Selling and administrative expenses		117,162	115,617
Operating income		70,216	55,241
Interest expense	6	7,177	6,931
Interest and investment income	6	(2,004)	(2,726)
Income before income taxes		65,043	51,036
Income taxes		17,087	13,640
Net earnings		\$ 47,956	\$ 37,396
Earnings per share			
Basic	7	\$ 0.58	\$ 0.46
Diluted	7	\$ 0.58	\$ 0.45
Weighted average number of shares outstanding			
Basic	7	82,498,589	82,015,440
Diluted	7	83,248,997	82,548,816

See accompanying notes

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

(\$ thousands)	Three months ended March 31	
	2021	2020
Net earnings	\$ 47,956	\$ 37,396
Other comprehensive (loss) income, net of income taxes:		
<i>Items that may be reclassified subsequently to net earnings:</i>		
Foreign currency translation adjustments	(142)	931
Unrealized (losses) gains on derivatives designated as cash flow hedges	(4,107)	19,606
Income tax recovery (expense)	1,067	(5,155)
Unrealized (losses) gains on cash flow hedges, net of income taxes	(3,040)	14,451
Realized losses (gains) on derivatives designated as cash flow hedges	4,246	(3,528)
Income tax (recovery) expense	(1,104)	937
Realized losses (gains) on cash flow hedges, net of income taxes	3,142	(2,591)
<i>Items that will not be reclassified subsequently to net earnings:</i>		
Actuarial and other gains	46,593	24,222
Income tax expense	(12,347)	(6,419)
Actuarial and other gains, net of income taxes	34,246	17,803
Other comprehensive income	34,206	30,594
Total comprehensive income	\$ 82,162	\$ 67,990

See accompanying notes

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

(\$ thousands)	Note	Three months ended March 31	
		2021	2020
Operating activities			
Net earnings		\$ 47,956	\$ 37,396
Items not requiring cash:			
Depreciation and amortization		39,071	41,867
Stock-based compensation		1,466	1,410
Post-employment obligations		1,945	1,961
Deferred income taxes		3,611	7,355
Gain on sale of rental equipment and property, plant and equipment		(7,705)	(8,093)
		86,344	81,896
Net change in non-cash working capital and other	10	(29,397)	(98,551)
Additions to rental equipment	2	(23,640)	(36,632)
Proceeds on disposal of rental equipment		17,576	12,402
Cash provided by (used in) operating activities		50,883	(40,885)
Investing activities			
Additions to property, plant and equipment	2	(4,605)	(19,017)
Proceeds on disposal of property, plant and equipment		1,793	9,766
Increase in other assets		(44)	(46)
Cash used in investing activities		(2,856)	(9,297)
Financing activities			
Drawings on credit facility		-	100,000
Dividends paid	4	(25,560)	(22,139)
Cash received on exercise of stock options		2,938	1,494
Shares purchased for cancellation	4	-	(4,043)
Payment of lease liabilities		(2,553)	(2,685)
Cash (used in) provided by financing activities		(25,175)	72,627
Effect of currency translation on cash balances		(38)	148
Increase in cash during the period		22,814	22,593
Cash, at beginning of the period		591,128	365,589
Cash, at end of the period		\$ 613,942	\$ 388,182

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
	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	-	-	-	47,956	-	-	-	47,956
Other comprehensive income (loss)	-	-	-	34,246	(142)	102	(40)	34,206
Total comprehensive income	-	-	-	82,202	(142)	102	(40)	82,162
Exercise of stock options	67,510	3,535	(597)	-	-	-	-	2,938
Stock-based compensation expense	-	-	1,466	-	-	-	-	1,466
Effect of stock compensation plans	67,510	3,535	869	-	-	-	-	4,404
Dividends declared	-	-	-	(25,587)	-	-	-	(25,587)
At March 31, 2021	82,542,168	\$ 520,126	\$ 15,112	\$1,225,854	\$ 1,738	\$ (3,199)	\$ (1,461)	\$ 1,759,631
At January 1, 2020	82,012,448	\$ 490,047	\$ 13,088	\$1,031,097	\$ 2,219	\$ (2,560)	\$ (341)	\$ 1,533,891
Net earnings	-	-	-	37,396	-	-	-	37,396
Other comprehensive income	-	-	-	17,803	931	11,860	12,791	30,594
Total comprehensive income	-	-	-	55,199	931	11,860	12,791	67,990
Exercise of stock options	35,980	1,810	(316)	-	-	-	-	1,494
Stock-based compensation expense	-	-	1,410	-	-	-	-	1,410
Effect of stock compensation plans	35,980	1,810	1,094	-	-	-	-	2,904
Shares purchased for cancellation	(67,800)	(405)	-	(3,638)	-	-	-	(4,043)
Dividends declared	-	-	-	(25,436)	-	-	-	(25,436)
At March 31, 2020	81,980,628	491,452	14,182	1,057,222	\$ 3,150	\$ 9,300	\$ 12,450	\$ 1,575,306

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three months ended March 31, 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 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 May 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 March 31	
	2021	2020
Additions		
Rental equipment	\$ 23,640	\$ 36,632
Property, plant and equipment	4,605	19,017
Total additions	\$ 28,245	\$ 55,649
Disposals - Net book value ("NBV")		
Rental equipment	\$ 11,115	\$ 8,518
Property, plant and equipment	549	5,557
Total disposals - NBV	\$ 11,664	\$ 14,075
Depreciation		
Cost of goods sold	\$ 31,064	\$ 32,091
Selling and administrative expenses	4,224	5,910
Total depreciation	\$ 35,288	\$ 38,001

3. LONG-TERM DEBT

	March 31 2021	December 31 2020	March 31 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	(3,384)	(3,701)	(4,297)
Total long-term debt	\$ 646,616	\$ 646,299	\$ 745,703

⁽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. On April 17, 2020, the Company entered into an additional \$250.0 million committed revolving credit facility maturing in April 2021 (this credit facility was not renewed). Debt under these facilities 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 these revolving credit facilities as at March 31, 2021 and as at December 31, 2020. As at March 31, 2020, \$100.0 million was drawn down on the \$500.0 million credit facility and was repaid in September 2020.

Standby letters of credit issued utilized \$30.0 million of the \$500.0 million facility as at March 31, 2021 (December 31, 2020 – \$30.8 million and March 31, 2020 – \$34.0 million).

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 first quarter of 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 March 31, 2021 (2020 - \$22.1 million or \$0.27 per share).

Subsequent to quarter-end, the Board of Directors approved a dividend increase of 4 cents or 12.9%, to 35 cents per common share per quarter effective with the dividend payable on July 5, 2021 to shareholders on record on June 9, 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:

	March 31 2021	December 31 2020	March 31 2020
Other financial liabilities:			
Long-term debt	\$ 646,616	\$ 646,299	\$ 745,703
Derivative financial instruments (liabilities) assets, net:			
Foreign exchange forward contracts	\$ (6,037)	\$ (11,043)	\$ 36,916

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	March 31 2021	December 31 2020	March 31 2020
Fair value	\$ 700,469	\$ 726,871	\$ 771,046
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 has no plans to prepay these instruments prior to maturity.

During the three-months ended March 31, 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 March 31, 2021, the Company was committed to USD purchase contracts with a notional amount of \$463.4 million at an average exchange rate of \$1.2704, maturing between April 2021 and October 2022.

Management estimates that a loss of \$6.0 million (December 31, 2020 – loss of \$11.0 million; March 31, 2020 – gain of \$37.3 million) would be realized if the contracts were terminated on March 31, 2021. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized loss of \$4.3 million (December 31, 2020 – unrealized loss of \$4.4 million; March 31, 2020 – unrealized gain of \$10.8 million) has been included in other comprehensive income. These losses are not expected to affect net income as the amounts will be reclassified to net income within the next eleven months and will offset losses recorded on the underlying hedged items, namely foreign-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 \$1.7 million (December 31, 2020 – loss of \$6.6 million; March 31, 2020 – gain of \$26.5 million) on forward contracts not designated as hedges is included in net income, which offsets losses recorded on the foreign-denominated items, namely accounts payable and accrued liabilities.

6. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended March 31	
	2021	2020
Credit facilities	\$ 748	\$ 410
Senior debentures	6,243	6,278
Interest on lease liabilities	186	243
	\$ 7,177	\$ 6,931

The components of interest and investment income were as follows:

	Three months ended March 31	
	2021	2020
Interest on conversion of rental equipment	\$ 770	\$ 771
Other	1,234	1,955
	\$ 2,004	\$ 2,726

7. EARNINGS PER SHARE

	Three months ended March 31	
	2021	2020
Net earnings available to common shareholders	\$ 47,956	\$ 37,396
Weighted average common shares outstanding	82,498,589	82,015,440
Dilutive effect of stock option conversions	750,408	533,376
Diluted weighted average common shares outstanding	83,248,997	82,548,816
Earnings per share:		
Basic	\$ 0.58	\$ 0.46
Diluted	\$ 0.58	\$ 0.45

There were no anti-dilutive options in the three-months ended March 31, 2021 or March 31, 2020.

8. STOCK-BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Three months ended March 31, 2021		Three months ended March 31, 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
Exercised ⁽¹⁾	(67,510)	43.51	(35,980)	41.53
Forfeited	(86,400)	57.55	(2,000)	65.97
Options outstanding, March 31	2,174,128	\$ 59.19	2,291,725	\$ 51.82
Options exercisable, March 31	779,265	\$ 46.83	859,935	\$ 39.81

⁽¹⁾ The weighted average share price at date of exercise for the three months ended March 31, 2021 was \$92.22 (2020 - \$69.62).

The following table summarizes stock options outstanding and exercisable as at March 31, 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	119,430	3.0	\$ 25.37	119,430	\$ 25.37
\$36.65 - \$39.79	373,510	5.0	\$ 38.80	304,550	\$ 38.58
\$53.88 - \$66.22	1,151,245	7.5	\$ 62.97	355,285	\$ 61.12
\$72.95	529,943	9.4	\$ 72.95	-	\$ -
	2,174,128	7.3	\$ 59.19	779,265	\$ 46.83

Deferred Share Unit (“DSU”) Plan

A reconciliation of the DSU plan was as follows:

	Three months ended March 31, 2021		Three months ended March 31, 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	13,732	1,258	12,017	813
Redemptions	(89,399)	(8,211)	-	-
Fair market value adjustment	-	1,353	-	(3,993)
Outstanding, March 31	318,487	\$ 29,955	400,564	\$ 24,212

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 March 31	
	2021	2020
Defined benefit plans	\$ 4,911	\$ 4,914
Defined contribution plans	3,849	4,001
401(k) matched savings plans	68	70
	\$ 8,828	\$ 8,985

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31	
	2021	2020
Net change in non-cash working capital and other		
Accounts receivable	\$ 58,736	\$ 70,904
Inventories	(31,683)	(64,215)
Accounts payable and accrued liabilities	(45,738)	(71,803)
Provisions	(1,611)	607
Deferred revenues and contract liabilities	34,045	9,073
Income taxes	(36,064)	(7,376)
Derivative financial instruments	(4,866)	(31,394)
Other	(2,216)	(4,347)
	\$ (29,397)	\$ (98,551)
Cash paid during the year for:		
Interest	\$ 2,783	\$ 4,092
Income taxes	\$ 51,014	\$ 13,870
Cash received during the year for:		
Interest	\$ 1,929	\$ 2,615
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 months ended March 31, 2021 and 2020:

Three months ended March 31	Equipment Group		CIMCO		Consolidated	
	2021	2020	2021	2020	2021	2020
Equipment/package sales	\$ 323,095	\$ 251,735	\$ 46,389	\$ 22,609	\$ 369,484	\$ 274,344
Rentals	72,298	80,978	-	-	72,298	80,978
Product support	329,224	322,351	32,466	35,074	361,690	357,425
Power generation	2,766	2,712	-	-	2,766	2,712
Total revenues	\$ 727,383	\$ 657,776	\$ 78,855	\$ 57,683	\$ 806,238	\$ 715,459
Operating income	\$ 69,813	\$ 55,076	\$ 403	\$ 165	\$ 70,216	\$ 55,241
Interest expense					7,177	6,931
Interest and investment income					(2,004)	(2,726)
Income taxes					17,087	13,640
Net earnings					\$ 47,956	\$ 37,396

Operating income from rental operations was \$2.5 million for the three months ended March 31, 2021 (2020 – operating income of \$2.4 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, these patterns were impacted by the governmental and market response and reaction to COVID-19, with the second quarter experiencing the most significant slowdown in market activity. The recent surge in COVID-19 variants and further governmental measures imposed to combat the spread of the virus may further alter the typical seasonal trend.

The breadth and duration of this pandemic are unknown, in part given the many unknowns related to the virus, the ability to contain transmission and the timing of vaccine roll-out. 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.