

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

(\$ thousands)	Note	September 30 2024	December 31 2023	September 30 2023
Assets				
Current assets				
Cash and cash equivalents		\$ 670,727	\$ 1,040,757	\$ 807,418
Accounts receivable		688,029	627,243	637,633
Inventories		1,334,540	1,119,071	1,140,096
Income taxes recoverable		19,926	—	—
Derivative financial instruments	7	—	—	5,458
Other current assets		29,389	23,733	27,827
Total current assets		2,742,611	2,810,804	2,618,432
Property, plant and equipment	4	597,759	538,919	507,233
Rental equipment	4	808,334	682,369	702,420
Other assets		94,264	68,297	85,506
Deferred tax assets		1,384	1,370	873
Goodwill and intangible assets	3	469,743	470,088	470,707
Total assets		\$ 4,714,095	\$ 4,571,847	\$ 4,385,171
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	10	\$ 665,620	\$ 654,701	\$ 622,319
Provisions		29,526	30,269	29,289
Deferred revenue and contract liabilities		276,003	360,143	302,282
Current portion of long-term debt	5, 7	150,000	—	—
Derivative financial instruments	7	4,355	13,946	—
Income taxes payable		495	7,006	9,019
Total current liabilities		1,125,999	1,066,065	962,909
Deferred revenue and contract liabilities		24,143	22,479	21,141
Long-term lease liabilities		29,679	25,078	24,133
Long-term debt	5, 7	498,237	647,784	647,603
Post-employment obligations	11	28,612	28,703	27,602
Deferred tax liabilities		107,885	97,886	91,018
Total liabilities		1,814,555	1,887,995	1,774,406
Shareholders' equity				
Share capital	6	602,046	582,801	579,661
Contributed surplus		34,443	27,346	24,857
Retained earnings		2,262,802	2,079,914	2,000,484
Accumulated other comprehensive income (loss)		249	(6,209)	5,763
Total shareholders' equity		2,899,540	2,683,852	2,610,765
Total liabilities and shareholders' equity		\$ 4,714,095	\$ 4,571,847	\$ 4,385,171

See accompanying notes

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

(\$ thousands, except share amounts)	Note	Three months ended		Nine months ended	
		September 30		September 30	
		2024	2023	2024	2023
Revenue	13	\$ 1,337,992	\$ 1,174,045	\$ 3,714,210	\$ 3,395,364
Cost of goods sold	4	1,010,202	838,545	2,807,347	2,479,418
Gross profit		327,790	335,500	906,863	915,946
Selling and administrative expenses		152,891	142,414	447,858	416,273
Operating income		174,899	193,086	459,005	499,673
Interest expense	8	7,202	7,053	21,240	20,976
Interest and investment income	8	(11,662)	(11,747)	(43,049)	(32,850)
Income before income taxes		179,359	197,780	480,814	511,547
Income taxes		48,408	52,161	130,594	136,492
Income from continuing operations		130,951	145,619	350,220	375,055
Income from discontinued operations	15	—	—	—	5,605
Net earnings		\$ 130,951	\$ 145,619	\$ 350,220	\$ 380,660
Basic earnings per share					
Continuing operations		\$ 1.60	\$ 1.77	\$ 4.27	\$ 4.56
Discontinued operations		\$ —	\$ —	\$ —	\$ 0.07
	9	\$ 1.60	\$ 1.77	\$ 4.27	\$ 4.63
Diluted earnings per share					
Continuing operations		\$ 1.59	\$ 1.76	\$ 4.23	\$ 4.52
Discontinued operations		\$ —	\$ —	\$ —	\$ 0.07
	9	\$ 1.59	\$ 1.76	\$ 4.23	\$ 4.59
Weighted average number of shares outstanding					
Basic	9	81,930,534	82,281,891	82,109,395	82,302,881
Diluted	9	82,545,416	82,923,627	82,703,042	82,909,989

See accompanying notes

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

(\$ thousands)	Three months ended		Nine months ended	
	September 30		September 30	
	2024	2023	2024	2023
Net earnings	\$ 130,951	\$ 145,619	\$ 350,220	\$ 380,660
Other comprehensive (loss) income, net of income taxes:				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	(438)	479	453	—
Unrealized (losses) gains on derivatives designated as cash flow hedges	(7,158)	14,069	11,149	1,778
Income tax recovery (expense)	1,861	(3,658)	(2,899)	(462)
Unrealized (losses) gains on cash flow hedges, net of income taxes	(5,297)	10,411	8,250	1,316
Realized losses (gains) on derivatives designated as cash flow hedges	2,184	(4,287)	(3,035)	(12,042)
Income tax (recovery) expense	(567)	1,115	790	3,131
Realized losses (gains) on cash flow hedges, net of income taxes	1,617	(3,172)	(2,245)	(8,911)
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Remeasurement (loss) gain on defined benefit plans	(2,109)	16,379	23,267	24,474
Income tax recovery (expense)	560	(4,341)	(6,165)	(6,486)
Remeasurement (losses) gains on defined benefit plans, net of income taxes	(1,549)	12,038	17,102	17,988
Other comprehensive (loss) income	(5,667)	19,756	23,560	10,393
Total comprehensive income	\$ 125,284	\$ 165,375	\$ 373,780	\$ 391,053

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, 2024	82,297,341	\$ 582,801	\$ 27,346	\$ 2,079,914	\$ 2,409	\$ (8,618)	\$ (6,209)	2,683,852
Net earnings	—	—	—	350,220	—	—	—	350,220
Other comprehensive income	—	—	—	17,102	453	6,005	6,458	23,560
Total comprehensive income	—	—	—	367,322	453	6,005	6,458	373,780
Exercise of share options	313,131	23,286	(3,600)	—	—	—	—	19,686
Share-based compensation plans	—	—	10,697	—	—	—	—	10,697
Effect of share compensation plans	313,131	23,286	7,097	—	—	—	—	30,383
Shares purchased for cancellation	(673,000)	(4,041)	—	(66,257)	—	—	—	(70,298)
Dividends declared	—	—	—	(118,177)	—	—	—	(118,177)
At September 30, 2024	81,937,472	\$ 602,046	\$ 34,443	\$ 2,262,802	\$ 2,862	\$ (2,613)	\$ 249	2,899,540
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

See accompanying notes

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

(\$ thousands)	Note	Three months ended September 30		Nine months ended September 30	
		2024	2023	2024	2023
Operating activities					
Income from continuing operations		\$ 130,951	\$ 145,619	\$ 350,220	\$ 375,055
Items not requiring cash:					
Depreciation and amortization		52,313	45,894	149,713	132,046
Share-based compensation		2,986	2,455	8,894	7,634
Post-employment obligations		1,516	40	1,570	(2,248)
Deferred income taxes		(2,193)	(347)	1,711	2,613
Gain on sale of rental equipment and property, plant and equipment		(5,324)	(9,406)	(20,235)	(25,156)
		180,249	184,255	491,873	489,944
Net change in non-cash working capital and other	12	(161,846)	(34,002)	(375,220)	(297,590)
Additions to rental equipment	4	(28,594)	(35,931)	(188,305)	(198,198)
Proceeds on disposal of rental equipment		12,674	19,323	46,127	44,038
Continuing operations		2,483	133,645	(25,525)	38,194
Discontinued operations		—	—	—	2,586
Cash provided by (used in) operating activities		2,483	133,645	(25,525)	40,780
Investing activities					
Additions to property, plant and equipment	4	(24,410)	(32,636)	(93,575)	(77,720)
Proceeds on disposal of property, plant and equipment		652	486	1,294	8,577
Business acquisition	3	(67,536)	—	(67,536)	—
Decrease in other assets		(34)	(68)	(100)	(109)
Continuing operations		(91,328)	(32,218)	(159,917)	(69,252)
Discontinued operations		—	—	—	(411)
Proceeds from sale of discontinued operations (net of cash)	15	—	—	—	26,606
Cash used in investing activities		(91,328)	(32,218)	(159,917)	(43,057)
Financing activities					
Financing fees		—	—	(103)	—
Dividends paid	6	(39,319)	(35,638)	(114,245)	(103,155)
Cash received on exercise of share options		5,504	10,022	19,686	17,020
Shares purchased for cancellation	6	(7,769)	—	(82,750)	(24,996)
Payment of lease liabilities		(2,432)	(2,474)	(7,395)	(6,903)
Continuing operations		(44,016)	(28,090)	(184,807)	(118,034)
Discontinued operations		—	—	—	(38)
Cash used in financing activities		(44,016)	(28,090)	(184,807)	(118,072)
Effect of currency translation on cash balances		(244)	82	219	(13)
(Decrease) increase in cash and cash equivalents during the period					
Continuing operations		(133,105)	73,419	(370,030)	(149,105)
Discontinued operations		—	—	—	28,743
Cash and cash equivalents, at beginning of the period		803,832	733,999	1,040,757	927,780
Cash and cash equivalents, at end of the period		\$ 670,727	\$ 807,418	\$ 670,727	\$ 807,418

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, 2024

(\$ 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 one of North America's leading suppliers of thermal management solutions that enable customers to reduce energy consumption and emissions, use natural refrigerants and monitor and control their operating environments autonomously. Both segments offer comprehensive product support capabilities.

2. MATERIAL 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, 2023.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 4, 2024.

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) Material Accounting Policies

The material accounting policies used 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, 2023, except as noted below.

The Company applied for the first time certain amendments to standards, which are effective for annual periods beginning on or after January 1, 2024, including Amendments to IAS 1 – *Presentation of Financial*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

Statements – Disclosure of Accounting Policies ("IAS 1"); Amendments to International Financial Reporting Standards ("IFRS") 16 – *Lease Liability in a Sale and Leaseback*; and Amendments to IAS 7 – *Statement of Cash Flows* ("IAS 7") and IFRS 7 – *Supplier Finance Arrangements*. The amendments had no material impact on the unaudited interim condensed consolidated financial statements.

In April 2024, the International Accounting Standards Board issued IFRS 18 – *Presentation and Disclosure of Financial Statements* ("IFRS 18"), which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of income or loss, including specified totals and subtotals, disclosure of management-defined performance measures, and aggregation and disaggregation of financial information based on identified roles of the primary financial statements and the notes. In addition, narrow scope amendments have been made to IAS 7, which include changing the starting point for determining cash flows from operations under the indirect method and the removal of the optionality around the classification of cash flows from dividends and interest. Minor consequential amendments to other standards were also made. The amendments are effective for reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The Company is currently assessing the potential impact of these amendments and intends to adopt these when they become effective.

d) Use of Significant Accounting Estimates and Judgements

The preparation of interim condensed consolidated financial statements in conformity with 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, 2023. 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 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 15, "Discontinued Operations" for further information.

3. BUSINESS COMBINATION

On September 9, 2024, the Company acquired the rental business and net operating assets of Tri-City Equipment Rentals ("Tri-City"), an industry leader in heavy equipment rentals with operations in Southwestern Ontario. The acquisition expands Toromont Cat's heavy rents business to better serve our customer base.

The Company acquired the business and net operating assets of Tri-City in exchange for consideration of \$77.5 million, comprised of cash in the amount of \$67.5 million, and a balance of purchase price payable in the amount of \$10.0 million, to be paid at various dates over the next two years. Toromont funded the transaction with cash on hand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three and nine months ended September 30, 2024
(\$ thousands, except where otherwise indicated) (Unaudited)

The acquisition was accounted for as a business combination and the results of Tri-City have been included in the interim condensed consolidated statements of income and statements of comprehensive income since the date of acquisition, and is included in the Equipment Group. The revenue and net income for the 21-day period ended September 30, 2024 were insignificant.

The purchase price allocation is preliminary and subject to adjustment on completion of the valuation process. The Company determined the preliminary fair values based on market information, independent valuations and management's estimates.

Accounts receivable	\$	5,668
Inventories		944
Property, plant and equipment		6,772
Rental equipment		62,650
Net identifiable assets		76,034
Residual purchase price allocated to goodwill		1,514
Total	\$	77,548

Accounts receivable represents gross contractual amounts receivable and reflects the best estimate at the acquisition date of the contractual cash flows expected to be collected.

Goodwill is attributed to the existing Tri-City business, the assembled workforce and the combined strategic value to the Company's growth plan. The amount assigned to goodwill is expected to be deductible for tax purposes.

Acquisition-related costs were expensed and are included in selling and administrative expenses.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

(\$ 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, 2024	\$ 182,938	\$ 370,334	\$ 361,697	\$ 40,138	\$ 955,107	\$ 1,263,079
Additions	10,984	31,750	50,815	26	93,575	188,305
Business combination	2,800	2,800	1,172	—	6,772	62,650
Disposals	(87)	(409)	(11,127)	—	(11,623)	(86,751)
Foreign currency translation adjustments	3	67	175	—	245	—
September 30, 2024	\$ 196,638	\$ 404,542	\$ 402,732	\$ 40,164	\$ 1,044,076	\$ 1,427,283
Accumulated depreciation						
January 1, 2024	\$ —	\$ 148,538	\$ 229,309	\$ 38,341	\$ 416,188	\$ 580,710
Depreciation expense	—	11,662	28,606	826	41,094	98,321
Depreciation of disposals	—	(127)	(10,980)	—	(11,107)	(60,082)
Foreign currency translation adjustments	—	16	126	—	142	—
September 30, 2024	\$ —	\$ 160,089	\$ 247,061	\$ 39,167	\$ 446,317	\$ 618,949
Net book value – September 30, 2024	\$ 196,638	\$ 244,453	\$ 155,671	\$ 997	\$ 597,759	\$ 808,334

	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

During the nine months ended September 30, 2024, depreciation expense of \$125.0 million was charged to cost of goods sold (2023 – \$110.1 million), and \$14.4 million was charged to selling and administrative expenses (2023 – \$12.5 million).

As at September 30, 2024, the balance of assets under construction and not subject to depreciation was \$4.5 million (2023 – \$26.8 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2024

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

5. LONG-TERM DEBT

	September 30 2024	December 31 2023	September 30 2023
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	(1,763)	(2,216)	(2,397)
Total long-term debt	\$ 648,237	\$ 647,784	\$ 647,603
Less: current portion of long-term debt	(150,000)	—	—
Non-current portion of long-term debt	\$ 498,237	\$ 647,784	\$ 647,603

⁽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, 2024, December 31, 2023 and September 30, 2023.

Standby letters of credit issued utilized \$39.0 million of the facility as at September 30, 2024 (December 31, 2023 – \$40.3 million; September 30, 2023 – \$39.6 million).

6. SHARE CAPITAL

Normal Course Issuer Bid ("NCIB")

The Company's NCIB program was renewed in September 2024. The current issuer bid allows the Company to purchase up to 8.2 million common shares during the 12-month period ending September 20, 2025. All shares purchased under the bid will be cancelled.

The Company purchased and cancelled 673,000 common shares for \$82.7 million (average cost of \$122.96 per share, including transaction costs) during the nine months ended September 30, 2024.

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, 2024, there was no obligation for the repurchase of shares under the ASPP.

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. As at September 30, 2023, 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, 2024

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

Dividends Declared

Dividend	2024				2023			
	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. 8, 2024	\$ 0.48	Apr. 4, 2024	\$ 39.5	Mar. 9, 2023	\$ 0.43	Apr. 4, 2023	\$ 35.4
Quarter 2	Jun. 7, 2024	0.48	Jul. 5, 2024	39.4	Jun. 9, 2023	0.43	Jul. 5, 2023	35.6
Quarter 3	Sep. 6, 2024	0.48	Oct. 4, 2024	39.3	Sep. 8, 2023	0.43	Oct. 4, 2023	35.4
		\$ 1.44		\$ 118.2		\$ 1.29		\$ 106.4

On November 4, 2024, the Board of Directors declared a quarterly dividend of \$0.48 per common share, payable on January 6, 2025, to shareholders on record on December 6, 2024.

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 2024	December 31 2023	September 30 2023
Other financial liabilities:			
Current portion of long-term debt	\$ 150,000	\$ —	\$ —
Long-term debt	498,237	647,784	647,603
Derivative financial instruments (liabilities) assets, net:			
Foreign exchange forward contracts	\$ (4,355)	(13,946)	\$ 5,458

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 2024	December 31 2023	September 30 2023
Total Long-term debt:			
Fair value	\$ 653,256	\$ 637,808	\$ 612,552
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, 2024

(\$ 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, 2024 and 2023, 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, 2024, the Company was committed to: (i) US dollar purchase contracts with a notional amount of \$443.8 million at an average exchange rate of \$1.3567, maturing between October 2024 and September 2025; and (ii) US dollar sale contracts with a notional amount of \$37.4 million at an average exchange rate of \$1.3467, maturing between October 2024 and September 2025.

Management estimates that a loss of \$4.4 million (December 31, 2023 – loss of \$13.9 million; September 30, 2023 – gain of \$5.5 million) would be realized if the contracts were terminated on September 30, 2024. Certain of these forward contracts are designated as cash flow hedges and, accordingly, an unrealized loss of \$3.3 million (December 31, 2023 – unrealized loss of \$11.6 million; September 30, 2023 – unrealized gain of \$3.4 million) has been included in other comprehensive income (loss). These gains and losses 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 loss of \$1.1 million (December 31, 2023 – loss of \$2.3 million; September 30, 2023 – gain of \$2.1 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	
	2024	2023	2024	2023
Credit facilities	\$ 414	\$ 425	\$ 1,235	\$ 1,301
Senior debentures	6,363	6,332	18,783	18,888
Interest on lease liabilities	425	296	1,222	787
	\$ 7,202	\$ 7,053	\$ 21,240	\$ 20,976

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The components of interest and investment income were as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Interest on conversion of rental equipment	\$ 575	\$ 804	\$ 2,552	\$ 2,286
Interest income	11,087	10,943	40,497	30,564
	\$ 11,662	\$ 11,747	\$ 43,049	\$ 32,850

9. EARNINGS PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Income from continuing operations	\$ 130,951	\$ 145,619	\$ 350,220	\$ 375,055
Income from discontinued operations	—	—	—	5,605
Net earnings available to common shareholders	\$ 130,951	\$ 145,619	\$ 350,220	\$ 380,660
Weighted average common shares outstanding	81,930,534	82,281,891	82,109,395	82,302,881
Effect of dilutive securities	614,882	641,736	593,647	607,108
Weighted average common shares outstanding – diluted	82,545,416	82,923,627	82,703,042	82,909,989
Basic earnings per share				
Continuing operations	\$ 1.60	\$ 1.77	\$ 4.27	\$ 4.56
Discontinued operations	—	—	—	0.07
	\$ 1.60	\$ 1.77	\$ 4.27	\$ 4.63
Diluted earnings per share				
Continuing operations	\$ 1.59	\$ 1.76	\$ 4.23	\$ 4.52
Discontinued operations	—	—	—	0.07
	\$ 1.59	\$ 1.76	\$ 4.23	\$ 4.59

For both the three and nine months ended September 30, 2024, 158,089 outstanding share options with an average exercise price of \$125.11 were considered anti-dilutive and were excluded from the calculations. For the comparative periods in 2023, 164,307 outstanding share options with an average exercise price of \$112.48 were considered anti-dilutive and were excluded from the calculations.

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10. SHARE-BASED COMPENSATION

Share Option Plan

A reconciliation of the outstanding options for the nine months ended September 30, 2024 and 2023 was as follows:

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, January 1	1,783,993	\$ 78.50	1,967,892	\$ 73.21
Granted	160,960	125.11	168,545	112.48
Exercised ⁽¹⁾	(313,131)	62.87	(272,320)	62.50
Forfeited	(159,080)	92.86	(11,826)	104.85
Options outstanding, September 30	1,472,742	\$ 85.36	1,852,291	\$ 78.16
Options exercisable, September 30	930,011	\$ 72.25	1,041,906	\$ 65.73

⁽¹⁾ The weighted average share price at the date of exercise for the nine months ended September 30, 2024 was \$122.97 (2023 – \$111.99).

The following table summarizes share options outstanding and exercisable as at September 30, 2024:

Range of exercise prices	Options outstanding			Options exercisable	
	Number	Weighted average remaining life (years)	Weighted average exercise price	Number	Weighted average exercise price
\$36.65 – \$39.79	124,100	1.4	\$ 38.57	124,100	\$ 38.57
\$53.88 – \$65.72	251,660	4.2	61.71	251,660	61.71
\$66.22 – \$72.95	418,380	5.3	70.95	336,294	70.46
\$104.91 – \$125.11	678,602	7.9	111.58	217,957	106.35
	1,472,742	6.0	\$ 85.36	930,011	\$ 72.25

The fair values of the share options granted during 2024 and 2023 were determined at the time of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2024	2023
Fair value price per option	\$ 27.86	\$ 24.20
Share price	\$ 125.11	\$ 112.48
Expected life of options (years)	5.00	4.94
Expected share price volatility	22.0%	22.0%
Expected dividend yield	1.53%	1.53%
Risk-free interest rate	3.70%	3.40%

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Deferred Share Unit ("DSU") Plans

A reconciliation of the cash-settled DSU plan for the nine months ended September 30, 2024 and 2023 was as follows:

	2024		2023	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, January 1	191,320	\$ 22,133	190,128	\$ 18,528
Dividend credits	2,060	251	2,273	237
Redemptions	(16,321)	(2,039)	(1,829)	(193)
Fair market value adjustments	—	2,888	—	1,644
Outstanding, September 30	177,059	\$ 23,233	190,572	\$ 20,216

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

A reconciliation of the outstanding units of the equity-settled DSU plan for the nine months ended September 30, 2024 and 2023 was as follows:

	2024	2023
	Number of DSUs	Number of DSUs
Outstanding, January 1	33,360	7,534
Units taken or taken in lieu and dividends	25,092	21,845
Outstanding, September 30	58,452	29,379

The cost of the equity-settled DSU plan is recorded in selling and administrative expenses with a credit to contributed surplus.

Long-term Incentive Plan ("LTIP")

A reconciliation of the outstanding units of Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") for the nine months ended September 30, 2024 and 2023 was as follows:

	2024		2023	
	RSUs	PSUs	RSUs	PSUs
Units outstanding, January 1	14,396	56,784	7,163	28,137
Granted	13,575	28,494	7,153	29,714
Forfeited	(310)	(12,899)	(118)	(1,856)
Reinvested dividends	218	774	142	568
Units outstanding, September 30	27,879	73,153	14,340	56,563

For the nine months ended September 30, 2024, LTIP expense of \$4.0 million (2023 – \$1.9 million) was included in selling and administrative expenses with a credit to contributed surplus.

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11. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense includes the following components:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Defined benefit plans	\$ 2,178	\$ 1,781	\$ 5,983	\$ 5,378
Defined contribution plans	5,107	4,504	14,962	13,927
401(k) matched saving plans	102	114	304	328
	\$ 7,387	\$ 6,399	\$ 21,249	\$ 19,633

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Net change in non-cash working capital and other:				
Accounts receivable	\$ (16,529)	\$ (56,320)	\$ (55,118)	\$ (60,145)
Inventories	(34,868)	(24,926)	(214,525)	(136,218)
Accounts payable and accrued liabilities	(52,997)	14,747	12,066	(70,184)
Provisions	(1,279)	1,594	(743)	2,203
Deferred revenue and contract liabilities	(49,534)	28,866	(82,476)	(6,667)
Income taxes	3,183	11,655	(26,437)	(18,790)
Derivative financial instruments	2,319	(4,151)	(1,478)	2,816
Other	(12,141)	(5,467)	(6,509)	(10,605)
	\$ (161,846)	\$ (34,002)	\$ (375,220)	\$ (297,590)
Cash paid during the period for:				
Interest	\$ —	\$ —	\$ 12,388	\$ 12,388
Income taxes	\$ 48,670	\$ 42,048	\$ 156,611	\$ 156,069
Cash received during the period for:				
Interest	\$ 11,360	\$ 7,604	\$ 40,787	\$ 25,166
Income taxes	\$ 1,107	\$ 1,203	\$ 1,107	\$ 1,203

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 material accounting policies described in the most recent annual audited consolidated financial statements.

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Segment performance is assessed based on operating income, which is measured differently than income from operations in the interim condensed consolidated financial statements. Corporate overheads are allocated to the segments based on revenue. Income taxes, interest expense, interest and investment income are managed at a consolidated level and are not allocated to the reportable operating segments. Current income taxes, deferred income taxes and certain financial assets and liabilities are not allocated to the segments as they are also managed on a consolidated level.

The aggregation of the operating segments is based on the economic characteristics of the business units. These business units are considered to have similar economic characteristics including nature of products and services, class of customers and markets served and similar distribution models.

No reportable segment is reliant on any single external customer.

The following tables set forth information by segment for the three and nine months ended September 30, 2024 and 2023:

Three months ended September 30	Equipment Group		CIMCO		Consolidated	
	2024	2023	2024	2023	2024	2023
Equipment/package sales	\$ 611,174	\$ 474,976	\$ 69,486	\$ 49,292	\$ 680,660	\$ 524,268
Rentals	142,835	138,925	—	—	142,835	138,925
Product support	454,035	448,891	57,685	59,138	511,720	508,029
Power generation	2,777	2,823	—	—	2,777	2,823
Total revenue	\$ 1,210,821	\$ 1,065,615	\$ 127,171	\$ 108,430	\$ 1,337,992	\$ 1,174,045
Operating income	\$ 159,528	\$ 180,426	\$ 15,371	\$ 12,660	\$ 174,899	\$ 193,086
Interest expense					7,202	7,053
Interest and investment income					(11,662)	(11,747)
Income taxes					48,408	52,161
Income from continuing operations					\$ 130,951	\$ 145,619

Nine months ended September 30	Equipment Group		CIMCO		Consolidated	
	2024	2023	2024	2023	2024	2023
Equipment/package sales	\$ 1,652,737	\$ 1,400,291	\$ 173,304	\$ 142,649	\$ 1,826,041	\$ 1,542,940
Rentals	349,210	353,832	—	—	349,210	353,832
Product support	1,364,367	1,333,578	166,291	156,500	1,530,658	1,490,078
Power generation	8,301	8,514	—	—	8,301	8,514
Total revenue	\$ 3,374,615	\$ 3,096,215	\$ 339,595	\$ 299,149	\$ 3,714,210	\$ 3,395,364
Operating income	\$ 423,526	\$ 472,320	\$ 35,479	\$ 27,353	\$ 459,005	\$ 499,673
Interest expense					21,240	20,976
Interest and investment income					(43,049)	(32,850)
Income taxes					130,594	136,492
Income from continuing operations					\$ 350,220	\$ 375,055

Operating income from rental operations was \$25.0 million for the three months ended September 30, 2024 (2023 – \$34.3 million) and \$41.7 million for the nine months ended September 30, 2024 (2023 – \$68.9 million).

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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.

CIMCO has historically also had a distinct seasonal trend in results, 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.

15. DISCONTINUED OPERATIONS

The Company completed the sale of AgWest Ltd., a wholly owned subsidiary, on May 1, 2023. AgWest Ltd. was reported in the Equipment Group.

The results of AgWest Ltd. were as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2024	2023	2024	2023
Revenue	\$ —	\$ —	\$ —	\$ 20,866
Net income, net of tax	—	—	—	221
Gain on divestiture, net of tax	—	—	—	5,384
Income from discontinued operations	\$ —	\$ —	\$ —	\$ 5,605