

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

(\$ thousands)	Note	March 31 2022	December 31 2021	March 31 2021
Assets				
Current assets				
Cash		\$ 795,731	\$ 916,830	\$ 613,942
Accounts receivable		480,555	451,944	482,844
Inventories		837,028	720,421	760,087
Income taxes recoverable		7,808	-	12,783
Derivative financial instruments	5	-	5,252	-
Other current assets		22,348	13,994	13,533
Total current assets		2,143,470	2,108,441	1,883,189
Property, plant and equipment	2	450,710	450,825	416,824
Rental equipment	2	529,287	525,521	527,116
Other assets		28,412	23,735	31,293
Deferred tax assets		177	231	493
Goodwill and intangible assets		474,423	475,043	477,318
Total assets		\$ 3,626,479	\$ 3,583,796	\$ 3,336,233
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 566,242	\$ 573,363	\$ 538,004
Provisions		25,005	25,404	25,034
Deferred revenues and contract liabilities		235,634	199,696	181,671
Derivative financial instruments	5	12,796	-	6,037
Income taxes payable		236	15,239	-
Total current liabilities		839,913	813,702	750,746
Deferred revenues and contract liabilities		24,651	27,254	17,866
Long-term lease liabilities		16,277	11,780	15,362
Long-term debt	3, 5	646,518	646,337	646,616
Post-employment obligations	9	50,902	82,712	104,803
Deferred tax liabilities		49,960	48,682	41,209
Total liabilities		1,628,221	1,630,467	1,576,602
Shareholders' equity				
Share capital	4	543,904	539,677	520,126
Contributed surplus		17,164	16,352	15,112
Retained earnings		1,443,624	1,392,551	1,225,854
Accumulated other comprehensive (loss) income		(6,434)	4,749	(1,461)
Total shareholders' equity		1,998,258	1,953,329	1,759,631
Total liabilities and shareholders' equity		\$ 3,626,479	\$ 3,583,796	\$ 3,336,233

See accompanying notes

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

(\$ thousands, except share amounts)	Note	Three months ended March 31	
		2022	2021
Revenues	11	\$ 860,143	\$ 806,238
Cost of goods sold		646,636	618,860
Gross profit		213,507	187,378
Selling and administrative expenses		127,384	117,162
Operating income		86,123	70,216
Interest expense	6	6,686	7,177
Interest and investment income	6	(2,617)	(2,004)
Income before income taxes		82,054	65,043
Income taxes		22,522	17,087
Net earnings		\$ 59,532	\$ 47,956
Earnings per share			
Basic	7	\$ 0.72	\$ 0.58
Diluted	7	\$ 0.72	\$ 0.58
Weighted average number of shares outstanding			
Basic	7	82,466,525	82,498,589
Diluted	7	83,257,204	83,248,997

See accompanying notes

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

(\$ thousands)	Three months ended March 31	
	2022	2021
Net earnings	\$ 59,532	\$ 47,956
Other comprehensive income (loss), net of income taxes:		
<i>Items that may be reclassified subsequently to net earnings:</i>		
Foreign currency translation adjustments	(209)	(142)
Unrealized losses on derivatives designated as cash flow hedges	(13,281)	(4,107)
Income tax recovery	3,453	1,067
Unrealized losses on cash flow hedges, net of income taxes	(9,828)	(3,040)
Realized (gains) losses on derivatives designated as cash flow hedges	(1,549)	4,246
Income tax expense (recovery)	403	(1,104)
Realized (gains) losses on cash flow hedges, net of income taxes	(1,146)	3,142
<i>Items that will not be reclassified subsequently to net earnings:</i>		
Actuarial and other gains	32,253	46,593
Income tax expense	(8,548)	(12,347)
Actuarial and other gains, net of income taxes	23,705	34,246
Other comprehensive income	12,522	34,206
Total comprehensive income	\$ 72,054	\$ 82,162

See accompanying notes

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

(\$ thousands)	Note	Three months ended March 31	
		2022	2021
Operating activities			
Net earnings		\$ 59,532	\$ 47,956
Items not requiring cash:			
Depreciation and amortization		39,234	39,071
Stock-based compensation		1,521	1,466
Post-employment obligations		443	1,945
Deferred income taxes		(3,360)	3,611
Gain on sale of rental equipment and property, plant and equipment		(6,349)	(7,705)
		91,021	86,344
Net change in non-cash working capital and other	10	(150,907)	(29,397)
Additions to rental equipment	2	(36,068)	(23,640)
Proceeds on disposal of rental equipment		13,707	17,576
Cash (used in) provided by operating activities		(82,247)	50,883
Investing activities			
Additions to property, plant and equipment	2	(11,207)	(4,605)
Proceeds on disposal of property, plant and equipment		230	1,793
Decrease in other assets		(45)	(44)
Cash used in investing activities		(11,022)	(2,856)
Financing activities			
Dividends paid	4	(28,851)	(25,560)
Cash received on exercise of stock options		3,518	2,938
Payment of lease liabilities		(2,398)	(2,553)
Cash used in financing activities		(27,731)	(25,175)
Effect of currency translation on cash balances		(99)	(38)
(Decrease) increase in cash during the period		(121,099)	22,814
Cash, at beginning of the period		916,830	591,128
Cash, at end of the period		\$ 795,731	\$ 613,942

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, 2022	82,443,968	\$ 539,677	\$ 16,352	\$ 1,392,551	\$ 1,868	\$ 2,881	\$ 4,749	\$ 1,953,329
Net earnings	-	-	-	59,532	-	-	-	59,532
Other comprehensive income	-	-	-	23,705	(209)	(10,974)	(11,183)	12,522
Total comprehensive income	-	-	-	83,237	(209)	(10,974)	(11,183)	72,054
Exercise of stock options	78,255	4,227	(709)	-	-	-	-	3,518
Stock-based compensation expense	-	-	1,521	-	-	-	-	1,521
Effect of stock compensation plans	78,255	4,227	812	-	-	-	-	5,039
Dividends declared	-	-	-	(32,164)	-	-	-	(32,164)
At March 31, 2022	82,522,223	\$ 543,904	\$ 17,164	\$ 1,443,624	\$ 1,659	\$ (8,093)	\$ (6,434)	\$ 1,998,258
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	-	-	-	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

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three months ended March 31, 2022
(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.

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 (“IAS”) 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 the Directors on April 27, 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.

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 period ended March 31, 2022, the Company assessed the impact of the uncertainties around the COVID-19 pandemic on its balance sheet 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 property, plant and equipment and rental equipment during the period included:

	Three months ended March 31	
	2022	2021
Additions		
Rental equipment	\$ 36,068	\$ 23,640
Property, plant and equipment	11,207	4,605
Total additions	\$ 47,275	\$ 28,245
Disposals – Net book value (“NBV”)		
Rental equipment	\$ 7,562	\$ 11,115
Property, plant and equipment	25	549
Total disposals – NBV	\$ 7,587	\$ 11,664
Depreciation		
Cost of goods sold	\$ 31,465	\$ 31,064
Selling and administrative expenses	4,515	4,224
Total depreciation	\$ 35,980	\$ 35,288

3. LONG-TERM DEBT

	March 31 2022	December 31 2021	March 31 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	(3,482)	(3,663)	(3,384)
Total long-term debt	\$ 646,518	\$ 646,337	\$ 646,616

⁽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: March 31, 2022, December 31 and March 31, 2021.

Standby letters of credit issued utilized \$32.7 million of the facility as at March 31, 2022 (December 31, 2021 – \$28.8 million and March 31, 2021 – \$30.0 million).

4. SHARE CAPITAL

Dividends Declared

	2022				2021			
	Declared		Paid to		Declared		Paid to	
	Effective	Per Share	Shareholders	Total	Effective	Per Share	Shareholders	Total
Quarter 1 dividend	March 9, 2022	\$0.39	April 4, 2022	\$ 32.2	March 9, 2021	\$0.31	April 1, 2021	\$ 25.6

On April 27, 2022, the Board of Directors declared a quarterly dividend of \$0.39 per common share, payable on July 5, 2022, to holders of record on June 9, 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:

	March 31 2022	December 31 2021	March 31 2021
Other financial liabilities:			
Long-term debt	\$ 646,518	\$ 646,337	\$ 646,616
Derivative financial instruments (liabilities) assets, net:			
Foreign exchange forward contracts	\$ (12,796)	\$ 5,252	\$ (6,037)

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 2022	December 31 2021	March 31 2021
Fair value	\$ 649,596	\$ 695,285	\$ 700,469
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 has no plans to prepay these instruments prior to maturity.

During the three months ended March 31, 2022, 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, 2022, the Company was committed to: (i) US dollar purchase contracts with a notional amount of \$786.6 million at an average exchange rate of \$1.2661, maturing between April 2022 and July 2023; and (ii) US dollar sale contracts with a notional amount of \$12.9 million at an average exchange rate of \$1.2418, maturing between May 2022 and June 2022.

Management estimates that a loss of \$12.8 million (December 31, 2021 – gain of \$5.3 million; March 31, 2021 – loss of \$6.0 million) would be realized if the contracts were terminated on March 31, 2022. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized loss of \$11.0 million (December 31, 2021 – unrealized gain of \$3.9 million; March 31, 2021 – unrealized loss of \$4.3 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 11 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 \$1.8 million (December 31, 2021 – gain of \$1.4 million; March 31, 2021 – loss of \$1.7 million) on forward contracts not designated as hedges is included in net income, 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 March 31	
	2022	2021
Credit facilities	\$ 334	\$ 748
Senior debentures	6,191	6,243
Interest on lease liabilities	161	186
	\$ 6,686	\$ 7,177

The components of interest and investment income were as follows:

	Three months ended March 31	
	2022	2021
Interest on conversion of rental equipment	\$ 759	\$ 770
Other	1,858	1,234
	\$ 2,617	\$ 2,004

7. EARNINGS PER SHARE

	Three months ended March 31	
	2022	2021
Net earnings available to common shareholders	\$ 59,532	\$ 47,956
Weighted average common shares outstanding	82,466,525	82,498,589
Dilutive effect of stock option conversions	790,679	750,408
Diluted weighted average common shares outstanding	83,257,204	83,248,997
Earnings per share:		
Basic	\$ 0.72	\$ 0.58
Diluted	\$ 0.72	\$ 0.58

There were no anti-dilutive options in the three months ended March 31, 2022 or March 31, 2021.

8. STOCK-BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Three months ended March 31, 2022		Three months ended March 31, 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
Exercised ⁽¹⁾	(78,255)	44.95	(67,510)	43.51
Forfeited	(1,930)	91.66	(86,400)	57.55
Options outstanding, March 31	2,086,840	\$ 69.30	2,174,128	\$ 59.19
Options exercisable, March 31	759,432	\$ 53.56	779,265	\$ 46.83

⁽¹⁾ The weighted average share price at date of exercise for the three months ended March 31, 2022 was \$114.73 (2021 – \$92.22).

The following table summarizes stock options outstanding and exercisable as at March 31, 2022:

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	70,740	2.2	\$ 26.16	70,740	\$ 26.16
\$36.65 – \$39.79	212,500	3.9	\$ 38.37	212,500	\$ 38.37
\$53.88 – \$66.22	933,945	6.6	\$ 63.65	396,535	\$ 62.70
\$66.23 – \$72.95	502,828	8.4	\$ 72.95	79,657	\$ 72.95
\$104.91	366,827	9.2	\$ 104.91	-	\$ -
	2,086,840	7.1	\$ 69.30	759,432	\$ 53.56

Deferred Share Unit (“DSU”) Plan

A reconciliation of the DSU plan was as follows:

	Three months ended March 31, 2022		Three months ended March 31, 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	14,263	1,577	13,732	1,258
Redemptions	-	-	(89,399)	(8,211)
Fair market value adjustment	-	790	-	1,353
Outstanding, March 31	217,232	\$ 25,441	318,487	\$ 29,955

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

9. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense includes the following components:

	Three months ended March 31	
	2022	2021
Defined benefit plans	\$ 3,429	\$ 4,911
Defined contribution plans	4,266	3,849
401(k) matched savings plans	76	68
	\$ 7,771	\$ 8,828

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31	
	2022	2021
Net change in non-cash working capital and other		
Accounts receivable	\$ (28,611)	\$ 58,736
Inventories	(116,607)	(31,683)
Accounts payable and accrued liabilities	(10,800)	(45,738)
Provisions	(399)	(1,611)
Deferred revenues and contract liabilities	33,335	34,045
Income taxes	(22,811)	(36,064)
Derivative financial instruments	3,218	(4,866)
Other	(8,232)	(2,216)
	\$ (150,907)	\$ (29,397)
Cash paid during the period for:		
Interest	\$ 2,783	\$ 2,783
Income taxes	\$ 48,694	\$ 51,014
Cash received during the period for:		
Interest	\$ 2,541	\$ 1,929
Income taxes	\$ -	\$ 1,461

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.

The following table sets forth information by segment for the three months ended March 31, 2022 and 2021:

Three months ended March 31	Equipment Group		CIMCO		Consolidated	
	2022	2021	2022	2021	2022	2021
Equipment/package sales	\$ 337,107	\$ 323,095	\$ 30,543	\$ 46,389	\$ 367,650	\$ 369,484
Rentals	93,221	72,298	-	-	93,221	72,298
Product support	353,634	329,224	42,973	32,466	396,607	361,690
Power generation	2,665	2,766	-	-	2,665	2,766
Total revenues	\$ 786,627	\$ 727,383	\$ 73,516	\$ 78,855	\$ 860,143	\$ 806,238
Operating income	\$ 84,966	\$ 69,813	\$ 1,157	\$ 403	\$ 86,123	\$ 70,216
Interest expense					6,686	7,177
Interest and investment income					(2,617)	(2,004)
Income taxes					22,522	17,087
Net earnings					\$ 59,532	\$ 47,956

Operating income from rental operations was \$10.3 million for the three months ended March 31, 2022 (2021 – operating income of \$2.5 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.

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, have 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.