TOROMONT

First Quarter 2022 **April 27, 2022**

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

Toromont Industries Ltd. (TSX: TIH) reported financial results for the first quarter ended March 31, 2022.

	Three months ended March 31		
millions, except per share amounts	**2022**	2021	**% change**
Revenues	**$ 860.1**	$ 806.2	**7%**
Operating income	**$ 86.1**	$ 70.2	**23%**
Net earnings	**$ 59.5**	$ 48.0	**24%**
Basic earnings per share ("EPS")	**$ 0.72**	$ 0.58	**24%**

We are pleased with our operating performance and financial results, through a challenging business environment. While end market activity levels remained solid as pandemic restrictions eased in some markets, persistent supply constraint pressures and inflation contribute to a fluid, complex and uncertain operating environment. The Equipment Group reported good activity in rental and product support, while global supply chain challenges persist and continue to impact timing of equipment deliveries. CIMCO revenues decreased in the quarter on timing of project construction schedules, while product support activity improved. Across the organization, we are continuing to leverage the learnings from the past year and maintain our operating disciplines, while incorporating new ways to do business with uncertain conditions.

Highlights:

Consolidated results

- Revenues increased 7% in the quarter versus the same period last year reflecting solid activity levels in most areas and good execution from our teams. Product support revenues were 10% higher on increased demand and technician headcount, while rental revenues grew 29% on a larger fleet and higher utilization. Equipment sales were relatively unchanged compared to prior year with Equipment Group growth of 4% largely offset by weaker CIMCO package revenues down 7%, as construction projects schedules and deliveries in both cases were deferred due to supply chain constraints.

- Operating income increased 23% on higher revenues and gross margins. Expense levels were up slightly at 14.8% of revenue, reflecting continued cost focus in an inflationary environment, consistent with gradual business openings.

- Net earnings increased $11.6 million or 24% in the quarter versus a year ago to $59.5 million or $0.72 EPS.

- Bookings were 16% lower compared to the similar period last year. The Equipment Group received several large construction and mining orders in the first quarter of 2021. Backlogs were $1.5 billion at March 31, 2022, compared to $911.5 million at March 31, 2021, reflecting strong order activity and supply constraints through the latter part of 2021.

Equipment Group

- Revenues were up $59.2 million or 8% to $786.6 million for the quarter with higher activity in both rental, used equipment and product support, combined with moderate new equipment sales across most regions.

- Operating income was up $15.2 million or 22% reflecting higher revenues and gross margins.

- Bookings in the first quarter of $567.1 million were down 17% against strong mining and construction sector orders in the comparable period last year.

- Backlogs of $1.3 billion at the end of March 2022 were up $624.3 million or 85% from the end of March 2021, reflecting healthy order levels in the latter part of 2021. Approximately 80% of the backlog is expected to be delivered this year, subject to receipt of equipment from suppliers.

CIMCO

- Revenues of $73.5 million decreased $5.3 million or 7% compared to the first quarter last year with lower package revenues on construction schedules largely offset by higher product support revenue.

- Operating income of $1.2 million increased $0.8 million for the quarter reflecting the higher product support sales and gross margins along with the favourable sales mix of product support sales to total revenue.

- Bookings were up $2.0 million or 5% to $39.8 million in the first quarter of 2022. Industrial orders were higher in both Canada and the US, while recreational orders were down mainly in Canada, offset by an increase in orders in the US.

- Backlogs of $169.6 million were down $5.9 million or 3%, as progress against order backlog continued. Industrial backlog was down in both Canada and the US, whereas recreational backlog was up in both Canada and the US. Substantially all 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 $118.51 at the end of March 2022, translated to a market capitalization of $9.8 billion and a total enterprise value of $9.6 billion.

- The Company maintained a very strong financial position. Leverage as represented by the net debt to total capitalization ratio was -8% at the end March 2022, compared to -16% at the end of December 2021 and 2% at the end of March 2021.

- The Board of Directors approved a quarterly dividend of $0.39 cents per share, payable on July 5, 2022 to shareholders on record on June 9, 2022.

- The Company's return on opening shareholders' equity was 19.7% at the end of March 2022, on a trailing twelve-month basis, compared to 19.6% at the end of December 2021 and 16.7% at the end of March 2021. Trailing twelve month pre-tax return on capital employed was 27.4% at the end of March 2022, compared to 26.6% at the end of December 2020 and 21.5% at the end of March 2021.

We value our team's on-going commitment to adapt to changes in the business environment and focus on executing customer deliverables. Activity remained sound with favourable backlog levels, but supply chains are challenged. This has restricted availability and is likely to result in delivery date extensions. Pandemic issues remain and we continue to monitor inflationary pressures and supply-demand dynamics as the economic environment changes. Technician hiring remains a priority to our product support offering and to meet growing demand. 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.

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 months ended March 31, 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 months ended March 31, 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 April 27, 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; 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

($ thousands, except per share amounts)	Three months ended March 31 **2022**	2021	$ change	% change
REVENUES	**$ 860,143**	$ 806,238	$ 53,905	7%
Cost of goods sold	**646,636**	618,860	27,776	4%
Gross profit (1)	**213,507**	187,378	26,129	14%
Selling and administrative expenses	**127,384**	117,162	10,222	9%
OPERATING INCOME (1)	**86,123**	70,216	15,907	23%
Interest expense	**6,686**	7,177	(491)	(7%)
Interest and investment income	**(2,617)**	(2,004)	(613)	31%
Income before income taxes	**82,054**	65,043	17,011	26%
Income taxes	**22,522**	17,087	5,435	32%
NET EARNINGS	**59,532**	47,956	11,576	24%
BASIC EARNINGS PER SHARE	**$ 0.72**	$ 0.58	$ 0.14	24%
KEY RATIOS:				
Gross profit margin (1)	**24.8%**	23.2%		
Selling and administrative expenses as a % of revenues	**14.8%**	14.5%		
Operating income margin (1)	**10.0%**	8.7%		
Income taxes as a % of income before income taxes	**27.4%**	26.3%		

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

The Company reported improved results in the first quarter of 2022, maintaining operational discipline and focus, while being resilient in the fluid economic environment. While industry activity levels have increased as pandemic restrictions have eased in most markets, supply chain constraints, inflationary pressures and other global economic factors have impacted results and exerted pressure.

Revenues increased $53.9 million or 7% for the quarter. Equipment Group revenues increased 8% on higher used equipment deliveries, increased rental utilization and higher product support activity. CIMCO revenues decreased 7% as construction projects schedules were deferred due to supply chain challenges, partially offset by higher product support activity levels.

Gross profit margin increased 160 basis points ("bps") to 24.8% versus the first quarter last year. Equipment Group margins increased on improved equipment and rental margins. CIMCO margins increased on a favourable sales mix, with a higher proportion of product support revenues to total revenues.

Selling and administrative expenses in the first quarter of 2022 increased $10.2 million or 9% versus the similar period last year. Expenses in the first quarter of 2021 included property gains of $3.1 million. Compensation costs increased $5.5 million reflecting higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income in the current period. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures. Bad debt expense decreased $2.0 million on improved collections. Selling and administrative expenses were 14.8% of revenues, compared to 14.5% in the first quarter of last year.

Operating income increased $15.9 million or 23% in the quarter and was 130 bps higher as a percentage of revenues (10.0% versus 8.7% last year), reflecting higher revenues and gross margins.

Interest expense decreased $0.5 million on lower debt levels.

Interest income increased $0.6 million in the quarter mainly on higher cash balances held, slightly offset by lower interest income earned on conversion of equipment on rent with a purchase option ("RPO").

The effective income tax rate for the quarter was 27.4% compared to 26.3% in the first quarter last year, reflecting certain real estate transactions in the prior year, which were taxed at lower rates.

Net earnings for the quarter were up $11.6 million or 24% to $59.5 million with basic earnings per share ("EPS") tracking the increase in earnings to $0.72.

Comprehensive income in the quarter was $72.1 million (2021 – $82.2 million). Other comprehensive income included an actuarial gain on post-employment benefit plans of $23.7 million after-tax (2021 – actuarial gain of $34.2 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 an unfavorable net change in the fair value of cash flow hedges of $11.0 million after-tax (2021 – a favourable net change of $0.1 million). These changes reflect mark-to-market differences in the value of foreign exchange derivative contracts designated as cash flow hedges and are largely a function of the 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 March 31			
($ thousands)	**2022**	2021	$ change	% change
Equipment sales and rentals				
New	**$ 253,555**	$ 250,327	$ 3,228	1%
Used	**83,552**	72,768	10,784	15%
Rentals	**93,221**	72,298	20,923	29%
Total equipment sales and rentals	**430,328**	395,393	34,935	9%
Product support	**353,634**	329,224	24,410	7%
Power generation	**2,665**	2,766	(101)	(4%)
Total revenues	**$ 786,627**	$ 727,383	$ 59,244	8%
Operating income	**$ 84,966**	$ 69,813	$ 15,153	22%
KEY RATIOS:				
Product support revenues as a % of total revenues	**45.0%**	45.3%		
Operating income margin	**10.8%**	9.6%		
Group total revenues as a % of consolidated revenues	**91.5%**	90.2%		

The Equipment Group delivered solid results for the first quarter of 2022. Although higher than the prior year, equipment and product support sales were constrained by continued supply chain challenges that are affecting product availability. Solid market activity led to higher rental and product support revenues. Gross margin improvement and continued expense control drove improvements in operating income. Global economic factors including higher inflation, higher interest rates and strong commodity prices are being experienced and likely to present increased pressure on future results. Historically results for the first quarter in the Equipment Group have been lower than other quarters of the year due to seasonality, however recent periods have been affected by the pandemic, supply chain and other influences causing variations in customer's purchasing and rental patterns.

Total equipment sales (new and used) increased $14.0 million or 4%. New equipment sales increased 1% as continued inventory supply constraints delayed deliveries to customers. Used equipment sales increased 15% on good demand across most markets. Overall, revenues by market segments were as follows: construction up 7%, mining up 49%, power systems lower 25%, material handling lower 6%, and agricultural lower 11%.

Rental revenues increased $20.9 million, or 29%, with increases across all market sectors and most regions. Revenues for both the light and heavy equipment fleets increased 16% in the quarter on improved utilization and recent fleet expansions, both reflecting improved market activity. Power rentals increased 2% and material-handling rentals increased 9%. Rental revenues from equipment on rent with a purchase option ("RPO") were up 26% on a larger average fleet. As at March 31, 2022 the RPO fleet was $50.1 million versus $38.6 million at this time last year reflecting higher demand, yet remains below pre-pandemic levels.

Product support revenues increased $24.4 million or 7% on higher parts (up 6%) and service revenues (up 11%). Market activity in construction and mining markets increased 11% and 7% respectively, with increases in all regions. Power systems activity was relatively unchanged compared to the prior year, while material handling and agricultural were down on a smaller base. Service revenue growth also represents the increase in technician headcount to service demand.

Gross profit margins increased 140 bps in the quarter versus last year. Rental margins contributed 120 bps to margin, reflecting improved activity and fleet utilization. New and used equipment margins contributed 110 bps to margin, reflecting sound demand and sales mix. Product support margins reduced overall margin 90 bps, with higher input costs due mainly to supply chain challenges and pandemic impacts.

Selling and administrative expenses in the first quarter of 2022, increased $10.2 million or 10%. Expenses in the first quarter of 2021 included property gains of $3.1 million. Compensation costs increased $5.5 million reflecting higher staffing levels, regular salary increases, and increased profit sharing accruals on the higher income in the current period. Other expenses such as training, travel and occupancy costs have increased in light of activity levels, resumed spending and inflationary pressures. Bad debt expense decreased $1.7 million on improved collections. Selling and administrative expenses were 20 basis points higher as a percentage of revenues (14.6% versus 14.4% last year).

Operating income increased $15.2 million (22%) to $85.0 million, mainly reflecting the higher revenues and gross margins.

Bookings and Backlogs

($ millions)	**2022**	2021	$ change	% change
Bookings - three months ended March 31	**$ 567.1**	$ 686.1	$ (119.0)	(17%)
Backlogs - as at March 31	**$ 1,360.3**	$ 736.0	$ 624.3	85%

New bookings were lower in the first quarter, down $119.0 million or 17%, as several large mining and construction orders were received in the prior period. Bookings in construction and mining were down 3% and 60% respectively, partially offset by higher orders in power systems (+60%) and agriculture (+12%). Material handling orders remained relatively consistent with the prior period.

Backlogs of $1.4 billion were up $624.3 million or 85% across all sectors. At March 31, 2022, the breakdown of backlog by markets was as follows: construction - 45%; mining - 30%; power systems - 19%; agriculture - 4%; and, material handling - 2%. Approximately 80% of the backlog is expected to be delivered over the remainder of the 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 March 31			
($ thousands)	**2022**	2021	$ change	% change
Package sales	**$ 30,543**	$ 46,389	$ (15,846)	(34%)
Product support	**42,973**	32,466	10,507	32%
Total revenues	**$ 73,516**	$ 78,855	$ (5,339)	(7%)
Operating income	**$ 1,157**	$ 403	$ 754	187%
KEY RATIOS:				
Product support revenues as a % of total revenues	**58.5%**	41.2%		
Operating income margin	**1.6%**	0.5%		
Group total revenues as a % of consolidated revenues	**8.5%**	9.8%		

Historically, due to seasonality, CIMCO's results for the first quarter have been the slowest period, as winter shutdowns negatively affect construction schedules. Package revenues were dampened by prolonged winter conditions and supply chain challenges resulted in the deferral of revenues to later in the year. Product support activity increased on the reopening of recreational facilities late in 2021 after a prolonged shutdown due to pandemic restrictions.

Package revenues were down $15.8 million or 34% with decreases in both the recreational (down 48%) and industrial (down 29%) markets. 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). In Canada, package revenues decreased $16.2 million or 41% reflecting decreases in both markets. In the US, package revenues increased $0.4 million or 5% on a smaller activity base, with higher revenues in the industrial market offset by lower revenues in the recreational market.

Product support revenues increased $10.5 million or 32% versus the first quarter last year on higher activity levels in both Canada (up 36%) and the US (up 19%). Activity levels increased with the easing of pandemic restrictions, and a reopening of recreational centres after prolonged pandemic closure. The increased technician base continues to support activity levels.

Gross profit margins increased 230 bps in the quarter versus last year. A favourable sales mix, with a higher proportion of product support to total, contributed 310 bps. Gross profit margins in product support were higher (10 bps), while package margins were lower (90 bps). Margins mainly reflect activity levels, with a relatively high fixed costs base of operations, as well as the nature of projects in process, which can be somewhat variable.

Selling and administrative expenses were largely unchanged from the similar period last year and expenditure control measures on discretionary spend remained in effect. As a percentage of revenues, selling and administrative expenses were higher (17.3% versus 16.1% last year) reflecting the lower revenues in the current period against a consistent level of expenses.

Operating income was $1.2 million in the first quarter, up $0.8 million from the comparable period last year, reflecting the higher gross margin on the favourable sales mix.

Bookings and Backlogs

($ millions)	**2022**	2021	$ change	% change
Bookings - three months ended March 31	**$ 39.8**	$ 37.9	$ 1.9	5%
Backlogs - as at March 31	**$ 169.6**	$ 175.5	$ (5.9)	(3%)

Bookings were up $1.9 million or 5% to $39.8 million. Industrial bookings were up in both Canada (+15%) and the US (+26%), as activity increased with the continued lifting of most pandemic restrictions. Recreational bookings were 8% lower on reduced market activity, mainly on lower bookings in Canada down 23% while bookings in the US were up 80%.

Backlogs of $169.6 million declined 3% versus March last year on progress of construction projects. Recreational backlog increased in both Canada (up 28%) and the US (up 73%) as projects were deferred due to equipment and material delays caused by supply chain challenges. Industrial backlog decreased in both Canada (down 25%) and the US (down 10%) reflecting project completions during the quarter. Substantially all 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 March 31, 2022, the ratio of net debt to total capitalization was -8%, compared to -16% at December 31, 2021, and 2% at March 31, 2021.

Non-cash Working Capital

The Company's investment in non-cash working capital was $507.8 million at March 31, 2022. The major components, along with the changes from March 31 and December 31, 2021, are identified in the following table.

($ thousands)	**March 31 2022**	March 31 2021	Change $	Change %	December 31 2021	Change $	Change %
Accounts receivable	**$ 480,555**	$ 482,844	$ (2,289)	-	$ 451,944	$ 28,611	6%
Inventories	**837,028**	760,087	76,941	10%	720,421	116,607	16%
Other current assets	**22,348**	13,533	8,815	65%	13,994	8,354	60%
Accounts payable and accrued liabilities	**(534,078)**	(512,417)	(21,661)	4%	(544,512)	10,434	(2%)
Provisions	**(25,005)**	(25,034)	29	-	(25,404)	399	(2%)
Income taxes recoverable (payable)	**7,572**	12,783	(5,211)	(41%)	(15,239)	22,811	(150%)
Derivative financial instruments	**(12,796)**	(6,037)	(6,759)	112%	5,252	(18,048)	(344%)
Dividends payable	**(32,164)**	(25,587)	(6,577)	26%	(28,851)	(3,313)	11%
Deferred revenues and contract liabilities	**(235,634)**	(181,671)	(53,963)	30%	(199,696)	(35,938)	18%
Total non-cash working capital	**$ 507,826**	$ 518,501	$ (10,675)	(2%)	$ 377,909	$ 129,917	34%

Accounts receivable was relatively unchanged from March 31, 2021, reflecting the tight focus on collection activities on higher trailing revenues. Days sales outstanding ("DSOs") decreased 2 days to 40 days on an improvement in the Equipment Group (down 2 days), offset by an increase at CIMCO (up 7 days).

In comparison to December 31, 2021, accounts receivable increased 6%, reflecting slower collections. DSO was 36 days at December 31, 2021.

Inventories at March 31, 2022, were 10% higher compared to March 31, 2021:

- Equipment Group inventories were up $89.4 million or 12%, with increased equipment (up $44.3 million or 10%), service work-in-process (up $27.9 million or 43%), and parts (up $17.2 million or 8%). Higher inventory levels generally reflect higher recent and expected activity levels.
- CIMCO inventories were down $12.5 million or 34%, mainly on lower work-in-process levels (down 41%), reflecting timing of project construction schedules, offset by higher parts inventory activity up $1.6 million or 54%.

Inventories at March 31, 2022 were 16% higher compared to December 31, 2021, with increases in both Groups:

- Equipment Group inventories were 16% higher with increases in equipment (up 19%), work-in-progress (up 30%), and parts inventories (up 7%). 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.
- CIMCO inventories were up 18% on higher work-in-process (up 19%) reflecting higher service and project activity levels.

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 March 31, 2022, were 4% higher than at March 31, 2021, reflecting higher activity levels, partially offset by the lower DSU liability on a lower number of units.

In comparison to December 31, 2021, accounts payable and accrued liabilities were down 2%, mainly reflecting the timing of purchase and payment for inventory and other supplies and the payment of annual performance incentive bonuses.

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

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar (stronger) led to a cumulative net loss of $12.8 million as at March 31, 2022. This is not expected to affect net earnings as the unrealized losses offset future gains on the related hedged items, either current accounts payable or future transactions.

Dividends payable increased compared to March 31 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 first 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 mainly due to progress billings from the sale of power and energy systems and long-term product support maintenance contracts, as well as on sales of equipment with residual value guarantees and customer deposits for machinery to be delivered in the future. At March 31, 2022, these were up 56.4% versus March 31, 2021 and up 17.6% versus December 31, 2021, largely related to progress billings and customer deposits for deliveries later in the year.
- 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 March 31, 2022, these were down 39.0% versus March 31, 2021, however were up 33.4% 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 consolidated financial position or results of operations.

Outstanding Share Data

As at the date of this MD&A, the Company had 82,522,223 common shares and 2,086,840 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)
June 9, 2020	July 3, 2020	$0.31	$25.4
September 8, 2020	October 2, 2020	$0.31	$25.5
December 9, 2020	January 5, 2021	$0.31	$25.6
March 9, 2021	April 1, 2021	$0.31	$25.6
June 9, 2021	July 5, 2021	$0.35	$28.9
September 8, 2021	October 4, 2021	$0.35	$29.0
December 8, 2021	January 5, 2022	$0.35	$28.9
March 9, 2022	April 4, 2022	$0.39	$32.2

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 July 5, 2022 to shareholders on record on June 9, 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. 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 these revolving credit facilities as at: March 31, 2022; December 31 and March 31, 2021.

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

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 Consolidated Statements of Cash Flows, are summarized in the following table:

	Three months ended March 31	
($ thousands)	**2022**	2021
Cash, beginning of period	**$ 916,830**	$ 591,128
Cash, provided by (used in):		
Operating activities		
Operations	**91,021**	86,344
Change in non-cash working capital and other	**(150,907)**	(29,397)
Net rental fleet additions	**(22,361)**	(6,064)
	(82,247)	50,883
Investing activities	**(11,022)**	(2,856)
Financing activities	**(27,731)**	(25,175)
Effect of foreign exchange on cash balances	**(99)**	(38)
Increase in cash in the period	**(121,099)**	22,814
Cash, end of period	**$ 795,731**	$ 613,942

Cash Flows from Operating Activities

Operating activities utilized cash in the first quarter of 2022 compared to providing cash in the comparable period last year, more consistent with historical trends.

Cash generated from operations increased 5% from the similar quarter last year on a 24% increase in net earnings.

Non-cash working capital used cash in the first quarter of 2022, reflecting a more typical seasonal trend as operations prepare for the typically busier selling season. Higher inventory levels and accounts receivable, and payments to suppliers, more than offset higher customer deposits. Non-cash working capital used more cash in the first quarter of 2022, compared to the first quarter of 2021, on larger relative increases in inventory and accounts receivable. These increases reflect, in part, higher activity levels year over year.

Net rental fleet additions (purchases less proceeds of dispositions) were higher in the first quarter of 2022 compared to the similar period last year. The Company increased investment in both the heavy and light equipment rental fleets across Eastern Canada reflecting improved 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 $11.2 million (2021 - $4.6 million) and related largely to:

- Land, buildings and construction in process for new and upgraded facilities across the

business - $5.0 million (2021 - $0.7 million); and
- Normal replacement of service and delivery vehicles - $6.2 million (2021 - $3.9 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 first quarter of 2022, the Company used $27.7 million (2021 - $25.2 million) in cash in financing activities, major uses and sources of cash during the quarter included:

- Dividends paid to common shareholders of $28.9 million or $0.35 per share (2021 - $25.6 million or $0.31 per share);
- Cash received on exercise of share options of $3.5 million (2021 - $2.9 million); and
- Lease liability payments of $2.3 million (2021 - $2.6 million).

OUTLOOK

The emergency measures enacted in early 2020, to combat the spread of COVID-19, continue to affect economies and disrupt business operations around the world. Staff shortages, reduced customer activity and demand, product availability and other supplier constraints, cost increases 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. While generally the situation is improving, there is ongoing concern and uncertainty regarding potential new COVID-19 variants. 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.

We are closely monitoring global economic factors, in particular, inflationary pressures from price and wage increases, including price 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.

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 on-going integration and alignment of operating processes and systems, best practices and culture, continues across our territory. Prior to the outbreak, the long-term outlook for infrastructure projects and other construction activity was positive across most territories. Mining customers and jurisdictions they operate in 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, the branch network, rental fleets, and technologies to create efficiency and effectiveness across the organization. Product support technologies, such as remote diagnostics, telematics and digital information models support and expand our strategic platform.

CIMCO's installed base and product support levels 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.

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)	Q2 2021	Q3 2021	Q4 2021	**Q1 2022**
REVENUES				
Equipment Group	$ 1,016,545	$ 914,386	$ 866,970	**$ 786,627**
CIMCO	110,521	82,812	89,065	**73,516**
Total revenues	$ 1,127,066	$ 997,198	$ 956,035	**$ 860,143**
NET EARNINGS	$ 85,400	$ 93,764	$ 105,590	**$ 59,532**
PER SHARE INFORMATION:				
Basic earnings per share	$ 1.03	$ 1.13	$ 1.28	**$ 0.72**
Diluted earnings per share	$ 1.02	$ 1.12	$ 1.27	**$ 0.72**
Dividends paid per share	$ 0.35	$ 0.35	$ 0.35	**$ 0.35**
Weighted average common shares outstanding - basic (in thousands)	82,587	82,705	82,401	**82,467**

($ thousands, except per share amounts)	Q2 2020	Q3 2020	Q4 2020	Q1 2021
REVENUES				
Equipment Group	$ 776,703	$ 834,716	$ 896,904	$ 727,383
CIMCO	72,894	86,940	95,281	78,855
Total revenues	$ 849,597	$ 921,656	$ 992,185	$ 806,238
NET EARNINGS	$ 51,210	$ 77,359	$ 88,950	$ 47,956
PER SHARE INFORMATION:				
Basic earnings per share	$ 0.62	$ 0.94	$ 1.08	$ 0.58
Diluted earnings per share	$ 0.62	$ 0.94	$ 1.07	$ 0.58
Dividends paid per share	$ 0.31	$ 0.31	$ 0.31	$ 0.31
Weighted average common shares outstanding - basic (in thousands)	82,024	82,195	82,373	82,499

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 customer 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. This seasonal sales trend also typically leads to accounts receivable to be at their highest level at year-end.

In 2020 and 2021, these patterns were impacted by the governmental and market response and reaction to COVID-19. In 2020, the second quarter experienced the most significant slowdown in market activity. 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.

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.

The overall economic environment because of the COVID-19 pandemic and other global economic factors have affected and may continue to impact these trends. There can be no certainty that this historical seasonality pattern will recur in 2022 or any future year.

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. 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-month period ending March 31, 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 as designed were effective as at March 31, 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 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 months ended March 31, 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 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.

($ thousands)	Three months ended March 31 2022	2021
Net earnings	**$ 59,532**	$ 47,956
plus: Interest expense	**6,686**	7,177
less: Interest and investment income	**(2,617)**	(2,004)
plus: Income taxes	**22,522**	17,087
Operating income	**$ 86,123**	$ 70,216
Total Revenues	**860,143**	806,238
Operating income margin	**10.0%**	8.7%

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)	March 31 2022	December 31 2021	March 31 2021
Long-term debt	**$ 646,518**	$ 646,337	$ 646,616
less: Cash	**795,731**	916,830	613,942
Net debt	**(149,213)**	(270,493)	32,674
Shareholders' equity	**1,998,258**	1,953,329	1,759,631
Total capitalization	**$ 1,849,045**	$ 1,682,836	$ 1,792,305
Net debt to total capitalization	**-8%**	-16%	2%
Net debt to equity	**-0.07:1**	-0.14:1	0.02:1

NON-GAAP MEASURES

Management believes that providing certain non-GAAP measures provides users of the Company's 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)	**March 31 2022**	December 31 2021	March 31 2021
Total current assets	**$ 2,143,470**	$ 2,108,441	$ 1,883,189
less: Total current liabilities	**839,913**	813,702	750,746
Working capital	**$ 1,303,557**	$ 1,294,739	$ 1,132,443

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)	**March 31 2022**	December 31 2021	March 31 2021
Total current assets	**$ 2,143,470**	$ 2,108,441	$ 1,883,189
less: Cash	**795,731**	916,830	613,942
	1,347,739	1,191,611	1,269,247
Total current liabilities	**839,913**	813,702	750,746
Non-cash working capital	**$ 507,826**	$ 377,909	$ 518,501

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)	**March 31 2022**	December 31 2021	March 31 2021
Outstanding common shares	**82,522,223**	82,443,968	82,542,168
times: Ending share price	**$ 118.51**	$ 114.36	$ 96.19
Market capitalization	**$ 9,779,709**	$ 9,428,292	$ 7,939,731
Long-term debt	**$ 646,518**	$ 646,337	$ 646,616
less: Cash	**795,731**	916,830	613,942
Net debt	**$ (149,213)**	$ (270,493)	$ 32,674
Total enterprise value	**$ 9,630,496**	$ 9,157,799	$ 7,972,405

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)	**March 31 2022**	December 31 2021	March 31 2021
Net earnings	**$ 344,286**	$ 332,710	$ 265,475
plus: Interest expense	**27,670**	28,161	30,227
less: Interest and investment income	**(9,641)**	(9,027)	(8,361)
plus: Interest income - rental conversions	**2,624**	2,635	3,529
plus: Income taxes	**129,528**	124,093	100,068
Adjusted net earnings	**$ 494,467**	$ 478,572	$ 390,938
Average capital employed	**$ 1,801,398**	$ 1,796,703	$ 1,817,866
Return on capital employed	**27.4%**	26.6%	21.5%

Return on Equity (“ROE”)

ROE is monitored to assess the profitability of the consolidated Company and is calculated by dividing net earnings by opening shareholders’ equity (adjusted for shares issued and redeemed during the period), both calculated on a trailing twelve month period.

	Trailing twelve months ended		
($ thousands)	**March 31 2022**	December 31 2021	March 31 2021
Net earnings	**$ 344,286**	$ 332,710	$ 265,475
Opening shareholders' equity (net of adjustments)	**$ 1,746,111**	$ 1,695,008	$ 1,587,570
Return on equity	**19.7%**	19.6%	16.7%

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

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

See accompanying notes

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

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

See accompanying notes

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

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

See accompanying notes

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

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

Supplemental cash flow information (note 10)

See accompanying notes

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

	Share capital				Accumulated other comprehensive income (loss)			
($ thousands, except share numbers)	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	**-**	**-**	**-**	**59,532**	**-**	**-**	**-**	**59,532**
Other comprehensive income	**-**	**-**	**-**	**23,705**	**(209)**	**(10,974)**	**(11,183)**	**12,522**
Total comprehensive income	**-**	**-**	**-**	**83,237**	**(209)**	**(10,974)**	**(11,183)**	**72,054**
Exercise of stock options	**78,255**	**4,227**	**(709)**	**-**	**-**	**-**	**-**	**3,518**
Stock-based compensation expense	**-**	**-**	**1,521**	**-**	**-**	**-**	**-**	**1,521**
Effect of stock compensation plans	**78,255**	**4,227**	**812**	**-**	**-**	**-**	**-**	**5,039**
Dividends declared	**-**	**-**	**-**	**(32,164)**	**-**	**-**	**-**	**(32,164)**
At March 31, 2022	**82,522,223**	**$ 543,904**	**$ 17,164**	**$ 1,443,624**	**$ 1,659**	**$ (8,093)**	**$ (6,434)**	**$ 1,998,258**
At January 1, 2021	82,474,658	$ 516,591	$ 14,243	$ 1,169,239	$ 1,880	$ (3,301)	$ (1,421)	$ 1,698,652
Net earnings	-	-	-	47,956	-	-	-	47,956
Other comprehensive income	-	-	-	34,246	(142)	102	(40)	34,206
Total comprehensive income	-	-	-	82,202	(142)	102	(40)	82,162
Exercise of stock options	67,510	3,535	(597)	-	-	-	-	2,938
Stock-based compensation expense	-	-	1,466	-	-	-	-	1,466
Effect of stock compensation plans	67,510	3,535	869	-	-	-	-	4,404
Dividends declared	-	-	-	(25,587)	-	-	-	(25,587)
At March 31, 2021	82,542,168	$ 520,126	$ 15,112	$ 1,225,854	$ 1,738	$ (3,199)	$ (1,461)	$ 1,759,631

See accompanying notes

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

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

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

Basis of Preparation

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

These interim condensed consolidated financial statements were authorized for issue by the Board of the Directors on April 27, 2022.

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

c) Accounting Policies
The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's audited annual consolidated financial statements for the year ended December 31, 2021.

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

d) Use of Estimates and Judgements

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

For the period ended March 31, 2022, the Company assessed the impact of the uncertainties around the COVID-19 pandemic on its balance sheet carrying amounts. The Company will continue to monitor the impact of the development of the COVID-19 pandemic in future reporting periods.

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

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

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

3. LONG-TERM DEBT

	March 31 2022	December 31 2021	March 31 2021
Senior debentures:			
3.71%, $150.0 million, due September 30, 2025 (1)	**$ 150,000**	$ 150,000	$ 150,000
3.84%, $500.0 million, due October 27, 2027 (1)	**500,000**	500,000	500,000
	650,000	650,000	650,000
Debt issuance costs, net of amortization	**(3,482)**	(3,663)	(3,384)
Total long-term debt	**$ 646,518**	$ 646,337	$ 646,616

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

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

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

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

4. SHARE CAPITAL

Dividends Declared

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

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

5. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities – Classification and Measurement

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

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

Fair Value of Financial Instruments

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

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

Long-term debt	March 31 2022	December 31 2021	March 31 2021
Fair value	$ 649,596	$ 695,285	$ 700,469
Carrying value	$ 650,000	$ 650,000	$ 650,000

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

During the three months ended March 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency-denominated obligations related to purchases of inventory and sales of products. As at March 31, 2022, the Company was committed to: (i) US dollar purchase contracts with a notional amount of $786.6 million at an average exchange rate of $1.2661, maturing between April 2022 and July 2023; and (ii) US dollar sale contracts with a notional amount of $12.9 million at an average exchange rate of $1.2418, maturing between May 2022 and June 2022.

Management estimates that a loss of $12.8 million (December 31, 2021 – gain of $5.3 million; March 31, 2021 – loss of $6.0 million) would be realized if the contracts were terminated on March 31, 2022. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized loss of $11.0 million (December 31, 2021 – unrealized gain of $3.9 million; March 31, 2021 – unrealized loss of $4.3 million) has been included in other comprehensive income. These losses are not expected to affect net income as the amounts will be reclassified to net income within the next 11 months and will offset losses recorded on the underlying hedged items, namely foreign-denominated accounts payable and accrued liabilities. Certain of those forward contracts are not designated as cash flow hedges, but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A loss of $1.8 million (December 31, 2021 – gain of $1.4 million; March 31, 2021 – loss of $1.7 million) on forward contracts not designated as hedges is included in net income, which offsets gains recorded on the foreign-denominated items, namely accounts payable and accrued liabilities.

6. INTEREST AND INVESTMENT INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended March 31	
	2022	2021
Credit facilities	**$ 334**	$ 748
Senior debentures	**6,191**	6,243
Interest on lease liabilities	**161**	186
	$ 6,686	$ 7,177

The components of interest and investment income were as follows:

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

7. EARNINGS PER SHARE

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

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

8. STOCK-BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Three months ended March 31, 2022			Three months ended March 31, 2021		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Options outstanding, January 1	**2,167,025**	**$**	**68.44**	2,328,038	$	58.67
Exercised [1]	**(78,255)**		**44.95**	(67,510)		43.51
Forfeited	**(1,930)**		**91.66**	(86,400)		57.55
Options outstanding, March 31	**2,086,840**	**$**	**69.30**	2,174,128	$	59.19
Options exercisable, March 31	**759,432**	**$**	**53.56**	779,265	$	46.83

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

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

	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 – $26.52	**70,740**	**2.2**	**$**	**26.16**	**70,740**	**$**	**26.16**
$36.65 – $39.79	**212,500**	**3.9**	**$**	**38.37**	**212,500**	**$**	**38.37**
$53.88 – $66.22	**933,945**	**6.6**	**$**	**63.65**	**396,535**	**$**	**62.70**
$66.23 – $72.95	**502,828**	**8.4**	**$**	**72.95**	**79,657**	**$**	**72.95**
$104.91	**366,827**	**9.2**	**$**	**104.91**	**-**	**$**	**-**
	2,086,840	**7.1**	**$**	**69.30**	**759,432**	**$**	**53.56**

Deferred Share Unit ("DSU") Plan

A reconciliation of the DSU plan was as follows:

	Three months ended March 31, 2022			Three months ended March 31, 2021		
	Number of DSUs		**Value**	Number of DSUs		Value
Outstanding, January 1	**202,969**	**$**	**23,074**	394,154	$	35,555
Units taken or taken in lieu and dividends	**14,263**		**1,577**	13,732		1,258
Redemptions	**-**		**-**	(89,399)		(8,211)
Fair market value adjustment	**-**		**790**	-		1,353
Outstanding, March 31	**217,232**	**$**	**25,441**	318,487	$	29,955

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

9. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense includes the following components:

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

10. SUPPLEMENTAL CASH FLOW INFORMATION

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

11. SEGMENTED INFORMATION

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

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

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

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

No reportable segment is reliant on any single external customer.

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

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

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

12. BUSINESS SEASONALITY

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

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

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

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

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

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