

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

	Note	September 30 2022	December 31 2021	September 30 2021
Assets				
Current assets				
Cash		\$ 770,944	\$ 916,830	\$ 732,551
Accounts receivable		611,064	451,944	539,110
Inventories		954,499	720,421	685,239
Derivative financial instruments	5	53,181	5,252	11,456
Other current assets		20,819	13,994	18,087
Total current assets		2,410,507	2,108,441	1,986,443
Property, plant and equipment	2	468,637	450,825	450,469
Rental equipment	2	592,430	525,521	536,133
Other assets		29,717	23,735	25,821
Deferred tax assets		317	231	533
Goodwill and intangible assets		473,185	475,043	475,662
Total assets		\$ 3,974,793	\$ 3,583,796	\$ 3,475,061
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 637,823	\$ 573,363	\$ 562,445
Provisions		26,784	25,404	25,528
Deferred revenues and contract liabilities		313,736	199,696	188,908
Income taxes payable		20,179	15,239	857
Total current liabilities		998,522	813,702	777,738
Deferred revenues and contract liabilities		19,798	27,254	25,589
Long-term lease liabilities		17,757	11,780	13,056
Long-term debt	3, 5	646,879	646,337	647,099
Post-employment obligations	9	16,562	82,712	82,025
Deferred tax liabilities		70,386	48,682	54,400
Total liabilities		1,769,904	1,630,467	1,599,907
Shareholders' equity				
Share capital	4	555,744	539,677	531,794
Contributed surplus		18,069	16,352	16,173
Retained earnings		1,595,467	1,392,551	1,318,216
Accumulated other comprehensive income		35,609	4,749	8,971
Total shareholders' equity		2,204,889	1,953,329	1,875,154
Total liabilities and shareholders' equity		\$ 3,974,793	\$ 3,583,796	\$ 3,475,061

See accompanying notes

TOROMONT INDUSTRIES LTD.
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS
(\$ thousands, except share amounts) (Unaudited)

	Note	Three months ended		Nine months ended	
		2022	2021	2022	2021
			September 30		September 30
Revenues	11	\$ 1,139,599	\$ 997,198	\$ 3,080,639	\$ 2,930,502
Cost of goods sold		830,603	738,764	2,271,125	2,229,984
Gross profit		308,996	258,434	809,514	700,518
Selling and administrative expenses		139,915	123,991	397,827	373,351
Operating income		169,081	134,443	411,687	327,167
Interest expense	6	7,009	7,093	20,552	21,272
Interest and investment income	6	(6,928)	(1,936)	(13,433)	(6,200)
Income before income taxes		169,000	129,286	404,568	312,095
Income taxes		45,877	35,522	110,232	84,975
Net earnings		\$ 123,123	\$ 93,764	\$ 294,336	\$ 227,120
Earnings per share					
Basic	7	\$ 1.50	\$ 1.13	\$ 3.57	\$ 2.75
Diluted	7	\$ 1.49	\$ 1.12	\$ 3.54	\$ 2.73
Weighted average number of shares outstanding					
Basic	7	82,182,632	82,704,637	82,359,832	82,597,423
Diluted	7	82,810,246	83,522,761	83,039,302	83,346,677

See accompanying notes

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

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net earnings	\$ 123,123	\$ 93,764	\$ 294,336	\$ 227,120
Other comprehensive income, net of income taxes:				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	1,064	368	1,319	56
Unrealized gains on derivatives designated as cash flow hedges	47,474	11,350	59,692	2,061
Income tax expense	(12,344)	(2,951)	(15,520)	(534)
Unrealized gains on cash flow hedges, net of income taxes	35,130	8,399	44,172	1,527
Realized (gains) losses on derivatives designated as cash flow hedges	(13,106)	(2,327)	(19,772)	11,906
Income tax expense (recovery)	3,408	606	5,141	(3,097)
Realized (gains) losses on cash flow hedges, net of income taxes	(9,698)	(1,721)	(14,631)	8,809
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Actuarial and other gains	8,966	13,974	68,465	71,184
Income tax expense	(2,377)	(3,702)	(18,143)	(18,863)
Actuarial and other gains, net of income taxes	6,589	10,272	50,322	52,321
Other comprehensive income	33,085	17,318	81,182	62,713
Total comprehensive income	\$ 156,208	\$ 111,082	\$ 375,518	\$ 289,833

See accompanying notes

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

	Note	Three months ended		Nine months ended	
		2022	September 30 2021	2022	September 30 2021
Operating activities					
Net earnings		\$ 123,123	\$ 93,764	\$ 294,336	\$ 227,120
Items not requiring cash:					
Depreciation and amortization		41,916	40,096	120,799	118,787
Stock-based compensation		1,763	2,074	4,806	4,950
Post-employment obligations		1,156	1,456	2,314	3,758
Deferred income taxes		(2,484)	1,533	(6,904)	6,650
Gain on sale of rental equipment and property, plant and equipment		(2,864)	(4,485)	(13,380)	(17,113)
		162,610	134,438	401,971	344,152
Net change in non-cash working capital and other	10	(62,831)	23,068	(233,437)	8,693
Additions to rental equipment	2	(58,750)	(19,142)	(159,534)	(97,483)
Proceeds on disposal of rental equipment		5,301	8,633	27,537	40,738
Cash provided by operating activities		46,330	146,997	36,537	296,100
Investing activities					
Additions to property, plant and equipment	2	(19,565)	(27,348)	(51,647)	(60,250)
Proceeds on disposal of property, plant and equipment		402	390	1,276	2,326
Decrease in other assets		—	(90)	(85)	(178)
Cash used in investing activities		(19,163)	(27,048)	(50,456)	(58,102)
Financing activities					
Dividends paid	4	(32,125)	(28,929)	(93,140)	(80,076)
Cash received on exercise of stock options		9,724	7,337	16,098	15,214
Shares purchased for cancellation	4	(10,814)	(24,222)	(48,502)	(24,222)
Payment of lease liabilities		(2,275)	(2,434)	(7,006)	(7,493)
Cash used in financing activities		(35,490)	(48,248)	(132,550)	(96,577)
Effect of currency translation on cash balances		467	79	583	2
(Decrease) increase in cash during the period		(7,856)	71,780	(145,886)	141,423
Cash, at beginning of the period		778,800	660,771	916,830	591,128
Cash, at end of the period		770,944	732,551	770,944	732,551

Supplemental cash flow information (note 10)

See accompanying notes

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

(\$ thousands, except share amounts) (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	
At January 1, 2022	82,443,968	\$ 539,677	\$ 16,352	\$ 1,392,551	\$ 1,868	\$ 2,881	\$ 4,749	\$ 1,953,329
Net earnings	—	—	—	294,336	—	—	—	294,336
Other comprehensive income	—	—	—	50,322	1,319	29,541	30,860	81,182
Total comprehensive income	—	—	—	344,658	1,319	29,541	30,860	375,518
Exercise of stock options	275,939	19,187	(3,089)	—	—	—	—	16,098
Stock-based compensation expense	—	—	4,806	—	—	—	—	4,806
Effect of stock compensation plans	275,939	19,187	1,717	—	—	—	—	20,904
Shares purchased for cancellation	(473,100)	(3,120)	—	(45,382)	—	—	—	(48,502)
Dividends declared	—	—	—	(96,360)	—	—	—	(96,360)
At September 30, 2022	82,246,807	\$ 555,744	\$ 18,069	\$ 1,595,467	\$ 3,187	\$ 32,422	\$ 35,609	\$ 2,204,889
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)
Shares 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

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2022

(\$ thousands, except where otherwise indicated) (Unaudited)

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.

The Company operates through two business segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory, spanning the Canadian provinces of Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island, Québec, Ontario and Manitoba, in addition to most of the territory of Nunavut. The Equipment Group includes industry-leading rental operations, a complementary material handling business 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

a) Statement of Compliance

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. 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, 2021.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 1, 2022.

b) Basis of Presentation

These interim condensed consolidated financial statements were prepared on a historical cost basis, except for derivative instruments that have been measured at fair value. These interim condensed consolidated financial statements are presented in Canadian dollars, which is Toromont's functional currency, and all values are rounded to the nearest thousands, except where otherwise indicated.

c) Accounting Policies

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 audited annual consolidated financial statements for the year ended December 31, 2021, except as noted below.

As a result of the adoption of the Long-Term Incentive Program (see note 8), the Company's policy for Share Based Compensation has been amended to include the following:

The fair market value of equity-settled awards under the Long-Term Incentive Program are based on the volume-weighted average trading price of Toromont's common shares for five days preceding the date of the grant and expected performance condition payout, if applicable. Share-based compensation expense is recognized over the vesting period with a related credit to contributed surplus.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(\$ thousands, except where otherwise indicated) (Unaudited)

Several amendments apply for the first time in 2022, 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.

d) Use of Estimates and Judgements

The preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Significant estimates and judgements used in the preparation of these interim condensed consolidated financial statements are described in the Company's audited annual consolidated financial statements for the year ended December 31, 2021. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

For the three and nine months ended September 30, 2022, the Company assessed the impact of the uncertainties around the COVID-19 pandemic on its interim condensed consolidated statement of financial position carrying amounts. The Company will continue to monitor the impact of the development of the COVID-19 pandemic in future reporting periods.

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Additions				
Rental equipment	\$ 58,750	\$ 19,142	\$ 159,534	\$ 97,483
Property, plant and equipment	19,565	27,348	51,647	60,250
Total additions	\$ 78,315	\$ 46,490	\$ 211,181	\$ 157,733
Disposals – Net book value ("NBV")				
Rental equipment	\$ 2,628	\$ 4,331	\$ 14,947	\$ 25,182
Property, plant and equipment	209	206	485	769
Total disposals - NBV	\$ 2,837	\$ 4,537	\$ 15,432	\$ 25,951
Depreciation				
Cost of goods sold	\$ 34,359	\$ 32,033	\$ 97,892	\$ 94,647
Selling and administrative expenses	4,473	4,583	13,433	13,222
Total depreciation	\$ 38,832	\$ 36,616	\$ 111,325	\$ 107,869

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2022

(\$ thousands, except where otherwise indicated) (Unaudited)

3. LONG-TERM DEBT

	September 30 2022	December 31 2021	September 30 2021
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	(3,121)	(3,663)	(2,901)
Total long-term debt	\$ 646,879	\$ 646,337	\$ 647,099

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

The Company maintains a \$500.0 million committed revolving credit facility that matures in November 2026. 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 the revolving credit facilities as at: September 30, 2022, December 31, 2021 and September 30, 2021.

Standby letters of credit issued utilized \$34.6 million of the facility as at September 30, 2022 (December 31, 2021 – \$28.8 million and September 30, 2021 – \$28.7 million).

4. SHARE CAPITAL

Normal Course Issuer Bid ("NCIB")

The Company's NCIB program was renewed on September 19, 2022. 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 18, 2023, 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.

The Company purchased and cancelled 473,100 common shares for \$48.5 million (average cost of \$102.52 per share, including transaction costs) under the previous NCIB program during the nine months ended September 30, 2022.

The Company purchased and cancelled 230,000 common shares for \$24.2 million (average cost of \$105.31 per share, including transaction costs) under the previous NCIB program during the nine months ended September 30, 2021.

The Company maintains an ASPP with a broker that allows the purchase of common shares for cancellation under the NCIB during predetermined trading blackout periods. As at September 30, 2022, no obligation for the repurchase of shares was recognized under the ASPP.

As at September 30, 2021, an obligation for the repurchase of shares of \$25.8 million was recognized under the ASPP.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(\$ thousands, except where otherwise indicated) (Unaudited)

Dividends Declared

Dividend	2022				2021			
	Record Date	Dividend Amount Per Share	Payment Date	Total Dividends Declared (\$ millions)	Record Date	Dividend Amount Per Share	Payment Date	Total Dividends Declared (\$ millions)
Quarter 1	Mar. 9, 2022	\$ 0.39	Apr. 4, 2022	\$ 32.2	Mar. 9, 2021	\$ 0.31	Apr. 1, 2021	\$ 25.6
Quarter 2	Jun. 9, 2022	\$ 0.39	Jul. 5, 2022	\$ 32.1	Jun. 9, 2021	\$ 0.35	Jul. 5, 2021	\$ 28.9
Quarter 3	Sep. 8, 2022	\$ 0.39	Oct. 4, 2022	\$ 32.1	Sep. 8, 2021	\$ 0.35	Oct. 4, 2021	\$ 29.0
				\$ 96.4				\$ 83.5

On November 1, 2022, the Board of Directors declared a quarterly dividend of \$0.39 per common share, payable on January 5, 2023, to shareholders on record on December 8, 2022.

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 2022	December 31 2021	September 30 2021
Other financial liabilities:			
Long-term debt	\$ 646,879	\$ 646,337	\$ 647,099
Derivative financial instruments assets, net:			
Foreign exchange forward contracts	53,181	5,252	11,456

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 as 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 are as follows:

	September 30 2022	December 31 2021	September 30 2021
Long-term debt:			
Fair value	\$ 622,335	\$ 695,285	\$ 705,051
Carrying value	\$ 650,000	\$ 650,000	\$ 650,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2022

(\$ thousands, except where otherwise indicated) (Unaudited)

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 nine months ended September 30, 2022 and 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, 2022, the Company was committed to US dollar purchase contracts with a notional amount of \$666.6 million at an average exchange rate of \$1.2884, maturing between October 2022 and August 2023.

Management estimates that a gain of \$53.2 million (December 31, 2021 - gain of \$5.3 million; September 30, 2021 - gain of \$11.5 million) would be realized if the contracts were terminated on September 30, 2022. Certain of these forward contracts are designated as cash flow hedges and, accordingly, an unrealized gain of \$43.9 million (December 31, 2021 - unrealized gain of \$3.9 million; September 30, 2021 - unrealized gain of \$9.5 million) has been included in other comprehensive income. These gains are not expected to affect net income as the amounts will be reclassified to net earnings within the next 12 months and will offset losses recorded on the underlying hedged items, namely foreign-denominated accounts payable and accrued liabilities. Certain of these 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 gain of \$9.3 million (December 31, 2021 - gain of \$1.4 million; September 30, 2021 - gain of \$2.0 million) on forward contracts not designated as hedges is included in net earnings, which offsets gains recorded on the foreign-denominated items, namely accounts payable and accrued liabilities.

6. INTEREST AND INVESTMENT INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Credit facilities	\$ 523	\$ 575	\$ 1,244	\$ 1,867
Senior debentures	6,332	6,357	18,837	18,889
Interest on lease liabilities	154	161	471	516
	\$ 7,009	\$ 7,093	\$ 20,552	\$ 21,272

The components of interest and investment income were as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Interest on conversion of rental equipment	\$ 1,533	\$ 282	\$ 3,455	\$ 1,588
Other	5,395	1,654	9,978	4,612
	\$ 6,928	\$ 1,936	\$ 13,433	\$ 6,200

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2022

(\$ thousands, except where otherwise indicated) (Unaudited)

7. EARNINGS PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net earnings available to common shareholders	\$ 123,123	\$ 93,764	\$ 294,336	\$ 227,120
Weighted average common shares outstanding	82,182,632	82,704,637	82,359,832	82,597,423
Dilutive effect of stock option conversions	627,614	818,124	679,470	749,254
Diluted weighted average common shares outstanding	82,810,246	83,522,761	83,039,302	83,346,677
Earnings per share:				
Basic	\$ 1.50	\$ 1.13	\$ 3.57	\$ 2.75
Diluted	\$ 1.49	\$ 1.12	\$ 3.54	\$ 2.73

For the three-month period ended September 30, 2022, 528,908 outstanding share options with an average exercise price of \$106.14 were considered anti-dilutive and were excluded from the calculation. There were no anti-dilutive options for the comparative period in 2021.

For the nine-month period ended September 30, 2022, there were no anti-dilutive options. For the comparative period in 2021, 367,957 outstanding share options with an average exercise price of \$104.91 were considered anti-dilutive and were excluded from the calculation.

8. STOCK-BASED COMPENSATION

Stock Option Plan

A reconciliation of the outstanding options was as follows:

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, January 1	2,167,025	\$ 68.44	2,328,038	\$ 58.67
Granted	166,500	107.36	367,957	104.91
Exercised ⁽¹⁾	(275,939)	58.34	(323,116)	47.09
Forfeited	(13,342)	83.98	(89,060)	57.59
Options outstanding, September 30	2,044,244	\$ 72.87	2,283,819	\$ 67.80
Options exercisable, September 30	994,033	\$ 59.68	954,481	\$ 53.16

⁽¹⁾ The weighted average share price at the date of exercise for the nine months ended September 30, 2022 was \$108.38 (2021 – \$103.30).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three and nine months ended September 30, 2022
(\$ thousands, except where otherwise indicated) (Unaudited)

The following table summarizes stock options outstanding and exercisable as at September 30, 2022:

Range of exercise prices	Options outstanding			Options exercisable		
	Number	Weighted average remaining life (years)	Weighted average exercise price	Number	Weighted average exercise price	Weighted average exercise price
\$23.40 – \$26.52	67,190	1.7	\$ 26.25	67,190	\$ 26.25	\$ 26.25
\$36.65 – \$39.79	206,450	3.4	\$ 38.33	206,450	\$ 38.33	\$ 38.33
\$53.88 – \$66.22	757,245	6.1	\$ 63.45	478,125	\$ 62.04	\$ 62.04
\$66.23 – \$72.95	484,451	7.9	\$ 72.95	169,950	\$ 72.95	\$ 72.95
\$72.96 – 104.91	362,408	8.7	\$ 104.91	72,318	\$ 104.91	\$ 104.91
\$107.36	166,500	9.9	\$ 107.36	—	\$ —	\$ —
	2,044,244	6.8	\$ 72.87	994,033	\$ 59.68	\$ 59.68

The fair values of the stock options granted during 2022 and 2021 were determined at the time of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2022	2021
Fair value price per option	\$ 22.27	\$ 18.23
Share price	\$ 107.36	\$ 104.91
Expected life of options (years)	5.30	5.30
Expected stock price volatility	21.50 %	21.50 %
Expected dividend yield	1.45 %	1.33 %
Risk-free interest rate	2.77 %	0.90 %

Deferred Share Unit ("DSU") Plan

A reconciliation of the cash-settled DSU plan was as follows:

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, January 1	202,969	\$ 23,074	394,154	\$ 35,555
Units taken or taken in lieu and dividends	19,543	2,157	22,539	2,185
Redemptions	(33,148)	(3,535)	(217,933)	(21,751)
Fair market value adjustments	—	(3,418)	—	5,233
Outstanding, September 30	189,364	\$ 18,278	198,760	\$ 21,222

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

The Company introduced an equity-settled DSU plan during the period as part of the long-term incentive plan described below. A total of 3,780 units were taken in lieu, valued at \$394 thousand, which is included in selling and administrative expenses ("S&A") with a credit to contributed surplus.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2022

(\$ thousands, except where otherwise indicated) (Unaudited)

Long-term Incentive Plan ("LTIP")

On April 28, 2022, shareholders approved the adoption of certain changes to the Company's LTIP. There was no change to the Company's existing stock option and cash-settled DSU plans, both of which remain in place. Under the LTIP, the Company introduced performance share units ("PSU"), restricted share units ("RSU"), executive deferred share units ("EDSU") and equity-settled DSUs. The Company has the ability to grant options and awards under all of these respective plans. The Company intends that total incentive award grants will be based on historical stock option grant levels at approximately a 50/50 split between stock options and grants under the LTIP.

Details of each grant will be determined at the date of grant, including performance requirements, vesting and settlement method. PSUs and RSUs will settle upon vesting, while EDSUs and equity-settled DSUs will settle upon cessation of service to the Company. PSU vesting will be based upon the achievement of performance objectives established at the time of grant by the Board of Directors. The maximum number of common shares reserved for issuance, in aggregate, under the LTIP, will be 750,000, representing 0.9% of the issued and outstanding shares at February 26, 2022.

During the quarter, 7,134 RSUs and 28,024 PSUs were granted under the LTIP. Expense of \$186 thousand is included in S&A with a credit to contributed surplus.

9. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense includes the following components:

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Defined benefit plans	\$ 3,863	\$ 4,875	\$ 10,857	\$ 14,372
Defined contribution plans	4,335	4,149	13,178	12,221
401(k) matched saving plans	81	63	234	193
	\$ 8,279	\$ 9,087	\$ 24,269	\$ 26,786

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(\$ thousands, except where otherwise indicated) (Unaudited)

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net change in non-cash working capital and other				
Accounts receivable	\$ (41,261)	\$ (7,580)	\$ (159,120)	\$ 2,470
Inventories	(37,654)	27,629	(234,078)	43,165
Accounts payable and accrued liabilities	(666)	(8,113)	61,066	(50,036)
Provisions	(11)	(1,196)	1,380	(1,117)
Deferred revenue and contract liabilities	6,717	9,781	106,584	49,005
Income taxes	16,993	9,473	4,940	(22,424)
Derivative financial instruments	(6,174)	(3,066)	(8,009)	(8,532)
Other	(775)	(3,860)	(6,200)	(3,838)
	\$ (62,831)	\$ 23,068	\$ (233,437)	\$ 8,693
Cash paid during the period for:				
Interest	\$ 2,782	\$ —	\$ 15,170	\$ 12,388
Income taxes	\$ 31,351	\$ 26,682	\$ 112,186	\$ 104,403
Cash received during the period for:				
Interest	\$ 5,380	\$ 1,871	\$ 11,783	\$ 5,923
Income taxes	\$ 410	\$ 2,251	\$ 410	\$ 3,712

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 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.

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The following table sets forth information by segment for the three and nine months ended September 30, 2022 and 2021:

Three months ended September 30	Equipment Group		CIMCO		Consolidated	
	2022	2021	2022	2021	2022	2021
Equipment/package sales	\$ 491,646	\$ 446,653	\$ 48,265	\$ 40,650	\$ 539,911	\$ 487,303
Rentals	125,521	111,252	—	—	125,521	111,252
Product support	425,705	353,642	45,841	42,162	471,546	395,804
Power generation	2,621	2,839	—	—	2,621	2,839
Total revenues	\$ 1,045,493	\$ 914,386	\$ 94,106	\$ 82,812	\$ 1,139,599	\$ 997,198
Operating income	\$ 162,736	\$ 129,388	\$ 6,345	\$ 5,055	\$ 169,081	\$ 134,443
Interest expense					7,009	7,093
Interest and investment income					(6,928)	(1,936)
Income taxes					45,877	35,522
Net earnings					\$ 123,123	\$ 93,764

Nine months ended September 30	Equipment Group		CIMCO		Consolidated	
	2022	2021	2022	2021	2022	2021
Equipment/package sales	\$ 1,296,027	\$ 1,329,272	\$ 124,384	\$ 160,751	\$ 1,420,411	\$ 1,490,023
Rentals	327,602	275,013	—	—	327,602	275,013
Product support	1,193,784	1,045,725	130,921	111,437	1,324,705	1,157,162
Power generation	7,921	8,304	—	—	7,921	8,304
Total revenues	\$ 2,825,334	\$ 2,658,314	\$ 255,305	\$ 272,188	\$ 3,080,639	\$ 2,930,502
Operating income	\$ 399,114	\$ 315,648	\$ 12,573	\$ 11,519	\$ 411,687	\$ 327,167
Interest expense					20,552	21,272
Interest and investment income					(13,433)	(6,200)
Income taxes					110,232	84,975
Net earnings					\$ 294,336	\$ 227,120

Operating income from rental operations was \$32.9 million for the three months ended September 30, 2022 (2021 – \$23.3 million) and \$65.4 million for the nine months ended September 30, 2022 (2021 – \$37.8 million).

12. BUSINESS SEASONALITY

Interim period revenues and earnings historically reflect seasonality. As such, the operating results for any interim period are not necessarily indicative of full-year performance.

For the Equipment Group, the first quarter is typically the weakest due to winter shutdowns in the construction industry while the fourth quarter has typically been the strongest quarter due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. This pattern can be 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. This trend can also be impacted during periods of equipment supply constraints from suppliers.

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At CIMCO, a distinct seasonal trend reflects the timing of construction activity, which impacts revenue recognition under percentage-of-completion accounting. Revenues are typically lower during the first quarter as winter weather slows down construction schedules. Revenues typically increase in subsequent quarters as construction schedules ramp up. This trend can be impacted by governmental funding initiatives, supply constraints and customer timing of significant industrial projects. Sequential earnings comparisons are also impacted by CIMCO's relatively high fixed cost structure.

In 2021, this pattern was interrupted, as demand was stronger through the first nine months of the year. The governmental and market response and reaction to the COVID-19 pandemic in 2020 dampened and delayed purchasing to 2021. In addition, in 2021, orders were accelerated in light of global supply chain disruptions.

The overall economic environment, reflecting the COVID-19 pandemic and other global economic factors, has affected and may continue to impact these trends. There can be no certainty that this historical seasonality pattern will recur in the current year or future years.