

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

(\$ thousands)	Note	September 30 2023	December 31 2022	September 30 2022
Assets				
Current assets				
Cash and cash equivalents		\$ 807,418	\$ 927,780	\$ 770,944
Accounts receivable		637,633	579,682	611,064
Inventories		1,140,096	1,025,759	954,499
Derivative financial instruments	7	5,458	18,530	53,181
Other current assets		27,827	17,444	20,819
Total current assets		2,618,432	2,569,195	2,410,507
Property, plant and equipment	4	507,233	470,624	468,637
Rental equipment	4	702,420	616,289	592,430
Other assets		85,506	52,527	46,166
Deferred tax assets		873	925	317
Goodwill and intangible assets		470,707	472,565	473,185
Total assets		\$ 4,385,171	\$ 4,182,125	\$ 3,991,242
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 622,319	\$ 691,084	\$ 637,823
Provisions		29,289	27,653	26,784
Deferred revenue and contract liabilities		302,282	309,349	313,736
Income taxes payable		9,019	28,653	20,179
Total current liabilities		962,909	1,056,739	998,522
Deferred revenue and contract liabilities		21,141	23,276	19,798
Long-term lease liabilities		24,133	16,160	17,757
Long-term debt	5, 7	647,603	647,060	646,879
Post-employment obligations	11	27,602	30,592	33,011
Deferred tax liabilities		91,018	82,939	70,386
Total liabilities		1,774,406	1,856,766	1,786,353
Shareholders' equity				
Share capital	6	579,661	561,078	555,744
Contributed surplus		24,857	19,262	18,069
Retained earnings		2,000,484	1,731,661	1,595,467
Accumulated other comprehensive income		5,763	13,358	35,609
Total shareholders' equity		2,610,765	2,325,359	2,204,889
Total liabilities and shareholders' equity		\$ 4,385,171	\$ 4,182,125	\$ 3,991,242

See accompanying notes

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

(\$ thousands, except share amounts)	Note	Three months ended September 30		Nine months ended September 30	
		2023	2022	2023	2022
Revenue	13	\$ 1,174,045	\$ 1,086,507	\$ 3,395,364	\$ 2,986,819
Cost of goods sold	4	838,545	784,533	2,479,418	2,187,982
Gross profit		335,500	301,974	915,946	798,837
Selling and administrative expenses		142,414	136,279	416,273	390,153
Operating income		193,086	165,695	499,673	408,684
Interest expense	8	7,053	7,007	20,976	20,547
Interest and investment income	8	(11,747)	(6,790)	(32,850)	(13,065)
Income before income taxes		197,780	165,478	511,547	401,202
Income taxes		52,161	44,923	136,492	109,369
Income from continuing operations		145,619	120,555	375,055	291,833
Income from discontinued operations	3	—	2,568	5,605	2,503
Net earnings		\$ 145,619	\$ 123,123	\$ 380,660	\$ 294,336
Basic earnings per share					
Continuing operations		\$ 1.77	\$ 1.47	\$ 4.56	\$ 3.54
Discontinued operations		\$ —	\$ 0.03	\$ 0.07	\$ 0.03
	9	\$ 1.77	\$ 1.50	\$ 4.63	\$ 3.57
Diluted earnings per share					
Continuing operations		\$ 1.76	\$ 1.46	\$ 4.52	\$ 3.51
Discontinued operations		\$ —	\$ 0.03	\$ 0.07	\$ 0.03
	9	\$ 1.76	\$ 1.49	\$ 4.59	\$ 3.54
Weighted average number of shares outstanding					
Basic	9	82,281,891	82,182,632	82,302,881	82,359,832
Diluted	9	82,923,627	82,810,246	82,909,989	83,039,302

See accompanying notes

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

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Net earnings	\$ 145,619	\$ 123,123	\$ 380,660	\$ 294,336
Other comprehensive income, net of income taxes:				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	479	1,064	—	1,319
Unrealized gains on derivatives designated as cash flow hedges	14,069	47,474	1,778	59,692
Income tax expense	(3,658)	(12,344)	(462)	(15,520)
Unrealized gains on cash flow hedges, net of income taxes	10,411	35,130	1,316	44,172
Realized gains on derivatives designated as cash flow hedges	(4,287)	(13,106)	(12,042)	(19,772)
Income tax expense	1,115	3,408	3,131	5,141
Realized gains on cash flow hedges, net of income taxes	(3,172)	(9,698)	(8,911)	(14,631)
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Remeasurement gain on defined benefit plans	16,379	8,966	24,474	68,465
Income tax expense	(4,341)	(2,377)	(6,486)	(18,143)
Remeasurement gain on defined benefit plans, net of income taxes	12,038	6,589	17,988	50,322
Other comprehensive income	19,756	33,085	10,393	81,182
Total comprehensive income	\$ 165,375	\$ 156,208	\$ 391,053	\$ 375,518

See accompanying notes

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

(\$ thousands, except share amounts)	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, 2023	82,318,159	\$ 561,078	\$ 19,262	\$ 1,731,661	\$ 2,992	\$ 10,366	\$ 13,358	\$ 2,325,359
Net earnings	—	—	—	380,660	—	—	—	380,660
Other comprehensive earnings	—	—	—	17,988	—	(7,595)	(7,595)	10,393
Total comprehensive earnings	—	—	—	398,648	—	(7,595)	(7,595)	391,053
Exercise of share options	272,320	20,215	(3,195)	—	—	—	—	17,020
Share-based compensation plans	—	—	8,790	—	—	—	—	8,790
Effect of share compensation plans	272,320	20,215	5,595	—	—	—	—	25,810
Shares purchased for cancellation	(238,000)	(1,632)	—	(23,364)	—	—	—	(24,996)
Dividends declared	—	—	—	(106,461)	—	—	—	(106,461)
At September 30, 2023	82,352,479	\$ 579,661	\$ 24,857	\$ 2,000,484	\$ 2,992	\$ 2,771	\$ 5,763	\$ 2,610,765
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 share options	275,939	19,187	(3,089)	—	—	—	—	16,098
Share-based compensation plans	—	—	4,806	—	—	—	—	4,806
Effect of share 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

See accompanying notes

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

(\$ thousands)	Note	Three months ended		Nine months ended	
		2023	2022	2023	2022
			September 30		September 30
Operating activities					
Income from continuing operations		\$ 145,619	\$ 120,555	\$ 375,055	\$ 291,833
Items not requiring cash:					
Depreciation and amortization		45,894	41,764	132,046	120,314
Share-based compensation		2,455	1,763	7,634	4,806
Post-employment obligations		40	1,156	(2,248)	2,314
Deferred income taxes		(347)	(2,555)	2,613	(6,686)
Gain on sale of rental equipment and property, plant and equipment		(9,406)	(2,860)	(25,156)	(13,046)
		184,255	159,823	489,944	399,535
Net change in non-cash working capital and other	12	(34,002)	(63,690)	(295,004)	(230,056)
Additions to rental equipment	4	(35,931)	(58,750)	(198,198)	(159,534)
Proceeds on disposal of rental equipment		19,323	5,301	44,038	27,537
Continuing operations		133,645	42,684	40,780	37,482
Discontinued operations		—	3,646	—	(945)
Cash provided by operating activities		133,645	46,330	40,780	36,537
Investing activities					
Additions to property, plant and equipment	4	(32,636)	(19,047)	(77,720)	(51,050)
Proceeds on disposal of property, plant and equipment		486	397	8,577	710
Decrease in other assets		(68)	—	(109)	(85)
Continuing operations		(32,218)	(18,650)	(69,252)	(50,425)
Discontinued operations		—	(513)	(411)	(31)
Proceeds from sale of discontinued operations (net of cash)	3	—	—	26,606	—
Cash used in investing activities		(32,218)	(19,163)	(43,057)	(50,456)
Financing activities					
Dividends paid	6	(35,638)	(32,125)	(103,155)	(93,140)
Cash received on exercise of share options		10,022	9,724	17,020	16,098
Shares purchased for cancellation	6	—	(10,814)	(24,996)	(48,502)
Payment of lease liabilities		(2,474)	(2,241)	(6,903)	(6,887)
Continuing operations		(28,090)	(35,456)	(118,034)	(132,431)
Discontinued operations		—	(34)	(38)	(119)
Cash used in financing activities		(28,090)	(35,490)	(118,072)	(132,550)
Effect of currency translation on cash balances		82	467	(13)	583
Increase (decrease) in cash and cash equivalents during the period					
Continuing operations		73,419	(10,955)	(146,519)	(144,791)
Discontinued operations		—	3,099	26,157	(1,095)
Cash and cash equivalents, at beginning of the period		733,999	778,800	927,780	916,830
Cash and cash equivalents, at end of the period		\$ 807,418	\$ 770,944	\$ 807,418	\$ 770,944

Supplemental cash flow information (note 12)

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2023

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

1. DESCRIPTION OF BUSINESS

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 ("TSX") 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 and a complementary material handling 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.

2. SIGNIFICANT ACCOUNTING POLICIES

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, 2022.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on October 30, 2023.

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.

Certain comparative figures have been reclassified to conform to the current period's presentation.

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, 2022.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2023

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

A number of amendments to standards and interpretations have been issued, but are not yet effective up to the date of authorization of these interim condensed consolidated financial statements, which may have an impact on the disclosures and financial position of the Company, are disclosed below. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective and intends to adopt these when they become effective.

Amendments to IAS 1 – *Presentation of Financial Statements* (effective January 1, 2024):

- Clarify the classification of liabilities as current or non-current based on contractual rights that are in existence at the end of the reporting period and are unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next 12 months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of "settlement" to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.
- Clarify that only covenants with which an entity is obliged to comply with on or before the reporting date will affect a liability's classification as current or non-current. Further, disclosure is required for any information that enables users of financial statements to comprehend the possibility that non-current liabilities with covenants may become payable within 12 months.

Management is currently assessing the impact of these amendments.

d) Use of Estimates and Judgements

The preparation of interim condensed consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenue, 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, 2022. 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.

e) Discontinued Operations

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have an impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the interim condensed consolidated financial statements and the notes to the interim condensed consolidated financial statements, unless otherwise noted, and are presented net of tax in the interim condensed consolidated statements of income for the current and comparative periods. Refer to note 3, "Discontinued Operations" for further information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three and nine months ended September 30, 2023
(\$ thousands, except where otherwise indicated) (Unaudited)

3. DISCONTINUED OPERATIONS

On May 1, 2023, the Company completed the sale of AgWest Ltd., a wholly owned subsidiary, in a share and asset transaction. Total proceeds were paid in cash of approximately \$41.6 million and are subject to customary post-closing adjustments. AgWest Ltd. was reported in the Equipment Group.

Proceeds on sale of shares	\$ 41,261
Less assets and liabilities sold:	
Working capital	15,010
Property, plant and equipment	3,404
	18,414
Cash disposed of	14,655
Gain on disposition	8,192
Income taxes	2,808
Gain on divestiture, net of tax	\$ 5,384

Results of Discontinued Operations

The results of AgWest Ltd. for the three and nine months ended September 30, 2023, were as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Revenue	\$ —	\$ 53,092	\$ 20,866	\$ 93,820
Net income, net of tax	—	2,568	221	2,503
Gain on divestiture, net of tax	—	—	5,384	—
Income from discontinued operations	\$ —	\$ 2,568	\$ 5,605	\$ 2,503

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2023

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

4. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

	Property, Plant and Equipment					Rental Equipment
	Land	Buildings	Equipment	Power Generation	Total	
Cost						
January 1, 2023	\$ 177,099	\$ 327,067	\$ 314,214	\$ 40,094	\$ 858,474	\$ 1,133,080
Additions	5,122	31,055	41,909	44	78,130	198,198
Disposals	(3,643)	—	(9,446)	—	(13,089)	(67,745)
Business disposition	(135)	(4,313)	(5,463)	—	(9,911)	—
Foreign currency translation adjustments	—	(5)	(16)	—	(21)	—
September 30, 2023	\$ 178,443	\$ 353,804	\$ 341,198	\$ 40,138	\$ 913,583	\$ 1,263,533
Accumulated depreciation						
January 1, 2023	\$ —	\$ 138,322	\$ 212,345	\$ 37,183	\$ 387,850	\$ 516,791
Depreciation expense	—	10,250	23,054	883	34,187	88,439
Depreciation of disposals	—	—	(9,258)	—	(9,258)	(44,117)
Business disposition	—	(3,178)	(3,237)	—	(6,415)	—
Foreign currency translation adjustments	—	(1)	(13)	—	(14)	—
September 30, 2023	\$ —	\$ 145,393	\$ 222,891	\$ 38,066	\$ 406,350	\$ 561,113
Net book value – September 30, 2023	\$ 178,443	\$ 208,411	\$ 118,307	\$ 2,072	\$ 507,233	\$ 702,420

	Property, Plant and Equipment					Rental Equipment
	Land	Buildings	Equipment	Power Generation	Total	
Cost						
January 1, 2022	\$ 173,083	\$ 315,055	\$ 272,839	\$ 39,944	\$ 800,921	\$ 969,841
Additions	7,872	9,877	33,866	32	51,647	159,534
Disposals	(231)	(3)	(3,604)	—	(3,838)	(41,360)
Foreign currency translation adjustments	13	217	589	—	819	—
September 30, 2022	\$ 180,737	\$ 325,146	\$ 303,690	\$ 39,976	\$ 849,549	\$ 1,088,015
Accumulated depreciation						
January 1, 2022	\$ —	\$ 125,321	\$ 188,752	\$ 36,023	\$ 350,096	\$ 444,320
Depreciation expense	—	10,040	22,742	865	33,647	77,678
Depreciation of disposals	—	(3)	(3,350)	—	(3,353)	(26,413)
Foreign currency translation adjustments	—	51	471	—	522	—
September 30, 2022	\$ —	\$ 135,409	\$ 208,615	\$ 36,888	\$ 380,912	\$ 495,585
Net book value – September 30, 2022	\$ 180,737	\$ 189,737	\$ 95,075	\$ 3,088	\$ 468,637	\$ 592,430

During the nine months ended September 30, 2023, depreciation expense of \$110.1 million was charged to cost of goods sold (2022 – \$97.9 million), and \$12.5 million was charged to selling and administrative expenses (2022 – \$13.4 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2023

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

5. LONG-TERM DEBT

	September 30 2023	December 31 2022	September 30 2022
Senior Debentures			
3.71%, \$150.0 million, due September 30, 2025 ⁽¹⁾	\$ 150,000	\$ 150,000	\$ 150,000
3.84%, \$500.0 million, due October 27, 2027 ⁽¹⁾	500,000	500,000	500,000
	650,000	650,000	650,000
Debt issuance costs, net of amortization	(2,397)	(2,940)	(3,121)
Total long-term debt	\$ 647,603	\$ 647,060	\$ 646,879

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

The Company has a \$500.0 million committed revolving credit facility, maturing in November 2026, with a syndicate of financial institutions. 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 facility as at September 30, 2023, December 31, 2022 and September 30, 2022.

Standby letters of credit issued utilized \$39.6 million of the facility as at September 30, 2023 (December 31, 2022 – \$28.9 million and September 30, 2022 – \$34.6 million).

6. SHARE CAPITAL

Normal Course Issuer Bid ("NCIB")

The Company's NCIB program was renewed in September 2023. The current issuer bid allows the Company to purchase up to 8.2 million common shares during the 12-month period ending September 18, 2024. All shares purchased under the bid will be cancelled.

No common shares were purchased and cancelled during the quarter. The Company purchased and cancelled 238,000 common shares for \$25.0 million (average cost of \$105.02 per share, including transaction costs) during the nine months ended September 30, 2023.

The Company maintains an Automatic Share Purchase Plan ("ASPP") with a broker to enable the purchase of common shares under the NCIB during regular trading blackout periods. The volume of the purchases are determined by the broker based on share price and maximum volume parameters established by the Company prior to the commencement of each blackout period. As at September 30, 2023, there was no obligation for the repurchase of shares under the ASPP.

The Company purchased and cancelled 473,100 common shares for \$48.5 million (average cost of \$102.52 per share, including transaction costs) during the nine months ended September 30, 2022. As at September 30, 2022, there was no obligation for the repurchase of shares under the ASPP.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2023

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

Dividends Declared

Dividend	2023				2022			
	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, 2023	\$ 0.43	Apr. 4, 2023	\$ 35.4	Mar. 9, 2022	\$ 0.39	Apr. 4, 2022	\$ 32.2
Quarter 2	Jun. 9, 2023	0.43	Jul. 5, 2023	35.6	Jun. 9, 2022	0.39	Jul. 5, 2022	32.1
Quarter 3	Sep. 8, 2023	0.43	Oct. 4, 2023	35.4	Sep. 8, 2022	0.39	Oct. 4, 2022	32.1
		\$ 1.29		\$ 106.4		\$ 1.17		\$ 96.4

On October 30, 2023, the Board of Directors declared a quarterly dividend of \$0.43 per common share, payable on January 4, 2024, to shareholders on record on December 8, 2023.

7. 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 2023	December 31 2022	September 30 2022
Other financial liabilities:			
Long-term debt	\$ 647,603	\$ 647,060	\$ 646,879
Derivative financial instruments assets, net:			
Foreign exchange forward contracts	\$ 5,458	\$ 18,530	\$ 53,181

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 2023	December 31 2022	September 30 2022
Long-term debt:			
Fair value	\$ 612,552	\$ 626,585	\$ 622,335
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, 2023

(\$ 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, 2023 and 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 September 30, 2023, the Company was committed to: (i) US dollar purchase contracts with a notional amount of \$561.4 million at an average exchange rate of \$1.3399, maturing between October 2023 and September 2024; and (ii) US dollar sale contracts with a notional amount of \$53.0 million at an average exchange rate of \$1.3488, maturing between October 2023 and September 2024.

Management estimates that a gain of \$5.5 million (December 31, 2022 – gain of \$18.5 million; September 30, 2022 – gain of \$53.2 million) would be realized if the contracts were terminated on September 30, 2023. Certain of these forward contracts are designated as cash flow hedges and, accordingly, an unrealized gain of \$3.4 million (December 31, 2022 – unrealized gain of \$13.3 million; September 30, 2022 – unrealized gain of \$43.9 million) has been included in other comprehensive income. These gains are not expected to affect net earnings 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 \$2.1 million (December 31, 2022 – gain of \$5.2 million; September 30, 2022 – gain of \$9.3 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.

8. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Credit facilities	\$ 425	\$ 523	\$ 1,301	\$ 1,244
Senior debentures	6,332	6,332	18,888	18,837
Interest on lease liabilities	296	152	787	466
	\$ 7,053	\$ 7,007	\$ 20,976	\$ 20,547

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The components of interest and investment income were as follows:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Interest on conversion of rental equipment	\$ 804	\$ 1,533	\$ 2,286	\$ 3,455
Interest income	10,943	5,257	30,564	9,610
	\$ 11,747	\$ 6,790	\$ 32,850	\$ 13,065

9. EARNINGS PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Income from continuing operations	\$ 145,619	\$ 120,555	\$ 375,055	\$ 291,833
Income from discontinued operations	—	2,568	5,605	2,503
Net earnings available to common shareholders	\$ 145,619	\$ 123,123	\$ 380,660	\$ 294,336
Weighted average common shares outstanding	82,281,891	82,182,632	82,302,881	82,359,832
Effect of dilutive securities	641,736	627,614	607,108	679,470
Weighted average common shares outstanding – diluted	82,923,627	82,810,246	82,909,989	83,039,302
Basic earnings per share				
Continuing operations	\$ 1.77	\$ 1.47	\$ 4.56	\$ 3.54
Discontinued operations	—	0.03	0.07	0.03
	\$ 1.77	\$ 1.50	\$ 4.63	\$ 3.57
Diluted earnings per share				
Continuing operations	\$ 1.76	\$ 1.46	\$ 4.52	\$ 3.51
Discontinued operations	—	0.03	0.07	0.03
	\$ 1.76	\$ 1.49	\$ 4.59	\$ 3.54

For the three-month period ended September 30, 2023, 164,307 outstanding share options with an average exercise price of \$112.48 were considered anti-dilutive and were excluded from the calculation. For the comparative period in 2022, 528,908 outstanding share options with an average exercise price of \$106.14 were considered anti-dilutive and were excluded from the calculation.

For the nine-month period ended September 30, 2023, 164,307 outstanding share options with an average exercise price of \$112.48 were considered anti-dilutive and were excluded from the calculation. There were no anti-dilutive options for the comparative period in 2022.

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10. SHARE-BASED COMPENSATION

Share Option Plan

A reconciliation of the outstanding options for the nine months ended September 30, 2023 and September 30, 2022 was as follows:

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, January 1	1,967,892	\$ 73.21	2,167,025	\$ 68.44
Granted	168,545	112.48	166,500	107.36
Exercised ⁽¹⁾	(272,320)	62.50	(275,939)	58.34
Forfeited	(11,826)	104.85	(13,342)	83.98
Options outstanding, September 30	1,852,291	\$ 78.16	2,044,244	\$ 72.87
Options exercisable, September 30	1,041,906	\$ 65.73	994,033	\$ 59.68

⁽¹⁾ The weighted average share price at the date of exercise for the nine months ended September 30, 2023 was \$111.99 (2022 – \$108.38).

The following table summarizes share options outstanding and exercisable as at September 30, 2023:

Range of exercise prices	Options outstanding			Options exercisable	
	Number	Weighted average remaining life (years)	Weighted average exercise price	Number	Weighted average exercise price
\$26.52 – \$36.65	112,390	1.6	\$ 34.30	112,390	\$ 34.30
\$39.79 – \$53.89	208,500	3.4	47.37	208,500	47.37
\$65.72 – \$72.95	878,120	6.1	69.31	576,946	68.57
\$104.91 – \$112.48	653,281	8.4	107.42	144,070	105.46
	1,852,291	6.3	\$ 78.16	1,041,906	\$ 65.73

The fair values of the share options granted during 2023 and 2022 were determined at the time of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2023	2022
Fair value price per option	\$ 24.20	\$ 22.27
Share price	\$ 112.48	\$ 107.36
Expected life of options (years)	4.94	5.30
Expected share price volatility	22.0%	21.50%
Expected dividend yield	1.53%	1.45%
Risk-free interest rate	3.40%	2.77%

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Deferred Share Unit ("DSU") Plans

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

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, January 1	190,128	\$ 18,528	202,969	\$ 23,074
Units taken or taken in lieu and dividends	2,273	237	19,543	2,157
Redemptions	(1,829)	(193)	(33,148)	(3,535)
Fair market value adjustments	—	1,644	—	(3,418)
Outstanding, September 30	190,572	\$ 20,216	189,364	\$ 18,278

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

During the quarter, 3,847 equity-settled DSU units were taken in lieu of cash payment for director fees valued at \$0.4 million, which is included in selling and administrative expenses with a credit to contributed surplus. The plan had a total of 29,379 units as at September 30, 2023.

Long-term Incentive Plan ("LTIP")

A total of 14,340 restricted share units ("RSUs") and 56,563 performance share units ("PSUs") were outstanding under the LTIP as at September 30, 2023, including reinvested dividends. LTIP expense of \$784 was included in selling and administrative expenses with a credit to contributed surplus during the quarter.

11. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense includes the following components:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Defined benefit plans	\$ 1,781	\$ 3,863	\$ 5,378	\$ 10,857
Defined contribution plans	4,504	4,335	13,927	13,178
401(k) matched saving plans	114	81	328	234
	\$ 6,399	\$ 8,279	\$ 19,633	\$ 24,269

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12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Net change in non-cash working capital and other				
Accounts receivable	\$ (56,320)	\$ (36,514)	\$ (60,145)	\$ (152,597)
Inventories	(24,926)	(54,677)	(136,218)	(237,643)
Accounts payable and accrued liabilities	14,747	11,645	(70,184)	65,072
Provisions	1,594	(75)	2,203	1,294
Deferred revenue and contract liabilities	28,866	7,385	(6,667)	104,858
Income taxes	11,655	16,214	(18,790)	4,615
Derivative financial instruments	(4,151)	(6,228)	2,816	(8,056)
Other	(5,467)	(1,440)	(8,019)	(7,599)
	\$ (34,002)	\$ (63,690)	\$ (295,004)	\$ (230,056)
Cash paid during the period for:				
Interest	\$ —	\$ 2,782	\$ 12,388	\$ 15,170
Income taxes	\$ 42,048	\$ 31,351	\$ 156,069	\$ 112,186
Cash received during the period for:				
Interest	\$ 7,604	\$ 5,380	\$ 25,166	\$ 11,783
Income taxes	\$ 1,203	\$ 410	\$ 1,203	\$ 410

13. 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, 2023 and September 30, 2022:

Three months ended September 30	Equipment Group		CIMCO		Consolidated	
	2023	2022	2023	2022	2023	2022
Equipment/package sales	\$ 474,976	\$ 443,417	\$ 49,292	\$ 48,265	\$ 524,268	\$ 491,682
Rentals	138,925	125,509	—	—	138,925	125,509
Product support	448,891	420,854	59,138	45,841	508,029	466,695
Power generation	2,823	2,621	—	—	2,823	2,621
Total revenue	\$ 1,065,615	\$ 992,401	\$ 108,430	\$ 94,106	\$ 1,174,045	\$ 1,086,507
Operating income	\$ 180,426	\$ 159,350	\$ 12,660	\$ 6,345	\$ 193,086	\$ 165,695
Interest expense					7,053	7,007
Interest and investment income					(11,747)	(6,790)
Income taxes					52,161	44,923
Income from continuing operations					\$ 145,619	\$ 120,555

Nine months ended September 30	Equipment Group		CIMCO		Consolidated	
	2023	2022	2023	2022	2023	2022
Equipment/package sales	\$ 1,400,291	\$ 1,211,683	\$ 142,649	\$ 124,384	\$ 1,542,940	\$ 1,336,067
Rentals	353,832	327,569	—	—	353,832	327,569
Product support	1,333,578	1,184,341	156,500	130,921	1,490,078	1,315,262
Power generation	8,514	7,921	—	—	8,514	7,921
Total revenue	\$ 3,096,215	\$ 2,731,514	\$ 299,149	\$ 255,305	\$ 3,395,364	\$ 2,986,819
Operating income	\$ 472,320	\$ 396,111	\$ 27,353	\$ 12,573	\$ 499,673	\$ 408,684
Interest expense					20,976	20,547
Interest and investment income					(32,850)	(13,065)
Income taxes					136,492	109,369
Income from continuing operations					\$ 375,055	\$ 291,833

Operating income from rental operations was \$34.3 million for the three months ended September 30, 2023 (2022 – \$32.9 million) and \$68.9 million for the nine months ended September 30, 2023 (2022 – \$65.4 million).

14. BUSINESS SEASONALITY

Interim period revenue and earnings historically reflect variability from quarter to quarter due to seasonality.

The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenue is recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter has typically been the strongest 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 is impacted by the timing of significant sales to mining and other customers, resulting from the timing of mine site development and access, and construction project schedules. This trend can also be impacted during periods of equipment supply constraints from suppliers.

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

Historically, inventories have increased through the year to meet the expected demand for higher deliveries in the third and fourth quarter. This trend can be impacted by equipment and parts availability. These seasonal sales trends also typically lead to accounts receivable to be at their highest level at year-end.

Market and economic factors, local and global economic factors, and supply chain issues have affected and may continue to impact these trends. There can be no certainty that this historical seasonal pattern will recur in the future.