TOROMONT

For immediate release

TOROMONT ANNOUNCES RESULTS FOR THE THIRD QUARTER OF 2022 AND QUARTERLY DIVIDEND

Toronto, Ontario (November 1, 2022) – Toromont Industries Ltd. (TSX: TIH) today reported its financial results for the third quarter ended September 30, 2022.

	Three months ended September 30			Nine months ended September 30		
($ millions, except per share amounts)	**2022**	2021	% change	**2022**	2021	% change
Revenues	**$ 1,139.6**	$ 997.2	14 %	**$ 3,080.6**	$ 2,930.5	5 %
Operating income	**169.1**	134.4	26 %	**411.7**	327.2	26 %
Net earnings	**123.1**	93.8	31 %	**294.3**	227.1	30 %
Basic earnings per share ("EPS")	**1.50**	1.13	33 %	**3.57**	2.75	30 %

"The team delivered solid operating and financial performance in the third quarter. The persistent supply constraint pressures, market and economic variables continue to contribute to a fluid and complex operating environment," stated Scott J. Medhurst, President and Chief Executive Officer of Toromont Industries Ltd. "The Equipment Group reported good utilization activity in rental and positive product support demand, while uncertainties persist in timing of equipment and parts deliveries. CIMCO revenues improved in the quarter on project construction and higher product support activity. Across the organization, we remain committed to our operating disciplines, after-market strategies and customer solutions, as we manage through these uncertain conditions."

HIGHLIGHTS:

Consolidated Results

- Revenues increased $142.4 million or 14% in the third quarter. Equipment sales were up 11% compared to prior year, with the Equipment Group up 10% and CIMCO package revenues up 19%, however both groups continue to experience delays in project construction and deliveries due to supply chain constraints in the current year. Product support revenues were 19% higher on increased demand, while rental revenues grew 13% on a larger fleet and higher utilization.

- Revenues increased $150.1 million (5%) to $3.1 billion for the year-to-date period, as the improved activity in rentals (up 19%) and product support (up 14%) offset reductions in equipment and package revenues (down 5%) against a tough comparable last year, coupled with continuing supply chain issues.

- Operating income(1) increased 26% in the quarter on higher revenues, a favourable sales mix (higher percentage of rentals and product support revenues to total revenues) and improved gross margins. Expense levels were up 13% reflecting planned increases and higher activity levels, as well as certain inflationary impacts.

- Operating income increased 26% in the year-to-date period, and was 13.4% of revenues compared to 11.2% in the similar period last year, reflecting the continued favourable sales mix and improved gross margins, offset by a higher expense ratio.

- Net earnings increased $29.4 million or 31% in the quarter versus a year ago to $123.1 million or $1.50 EPS (basic).

- For the year-to-date period, net earnings increased $67.2 million or 30% to $294.3 million, or $3.57 EPS (basic).

- Bookings(1) for the third quarter decreased 23% compared to last year and decreased 24% on a year-to-date basis. Both the Equipment Group and CIMCO reported strong bookings in 2021, after a period of lower activity stemming from pandemic restrictions.

- Backlogs(1) were $1.4 billion at September 30, 2022, compared to $1.1 billion at September 30, 2021, reflecting strong order activity over the past year coupled with ongoing supply constraints.

Equipment Group

- Revenues were up $131.1 million or 14% to $1.0 billion for the quarter with higher activity in new equipment sales, rental and product support, slightly offset by lower used equipment sales due to decreased rental dispositions and power generation sales.

- Revenues were up $167.0 million or 6% to $2.8 billion for the year-to-date period with lower equipment sales, offset by higher activity in both rental and product support.

- Operating income increased $33.3 million or 26% in the third quarter, reflecting the favourable sales mix (higher proportion of rental and product support revenues to total revenues), coupled with improved gross margins.

- Operating income increased $83.5 million or 26% to $399.1 million in the year-to-date period, generally on the same factors as noted above. Operating income margin increased 220 bps to 14.1%.

- Bookings in the third quarter were $381.1 million, a decrease of 29%. Year-to-date bookings were $1.3 billion, a decrease of 28%. Strong mining and construction sector orders in the comparable periods last year make 2021 a stronger comparable.

- Backlogs of $1.2 billion at the end of September 2022 were up $277.6 million or 31% from the end of September 2021 across all sectors. Approximately 40% of the backlog is expected to be delivered this year, subject to timing of delivery of equipment from suppliers.

CIMCO

- Revenues of $94.1 million increased $11.3 million or 14% compared to the third quarter last year, due to higher package revenues (up 19%) on the progression of construction schedules, coupled with higher product support revenue (up 9%) on stronger market activity. The timing of construction schedules has been impacted by pandemic restrictions and supply chain constraints, affecting the comparability of reported package revenues between periods.

- Revenues decreased $16.9 million or 6% to $255.3 million for the year-to-date period on lower package revenues (down 23%) more than offsetting higher product support sales (up 17%). Prior period revenues benefited from certain large industrial projects, making it a tough comparable. Recreational market activity has been stronger in the current year where pandemic restrictions have been easing after a prolonged period of time.

- Operating income increased $1.3 million or 26% for the quarter reflecting the higher revenues and improved gross margins.

- Operating income was up $1.1 million or 9% to $12.6 million for the year-to-date period, reflecting a favourable sales mix and improved gross margins. Operating income margin increased to 4.9% (2021 – 4.2%) largely reflecting the favourable sales mix.

- Bookings increased 50% in the third quarter ($24.2 million to $72.7 million) and 22% for the year-to-date period (increased $29.0 million to $161.5 million). Industrial orders were higher in both Canada and the US for both the quarter and year-to-date, while recreational orders were up in Canada, offset by a decrease in the US for the quarter, and down in both regions year-to-date.

- Backlogs of $202.6 million at September 30, 2022 were up $48.8 million or 32% from September 30, 2021, on higher current year bookings (noted above) and supply chain challenges. Approximately 30% of the backlog is estimated to be realized as revenue this year, however this is subject to construction schedules and potential changes stemming from supply chain constraints.

Financial Position

- Toromont's share price of $96.16 at the end of September 2022, translates to a market capitalization(1) of $7.9 billion and a total enterprise value(1) of $7.8 billion.

- The Company maintained a strong financial position. Leverage as represented by the net debt to total capitalization(1) ratio was -6% at the end of September 2022, compared to -16% at the end of December 2021 and -5% at the end of September 2021.

- The Company renewed its Normal Course Issuer Bid in September 2022. Under the previous bid, the Company purchased 473,100 common shares for $48.5 million (average cost of $102.52 per share, including transaction costs) in the nine-month period ended September 30, 2022.

- The Board of Directors approved a quarterly dividend of $0.39 cents per share, payable on January 5, 2023 to shareholders on record on December 8, 2022.

- The Company's return on equity(1) was 21.7% at the end of September 2022, on a trailing twelve-month basis, compared to 19.6% at the end of December 2021 and 19.3% at the end of September 2021. Trailing twelve month pre-tax return on capital employed(1) was 30.1% at the end of September 2022, compared to 26.6% at the end of December 2021 and 25.3% at the end of September 2021.

"Across our organization, our team remains committed to the disciplined execution of our operational model, adapting to changes in the business environment, while remaining focused on executing customer deliverables," noted Mr. Medhurst. "Activity remained sound with favourable backlog levels, but supply chains continue to be challenged. Pandemic challenges remain and we continue to measure inflationary pressures and supply-demand dynamics as the economic environment continues to evolve and change. Technician hiring remains a priority, in order to support our after-market and value-added product offering to meet and exceed client needs. The diversity of our geographic landscape and markets served, extensive product and service offerings, technology investments and financial strength, together with our disciplined operating culture, continue to position us well."

FINANCIAL AND OPERATING RESULTS

All comparative figures in this press release are for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021. All financial information presented in this press release has been prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below, and are reported in Canadian dollars. This press release contains only selected financial and operational highlights and should be read in conjunction with Toromont's unaudited interim condensed consolidated financial statements and related notes and Management's Discussion and Analysis ("MD&A"), as at and for the three and nine months ended September 30, 2022, which are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

Additional information is contained in the Company's filings with Canadian securities regulators, including the 2021 Annual Report and 2022 Annual Information Form, which are available on SEDAR and the Company's website.

QUARTERLY CONFERENCE CALL AND WEBCAST

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Wednesday, November 2, 2022 at 8:00 a.m. (EDT). The call may be accessed by telephone at 888-664-6383 (North American toll free) or 416-764-8650 (Toronto area) and quoting participant passcode 77043670. A replay of the conference call will be available until Wednesday, November 9, 2022 by calling 1-888-390-0541 (North American toll free) or 416-764-8677 (Toronto area) and quoting passcode 043670.

Presentation materials to accompany the call will be available on our investor page on our website.

NON-GAAP AND OTHER FINANCIAL MEASURES

Management believes that providing certain non-GAAP measures provides users of the Company's unaudited interim condensed consolidated financial statements and MD&A 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.

Management also 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 / Gross Profit Margin

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

Gross Profit Margin is defined as gross profit (defined above) divided by total revenues.

Operating Income / Operating Income Margin

Operating income is defined as net earnings 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.

Operating income margin is defined as operating income (defined above) divided by total revenues.

	Three months ended September 30		Nine months ended September 30	
($ thousands)	**2022**	2021	**2022**	2021
Net earnings	**$ 123,123**	$ 93,764	**$ 294,336**	$ 227,120
plus: Interest expense	**7,009**	7,093	**20,552**	21,272
less: Interest and investment income	**(6,928)**	(1,936)	**(13,433)**	(6,200)
plus: Income taxes	**45,877**	35,522	**110,232**	84,975
Operating income	**$ 169,081**	$ 134,443	**$ 411,687**	$ 327,167
Total revenues	**$ 1,139,599**	$ 997,198	**$ 3,080,639**	$ 2,930,502
Operating income margin	**14.8 %**	13.5 %	**13.4 %**	11.2 %

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. Total capitalization is calculated as shareholders' equity plus net debt.
The calculations are as follows:

($ thousands)	**September 30 2022**	December 31 2021	September 30 2021
Long-term debt	**$ 646,879**	$ 646,337	$ 647,099
less: Cash	**770,944**	916,830	732,551
Net debt	**(124,065)**	(270,493)	(85,452)
Shareholders' equity	**2,204,889**	1,953,329	1,875,154
Total capitalization	**$ 2,080,824**	$ 1,682,836	$ 1,789,702
Net debt to total capitalization	**(6)%**	(16)%	(5)%
Net debt to equity	**(0.06):1**	**(0.14):1**	**(0.05):1**

Market Capitalization & Total Enterprise Value

Market capitalization represents the total market value of the Company's equity. It is calculated by multiplying the market 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 net debt (defined above) to market capitalization.

The calculations are as follows:

($ thousands, except for shares and share price)	**September 30 2022**	December 31 2021	September 30 2021
Outstanding common shares	**82,246,807**	82,443,968	82,567,774
times: Ending share price	**$ 96.16**	$ 114.36	$ 105.73
Market capitalization	**$ 7,908,853**	$ 9,428,292	$ 8,729,891
Long-term debt	**$ 646,879**	$ 646,337	$ 647,099
less: Cash	**770,944**	916,830	732,551
Net debt	**$ (124,065)**	$ (270,493)	$ (85,452)
Total enterprise value	**$ 7,784,788**	$ 9,157,799	$ 8,644,439

Order Bookings and Backlogs

Order bookings represent the retail value of firm equipment or project orders received during a period. Backlogs are 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 revenues 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 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.

	Trailing twelve months ended		
($ thousands)	**September 30 2022**	December 31 2021	September 30 2021
Net earnings	**$ 399,926**	$ 332,710	$ 316,070
plus: Interest expense	**27,441**	28,161	28,558
less: Interest and investment income	**(16,260)**	(9,027)	(9,275)
plus: Interest income - rental conversions	**4,502**	2,635	3,482
plus: Income taxes	**149,350**	124,093	118,996
Adjusted net earnings	**$ 564,959**	$ 478,572	$ 457,831
Average capital employed	**$ 1,874,914**	$ 1,796,703	$ 1,812,402
Return on capital employed	**30.1 %**	26.6 %	25.3 %

Return on Equity ("ROE")

ROE is monitored to assess profitability and is calculated by dividing net earnings 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		
	September 30	December 31	September 30
($ thousands)	**2022**	2021	2021
Net earnings	**$ 399,926**	$ 332,710	$ 316,070
Opening shareholder's equity (net of adjustments)	**$ 1,845,257**	$ 1,695,008	$ 1,639,080
Return on equity	**21.7 %**	19.6 %	19.3 %

ADVISORY

Information in this press release that is not a historical fact is "forward-looking information". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "likely", "should", "could", "will", "may" and similar expressions are intended to identify statements containing forward-looking information. Forward-looking information in this press release 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 press release 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 the novel COVID-19 global pandemic, including an economic downturn, reduction or disruption in supply or demand for our products and services, or adverse impacts on our workforce, capital resources, or share trading price or liquidity; increased regulation of or restrictions placed on our businesses as a result of COVID-19; 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; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability of financing; potential environmental liabilities and changes to environmental regulation; information technology failures, including data or cyber security breaches; failure to attract and retain key employees; 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; and increased insurance premiums. 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 press release. 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 press release, 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.

ABOUT TOROMONT

Toromont Industries Ltd. operates through two business segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory, spanning the Canadian provinces of Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island, Québec, Ontario and Manitoba, in addition to most of the territory of Nunavut. The Equipment Group includes industry-leading rental operations, a complementary material handling business and an agricultural equipment business. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities. This press release and more information about Toromont Industries Ltd. can be found at www.toromont.com.

For more information contact:

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FOOTNOTE

(1) These financial metrics do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP), and may not be comparable to similar measures used by other issuers. These measurements are presented for information purposes only. The Company's Management's Discussion and Analysis (MD&A) includes additional information regarding these financial metrics, including definitions and a reconciliation to the most directly comparable GAAP measures, under the headings "Additional GAAP Measures", "Non-GAAP Measures" and "Key Performance Indicators."

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

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

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 nine months ended September 30, 2022, 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 nine months ended September 30, 2022, the annual MD&A contained in the 2021 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2021.

The unaudited interim condensed consolidated financial statements reported herein have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting,* and are reported in Canadian dollars. The information in this MD&A is current to November 1, 2022.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2021 Annual Report and the 2022 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

Advisory

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", "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 the novel COVID-19 global pandemic, including an economic downturn, reduction or disruption in supply or demand for our products and services, or adverse impacts on our workforce, capital resources, or share trading price or liquidity; increased regulation of or restrictions placed on our businesses as a result of COVID-19; 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; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability of financing; potential environmental liabilities and changes to environmental regulation; information technology failures, including data or cyber security breaches; failure to attract and retain key employees; 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; and increased insurance premiums. 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.

CONSOLIDATED OPERATING RESULTS

	Three months ended September 30				Nine months ended September 30			
($ thousands, except per share amounts)	**2022**	2021	$ change	% change	**2022**	2021	$ change	% change
REVENUES	**$ 1,139,599**	$ 997,198	$ 142,401	14 %	**$ 3,080,639**	$ 2,930,502	$ 150,137	5 %
Cost of goods sold	**830,603**	738,764	91,839	12 %	**2,271,125**	2,229,984	41,141	2 %
Gross profit [1]	**308,996**	258,434	50,562	20 %	**809,514**	700,518	108,996	16 %
Selling and administrative expenses	**139,915**	123,991	15,924	13 %	**397,827**	373,351	24,476	7 %
OPERATING INCOME [1]	**169,081**	134,443	34,638	26 %	**411,687**	327,167	84,520	26 %
Interest expense	**7,009**	7,093	(84)	(1)%	**20,552**	21,272	(720)	(3)%
Interest and investment income	**(6,928)**	(1,936)	(4,992)	nm	**(13,433)**	(6,200)	(7,233)	nm
Income before income taxes	**169,000**	129,286	39,714	31 %	**404,568**	312,095	92,473	30 %
Income taxes	**45,877**	35,522	10,355	29 %	**110,232**	84,975	25,257	30 %
NET EARNINGS	**$ 123,123**	$ 93,764	$ 29,359	31 %	**$ 294,336**	$ 227,120	$ 67,216	30 %
BASIC EARNINGS PER SHARE	**$ 1.50**	$ 1.13	$ 0.37	33 %	**$ 3.57**	$ 2.75	$ 0.82	30 %
KEY RATIOS:								
Gross profit margin [1]	**27.1 %**	25.9 %			**26.3 %**	23.9 %		
Selling and administrative expenses as a % of revenues	**12.3 %**	12.4 %			**12.9 %**	12.7 %		
Operating income margin [1]	**14.8 %**	13.5 %			**13.4 %**	11.2 %		
Income taxes as a % of income before income taxes	**27.1 %**	27.5 %			**27.2 %**	27.2 %		

The Company delivered strong bottom line results in the third quarter and first nine months of 2022, reflecting a favourable sales mix (higher rentals and product support revenues to total revenues), improved gross margins and lower net interest costs. Rental and product support revenues increased in both the quarter and year-to-date on good market activity. Equipment revenues increased in the quarter after a slow start to the year. The current year continues to be challenged by on-going supply chain constraints and general macro-economic factors such as inflation, interest rate changes, and lingering pandemic concerns.

Revenues increased $142.4 million or 14% for the quarter from the comparable period last year on higher activity in both the Equipment Group and CIMCO. Equipment Group revenues increased 14% in the quarter on higher new equipment sales, rental revenues and product support activity. CIMCO revenues increased 14% in the quarter on higher package revenues and product support activity levels. Supply chain challenges continue to dampen revenues in 2022 in both operating groups.

Revenues for the year-to-date period increased 5% from the comparable period last year to $3.1 billion. Equipment Group revenues increased 6% compared to last year as higher product support and rental activity more than offset lower equipment sales. CIMCO revenues decreased 6% year-to-date, on lower package revenues partially offset by higher product support activity levels.

Gross profit margin increased 120 basis points ("bps") to 27.1% in the quarter. Equipment Group margins increased while CIMCO margins were the same as last year. Gross profit margin increased 240 bps year-to-date to 26.3% compared to last year with increases in both Groups. Equipment Group margins increased on higher activity levels and favourable sales mix. CIMCO margins increased on higher package margins, reflecting good execution and mix of projects in process. Overall, sales mix contributed in both periods, accounting for 50 bps in the quarter and 100 bps year-to-date, reflecting a higher percentage of rentals and product support revenues to total revenues.

Selling and administrative expenses increased $15.9 million or 13% in the quarter compared to last year. Compensation costs were approximately $10.0 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 increased $4.1 million in the quarter on higher balances and against a favourable comparable in the third quarter of 2021. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures. The increases were partially offset by mark-to-market adjustments on deferred share units ("DSUs") which resulted in a $0.9 million decrease in expense year over year, as a result of the decrease in share price in the current period.

Selling and administrative expenses for the year-to-date period increased $24.5 million or 7% compared to the similar period last year. Compensation costs increased approximately $17.6 million in the nine-month period reflecting higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income. Mark-to-market adjustments on DSUs resulted in a decrease in expense year-over-year of $8.7 million, reflecting changes in share price in both periods. Other expenses such as training, travel and occupancy costs have increased as a result of higher activity levels and inflationary pressures. Dispositions of property and other related settlements resulted in gains in both periods, however these were $2.8 million lower in the current period. Bad debt expense increased $4.0 million in the nine-month period compared to last year on higher activity and against a tough comparable last year. Selling and administrative expenses were 20 basis points higher as a percentage of revenues (12.9% versus 12.7% last year).

Operating income increased $34.6 million or 26% in the quarter to $169.1 million and increased $84.5 million or 26% to $411.7 million year-to-date. Operating income as a percentage of revenues increased 220 bps in the year-to-date period (13.4% versus 11.2% last year), reflecting favourable sales mix and higher gross margins.

Interest expense decreased $0.1 million in the quarter and decreased $0.7 million year-to-date, on lower borrowings, inclusive of stand-by credit facilities.

Interest and investment income increased $5.0 million or 258% in the quarter and increased $7.2 million or 117% year-to-date on higher average cash balances, higher interest rates, as well as higher interest income earned on conversion of equipment on rent with a purchase option ("RPO").

The effective income tax rate was 27.1% in the quarter and 27.2% on a year-to-date basis, relatively unchanged to 2021. The effective income tax rate varies depending on the nature of income (i.e., capital gains), geographic distribution (Canada vs. US) and other regular tax items (non-deductible expenses).

Net earnings increased $29.4 million or 31% to $123.1 million for the quarter and increased $67.2 million or 30% to $294.3 million year-to-date. Basic earnings per share ("EPS") increased 33% to $1.50 for the quarter and increased 30% to $3.57 year-to-date.

Comprehensive income in the quarter was $156.2 million (2021 – $111.1 million) and $375.5 million year-to-date (2021 – $289.8 million). Other comprehensive income included an actuarial gain on post-employment benefit plans of $6.6 million after-tax for the quarter (2021 – actuarial gain of $10.3 million) and year-to-date actuarial gain of $50.3 million (2021 – actuarial gain of $52.3 million). These gains reflect changes in the weighted average discount rates used in the valuation, which are reflective of underlying financial markets, as well as changes in the fair value of pension plan assets. Other comprehensive income also included a favourable net change in the fair value of cash flow hedges of $25.4 million after-tax for the quarter (2021 – a favourable net change of $6.7 million) and year-to-date a favourable net change of $29.5 million after-tax (2021 – a favourable net change of $10.3 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 revenues 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.

Equipment Group

	Three months ended September 30				Nine months ended September 30			
($ thousands)	**2022**	2021	$ change	% change	**2022**	2021	$ change	% change
Equipment sales and rentals								
New	**$ 401,481**	$ 354,144	$ 47,337	13 %	**$ 1,020,048**	$ 1,053,449	$ (33,401)	(3)%
Used	**90,165**	92,509	(2,344)	(3)%	**275,979**	275,823	156	— %
Rentals	**125,521**	111,252	14,269	13 %	**327,602**	275,013	52,589	19 %
Total equipment sales and rentals	**617,167**	557,905	59,262	11 %	**1,623,629**	1,604,285	19,344	1 %
Product support	**425,705**	353,642	72,063	20 %	**1,193,784**	1,045,725	148,059	14 %
Power generation	**2,621**	2,839	(218)	(8)%	**7,921**	8,304	(383)	(5)%
Total revenues	**$ 1,045,493**	$ 914,386	$ 131,107	14 %	**$ 2,825,334**	$ 2,658,314	$ 167,020	6 %
Operating income	**$ 162,736**	$ 129,388	$ 33,348	26 %	**$ 399,114**	$ 315,648	$ 83,466	26 %
KEY RATIOS:								
Product support revenues as a % of total revenues	**40.7 %**	38.7 %			**42.3 %**	39.3 %		
Operating income margin	**15.6 %**	14.2 %			**14.1 %**	11.9 %		
Group total revenues as a % of consolidated revenues	**91.7 %**	91.7 %			**91.7 %**	90.7 %		

The Equipment Group delivered strong results in the quarter, however equipment and parts supply chains remain a challenge, which are affecting product availability, delaying deliveries, slowing work-in-process, and dampening sales growth. Solid market activity continued in areas such as rental and product support. Gross margin improvement and favourable sales mixes (higher rental and product support revenues to total revenues), slightly offset by higher expense ratios drove improvements in operating income. Historically results have reflected some seasonality, however the pandemic, supply chain constraints and general economic factors have disrupted this pattern and may continue to do so for the near to mid-term.

Total equipment sales (new and used) increased $45.0 million or 10% in the quarter. New equipment sales increased 13% on good deliveries in the mining, power systems and agricultural markets while on-going inventory supply constraints continued to dampen deliveries in the construction and material handling markets. Total equipment sales decreased $33.2 million or 3% year-to-date. New equipment sales decreased 3% year-to-date, as inventory supply constraints continue to delay deliveries to customers. Used equipment sales decreased 3% in the quarter and remained flat year-to-date due to lower rental fleet dispositions. Used equipment sales vary based on availability, either from rental fleet, trades or purchases. Overall, revenues by market segments were as follows for the quarter (year-to-date): construction markets lower 1% (-5%), mining up 22% (+8%), power systems up 48% (+2%), material handling lower 8% (-24%), and agricultural activity up 28% (+14%).

Rental revenues increased $14.3 million (+13%) in the quarter and increased $52.6 million (+19%) year-to-date. All market sectors and most regions were up, reflecting improved utilization on higher market activity. Revenues increased for both the heavy equipment fleet (up 12% in the quarter and 13% year-to-date) and light equipment fleet (up 14% in the quarter and 19% year-to-date) on improved utilization and fleet expansions, both reflecting improved market activity. Power rentals increased 18% in the quarter (28% year-to-date) and material-handling rentals increased 2% in the quarter (11% year-to-date). The RPO fleet (rent with a purchase option) was $38.7 million at September 30, 2022 versus $37.3 million at September 30, 2021, which continues to trend below pre-pandemic levels.

Product support revenues increased $72.1 million or 20% in the quarter and increased $148.1 million or 14% year-to-date, with increases in both parts (up 23% in the quarter and 15% year-to-date) and service (up 14% in the quarter and 13% year-to-date) revenues. Activity was up across all markets and most regions in both the quarter (and first nine months of the year) as follows: construction markets up 23% (+17%), mining up 22% (+15%), power systems up 5% (+2%), material handling up 13% (+8%) and agricultural activity up 31% (+4%).

Gross profit margins increased 130 bps in the quarter and increased 230 bps year-to-date compared to last year, largely driven by higher rental and product support margins, coupled with a favourable sales mix (higher product support and rental revenues to total revenues). Rental margins were up 80 bps for the quarter and 90 bps year-to-date, reflecting improved activity and fleet utilization. Product support margins increased 60 bps in the quarter and 10 bps year-to-date, reflecting supply chain challenges, inflationary factors and pandemic impacts. New and used equipment margins were down 60 bps in the quarter and were up 40 bps year-to-date, largely reflecting sales mix.

Selling and administrative expenses were up $14.7 million or 13% in the quarter, and up $22.7 million or 7% for the first nine months of 2022. 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 increased $3.6 million in the quarter and $3.1 million for the year-to-date, reflecting a larger balance of aged receivables. Selling and administrative expenses were 10 basis points higher as a percentage of revenues (12.6% versus 12.5% last year).

Operating income increased $33.3 million or 26% to $162.7 million in quarter and increased $83.5 million or 26% to $399.1 million for the year to date, reflecting higher revenues and gross margin improvements, partially offset by higher expenses. Operating income as a percentage of revenues improved to 14.1% on a year-to-date basis, largely reflecting higher gross margins and the favourable sales mix.

Bookings and Backlogs

($ millions)		2022		2021		$ change	% change
Bookings – three months ended September 30	**$**	**381.1**	$	539.9	$	(158.8)	(29)%
Bookings – nine months ended September 30	**$**	**1,346.7**	$	1,859.8	$	(513.1)	(28)%
Backlogs – as at September 30	**$**	**1,181.1**	$	903.5	$	277.6	31 %

New bookings decreased $158.8 million or 29% in the third quarter, reflecting a strong prior year comparable that included several large mining and construction orders. Bookings in the following sectors were down: construction (-19%), mining (-71%), power systems (-27%) and agriculture (-13%), partially offset by higher orders in material handling (+93%).

On a year-to-date basis, bookings decreased $513.1 million or 28% to $1,346.7 million, reflecting the tough comparable and business and economic factors overriding normal seasonality.

Backlogs of $1.2 billion were up by $277.6 million or 31%, largely reflecting continuing disruptions to the global supply chain affecting equipment deliveries. At September 30, 2022, the breakdown of backlog by markets was as follows: construction 46%; mining 28%; power systems 21%; agriculture 2%; and material handling 3%. Approximately 40% of the backlog is expected to be delivered over the remainder of this year, however this is subject to timing of vendor supply and customer delivery schedules.

Bookings and backlogs 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, and the availability of equipment from either inventory or suppliers.

CIMCO

	Three months ended September 30				Nine months ended September 30			
($ thousands)	**2022**	2021	$ change	% change	**2022**	2021	$ change	% change
Package sales	**48,265**	40,650	7,615	19 %	**124,384**	160,751	(36,367)	(23)%
Product support	**45,841**	42,162	3,679	9 %	**130,921**	111,437	19,484	17 %
Total revenues	**$ 94,106**	$ 82,812	$ 11,294	14 %	**$ 255,305**	$ 272,188	$ (16,883)	(6)%
Operating income	**$ 6,345**	$ 5,055	$ 1,290	26 %	**$ 12,573**	$ 11,519	$ 1,054	9 %
KEY RATIOS:								
Product support revenues as a % of total revenues	**48.7 %**	50.9 %			**51.3 %**	40.9 %		
Operating income margin	**6.7 %**	6.1 %			**4.9 %**	4.2 %		
Group total revenues as a % of consolidated revenues	**8.3 %**	8.3 %			**8.3 %**	9.3 %		

CIMCO demonstrated healthier results for the third quarter of 2022, as construction projects advanced coupled with higher gross margins on good project execution. The first nine months of 2022 were lower than prior year, a tough comparable, which included several large projects. Package revenues were also dampened in the current year by supply chain challenges which is resulting in the deferral of construction schedules to Q4 and into 2023. Product support activity continued to increase with the higher technician workforce, especially in the recreational market.

Package revenues reflect 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).

Package revenues were up $7.6 million or 19% during the quarter on the progression of schedules. Industrial market revenues were up 13%, with an increase in Canada (up 39%) being offset by a decrease in the US (down 70%). Recreational market revenues were also up 25%, with increases in both Canada (up 2%) and the US (up 73%).

Year-to-date, package sales decreased $36.4 million or 23% compared to last year. Industrial market revenues were down 32% against a tough comparable that included several large projects in Canada in the prior year. Recreational market revenues remained relatively flat (up 1%) as an increase in the US (up 21%) was largely offset by a decrease in Canada (down 11%).

Product support revenues increased in the third quarter by $3.7 million or 9% and increased by $19.5 million or 17% year-to-date. Revenues in Canada increased 6% in the quarter and 21% year-to-date reflecting higher economic activity levels. Activity levels increased with the easing of pandemic restrictions, and a reopening of recreational centres after prolonged pandemic closure. In the US, revenues were up 19% for the quarter and 8% year-to-date. The increased technician base continues to support activity levels.

Gross profit margins were unchanged in the quarter versus the comparable period last year, as higher package margins (up 130 bps) were offset by lower product support margins (down 110 bps) and an unfavourable sales mix. On a year-to-date basis gross profit margins increased 240 bps versus 2021. Package margins improved, (130 bps), on improved execution and the nature of projects in process. Product support margins were slightly lower down 40 bps on inflationary factors and supply chain constraints. A favourable sales mix, with a higher proportion of package sales revenues to total revenues, accounted for 150 bps of the increase.

Selling and administrative expenses increased $1.3 million or 9% in the quarter and increased $1.7 million or 4% for the first nine months. Bad debt expenses increased $0.5 million in the quarter and $0.9 million year-to-date, reflecting increased aged receivables. Travel and training expenses increased to support activity and staffing levels. Expenditure control measures on discretionary spend remained in effect. Occupancy costs increased on a year-to-date basis as a result of the relocation of the Canadian head office to Burlington along with other related branch changes. As a percentage of revenues, selling and administrative expenses were higher at 16.5% in the first nine months of 2022 versus 14.8% for the similar period last year.

Operating income increased $1.3 million or 26% for the quarter reflecting higher revenue and lower relative expense levels. On a year-to-date basis operating income increased $1.1 million or 9%, reflecting improved gross margins, in part due to sales mix, partially offset by lower package revenues and a higher relative expense level. Operating income as a percentage of revenues improved to 4.9% on a year-to-date basis on improved gross margins including a favourable sales mix.

Bookings and Backlogs

($ millions)		2022		2021		$ change	% change
Bookings – three months ended September 30	**$**	**72.7**	$	48.5	$	24.2	50 %
Bookings – nine months ended September 30	**$**	**161.5**	$	132.5	$	29.0	22 %
Backlogs – as at September 30	**$**	**202.6**	$	153.8	$	48.8	32 %

Bookings increased $24.2 million or 50% to $72.7 million in the quarter. Industrial bookings were up in both Canada (+26%) and the US (+649%), with general activity improving with the continued easing of most pandemic restrictions and stronger capital investment. Recreational bookings were slightly higher, up 1%, with higher bookings in Canada, up 21% largely offset by lower bookings in the US, down 23%.

On a year-to-date basis, bookings increased $29.0 million or 22% to $161.5 million. Industrial orders were up 43% in both Canada (up 16%) and the US (up 236%), after a slower start to the year. Recreational orders decreased 5% to $56.2 million, with decreases in Canada (down 7%) and the US (down 1%).

Backlogs of $202.6 million increased 32% compared to September 2021. Both recreational and industrial backlog increased, in part reflecting the deferral or delay in construction schedules resulting from supply chain constraints. Recreational backlog increased in both Canada (up 33%) and the US (up 37%). Industrial backlog also increased in both Canada (up 3%) and the US (up 272%). Approximately 30% of the backlog is expected to be realized as revenue this year, 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 September 30, 2022, the ratio of net debt to total capitalization[1] was -6% (net cash position), compared to -16% at December 31, 2021, and -5% at September 30, 2021.

Non-cash Working Capital

The Company's investment in non-cash working capital was $641.0 million at September 30, 2022. The major components, along with the changes from prior periods, are identified in the following table.

		September 30		September 30	Change			December 31	Change	
($ thousands)		2022		2021	$	%		2021	$	%
Accounts receivable	**$**	**611,064**	$	539,110	$ 71,954	13 %	$	451,944	$ 159,120	35 %
Inventories		**954,499**		685,239	$ 269,260	39 %		720,421	234,078	32 %
Other current assets		**20,819**		18,087	$ 2,732	15 %		13,994	6,825	49 %
Accounts payable and accrued liabilities		**(605,752)**		(533,468)	$ (72,284)	14 %		(544,512)	(61,240)	11 %
Provisions		**(26,784)**		(25,528)	$ (1,256)	5 %		(25,404)	(1,380)	5 %
Income tax payable		**(20,179)**		(857)	$ (19,322)	nm		(15,239)	(4,940)	32 %
Derivative financial instruments		**53,181**		11,456	$ 41,725	nm		5,252	47,929	nm
Dividends payable		**(32,071)**		(28,977)	$ (3,094)	11 %		(28,851)	(3,220)	11 %
Deferred revenues and contract liabilities		**(313,736)**		(188,908)	$ (124,828)	66 %		(199,696)	(114,040)	57 %
Total non-cash working capital	**$**	**641,041**	$	476,154	$ 164,887	35 %	$	377,909	$ 263,132	70 %

Accounts receivable increased 13% from September 30, 2021, mainly tracking the 14% increase in revenues in the quarter, offset by a continued focus on collection activity. Days sales outstanding ("DSOs") decreased 1 day to 45 days. Equipment Group DSO was unchanged, despite an increase in aged receivables, while CIMCO DSO was down 13 days. Collection activity and credit metrics are being closely monitored, especially given the current economic environment.

In comparison to December 31, 2021, accounts receivable increased 35%, reflecting higher trailing revenues (Q3 22 revenues were 19% higher than Q4 21 revenues) and slower collections. DSO was 36 days at December 31, 2021.

Inventories at September 30, 2022 increased 39% compared to September 30, 2021:

- Equipment Group inventories were up $264.3 million or 40%, with increased equipment (up $153.2 million or 42%), service work-in-process (up $31.5 million or 46%), and parts (up $79.6 million or 35%). Inventory levels increased as a result of supply chain constraints causing delays in final delivery of equipment and service work, along with increased orders to meet demand signals, as well as recent price increases.
- CIMCO inventories were up $5.0 million or 20%. Parts inventory increased $2.1 million or 56% on higher activity and recent price increases. Work-in-process levels increased $2.9 million (up 14.1%), reflecting timing of project construction schedules.

Inventories at September 30, 2022 were 32% higher compared to December 31, 2021, with increases in both Groups:

- Equipment Group inventories were 32% higher with increases in equipment (up 29%), work-in-progress (up 41%), and parts inventories (up 36%). Inventory levels are typically lowest at the end of a fiscal year due to seasonality, with inventories building during the year in advance of the typically busy selling period, however pandemic and economic factors have influenced customer buying patterns and overridden normal seasonality. Additionally, supply chain constraints have impacted the normal sales timeline as delays of equipment, parts and components delay final delivery to end customers.
- CIMCO inventories were up 40% on higher work-in-process (up 40%) and parts (up 41%) reflecting higher service and project activity levels as well as delays in construction schedules.

Other current assets are comprised mainly of prepaid expenses, and vary from period to period based on timing of receipt of invoice and payment.

Accounts payable and accrued liabilities at September 30, 2022, were 14% higher than at September 30, 2021, reflecting higher activity levels and higher profit sharing accruals on higher earnings, partially offset by the lower DSU liability (lower number of units and lower share price).

In comparison to December 31, 2021, accounts payable and accrued liabilities increased 11%, reflecting higher activity levels.

Income tax 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 (weaker) led to a cumulative net gain of $53.2 million as at September 30, 2022. This is not expected to affect net earnings as the unrealized gains offset future losses on the related hedged items, either current accounts payable or future transactions.

Dividends payable increased compared to September 30 and December 31, 2021, mainly reflecting the higher dividend rate. The effective quarterly dividend rates were as follows: $0.31 per share in the first quarter of 2021, $0.35 per share in the fourth quarter of 2021, and $0.39 per share in the third quarter of 2022. This represents an increase of 12.9% in 2021 and an increase of 11.4% in 2022.

Deferred revenues 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; sales of equipment with residual value guarantees; and, customer deposits for machinery to be delivered in the future. At September 30, 2022, these were up 83.2% versus September 30, 2021 and up 58.8% versus December 31, 2021, largely related to progress billings and customer deposits for future deliveries.
- 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 September 30, 2022, these were down 8.2% versus September 30, 2021, and up 47.8% versus December 31, 2021.

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 interim condensed consolidated financial position or results of operations.

Normal Course Issuer Bid ("NCIB")

The Company's NCIB program was renewed on September 19, 2022. The current issuer bid allows the Company to purchase up to approximately 8.2 million of its common shares in the 12-month period ending September 18, 2023, representing 10% of common shares in the public float, as estimated at the time of renewal. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont, except for purchases designated under the Automatic Share Purchase Plan ("ASPP"). All shares purchased under the bid will be cancelled.

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

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

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

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

Long-term Incentive Plan (“LTIP”)

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

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

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

Outstanding Share Data

As at the date of this MD&A, the Company had 82,246,807 common shares and 2,044,244 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)
Dec. 9, 2020	Jan. 5, 2021	$0.31	$25.6
Mar. 9, 2021	Apr. 1, 2021	$0.31	$25.6
Jun 9. 2021	Jul. 5, 2021	$0.35	$28.9
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

The Board of Directors increased the quarterly dividend by 11.4% or 4 cents per share, to 39 cents per common share on February 10, 2022.

The next dividend is payable on January 5, 2023 to shareholders on record on December 8, 2022.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Toromont's liquidity requirements can be met through a variety of sources, including 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 maintains a $500.0 million committed revolving credit facility that matures in November 2026. Debt under this facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

No amounts were drawn on the revolving credit facilities as at: September 30, 2022, December 31, 2021 and September 30, 2021.

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

The Company expects that continued cash flows from operations in 2022, together with cash 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 September 30		Nine months ended September 30	
($ thousands)	**2022**	2021	**2022**	2021
Cash, beginning of period	**$ 778,800**	$ 660,771	**$ 916,830**	$ 591,128
Cash, provided by (used in):				
Operating activities				
Operations	**162,610**	134,438	**401,971**	344,152
Change in non-cash working capital and other	**(62,831)**	23,068	**(233,437)**	8,693
Net rental fleet additions	**(53,449)**	(10,509)	**(131,997)**	(56,745)
	46,330	146,997	**36,537**	296,100
Investing activities	**(19,163)**	(27,048)	**(50,456)**	(58,102)
Financing activities	**(35,490)**	(48,248)	**(132,550)**	(96,577)
Effect of foreign exchange on cash balances	**467**	79	**583**	2
(Decrease) increase in cash during the period	**(7,856)**	71,780	**(145,886)**	141,423
Cash, end of period	**$ 770,944**	$ 732,551	**$ 770,944**	$ 732,551

<u>Cash Flows from Operating Activities</u>

Operating activities provided cash in both the third quarter and on a year-to-date basis for 2022 and 2021.

Cash generated from operations increased for the quarter (up 21%) and year-to-date (up 17%) from the similar periods last year on the higher net earnings.

Non-cash working capital used cash in the third quarter of 2022, as higher inventory levels and accounts receivable were only partially offset by higher accounts payable and customer deposits. Non-cash working capital provided cash in the third quarter of 2021, largely on a reduction of inventory in the quarter.

On a year-to-date basis non-cash working capital used more cash in 2022 as compared to the first nine months of 2021, 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 third quarter and increased for the first nine months of 2022 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 deliberate 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 $19.6 million in the third quarter of 2022 (2021 – $27.3 million) and related largely to:

- Land, buildings and construction in process for new and upgraded facilities across the business – $4.4 million (2021 – $17.0 million); and
- Normal replacement of service and delivery vehicles – $15.2 million (2021 – $10.3 million).

For the year-to-date period, additions to property, plant and equipment totalled $51.6 million (2021 – $60.3 million).

In 2021, property dispositions provided proceeds of $1.6 million, resulting in a capital gain of $1.2 million, or $1.0 million after-tax.

Cash Flows from Financing Activities

During the third quarter of 2022, the Company used $35.5 million (2021 – used $48.2 million) in cash in financing activities, major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of $32.1 million or $0.39 per share (2021 – $28.9 million or $0.35 per share);
- Cash received on exercise of share options of $9.7 million (2021 – $7.3 million);
- Purchase of shares under the NCIB program used $10.8 million (2021 – $24.2 million); and,
- Lease liability payments of $2.3 million (2021 – $2.4 million).

For the nine months ended September 30, 2022, financing activities used $132.6 million (2021 – used $96.6 million) in cash, major uses and sources of cash during this period included:

- Dividends paid to common shareholders of $93.1 million or $1.13 per share (2021 – $80.1 million or $0.97 per share);
- Cash received on exercise of share options of $16.1 million (2021 -– $15.2 million);
- Purchase of shares under the NCIB program used $48.5 million (2021 – $24.2 million); and
- Lease liability payments of $7.0 million (2021 – $7.5 million).

OUTLOOK

We are closely monitoring global economic factors, in particular, inflationary pressures from price and wage increases, including increases from our key suppliers. Initiatives are underway across all of our operations to improve efficiency and leverage the learnings from the last two years, including use of technology and innovative ways to engage with customers, employees and other partners with reduced discretionary spending.

The ongoing challenges in the global supply chain have resulted in delivery date delays for equipment, components and parts and this is expected to continue. We continue to actively manage supply chain constraints by taking appropriate mitigation steps in collaboration with our key suppliers and our customers, such as actively sourcing used equipment, optimizing preparation time on equipment, and offering rebuilds and rental options. We expect a tight supply environment to continue.

There is ongoing concern and uncertainty regarding the pandemic and the economic environment. Staff shortages, reduced customer activity and demand, product availability and other supplier constraints, inflationary impacts and increased government regulations or intervention, are some of the factors that have and may continue to negatively impact our business, consolidated financial results and conditions of the Company. As a result, it is not possible to reliably estimate the length and severity of these developments as well as the impact on the consolidated financial results and condition of the Company in future periods.

The protection and support of our people remains a priority, particularly, our front-line technical workforce who provide valuable service to our customers. Workforce planning initiatives, including hiring and scheduling, continue in light of current and expected activity levels.

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 expansion will remain dependent on global economic and financial conditions.

Investment continues in broadening product lines and service offerings, the branch network, rental fleets, and 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. Recreational markets have been limited due to pandemic restrictions, however over the longer term, opportunity exists. Current backlogs are supportive of future activity. Inflationary costs and highly competitive pricing by competition in the market 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 unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2021 annual audited consolidated financial statements.

($ thousands, except per share amounts)	**Q3 2022**	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
REVENUES								
Equipment Group	**$1,045,493**	$ 993,214	$ 786,627	$ 866,970	$ 914,386	$1,016,545	$ 727,383	$ 896,904
CIMCO	**94,106**	87,683	73,516	89,065	82,812	110,521	78,855	95,281
Total revenues	**$1,139,599**	$1,080,897	$ 860,143	$ 956,035	$ 997,198	$1,127,066	$ 806,238	$ 992,185
NET EARNINGS	**$ 123,123**	$ 111,681	$ 59,532	$ 105,590	$ 93,764	$ 85,400	$ 47,956	$ 88,950
PER SHARE INFORMATION:								
Basic earnings per share	**$ 1.50**	$ 1.35	$ 0.72	$ 1.28	$ 1.13	$ 1.03	$ 0.58	$ 1.08
Diluted earnings per share	**$ 1.49**	$ 1.34	$ 0.72	$ 1.27	$ 1.12	$ 1.02	$ 0.58	$ 1.07
Dividends per share	**$ 0.39**	$ 0.39	$ 0.35	$ 0.35	$ 0.35	$ 0.35	$ 0.31	$ 0.31
Weighted average common shares outstanding - basic (in thousands)	**82,183**	82,433	82,467	82,401	82,705	82,587	82,499	82,373

Interim period revenues 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 revenues are 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. Revenues are typically lower during the first quarter as winter weather slows down construction schedules. Revenues increase 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.

In 2020 and 2021, these patterns were disrupted by the governmental and market response and reaction to COVID-19. 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 revenues 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 revenues. Cost reduction and containment strategies continue to be a focus, however, have a delayed effect on net earnings.

Market and economic factors including the COVID-19 pandemic, 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, 2021 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 2021 audited annual consolidated financial statements, and described in note 1 therein, except as noted below.

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

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

Several amendments, apply for the first time in 2022, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2022.

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 2 to the Company's 2021 audited annual consolidated financial statements, contained in the Company's 2021 Annual Report.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management, under the supervision of the President and Chief Executive Officer ("CEO") and Executive Vice President and Chief Financial Officer ("CFO"), is 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.

The CEO and the CFO, together with other members of management, have evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as at September 30, 2022.

Internal Control over Financial Reporting

Management, under the supervision of the CEO and CFO, is 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 the interim condensed consolidated 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 nine months ended September 30, 2022, 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 revenues less cost of goods sold.

Operating Income

Operating income is defined as net earnings 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 September 30		Nine months ended September 30	
($ thousands)	**2022**	2021	**2022**	2021
Net earnings	**$ 123,123**	$ 93,764	**$ 294,336**	$ 227,120
plus: Interest expense	**7,009**	7,093	**20,552**	21,272
less: Interest and investment income	**(6,928)**	(1,936)	**(13,433)**	(6,200)
plus: Income taxes	**45,877**	35,522	**110,232**	84,975
Operating income	**$ 169,081**	$ 134,443	**$ 411,687**	$ 327,167
Total revenues	**$ 1,139,599**	$ 997,198	**$ 3,080,639**	$ 2,930,502
Operating income margin	**14.8 %**	13.5 %	**13.4 %**	11.2 %

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. Total capitalization is calculated as shareholders' equity plus net debt.

The calculations are as follows:

($ thousands)	**September 30 2022**	December 31 2021	September 30 2021
Long-term debt	**$ 646,879**	$ 646,337	$ 647,099
less: Cash	**770,944**	916,830	732,551
Net debt	**(124,065)**	(270,493)	(85,452)
Shareholders' equity	**2,204,889**	1,953,329	1,875,154
Total capitalization	**$ 2,080,824**	1,682,836	1,789,702
Net debt to total capitalization	**(6)%**	(16)%	(5)%
Net debt to equity	**(0.06):1**	**(0.14):1**	**(0.05):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)	**September 30 2022**	December 31 2021	September 30 2021
Total current assets	**$ 2,410,507**	$ 2,108,441	$ 1,986,443
less: Total current liabilities	**998,522**	813,702	777,738
Working capital	**$ 1,411,985**	$ 1,294,739	$ 1,208,705

Non-Cash Working Capital

Non-cash working capital is defined as total current assets (excluding cash) less total current liabilities (excluding current portion of long-term debt).

($ thousands)	**September 30 2022**	December 31 2021	September 30 2021
Total current assets	**$ 2,410,507**	$ 2,108,441	$ 1,986,443
less: Cash	**770,944**	916,830	732,551
	1,639,563	1,191,611	1,253,892
Total current liabilities	**998,522**	813,702	777,738
Non-cash working capital	**$ 641,041**	$ 377,909	$ 476,154

Market Capitalization & Total Enterprise Value

Market capitalization represents the total market value of the Company's equity. It is calculated by multiplying the market 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 net debt (defined above) to market capitalization.

The calculations are as follows:

($ thousands, except for shares and share price)	**September 30 2022**	December 31 2021	September 30 2021
Outstanding common shares	**82,246,807**	82,443,968	82,567,774
times: Ending share price	**$ 96.16**	$ 114.36	$ 105.73
Market capitalization	**$ 7,908,853**	$ 9,428,292	$ 8,729,891
Long-term debt	**$ 646,879**	$ 646,337	$ 647,099
less: Cash	**770,944**	916,830	732,551
Net debt	**$ (124,065)**	$ (270,493)	$ (85,452)
Total enterprise value	**$ 7,784,788**	$ 9,157,799	$ 8,644,439

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 revenues.

Operating Income Margin

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

Order Bookings and Backlogs

Order bookings represent the retail value of firm equipment or project orders received during a period. Backlogs are 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 revenues 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 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.

	Trailing twelve months ended		
($ thousands)	**September 30 2022**	December 31 2021	September 30 2021
Net earnings	**$ 399,926**	$ 332,710	$ 316,070
plus: Interest expense	**27,441**	28,161	28,558
less: Interest and investment income	**(16,260)**	(9,027)	(9,275)
plus: Interest income - rental conversions	**4,502**	2,635	3,482
plus: Income taxes	**149,350**	124,093	118,996
Adjusted net earnings	**$ 564,959**	$ 478,572	$ 457,831
Average capital employed	**$ 1,874,914**	$ 1,796,703	$ 1,812,402
Return on capital employed	**30.1 %**	26.6 %	25.3 %

Return on Equity ("ROE")

ROE is monitored to assess profitability and is calculated by dividing net earnings 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)	**September 30 2022**	December 31 2021	September 30 2021
Net earnings	**$ 399,926**	$ 332,710	$ 316,070
Opening shareholder's equity (net of adjustments)	**$ 1,845,257**	$ 1,695,008	$ 1,639,080
Return on equity	**21.7 %**	19.6 %	19.3 %

FOOTNOTE

(1) These financial metrics do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP), and may not be comparable to similar measures used by other issuers. These measurements are presented for information purposes only. The Company's Management's Discussion and Analysis (MD&A) includes additional information regarding these financial metrics, including definitions and a reconciliation to the most directly comparable GAAP measures, under the headings "Additional GAAP Measures", "Non-GAAP Measures" and "Key Performance Indicators."

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

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

See accompanying notes

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

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

See accompanying notes

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

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

See accompanying notes

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

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

Supplemental cash flow information (note 10)

See accompanying notes

TOROMONT INDUSTRIES LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
($ thousands, except share amounts) (Unaudited)

	Share capital				Accumulated other comprehensive income (loss)			
	Number	Amount	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Cash flow hedges	Total	Total shareholders' equity
At January 1, 2022	**82,443,968**	**$ 539,677**	**$ 16,352**	**$ 1,392,551**	**$ 1,868**	**$ 2,881**	**$ 4,749**	**$ 1,953,329**
Net earnings	**—**	**—**	**—**	**294,336**	**—**	**—**	**—**	**294,336**
Other comprehensive income	**—**	**—**	**—**	**50,322**	**1,319**	**29,541**	**30,860**	**81,182**
Total comprehensive income	**—**	**—**	**—**	**344,658**	**1,319**	**29,541**	**30,860**	**375,518**
Exercise of stock options	**275,939**	**19,187**	**(3,089)**	**—**	**—**	**—**	**—**	**16,098**
Stock-based compensation expense	**—**	**—**	**4,806**	**—**	**—**	**—**	**—**	**4,806**
Effect of stock compensation plans	**275,939**	**19,187**	**1,717**	**—**	**—**	**—**	**—**	**20,904**
Shares purchased for cancellation	**(473,100)**	**(3,120)**	**—**	**(45,382)**	**—**	**—**	**—**	**(48,502)**
Dividends declared	**—**	**—**	**—**	**(96,360)**	**—**	**—**	**—**	**(96,360)**
At September 30, 2022	**82,246,807**	**$ 555,744**	**$ 18,069**	**$ 1,595,467**	**$ 3,187**	**$ 32,422**	**$ 35,609**	**$ 2,204,889**
At January 1, 2021	82,474,658	$ 516,591	$ 14,243	$ 1,169,239	$ 1,880	$ (3,301)	$ (1,421)	$ 1,698,652
Net earnings	—	—	—	227,120	—	—	—	227,120
Other comprehensive income	—	—	—	52,321	56	10,336	10,392	62,713
Total comprehensive income	—	—	—	279,441	56	10,336	10,392	289,833
Exercise of stock options	323,116	18,234	(3,020)	—	—	—	—	15,214
Stock-based compensation expense	—	—	4,950	—	—	—	—	4,950
Effect of stock compensation plans	323,116	18,234	1,930	—	—	—	—	20,164
Shares purchased for cancellation	(230,000)	(1,481)	—	(22,741)	—	—	—	(24,222)
Shares repurchase commitment under NCIB	—	(1,550)	—	(24,230)	—	—	—	(25,780)
Dividends declared	—	—	—	(83,493)	—	—	—	(83,493)
At September 30, 2021	82,567,774	$ 531,794	$ 16,173	$ 1,318,216	$ 1,936	$ 7,035	$ 8,971	$ 1,875,154

See accompanying notes

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

Toromont Industries Ltd. (the "Company" or "Toromont") is a limited company incorporated and domiciled in Canada whose shares are publicly traded on the Toronto Stock Exchange under the symbol TIH. The registered office is located at 3131 Highway 7 West, Concord, Ontario, Canada.

The Company operates through two business segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory, spanning the Canadian provinces of Newfoundland and Labrador, Nova Scotia, New Brunswick, Prince Edward Island, Québec, Ontario and Manitoba, in addition to most of the territory of Nunavut. The Equipment Group includes industry-leading rental operations, a complementary material handling business and an agricultural equipment business. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities.

Basis of Preparation

a) Statement of Compliance

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2021.

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

b) Basis of Presentation

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

c) Accounting Policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s audited annual consolidated financial statements for the year ended December 31, 2021, except as noted below.

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

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

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

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

d) Use of Estimates and Judgements

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

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

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

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

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

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

3. LONG-TERM DEBT

	September 30 2022	December 31 2021	September 30 2021
Senior Debentures			
3.71%, $150.0 million, due September 30, 2025 [1]	**$ 150,000**	$ 150,000	$ 150,000
3.84%, $500.0 million, due October 27, 2027 [1]	**500,000**	500,000	500,000
	650,000	650,000	650,000
Debt issuance costs, net of amortization	**(3,121)**	(3,663)	(2,901)
Total long-term debt	**$ 646,879**	$ 646,337	$ 647,099

[1] Interest payable semi-annually, principal due on maturity.

The Company maintains a $500.0 million committed revolving credit facility that matures in November 2026. Debt under this facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

No amounts were drawn on the revolving credit facilities as at: September 30, 2022, December 31, 2021 and September 30, 2021.

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

4. SHARE CAPITAL

Normal Course Issuer Bid ("NCIB")

The Company's NCIB program was renewed on September 19, 2022. The current issuer bid allows the Company to purchase up to approximately 8.2 million of its common shares in the 12-month period ending September 18, 2023, representing 10% of common shares in the public float, as estimated at the time of renewal. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont, except for purchases designated under the Automatic Share Purchase Plan ("ASPP"). All shares purchased under the bid will be cancelled.

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

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

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

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

Dividends Declared

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

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

5. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities – Classification and Measurement

The following table highlights the carrying amounts and classifications of certain financial assets and liabilities:

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

Fair Value of Financial Instruments

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract's value at maturity based on the contracted foreign exchange rate and the contract's value at maturity based on the comparable foreign exchange rate as at period-end under the same conditions. The financial institution's credit risk is also taken into consideration in determining fair value. The valuation is determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the asset or liability, most significantly foreign exchange spot and forward rates.

The fair value and carrying value of long-term debt are as follows:

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

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

The fair value was determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities and based on Toromont's credit risk. The Company has no plans to prepay these instruments prior to maturity.

During the nine months ended September 30, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency-denominated obligations related to purchases of inventory and sales of products. As at September 30, 2022, the Company was committed to US dollar purchase contracts with a notional amount of $666.6 million at an average exchange rate of $1.2884, maturing between October 2022 and August 2023.

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

6. INTEREST AND INVESTMENT INCOME AND EXPENSE

The components of interest expense were as follows:

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

The components of interest and investment income were as follows:

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

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

7. EARNINGS PER SHARE

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

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

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

8. STOCK-BASED COMPENSATION

Stock Option Plan

A reconciliation of the outstanding options was as follows:

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

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

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

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

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

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

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

Deferred Share Unit ("DSU") Plan

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

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

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

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

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

Long-term Incentive Plan ("LTIP")

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

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

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

9. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense includes the following components:

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

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

10. SUPPLEMENTAL CASH FLOW INFORMATION

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

11. SEGMENTED INFORMATION

The Company has two reportable segments: the Equipment Group and CIMCO as described in note 1, each supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. The corporate office provides finance, treasury, legal, human resources and other administrative support to the segments and does not meet the definition of a reportable operating segment as defined in IFRS 8 – *Operating Segments*, as it does not earn revenue.

The accounting policies of each of the reportable segments are the same as the significant accounting policies described in the most recent annual audited consolidated financial statements.

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

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

No reportable segment is reliant on any single external customer.

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

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

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

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

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

12. BUSINESS SEASONALITY

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

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

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

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

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