MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three and six months ended June 30, 2023, compared to the preceding year. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2023, the annual MD&A contained in the 2022 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2022.

The unaudited interim condensed consolidated financial statements reported herein have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting,* and are reported in Canadian dollars. The information in this MD&A is current to July 26, 2023.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2022 Annual Report and the 2023 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

Use of Non-IFRS Financial Measures

The MD&A presents certain financial and operating performance measures that management believes provide meaningful information in assessing Toromont's underlying performance. Readers are cautioned that these measures may not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Accordingly, non-IFRS or non-Generally Accepted Accounting Principles ("GAAP") measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Definitions and a reconciliations of the Company's non-IFRS or non-GAAP measures are included in the "Additional GAAP Measures", "Non-GAAP Measures" and "Key Performance Indicators" sections of this report.

Forward-Looking Information

Information in this MD&A that is not a historical fact is "forward-looking information". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "likely", "should", "could", "would", "will", "may" and similar expressions are intended to identify statements containing forward-looking information. Forward-looking information in this MD&A reflects current estimates, beliefs, and assumptions, which are based on Toromont's perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Toromont's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Toromont can give no assurance that such estimates, beliefs and assumptions will prove to be correct. This MD&A also contains forward-looking statements about the recently acquired businesses.

Numerous risks and uncertainties could cause the actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: business cycles, including general economic conditions in the countries in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; inflationary pressures; potential risks and uncertainties relating to COVID-19 or a potential new world health issue; increased regulation of or restrictions placed on our businesses; changes in foreign exchange rates, including the Cdn$/US$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply, including reduction or disruption in supply or demand for our products stemming from external factors; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability and cost of financing; level and volatility of price and liquidity of Toromont's common shares; potential environmental liabilities and changes to environmental regulation; information technology failures, including data or cybersecurity breaches; failure to attract and retain key employees as well as the general workforce; damage to the reputation of Caterpillar, product quality and product safety risks which could expose Toromont to product liability claims and negative publicity; new, or changes to current, federal and provincial laws, rules and regulations including changes in infrastructure spending; any requirement to make contributions or other payments in respect of registered defined benefit pension plans or postemployment benefit plans in excess of those currently contemplated; increased insurance premiums; and risk related to integration of acquired operations including cost of integration and ability to achieve the expected benefits. Readers are cautioned that the foregoing list of factors is not exhaustive.

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this MD&A. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual Management Discussion and Analysis, as filed with Canadian securities regulators at www.sedar.com or at our website www.toromont.com Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

Readers are cautioned not to place undue reliance on statements containing forward-looking information, which reflect Toromont's expectations only as of the date of this MD&A, and not to use such information for anything other than their intended purpose. Toromont disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

DISPOSITION AND 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. This transaction is not expected to have a material impact on Toromont's overall future operations, revenue or earnings.

The results of operations from this business have been presented as a discontinued operation. See note 3 in the interim condensed consolidated financial statements. This MD&A reflects the results of continuing operations, unless otherwise noted.

CONSOLIDATED OPERATING RESULTS

	Three months ended June 30				Six months ended June 30			
($ thousands, except per share amounts)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
REVENUE	**$ 1,174,956**	$ 1,053,698	$ 121,258	12 %	**$ 2,221,319**	$ 1,900,312	$ 321,007	17 %
Cost of goods sold	**857,623**	769,435	88,188	11 %	**1,640,873**	1,403,449	237,424	17 %
Gross profit (1)	**317,333**	284,263	33,070	12 %	**580,446**	496,863	83,583	17 %
Selling and administrative expenses	**138,560**	128,521	10,039	8 %	**273,859**	253,874	19,985	8 %
OPERATING INCOME (1)	**178,773**	155,742	23,031	15 %	**306,587**	242,989	63,598	26 %
Interest expense	**7,019**	6,856	163	2 %	**13,923**	13,540	383	3 %
Interest and investment income	**(10,755)**	(3,776)	(6,979)	nm	**(21,103)**	(6,275)	(14,828)	nm
Income before income taxes	**182,509**	152,662	29,847	20 %	**313,767**	235,724	78,043	33 %
Income taxes	**49,192**	41,652	7,540	18 %	**84,331**	64,446	19,885	31 %
Net income from continuing operations	**$ 133,317**	$ 111,010	$ 22,307	20 %	**$ 229,436**	$ 171,278	$ 58,158	34 %
Net income from discontinued operations	**5,720**	671	5,049	nm	**5,605**	(65)	5,670	nm
NET EARNINGS	**$ 139,037**	$ 111,681	$ 27,356	24 %	**$ 235,041**	$ 171,213	$ 63,828	37 %
BASIC EARNINGS PER SHARE								
Continuing operations	**$ 1.62**	$ 1.34	$ 0.28	21 %	**$ 2.79**	$ 2.08	$ 0.71	34 %
Discontinued operations	**$ 0.07**	$ 0.01	$ 0.06	nm	**$ 0.07**	$ —	$ 0.07	nm
	$ 1.69	$ 1.35	$ 0.34	25 %	**$ 2.86**	$ 2.08	$ 0.78	38 %
KEY RATIOS:								
Gross profit margin (1)	**27.0%**	27.0%			**26.1%**	26.1%		
Selling and administrative expenses as a % of revenue	**11.8%**	12.2%			**12.3%**	13.4%		
Operating income margin (1)	**15.2%**	14.8%			**13.8%**	12.8%		
Income taxes as a % of income before income taxes	**27.0%**	27.3%			**26.9%**	27.3%		

(1) Described in the sections titled "Additional GAAP Measures", "Non-GAAP Measures" and "Key Performance Measures".

Results for the second quarter of 2023 were healthy, reflecting good execution on new equipment deliveries against order backlog and favourable operating leverage. Higher revenue in both the Equipment Group and CIMCO, lower relative expenses and higher interest income on cash balances, all contributed to higher net earnings. Rental and product support revenue increased on customer activity. General macroeconomic factors such as inflation, higher interest rates and Canadian dollar movements continue to challenge the business, as well as disrupt historical seasonality, and are expected to continue to do so for the near term.

Revenue increased $121.3 million or 12% for the quarter from the comparable period last year on higher activity in both the Equipment Group and CIMCO. Equipment Group revenue increased 11% in the quarter on higher new equipment sales, rental revenue and product support activity, partially offset by lower used equipment sales. CIMCO revenue increased 19% in the quarter on higher package revenue and product support activity levels.

Revenue for the year-to-date period increased 17% from the comparable period last year to $2.2 billion. Equipment Group revenue increased 17% and CIMCO revenue increased 18% versus the first half of last year, on similar trends as noted for the quarter. While we continue to see improvement in the inflow of inventory through the supply chain, challenges still exist in some product lines and parts, and the current uncertain economic environment may continue to impact business activity levels and revenue.

Gross profit margin was unchanged from last year in both the quarter (at 27.0%) and through the first half (at 26.1%). Equipment Group margins decreased while CIMCO margins increased.

Selling and administrative expenses increased $10.0 million or 8% in the quarter compared to last year. Compensation costs were approximately $5.6 million higher year over year, reflective of higher staffing levels, regular salary increases and increased profit sharing accruals on the higher income. Bad debt expense decreased $5.3 million in the quarter on good collections and improved aging of balances. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures. Mark-to-market adjustments on deferred share units ("DSUs") resulted in a $2.8 million increase in expense, as a result of the higher share price in the current period.

Selling and administrative expenses for the year-to-date period increased $20.0 million or 8% compared to the similar period last year. Compensation costs increased approximately $11.5 million, reflecting higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income, partially offset by lower pension expense. Other expenses such as training, travel and occupancy costs have increased as a result of higher activity levels and inflationary pressures. Allowance for doubtful accounts decreased $3.7 million compared to last year on improved aged receivables. A higher share price in the current period resulted in a $1.7 million mark-to-market expense on cash-settled DSUs, compared to a recovery of $2.3 million in 2022. Selling and administrative expenses were 110 basis points lower as a percentage of revenue (12.3% versus 13.4% last year).

Operating income increased $23.0 million or 15% in the quarter to $178.8 million and increased $63.6 million or 26% to $306.6 million year-to-date, on the higher revenue and lower relative expense level. Operating income as a percentage of revenue increased 100 bps in the year-to-date period (13.8% versus 12.8% last year), reflecting the lower relative expense level.

Interest expense was largely unchanged at $7.0 million in the quarter and $13.9 million year-to-date.

Interest and investment income increased $7.0 million in the quarter and increased $14.8 million year-to-date on higher interest rates on cash deposits.

The effective income tax rate was 27.0% in the quarter and 26.9% on a year-to-date basis, compared to 27.3% for both the quarter and year-to-date in 2022.

Net earnings (including discontinued operations) increased $27.4 million or 24% to $139.0 million for the quarter and increased $63.8 million or 37% to $235.0 million year-to-date. Basic earnings per share ("EPS") increased 25% to $1.69 for the quarter and increased 38% to $2.86 year-to-date.

Other comprehensive loss in the quarter was $6.7 million (2022 – income $35.6 million) and $9.4 million year-to-date (2022 – income $48.1 million). This included an actuarial gain on post-employment benefit plans of $5.8 million after-tax for the quarter (2022 – actuarial gain of $20.0 million) and year-to-date actuarial gain of $6.0 million (2022 – actuarial gain of $43.7 million). These gains reflect actuarial changes used in the valuation, as well as changes in the fair value of pension plan assets. Other comprehensive loss/income also included an unfavourable net change in the fair value of cash flow hedges of $12.0 million after-tax for the quarter (2022 – a favourable net change of $15.1 million) and year-to-date a unfavourable net change of $14.8 million after-tax (2022 – a favourable net change of $4.1 million). These changes reflect mark-to-market differences in the value of foreign exchange derivative contracts designated as cash flow hedges and reflect underlying USD/CAD exchange rates at period end compared to contract date.

BUSINESS SEGMENT OPERATING RESULTS

The accounting policies of the segments are the same as those of the consolidated entity. Management evaluates overall business segment performance based on revenue growth, operating income relative to revenue and return on capital employed. Corporate expenses are allocated based on each segment's revenue. Interest expense and interest and investment income are not allocated.

The operating results below have been restated and reflect continuing operations, unless otherwise noted. AgWest Ltd. was previously reported in the Equipment Group results and now represent our discontinued operations results.

Equipment Group

	Three months ended June 30				Six months ended June 30			
($ thousands)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Equipment sales and rentals								
New	**$ 403,203**	$ 348,547	$ 54,656	16 %	**$ 772,402**	$ 597,683	$ 174,719	29 %
Used	**85,356**	94,285	(8,929)	(9)%	**152,913**	170,583	(17,670)	(10)%
Rentals	**116,448**	108,839	7,609	7 %	**214,907**	202,060	12,847	6 %
Total equipment sales and rentals	**605,007**	551,671	53,336	10 %	**1,140,222**	970,326	169,896	18 %
Product support	**462,344**	411,709	50,635	12 %	**884,687**	763,487	121,200	16 %
Power generation	**2,843**	2,635	208	8 %	**5,691**	5,300	391	7 %
Total revenue	**$ 1,070,194**	$ 966,015	$ 104,179	11 %	**$ 2,030,600**	$ 1,739,113	$ 291,487	17 %
Operating income	**$ 168,936**	$ 150,671	$ 18,265	12 %	**$ 291,894**	$ 236,761	$ 55,133	23 %
KEY RATIOS:								
Product support revenue as a % of total revenue	**43.2%**	42.6%			**43.6%**	43.9%		
Operating income margin	**15.8%**	15.6%			**14.4%**	13.6%		
Group total revenue as a % of consolidated revenue	**91.1%**	91.7%			**91.4%**	91.5%		

The Equipment Group delivered solid results in the quarter, led by new equipment deliveries with the improving availability from suppliers and healthy product support activity. Lower relative expense levels drove improvements in operating income.

Total equipment sales (new and used) increased $45.7 million or 10% in the quarter and increased $157.0 million or 20% year-to-date, predominantly reflecting the delivery of equipment against the opening order backlog, reflecting improving inventory supply and customer delivery schedules for sites. New equipment sales increased 16% in the quarter and 29% year-to-date, across all market segments and regions. Used equipment sales decreased 9% during the quarter and 10% year-to-date, with lower sales of used equipment, partially offset by higher rental fleet dispositions. Used equipment sales vary based on availability from trades and purchases. Timing of rental fleet disposition is variable and determined based on consideration of rental activity levels, age of the fleet, as well as availability and cost of new equipment. Overall, total equipment sales revenue by market segments were as follows for the quarter (year-to-date): construction markets down 2% (unchanged), mining up 64% (+161%), power systems up 39% (+33%), and material handling up 91% (+63%).

Rental revenue increased $7.6 million (+7%) in the quarter and increased $12.8 million (+6%) year-to-date. All market sectors and most regions were up, reflecting higher market activity, strong execution and an expanded heavy and light equipment fleet. Revenue increased for both the heavy equipment fleet (up 17% in the quarter and 23% year-to-date) and light equipment fleet (up 6% in the quarter and 8% year-to-date) on fleet expansions reflecting improved market activity. Power rentals increased 5% in the quarter (down 1% year-to-date) and material-handling rentals increased 4% in the quarter (12% year-to-date). The RPO fleet (rent with a purchase option) was $44.2 million at June 30, 2023 versus $43.7 million at June 30, 2022.

Product support revenue increased $50.6 million or 12% in the quarter and increased $121.2 million or 16% year-to-date, with increases in both parts (up 12% in the quarter and 16% year-to-date) and service (up 15% in the quarter and 14% year-to-date). Activity was up across all markets and most regions in the quarter (first half of the year) as follows: construction markets up 11% (+12%), mining up 13% (+21%), power systems up 21% (+19%) and material handling remained relatively unchanged (+8%).

Gross profit margins decreased 20 bps in the quarter and decreased 30 bps year-to-date compared to last year, largely reflecting lower new equipment margins. Rental margins were largely unchanged in both periods. Product support margins increased in the quarter and year-to-date reflecting good execution.

Selling and administrative expenses were up $8.8 million or 8% in the quarter, and up $17.2 million or 8% for the first six months of 2023. Compensation costs were higher in both periods reflecting staffing levels, regular salary increases, and increased profit sharing accruals on the higher income. Other expenses such as training, travel and occupancy costs have increased in light of activity levels and inflationary pressures. Bad debt expense decreased $5.3 million in the quarter and $4.7 million for the year-to-date, reflecting good collection activity and improved aging of receivables. Selling and administrative expenses were 100 basis points lower as a percentage of revenue (12.0% versus 13.0% last year).

Operating income increased $18.3 million or 12% to $168.9 million in quarter and increased $55.1 million or 23% to $291.9 million for the year to date, reflecting higher revenue, partially offset by lower gross margin and higher expenses. Operating income as a percentage of revenue improved to 14.4% on a year-to-date basis, reflecting lower relative expense levels.

Bookings and Backlog

($ millions)	**2023**	2022	$ change	% change
Bookings – three months ended June 30	**$ 671.2**	$ 385.6	$ 285.6	74 %
Bookings – six months ended June 30	**$ 1,016.6**	$ 932.1	$ 84.5	9 %
Backlog – as at June 30	**$ 1,123.3**	$ 1,246.2	$ (122.9)	(10)%

New bookings increased $285.6 million or 74% in the second quarter, after a softer start to the year, as well as several large mining customer orders. Bookings were up in mining (+660%) and power systems (+188%), partially offset by lower orders in material handling (-44%), while construction remained relatively unchanged.

On a year-to-date basis, bookings increased $84.5 million or 9% to $1,016.6 million, mainly reflecting similar trends as the quarter, however construction decreased slightly as the market remains cautious given the current uncertain business and economic factors overriding normal seasonality.

Backlog of $1.1 billion at June 30, 2023, was down by $122.9 million or 10%, compared to the same time last year, reflecting improving equipment delivery from manufacturers as well as planned deliveries against customer orders. As at June 30, 2023, the breakdown of backlog by market was as follows: construction 31%; mining 36%; power systems 30%; and material handling 3%. Approximately 55% of the backlog is expected to be delivered in 2023, however this is subject to timing of vendor supply and customer delivery schedules.

Bookings and backlog can vary significantly from period to period on large project activities, especially in mining and power systems, the timing of orders and deliveries with customers, which are in turn reflective of economic factors and general activity levels, and the availability of equipment from either inventory or suppliers.

CIMCO

	Three months ended June 30				Six months ended June 30			
($ thousands)	**2023**	2022	$ change	% change	**2023**	2022	$ change	% change
Package sales	**$ 53,911**	45,576	8,335	18 %	**$ 93,357**	$ 76,119	$ 17,238	23 %
Product support	**50,851**	42,107	8,744	21 %	**97,362**	85,080	12,282	14 %
Total revenue	**$ 104,762**	$ 87,683	$ 17,079	19 %	**$ 190,719**	$ 161,199	$ 29,520	18 %
Operating income	**$ 9,837**	$ 5,071	$ 4,766	94 %	**$ 14,693**	$ 6,228	$ 8,465	nm
KEY RATIOS:								
Product support revenue as a % of total revenue	**48.5%**	48.0%			**51.0%**	52.8%		
Operating income margin	**9.4%**	5.8%			**7.7%**	3.9%		
Group total revenue as a % of consolidated revenue	**8.9%**	8.3%			**8.6%**	8.5%		

CIMCO's results for the second quarter and first half of 2023 improved compared to the prior year, with the advancement on construction schedules against a strong order backlog. Results have also been strengthened by the continued increase in product support activity. Operating income increased on higher revenues and higher gross margins partially offset by higher expenses.

Package revenue was up $8.3 million or 18% in the quarter on the progression of project schedules. Industrial market revenue was up 46%, with an increase in both Canada (up 8%) and the US (up 706%). Recreational market revenue was down 25%, with decreases in both Canada (down 14%) and the US (down 38%) on lower activity levels. Package revenue reflects the progress of project construction applying the percentage-of-completion method of accounting. This introduces a degree of variability as the timing of projects and construction schedules are largely under the control of third parties (contractors and end-customers).

Year-to-date, package sales increased $17.2 million or 23% compared to last year, on similar trends as the quarter. Industrial market revenue was up 42%, lead by the strong activity in the US (up 257%) but also increased activity in Canada (up 11%). Recreational market revenue weakened (down 18%) as a decrease in both Canada (down 10%) and the US (down 29%) resulted due to lower activity.

Product support revenue increased in the second quarter by $8.7 million or 21% and increased by $12.3 million or 14% year-to-date. Revenue in Canada increased 14% in the quarter and 9% year-to-date reflecting higher activity levels. In the US, revenue was up 43% for the quarter and 34% year-to-date. The increased technician base continues to support activity levels.

Gross profit margins increased 200 bps in the quarter versus the comparable period last year, due to higher package margins (up 190 bps) and higher product support margins (up 10 bps). On a year-to-date basis gross profit margins increased 260 bps versus 2022. Package margins improved (up 260 bps) on improved execution and the nature of projects in process. Product support margins were up 30 bps on higher volume of activity offsetting an unfavourable sales mix, with a lower proportion of product support revenue to total revenue.

Selling and administrative expenses increased $1.2 million or 8% in the quarter and increased $2.8 million or 10% for the first six months. Bad debt expenses increased $0.6 million in the quarter and $1.6 million year-to-date, reflecting aged receivables. Compensation costs increased due to an increase in head count, annual salary increases and higher profit sharing accruals on the higher earnings. Other expenditures such as travel and training expenses increased to support activity and staffing levels. Expenditure control measures on discretionary spend are a continuous area of focus. Foreign exchange translation on US operations increased expenses by $0.2 million in the quarter and $0.4 million through the first half of 2023. As a percentage of revenue, selling and administrative expenses were lower at 15.3% in the first six months of 2023 versus 16.8% for the similar period last year, reflecting the higher revenues.

Operating income increased $4.8 million or 94% for the quarter largely reflecting the higher revenue and improved gross margins, coupled with a lower relative expense level. On a year-to-date basis operating income increased $8.5 million or 136%, for similar reasons as the quarter. Operating income as a percentage of revenue improved to 9.4% for the quarter and 7.7% on a year-to-date basis compared to similar periods last year.

Bookings and Backlog

($ millions)	**2023**	2022	$ change	% change
Bookings – three months ended June 30	**$ 63.5**	$ 48.9	$ 14.6	30 %
Bookings – six months ended June 30	**$ 103.7**	$ 88.7	$ 15.0	17 %
Backlog – as at June 30	**$ 207.2**	$ 174.5	$ 32.7	19 %

Bookings increased $14.6 million or 30% to $63.5 million in the quarter, with strong bookings in the industrial market (up 70%), slightly offset by a weaker recreational market (down 60%). Industrial bookings were up in both Canada (+75%) and the US (+46%), with general activity improving and stronger capital investment. Recreational bookings were lower on reduced market activity, with weaker bookings in both Canada (-47%) and the US (-84%).

On a year-to-date basis, bookings increased $15.0 million or 17% to $103.7 million, with similar trends as the quarter. Industrial orders were up 35% in both Canada (+32%) and the US (+53%), with a steady increase in activity levels. Recreational orders decreased 17%, with a decrease in Canada (-26%), partially offset by an increase in the US (+3%) on a smaller volume base.

Backlog of $207.2 million increased $32.7 million or 19% compared to the same time last year, with an increase in both markets. Recreational backlog was up 38% in both Canada (+17%) and the US (+62%), reflecting good order intake, and some deferral or delay in construction schedules resulting from supply chain constraints. Industrial backlog also increased 6%, with an increase in Canada (+15%), offset slightly by a decrease in the US (-49%). Approximately 55% of the backlog is expected to be realized as revenue in 2023, however this is subject to construction schedules and potential changes stemming from supply chain constraints.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At June 30, 2023, the ratio of net debt to total capitalization[1] was -4% (net cash position), compared to -14% at December 31, 2022, and -7% at June 30, 2022.

Non-cash Working Capital

The Company's investment in non-cash working capital was $804.2 million at June 30, 2023. The major components, along with the changes from prior periods, are identified in the following table.

($ thousands)	**June 30 2023**	June 30 2022	**Change $**	**Change %**	December 31 2022	**Change $**	**Change %**
Accounts receivable	**$ 581,313**	$ 569,803	$ 11,510	2 %	$ 579,682	$ 1,631	— %
Inventories	**1,115,170**	916,845	198,325	22 %	1,025,759	89,411	9 %
Other current assets	**22,052**	19,684	2,368	12 %	17,444	4,608	26 %
Accounts payable and accrued liabilities	**(571,790)**	(618,477)	46,687	(8)%	(658,980)	87,190	(13)%
Provisions	**(27,695)**	(26,795)	(900)	3 %	(27,653)	(42)	— %
Income tax recoverable (payable)	**2,636**	(3,186)	5,822	nm	(28,653)	31,289	nm
Derivative financial instruments	**(8,475)**	12,639	(21,114)	nm	18,530	(27,005)	nm
Dividends payable	**(35,638)**	(32,124)	(3,514)	11 %	(32,104)	(3,534)	11 %
Deferred revenue and contract liabilities	**(273,387)**	(308,303)	34,916	(11)%	(309,349)	35,962	(12)%
Total non-cash working capital	**$ 804,186**	$ 530,086	$ 274,100	52 %	$ 584,676	$ 219,510	38 %

Accounts receivable increased 2% from June 30, 2022, reflecting the 12% increase in revenue in the quarter, largely offset by focused collection activity. Days sales outstanding ("DSOs") decreased 1 day to 40 days overall, mainly reflecting an improvement at CIMCO (DSO down 23 days), partially offset by the Equipment Group DSO was up 1 day. Collection activity and credit metrics are being closely monitored, especially given the current economic environment.

In comparison to December 31, 2022, accounts receivable were relatively unchanged, reflecting similar trailing revenues and good collections. DSO was 42 days at December 31, 2022.

Inventories at June 30, 2023 increased 22% compared to June 30, 2022:

- Equipment Group inventories were up $198.0 million or 22%, with increased equipment (up $119.3 million or 23%), service work-in-process (up $1.4 million or 1%), and parts (up $77.3 million or 29%). Inventory levels increased on higher activity levels, price increases and foreign exchange rates on US sourced supplies. Work-in-process levels reflect higher activity levels, including rebuilds, and some continuing delays from supply chain delays. AgWest inventory at June 30, 2022 totalled $45.2 million.

- CIMCO inventories were up $0.3 million or 1%, mainly as work-in-process levels increased $0.5 million (up 2%), reflecting timing of project construction schedules. Parts inventory decreased $0.2 million or 4% reflecting the higher product support activity.

Inventories at June 30, 2023 were 9% higher compared to December 31, 2022, with an increase in the Equipment Group, offset by a decrease at CIMCO:

- Equipment Group inventories were up $92.8 million or 9% higher with increases in equipment (up $69.5 million or 12%), service work-in-progress (up $12.2 million or 14%), and parts inventories (up $11.1 million or 3%). Inventory levels are typically lowest at the end of the year due to seasonality, with inventories building during the year in advance of the busier selling period. Economic and other factors including supply chain issues have altered this pattern over the past two years. AgWest inventory at December 31, 2022 totalled $21.9 million.
- CIMCO inventories were down $3.4 million or 10% predominantly driven by lower work-in-process levels (down $2.8 million or 9%), along with parts inventories (down $0.6 million or 10%) reflecting the progression of construction schedules and higher product support activity respectively.

Other current assets are comprised mainly of prepaid expenses, and vary over time based on timing of receipt of invoice and payment.

Accounts payable and accrued liabilities at June 30, 2023, were 8% lower than at June 30, 2022, largely reflecting the timing of purchases and payment for inventory and other supplies and lower DSU liability (lower number of units), partially offset by the higher profit sharing accruals on higher earnings.

In comparison to December 31, 2022, accounts payable and accrued liabilities decreased 13%, mainly reflecting the timing of purchase and payment for inventory and other supplies and the payment of annual performance bonuses, slightly offset by higher DSU liability (higher share price).

Income tax recoverable (payable) reflects the difference between tax installments and current income tax expense.

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar have led to a cumulative net loss of $8.5 million as at June 30, 2023. This is not expected to affect net earnings as the unrealized losses will offset future gains on the related hedged items, either current accounts payable or future transactions.

Dividends payable increased compared to June 30 and December 31, 2022, reflecting the higher dividend rate. The effective dividend rate declared and payable in the quarter were as follows: $0.39 per share in the first quarter of 2022, $0.39 per share in the fourth quarter of 2022, and $0.43 in the second quarter of 2023. The dividend was increased effective with the first quarter of 2023, an increase of 10.3%, and representing the 34th year of consecutive dividend increases.

Deferred revenue and contract liabilities represent billings to customers in excess of revenue recognized.

- In the Equipment Group, these balances arise due to: progress billings from the sale of power and energy systems and long-term product support maintenance contracts; and, customer deposits for equipment to be delivered in the future. As at June 30, 2023, these were down 13.2% versus June 30, 2022 largely related to delivery against order backlog. Compared to December 31, 2022, deferred revenues were down 14.1% reflecting equipment delivery against customer orders.
- At CIMCO, these balances arise on progress billings from the sale of refrigeration packages and vary depending on timing of billings compared to customer's construction schedules. As at June 30, 2023, these were up 3.6% versus June 30, 2022, and up 8.6% versus December 31, 2022.

Legal and Other Contingencies

Due to the size, complexity and nature of the Company's operations, various legal matters are pending. Exposure to these claims is mitigated through levels of insurance coverage considered appropriate by management and by active management of these matters. In the opinion of management, none of these matters will have a material effect on the Company's financial position or results of operations.

Normal Course Issuer Bid ("NCIB")

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 three and six months ended June 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 under the ASPP prior to the commencement of each blackout period. As at June 30, 2023, there was no obligation for the repurchase of shares under the ASPP.

The Company purchased and cancelled 362,000 common shares for $37.7 million (average cost of $104.11 per share, including transaction costs) during the three and six months ended June 30, 2022. As at June 30, 2022, an obligation for the repurchase of shares of $12.3 million was recognized under the ASPP.

Long-term Incentive Plan ("LTIP")

A total of 14,282 restricted share units ("RSUs") and 56,336 performance share units ("PSUs") have been granted under the LTIP as at June 30, 2023, including reinvested dividends. LTIP expense of $784 thousand was included in selling and administrative expenses with a credit to contributed surplus during the quarter. During the quarter, 118 RSUs and 1,856 PSUs were cancelled or forfeited under the LTIP.

Outstanding Share Data

As at the date of this MD&A, the Company had 82,184,027 common shares and 2,024,046 share options outstanding.

Dividends

The Company declared and paid the following dividends to common shareholders during the last eight quarters.

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total ($ millions)
Sep. 8, 2021	Oct. 4, 2021	$0.35	$29.0
Dec. 8, 2021	Jan. 5, 2022	$0.35	$28.9
Mar. 9, 2022	Apr. 4, 2022	$0.39	$32.2
Jun. 9, 2022	Jul. 5, 2022	$0.39	$32.1
Sep. 8, 2022	Oct. 4, 2022	$0.39	$32.1
Dec. 8, 2022	Jan. 5, 2023	$0.39	$32.1
Mar. 9, 2023	Apr. 4, 2023	$0.43	$35.4
Jun. 9, 2023	Jul. 5, 2023	$0.43	$35.6

The Board of Directors increased the quarterly dividend by 10.3% or 4 cents per share, to 43 cents per common share on February 14, 2023.

The next dividend is payable on October 4, 2023 to shareholders on record on September 8, 2023.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Toromont's liquidity requirements can be met through a variety of sources, including cash on hand, cash generated from operations, long and short-term borrowings and the issuance of common shares. Borrowings are obtained through a variety of senior debentures, notes payable and committed credit facilities.

Toromont's debt portfolio is unsecured, unsubordinated and ranks pari passu.

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 June 30, 2023, December 31, 2022 and June 30, 2022.

Standby letters of credit issued utilized $28.7 million of the facility as at June 30, 2023 (December 31, 2022 – $28.9 million and June 30, 2022 – $34.3 million).

The Company expects that continued cash flows from operations in 2023, together with cash and cash equivalents on hand and currently available credit facilities will be more than sufficient to fund requirements for investments in working capital and capital assets. The Company also has a certain degree of flexibility in its operating and investing plans to mitigate fluctuations.

Principal Components of Cash Flow

Cash from operating, investing and financing activities, as reflected in the Interim Condensed Consolidated Statements of Cash Flows, are summarized in the following table:

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2023**	2022	**2023**	2022
Cash and cash equivalents, beginning of period	**$ 675,440**	$ 795,731	**$ 927,780**	$ 916,830
Cash, provided by (used in):				
Operating activities				
Operations	**177,142**	147,983	**305,689**	239,712
Change in non-cash working capital and other	**11,762**	(12,466)	**(261,002)**	(166,366)
Net rental fleet additions	**(80,291)**	(56,187)	**(137,552)**	(78,548)
	108,613	79,330	**(92,865)**	(5,202)
Investing activities	**(17,829)**	(20,753)	**(37,034)**	(31,775)
Financing activities	**(58,279)**	(69,287)	**(89,944)**	(96,975)
Effect of foreign exchange on cash and cash equivalents balances	**(89)**	215	**(95)**	116
Increase (decrease) in cash and cash equivalents during the period from continuing operations	**$ 32,416**	$ (10,495)	**$ (219,938)**	$ (133,836)
Discontinued operations	**$ 26,143**	$ (6,436)	**$ 26,157**	$ (4,194)
Cash and cash equivalents, end of period	**$ 733,999**	$ 778,800	**$ 733,999**	$ 778,800

Cash Flows from Operating Activities

Operating activities provided cash in both the second quarter and on a year-to-date basis for 2023 and 2022.

Cash generated from operations increased for the quarter (up 20%) and year-to-date (up 28%) from the similar periods last year on the higher net earnings.

Non-cash working capital generated cash in the second quarter of 2023, as working capital levels decreased from March 2023. Non-cash working capital utilized cash in the second quarter of 2022, largely on an increase in inventory in the quarter.

On a year-to-date basis non-cash working capital used more cash in 2023 as compared to the first six months of 2022, as higher accounts receivable and inventory, were only partially offset by higher accounts payable and customer deposits.

Net rental fleet additions (purchases less proceeds of dispositions) increased in the second quarter and increased for the first six months of 2023 compared to the similar periods last year. The Company increased investment in both the heavy and light equipment rental fleets across Eastern Canada after two years of reduced investment, reflective of market conditions.

The components and changes in non-cash working capital are discussed in more detail in this MD&A under the heading “Consolidated Financial Condition”.

Cash Flows from Investing Activities

Investments in property, plant and equipment totalled $18.1 million in the second quarter of 2023 (2022 – $20.8 million) and related largely to:

- Land, buildings and construction in process for new and upgraded facilities across the business – $4.7 million (2022 – $8.2 million); and
- Normal replacement of service and delivery vehicles – $9.4 million (2022 – $9.7 million).

For the year-to-date period, investments in property, plant and equipment totalled $45.1 million (2022 – $32.0 million). The Company sold an excess property in 2023 for gross proceeds of $7.4 million resulting in a capital gain of $3.5 million or $3.1 million after-tax (2022 – $nil).

Cash Flows from Financing Activities

During the second quarter of 2023, the Company used $58.3 million (2022 – used $69.3 million) in cash in financing activities, major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of $35.4 million or $0.43 per share (2022 – $32.2 million or $0.39 per share);
- Cash received on exercise of share options of $4.5 million (2022 – $2.9 million);
- Purchase of shares under the NCIB program used $25.0 million (2022 – $37.7 million); and
- Lease liability payments of $2.4 million (2022 – $2.3 million).

For the six months ended June 30, 2023, financing activities used $89.9 million (2022 – used $97.0 million) in cash, major uses and sources of cash during the period included:

- Dividends paid to common shareholders of $67.5 million or $0.82 per share (2022 – $61.0 million or $0.74 per share);
- Cash received on exercise of share options of $7.0 million (2022 – $6.4 million);
- Purchase of shares under the NCIB program used $25.0 million (2022 – $37.7 million); and
- Lease liability payments of $4.4 million (2022 – $4.6 million).

Cash Flows from Discontinued Operations

Net proceeds on disposition of AgWest Ltd provided $26.6 million in the second quarter and first half of 2023. See note 3 to the interim condensed financial statements for further information on this transaction.

OUTLOOK

We are closely monitoring regional, national and global economic factors, in particular, inflationary pressures from price and wage increases, interest rate changes, and general economic health of the industries we serve.

While improving, the global supply chain remains challenged in certain lines and components. We continue to actively manage supply chain constraints by taking appropriate mitigation steps.

We continue to monitor economic and inflationary developments, remaining focused on the health and safety of our employees and serving our customers. We are transitioning to a hybrid work model, where appropriate, and are enhancing and leveraging the use of technology to efficiently and effectively engage with customers, employees and other partners, while improving our operational efficiency.

The Equipment Group's parts and service business provides stability supported by a large and diversified installed base of equipment. The long-term outlook for infrastructure projects and other construction activity is positive across most territories although tied somewhat to the general economic climate which is increasingly uncertain. Mining customers and our operations that support them continue to evaluate appropriate activity levels on a daily/weekly basis. Longer term, mine investment and expansion will remain dependent on global economic and financial conditions.

Investment continues in broadening product lines and service offerings, expanding and enhancing the branch network, optimizing rental fleets, and using technologies to create efficiency and effectiveness across the organization. Integration and alignment of operating processes and systems, best practices and culture, continues across our territory. Product support technologies, such as remote diagnostics, telematics and digital information models support and expand our strategic platform.

CIMCO's installed base supports current and future operations and growth trends. CIMCO has a wide product offering using natural refrigerants including innovative CO_2 solutions, which remains a differentiator in recreational markets. In industrial markets, CIMCO's proven track record and strong geographical coverage provides growth opportunities. Current backlog is supportive of future activity. Inflationary costs and competitive market conditions continue to challenge package revenue growth opportunities.

The diversity of the markets served, expanding product offering and services, strong financial position and disciplined operating culture position the Company well for continued positive results in the long term.

QUARTERLY RESULTS

The following table summarizes quarterly consolidated financial data for the eight most recently completed quarters on a continuing operations basis. This quarterly information is unaudited but has been prepared on the same basis as the 2022 annual audited consolidated financial statements.

($ thousands, except per share amounts)	**Q2 2023**	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
REVENUE								
Equipment Group	**$1,070,194**	$ 960,406	$1,032,849	$ 992,400	$ 966,015	$ 773,098	$ 849,923	$ 872,949
CIMCO	**104,762**	85,957	95,678	94,106	87,683	73,516	89,065	82,812
Revenue - continuing operations	**$1,174,956**	$1,046,363	$1,128,527	$1,086,506	$1,053,698	$ 846,614	$ 938,988	$ 955,761
NET EARNINGS	**$ 133,317**	$ 96,119	$ 158,267	$ 120,555	$ 111,010	$ 60,268	$ 105,427	$ 92,535
PER SHARE INFORMATION:								
Basic earnings per share	**$ 1.62**	$ 1.17	$ 1.92	$ 1.47	$ 1.34	$ 0.73	$ 1.28	$ 1.12
Diluted earnings per share	**$ 1.61**	$ 1.16	$ 1.91	$ 1.46	$ 1.33	$ 0.72	$ 1.27	$ 1.11
Dividends paid per share	**$ 0.43**	$ 0.39	$ 0.39	$ 0.39	$ 0.39	$ 0.35	$ 0.35	$ 0.35
Weighted average common shares outstanding – basic (in thousands)	**82,294**	82,333	82,279	82,183	82,433	82,467	82,401	82,705

Interim period revenue and earnings historically reflect variability from quarter to quarter due to seasonality. The pandemic and resulting impact on the economy, including global supply chains, has affected seasonal trends in recent periods shown and may result in continued variations to historically experienced trends.

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 had 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.

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.

These patterns were disrupted since early 2020 by a number of factors. In 2020, the governmental and market response and reaction to COVID-19 reduced demand and activity in most areas. In 2021, demand for equipment was stronger through the first nine months of the year, reflecting both delayed purchasing from 2020, as well as stronger order flow in light of global supply chain disruptions, thus impacting revenue in the fourth quarter. In 2022, patterns have been disrupted by supply chain pressures impacting the timing of receipt and delivery of products and services to final customers.

Net earnings have generally followed the trend in revenue. Cost reduction and containment strategies continue to be a focus, however, have a delayed effect on net earnings.

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.

RISKS AND RISK MANAGEMENT

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's MD&A for the year ended December 31, 2022 under "Risks and Risk Management".

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Accounting Policies

The significant accounting policies used in the preparation of the accompanying unaudited interim condensed consolidated financial statements are consistent with those used in the Company's 2022 audited annual consolidated financial statements, and described in note 2 therein. 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 for the six-month period ending June 30, 2023.

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 is unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next twelve 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 twelve months.

Management is currently assessing the impact of these amendments.

Estimates

The preparation of financial statements in conformity with IFRS requires estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. There have been no material changes to the critical accounting estimates as described in note 3 to the Company's 2022 audited annual consolidated financial statements, contained in the Company's 2022 Annual Report.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The President and Chief Executive Officer ("CEO") and Executive Vice President and Chief Financial Officer ("CFO") responsible for establishing and maintaining disclosure controls and procedures, as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, and have designed such disclosure controls and procedures, or have caused it to be designed under their supervision, to provide reasonable assurance that material information with respect to Toromont is made known to them by others and is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting

The CEO and CFO, together with management, are responsible for establishing and maintaining adequate internal control over financial reporting, as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings,* and have designed such internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

There have been no changes in the design of the Company's internal control over financial reporting during the three and six months ended June 30, 2023, that would materially affect, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, a projection of the evaluation of the effectiveness of internal control over financial reporting to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation. Internal controls over financial reporting may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

ADDITIONAL GAAP MEASURES

IFRS mandates certain minimum line items for financial statements and also requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the Company's financial position or performance. IFRS also requires the notes to the financial statements to provide information that is not presented elsewhere in the financial statements, but is relevant to understanding them. Such measures outside of the minimum mandated line items are considered additional GAAP measures. The Company's interim condensed consolidated financial statements and notes thereto include certain additional GAAP measures where management considers such information to be useful to the understanding of the Company's results.

Gross Profit

Gross Profit is defined as total revenue less cost of goods sold.

Operating Income

Operating income is defined as net income from continuing operations before interest expense, interest and investment income and income taxes and is used by management to assess and evaluate the financial performance of its operating segments. Financing and related interest charges cannot be attributed to business segments on a meaningful basis that is comparable to other companies. Business segments do not correspond to income tax jurisdictions and it is believed that the allocation of income taxes distorts the historical comparability of the performance of the business segments.

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2023**	2022	**2023**	2022
Net income from continuing operations	**$ 133,317**	$ 111,010	**$ 229,436**	$ 171,278
plus: Interest expense	**7,019**	6,856	**13,923**	13,540
less: Interest and investment income	**(10,755)**	(3,776)	**(21,103)**	(6,275)
plus: Income taxes	**49,192**	41,652	**84,331**	64,446
Operating income	**$ 178,773**	$ 155,742	**$ 306,587**	$ 242,989
Total revenue	**$ 1,174,956**	$ 1,053,698	**$ 2,221,319**	$ 1,900,312
Operating income margin	**15.2%**	14.8%	**13.8%**	12.8%

Net Debt to Total Capitalization/Equity

Net debt to total capitalization/equity are calculated as net debt divided by total capitalization and shareholders' equity, respectively, as defined below, and are used by management as measures of the Company's financial leverage.

Net debt is calculated as long-term debt plus current portion of long-term debt less cash and cash equivalents. Total capitalization is calculated as shareholders' equity plus net debt.

The calculations are as follows:

($ thousands)	**June 30 2023**	December 31 2022	June 30 2022
Long-term debt	**$ 647,422**	$ 647,060	$ 646,699
less: Cash and cash equivalents	**733,999**	927,780	778,800
Net debt	**(86,577)**	(280,720)	(132,101)
Shareholders' equity	**2,468,323**	2,325,359	2,067,767
Total capitalization	**$ 2,381,746**	2,044,639	1,935,666
Net debt to total capitalization	**(4)%**	(14)%	(7)%
Net debt to equity	**(0.04):1**	(0.12):1	(0.06):1

NON-GAAP MEASURES

Management believes that providing certain non-GAAP measures provides users of the Company's unaudited interim condensed consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS measures set out below, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

The non-GAAP measures used by management do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with IFRS.

Working Capital

Working capital is defined as total current assets less total current liabilities. Management views working capital as a measure for assessing overall liquidity.

($ thousands)	**June 30 2023**	December 31 2022	June 30 2022
Total current assets	**$ 2,455,995**	$ 2,569,195	$ 2,297,771
less: Total current liabilities	**917,810**	1,056,739	988,885
Working capital	**$ 1,538,185**	$ 1,512,456	$ 1,308,886

Non-Cash Working Capital

Non-cash working capital is defined as total current assets, excluding cash and cash equivalents, less total current liabilities, excluding current portion of long-term debt, if applicable.

($ thousands)	**June 30 2023**	December 31 2022	June 30 2022
Total current assets	**$ 2,455,995**	$ 2,569,195	$ 2,297,771
less: Cash and cash equivalents	**733,999**	927,780	778,800
	1,721,996	1,641,415	1,518,971
Total current liabilities	**917,810**	1,056,739	988,885
Non-cash working capital	**$ 804,186**	$ 584,676	$ 530,086

Market Capitalization & Total Enterprise Value

Market capitalization represents the total market value of the Company's equity. It is calculated by multiplying the closing share price of the Company's common shares by the total number of common shares outstanding.

Total enterprise value represents the total value of the Company and is often used as a more comprehensive alternative to market capitalization. It is calculated by adding debt/net debt (defined above) to market capitalization.

The calculations are as follows:

($ thousands, except for shares and share price)		June 30 2023		December 31 2022		June 30 2022
Outstanding common shares		**82,180,977**		82,318,159		82,205,023
times: Ending share price	**$**	**108.83**	$	97.71	$	104.08
Market capitalization	**$**	**8,943,756**	$	8,043,307	$	8,555,899
Long-term debt	**$**	**647,422**	$	647,060	$	646,699
less: Cash and cash equivalents		**733,999**		927,780		778,800
Net debt	**$**	**(86,577)**	$	(280,720)	$	(132,101)
Total enterprise value	**$**	**8,857,179**	$	7,762,587	$	8,423,798

KEY PERFORMANCE INDICATORS ("KPIs")

Management uses key performance indicators to enable consistent measurement of performance across the organization. These KPIs are non-GAAP financial measures, do not have a standardized meaning under IFRS and may not be comparable to similar measures presented by other issuers.

Gross Profit Margin

This measure is defined as gross profit (defined above) divided by total revenue.

Operating Income Margin

This measure is defined as operating income (defined above) divided by total revenue.

Order Bookings and Backlog

Order bookings represent the retail value of firm equipment or project orders received during a period. Backlog is defined as the retail value of equipment units ordered by customers with future delivery, and the remaining retail value of package/project orders remaining to be recognized in revenue under the percentage of completion method. Management uses order backlog as a measure of projecting future equipment and project deliveries. There are no directly comparable IFRS measures for order bookings or backlog.

Return on Capital Employed ("ROCE")

ROCE is utilized to assess both current operating performance and prospective investments. The adjusted earnings numerator used for the calculation is income from continuing operations before income taxes, interest expense and interest income (excluding interest on rental conversions). The denominator in the calculation is the monthly average capital employed, which is defined as net debt plus shareholders' equity, also referred to as total capitalization, adjusted for discontinued operations.

	Trailing twelve months ended		
($ thousands)	**June 30 2023**	December 31 2022	June 30 2022
Net earnings from continuing operations	**$ 508,258**	$ 450,096	$ 369,338
plus: Interest expense	**27,714**	27,331	27,517
less: Interest and investment income	**(36,545)**	(21,717)	(10,814)
plus: Interest income – rental conversions	**4,320**	4,760	3,251
plus: Income taxes	**183,269**	163,388	138,403
Adjusted net earnings	**$ 687,016**	$ 623,858	$ 527,695
Average capital employed	**$ 2,153,504**	$ 1,917,644	$ 1,796,278
Return on capital employed	**31.9%**	32.5%	29.4%

Return on Equity ("ROE")

ROE is monitored to assess profitability and is calculated by dividing net earnings from continuing operations by opening shareholders' equity (adjusted for shares issued and shares repurchased and cancelled during the period), both calculated on a trailing twelve month period.

	Trailing twelve months ended		
($ thousands)	**June 30 2023**	December 31 2022	June 30 2022
Net earnings from continuing operations	**$ 508,258**	$ 450,096	$ 369,338
Opening shareholder's equity (net of adjustments)	**$ 2,067,536**	$ 1,935,365	$ 1,805,337
Return on equity	**24.6%**	23.3%	20.5%