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 year ended December 31, 2021, compared to the preceding year. This MD&A should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2021.

The consolidated financial statements reported herein have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are reported in Canadian dollars. The information in this MD&A is current to February 9, 2022.

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 to 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 herein. 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.

CORPORATE PROFILE AND BUSINESS SEGMENTATION

As at December 31, 2021, Toromont employed over 6,400 people in more than 160 locations across Canada and the United States. Toromont is listed on the Toronto Stock Exchange under the symbol TIH.

Toromont has two reportable operating segments: the Equipment Group and CIMCO.

The Equipment Group includes Toromont CAT, one of the world's larger Caterpillar dealerships, Battlefield – The CAT Rental Store, an industry-leading rental operation, SITECH, providing Trimble technology products and services, Toromont Material Handling, representing MCFA, Kalmar and other manufacturers' products, and AgWest, an agricultural equipment and solutions dealer representing AGCO, CLAAS and other manufacturers' products. The Company is the exclusive Caterpillar dealer for a contiguous geographical territory in Canada that covers Manitoba, Ontario, Quebec, Newfoundland, New Brunswick, Nova Scotia, Prince Edward Island and most of Nunavut. Additionally, the Company is the MaK engine dealer for the Eastern Seaboard of the United States, from Maine to Virginia. Performance in the Equipment Group is driven by activity in several industries: road building and other infrastructure-related activities; mining; residential and commercial construction; power generation; aggregates; waste management; steel; forestry; and agriculture. Significant activities include the sale, rental and service of mobile equipment for Caterpillar and other manufacturers; sale, rental and service of engines used in a variety of applications including industrial, commercial, marine, on-highway trucks and power generation; and sale of complementary and related products, parts and service.

CIMCO is a market leader in the design, engineering, fabrication, installation and after-sale support of refrigeration systems in industrial and recreational markets. Results of CIMCO are influenced by conditions in the primary market segments served: beverage and food processing; cold storage; food distribution; mining; and recreational ice rinks. CIMCO offers systems designed to optimize energy usage through proprietary products such as ECO CHILL®. CIMCO has manufacturing facilities in Canada and the United States and sells its products and services globally.

PRIMARY OBJECTIVE AND MAJOR STRATEGIES

The primary objective of the Company is to build shareholder value through sustainable and profitable growth, supported by a strong financial foundation. To guide its activities in pursuit of this objective, Toromont works toward specific, long-term financial goals (see section heading

"Key Performance Measures" in this MD&A) and each of its operating groups consistently employs the following broad strategies:

Expand Markets

Toromont serves diverse markets that offer long-term potential for profitable expansion. Each operating group strives to achieve or maintain leading positions in markets served. Incremental revenues are derived from improved coverage, market share gains and geographic expansion. Expansion of the installed base of equipment provides the foundation for product support growth and leverages the fixed costs associated with the Company's infrastructure.

Strengthen Product Support

Toromont's parts and service business is a significant contributor to overall profitability and serves to stabilize results through economic downturns. Product support activities also represent opportunities to develop closer relationships with customers and differentiate our product and service offering. The ability to consistently meet or exceed customers' expectations for service efficiency and quality is critical, as after-market support is an integral part of the customer's decision-making process when purchasing equipment.

Broaden Product Offerings

Toromont delivers specialized capital equipment to a diverse range of customers and industries. Collectively, hundreds of thousands of different parts are offered through the Company's distribution channels. The Company expands its customer base through selectively extending product lines and capabilities. In support of this strategy, Toromont represents product lines that are considered leading and generally best-in-class from suppliers and business partners who continually expand and develop their offerings. Strong relationships with suppliers and business partners are critical in achieving growth objectives.

Invest in Resources

The combined knowledge and experience of Toromont's people is a key competitive advantage. Growth is dependent on attracting, retaining and developing employees with values that are consistent with Toromont's. A highly principled culture, share ownership and profitability-based incentive programs result in a close alignment of employee and shareholder interests. By investing in employee training and development, the capabilities and productivity of employees continually improve to better serve shareholders, customers and business partners.

Toromont's information technology represents another competitive differentiator in the marketplace. The Company's selective investments in technology, inclusive of e-commerce and other digital initiatives, strengthen customer service capabilities, generate new opportunities for growth, drive efficiency and increase returns to shareholders.

Maintain a Strong Financial Position

A strong, well-capitalized balance sheet creates stability and financial flexibility, and has contributed to the Company's long-term track record of profitable growth. It is also fundamental to the Company's future success.

CONSOLIDATED ANNUAL OPERATING RESULTS

($ thousands, except per share amounts)	**2021**	2020	$ change	% change
REVENUES	**$ 3,886,537**	$ 3,478,897	407,640	12%
Cost of goods sold	**2,916,769**	2,643,151	273,618	10%
Gross profit [(1)]	**969,768**	835,746	134,022	16%
Selling and administrative expenses	**493,831**	463,312	30,519	7%
OPERATING INCOME [(1)]	**475,937**	372,434	103,503	28%
Interest expense	**28,161**	29,981	(1,820)	(6%)
Interest and investment income	**(9,027)**	(9,083)	56	(1%)
Income before income taxes	**456,803**	351,536	105,267	30%
Income taxes	**124,093**	96,621	27,472	28%
NET EARNINGS	**332,710**	254,915	77,795	31%
BASIC EARNINGS PER SHARE	**$ 4.03**	$ 3.10	$ 0.93	30%
KEY RATIOS:				
Gross profit margin [(1)]	**25.0%**	24.0%		
Selling and administrative expenses as a % of revenues	**12.7%**	13.3%		
Operating income margin [(1)]	**12.2%**	10.7%		
Income taxes as a % of income before income taxes	**27.2%**	27.5%		
Return on capital employed [(1)]	**26.6%**	20.4%		
Return on equity [(1)]	**19.6%**	16.6%		

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

The Company delivered strong results for 2021 reflecting improved market activity after the slow-down in 2020 stemming from the pandemic. Execution was solid in most areas as the operating teams continued to focus on keeping employees safe, serving customer needs and protecting the business for the long-term. Improved gross margins overall and favourable operating leverage resulted in strong growth in net earnings.

The Equipment Group reported strong results with steadily increased equipment orders as COVID-related restrictions continue to ease and improved economic conditions buoyed demand for our products and services. CIMCO revenues were up year-over-year on higher package sales, however tight margins and higher operational costs dampened bottom-line results. We continue to operate with caution, monitoring the fluid nature of COVID-19, maintaining disciplined protocols and evaluating economic factors flowing from the pandemic, inclusive of supply chain disruptions and inflationary pressures.

Revenues increased $407.6 million or 12% for the year, with an increase in both the Equipment Group and CIMCO. Equipment Group revenues increased 11% with strong new equipment sales, rental and product support activity. CIMCO revenues were 15% higher year-over-year on strong package deliveries, as construction on industrial projects progressed.

Gross profit margin increased 100 basis points (“bps”) to 25.0% versus last year. The Equipment Group reported higher margins mainly on tight equipment supply, improved rental fleet utilization, higher product support activity levels and operating leverage. Margins at CIMCO declined year-over-year on lower booked margins on certain larger projects. Sales mix was less favourable in both Groups, with a lower proportion of product support revenues to total revenues.

Selling and administrative expenses were $30.5 million (7%) higher for the year compared to the prior year reflecting operating leverage on the increased revenues. In 2020, governmental subsidies under the CEWS program reduced expenses by $12.8 million. Expenses in 2021 include a $5.0 million charge for the settlement of defined benefit pension obligations for certain retirees, completed through an annuity purchase. Excluding these two items, expenses increased $12.7 million or 3% year-over-year. Compensation costs increased $13.0 million on higher staffing levels, annual salary increases, and higher profit sharing accruals on the higher earnings. The mark-to-market adjustment on Deferred Share Units ("DSUs") was $1.1 million less in 2021 than the prior year and bad debt expense was $1.3 million lower. Sales related expenses, including travel and training expenses increased to support higher volumes.

Operating income increased $103.5 million or 28% reflecting the higher revenues, higher gross margins and lower relative expense levels. Operating income margin increased 150 bps to 12.2%. Revenue growth exceeded growth in expenses. The easing of COVID-19 restrictions has improved activity levels. Operations remain focused on efficient execution.

Interest expense decreased $1.8 million on lower debt levels. Drawings on a term credit facility taken in early 2020 at the onset of the pandemic were repaid in late 2020.

Interest income decreased $0.1 million on lower interest income earned on conversion of equipment on rent with a purchase option ("RPO").

The effective income tax rate for 2021 was 27.2% compared to 27.5% in 2020.

Net earnings in 2021 of $332.7 million were up $77.8 million or 31% from 2020. Basic earnings per share ("EPS") increased $0.93 or 30% to $4.03 mainly reflecting the higher revenues.

Other comprehensive income of $56.1 million in 2021 (2020 – comprehensive loss of $12.3 million) arose on actuarial gains on defined benefit pension and other post-employment benefit plans of $49.9 million (2020 – actuarial loss of $11.2 million). These gains/losses 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 favorable net change in the fair value of cash flow hedges of $6.2 million (2020 – unfavorable net change of $0.7 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 the contract date.

BUSINESS SEGMENT ANNUAL 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

($ thousands)	**2021**	2020	$ change	% change
Equipment sales and rentals				
New	**$ 1,366,681**	$ 1,088,031	$ 278,650	26%
Used	**354,701**	381,346	(26,645)	(7%)
Rentals	**387,755**	358,266	29,489	8%
Total equipment sales and rentals	**2,109,137**	1,827,643	281,494	15%
Product support	**1,405,128**	1,327,478	77,650	6%
Power generation	**11,019**	10,978	41	-
Total revenues	**$ 3,525,284**	$ 3,166,099	$ 359,185	11%
Operating income	**$ 450,950**	$ 345,953	$ 104,997	30%
KEY RATIOS:				
Product support revenues as a % of total revenues	**39.9%**	41.9%		
Operating income margin	**12.8%**	10.9%		
Group total revenues as a % of consolidated revenues	**90.7%**	91.0%		
Return on capital employed	**30.8%**	19.2%		

Strong demand for products and services, tight equipment supply and improved operating discipline served to deliver strong results in 2021. Economic activity increased from the lower level experienced in 2020, the first year of the pandemic.

Total equipment sales (new and used) increased $252.0 million or 17% compared to 2020. Revenues in 2020 were impacted by lower economic activity in light of restrictions and closures implemented in response to the pandemic, as well as a generally cautious market sentiment. Demand was stronger in 2021 as activity and confidence in end markets showed signs of improvement. Market segment revenue generally increased amidst group supply constrains: construction (up $152.0 million or 15%); mining (up $83.2 million or 70%); material handling (up $3.8 million or 7%); agriculture (up $15.4 million or 21%); and power systems sales (down $2.4 million or 1%). Used equipment revenues were lower compared to 2020, on availability constraints.

Rental revenues increased $29.5 million or 8% versus last year. All markets and most segments were higher, reflecting continued improvement in activity against weaker comparatives last year. Year-over-year revenue changes in each market were as follows: Light equipment rentals +9%, power systems +18%, heavy equipment rentals +17% and material handling +19%. Rental revenues from equipment on rent with a purchase option ("RPO") were down 22%, in part reflecting a smaller average fleet. As at December 31, 2021, the RPO fleet was $46.1 million versus $35.1 million a year ago.

Product support revenues increased $77.7 million or 6%, with increases in both parts and service. Activity was higher in most markets and across all regions as follows: construction markets +8%; mining +3%; power systems +2%; material handling +19%; and agricultural activity was down 9%.

Gross profit margin increased 130 bps to 25.3% from 24.0% in 2020. Margins increased across all revenue streams, partially offset by less favourable sales mix (higher equipment sales to rental and product support). Equipment margins were up 60 bps reflecting strong demand and tight supply. Rental margins were up 90 bps on higher fleet utilization, as well as fleet optimization over the last year. Product support margins were up 40 bps on continued focus on efficiency and higher activity levels. A shift in sales mix with a lower proportion of product support revenues to total

revenues decreased margin by 60 bps.

Selling and administrative expenses increased $25.0 million or 6%. Expenses in 2021 include a $5.0 million charge for the settlement of defined benefit pension obligations for certain retirees. In 2020, governmental subsidies under the CEWS program reduced expenses by $11.4 million. Excluding these two items, expenses increased $8.6 million or 2% year-over-year, reflecting the higher activity levels. Compensation costs increased on higher headcount, annual salary increases and higher profit sharing on the increased earnings. Certain expenses such as travel and training have increased compared to the prior year which experienced tighter restrictions. Allowance for doubtful accounts decreased $1.2 million on good collection activity. Property dispositions and other related transactions resulted in gains in both years, with $3.8 million in 2021 and $4.1 million in 2020.

Operating income was up $105.0 million or 30% and was 190 bps higher as a percentage of revenues (12.8% versus 10.9% last year) reflecting the higher revenues and gross margins, coupled with lower relative expense levels.

Capital expenditures

($ millions)	**2021**	2020	$ change	% change
Rental				
Capital expenditures	**$ 117,759**	$ 88,942	$ 28,817	32%
Proceeds on disposals	**$ 50,840**	$ 52,455	$ (1,615)	(3%)
Net expenditure	**$ 66,919**	$ 36,487	$ 30,432	83%
Property, plant and equipment				
Capital expenditures	**$ 50,201**	$ 28,948	$ 21,253	73%

Additions in 2020 were managed lower given the economic activity levels at that time. Rental fleet additions increased in 2021, but remained constrained due to supply chain limitations. Fleet dispositions, as measured by proceeds, were curtailed in light of tight equipment supply.

Property, plant and equipment additions increased in 2021, as business activity improved. Capital expenditures in 2021 included:

- $21.1 million for land and buildings associated with facilities and new rental locations;
- $22.1 million for new and replacement service and delivery vehicles;
- $2.0 million for information technology infrastructure improvements and developments; and
- $5.0 million for other machinery and equipment for general operations.

Bookings and Backlogs

($ millions)	**2021**	2020	$ change	% change
Bookings - year ended December 31	**$ 2,478.8**	$ 1,570.0	$ 908.8	58%
Backlogs - as at December 31	**$ 1,130.4**	$ 373.0	$ 757.4	203%

Bookings and backlogs vary from period to period on large project activities, particularly in mining and power systems, the timing of orders from customers, required customer delivery schedules, and the availability of equipment from either inventory or suppliers.

Booking activity increased significantly compared to the lower activity reported in 2020. Higher orders resulted across all market segments: construction orders (+66%); mining (+228%), power systems (+55%), material handling lift trucks (+2%) and agriculture orders (+10%).

Backlogs increased reflecting both requested customer delivery schedules (2022 and 2023) and delays in delivery of equipment from vendors. As at December 31, 2021, the total backlog related to construction (46%), mining (31%), power systems (17%), agriculture (4%) and lift trucks (2%). Approximately 85% of the backlog is expected to be delivered in 2022.

CIMCO

($ thousands)	**2021**	2020	$ change	% change
Package sales	**$208,854**	$161,144	$ 47,710	30%
Product support	**152,399**	151,654	745	-
Total revenues	**$361,253**	$312,798	$ 48,455	15%
Operating income	**$ 24,987**	$ 26,481	$ (1,494)	(6%)
KEY RATIOS:				
Product support revenues as a % of total revenues	**42.2%**	48.5%		
Operating income margin	**6.9%**	8.5%		
Group total revenues as a % of consolidated revenues	**9.3%**	9.0%		
Return on capital employed	**61.7%**	78.0%		

A strong opening order backlog buoyed CIMCO's revenues in 2021 as construction progressed and projects were completed. Recreational activity was dampened with site restrictions and closures related to the pandemic, however as facilities reopened for the 2021-2022 winter season, activity improved later in the year. Operating income was lower despite the higher volume, given lower margins on large industrial projects and higher expense levels. The translation of financial results at the US operations did not have a significant impact on results year over year.

Package sales were up $47.7 million or 30% versus 2020, with strong deliveries in the industrial market (up 49%) on several large orders received in 2020. Recreational markets were down 1%, as lower activity continued from site restrictions and closures. Package revenues reflect the progress of project construction applying the percentage-of-completion method for revenue recognition. This results in variability of reported revenues and earnings, as the timing of projects and construction schedules are largely under the control of third parties (contractors and end-customers). Package revenues increased in both Canada (up 29%) and the US (up 31%, but on a smaller activity base).

Product support revenues were relatively unchanged year-over-year, however recreational activity improved late in the year. Activity continued for some market segments throughout the pandemic given the essential services nature of the business.

Gross profit margin decreased 210 basis points. Package margins were down 140 bps reflecting lower margins on certain larger projects completed in the year. Sales mix was less favourable with a lower percentage of product support revenues to total revenues (down 70 bps). Product support margins were unchanged year-over-year.

Selling and administrative expenses increased $5.5 million or 11% versus last year reflecting

spending to support current and future activity levels. In 2020, governmental subsidies under the CEWS program reduced expenses by $1.4 million. Excluding this, expenses were up 8%, on higher staffing levels. Certain costs such as training were higher after a period of deferred spending, and occupancy costs increased on expenditures related to the upcoming head office move.

Operating income was down by $1.5 million or 6% in 2021, as higher package revenues, were more than offset by the lower gross margins and increased expenses. Operating income as percentage of revenues decreased 160 bps to 6.9% compared to prior year.

Capital expenditures

($ millions)	**2021**	2020	$ change	% change
Property, plant and equipment	**$ 21,729**	$ 14,742	$ 6,987	47%

Capital expenditures in 2021 included acquisition of property for the new head office facility in Canada ($16.8 million). Other expenditures included new and replacement service vehicles ($2.7 million) and information technology enhancements and upgrades ($1.9 million).

Bookings and Backlogs

($ millions)	**2021**	2020	$ change	% change
Bookings - year ended December 31	**$ 188.4**	$ 228.3	$ (39.9)	(17%)
Backlogs - as at December 31	**$ 161.1**	$ 184.4	$ (23.3)	(13%)

Bookings were lower compared to 2020 which included several large industrial orders. Recreational bookings were 42% higher on increased market activity in both Canada (up 25%) and the US (up 81%), after a period of limited activity given pandemic closures and restrictions. Industrial orders were down 38%, with a decrease in both Canada (down 41% on a tough comparable) and the US (down 6%).

Backlogs of $161.1 million declined $23.3 million or 13% versus last year, which included several large orders. Recreational backlogs were 42% higher in both Canada (+38%) and the US (+45%) reflecting good order intake over the latter part of 2021. Industrial backlogs were 30% lower as the orders from 2020 were completed. Substantially all of the backlog is expected to be realized as revenue in 2022, however this is subject to construction schedules, component availability and potential changes stemming from the COVID-19 pandemic.

CONSOLIDATED FINANCIAL CONDITION

The Company’s strong financial position continued.

At December 31, 2021, the ratio of net debt to total capitalization decreased to -16% (cash exceeded debt) versus 3% at December 31, 2020, reflecting our strong cash position.

Non-cash Working Capital

The major components, along with the changes from December 31, 2020, are identified in the following table.

($ thousands)	**2021**	2020	**$ change**	**% change**
Accounts receivable	**$ 451,944**	$ 541,580	$ (89,636)	(17%)
Inventories	**720,421**	728,404	(7,983)	(1%)
Other current assets	**13,994**	10,897	3,097	28%
Accounts payable and accrued liabilities	**(544,512)**	(558,443)	13,931	(2%)
Provisions	**(25,404)**	(26,645)	1,241	(5%)
Income taxes payable	**(15,239)**	(23,281)	8,042	(35%)
Derivative financial instruments	**5,252**	(11,043)	16,295	(148%)
Dividends payable	**(28,851)**	(25,560)	(3,291)	13%
Deferred revenues and contract liabilities	**(199,696)**	(149,109)	(50,587)	34%
Total non-cash working capital	**$ 377,909**	$ 486,800	$ (108,891)	(22%)

Accounts receivable decreased $89.6 million or 17% year over year largely reflecting continued focus on collection activity within both the Equipment Group and CIMCO. Days sales outstanding (“DSOs”) decreased 5 days to 36 days, on improvements in both the Equipment Group (down 4 days) and CIMCO (down 18 days). The decrease in accounts receivable is also attributable to lower trailing sales in the fourth quarter of 2021 compared to the same period of 2020.

Inventories decreased $8.0 million or 1%, largely due to a decrease in CIMCO, offset by an increase in the Equipment Group:

- Equipment Group inventories were up $6.4 million or 1%, with decreases in equipment (down $4.1 million or 1%), and parts (down $7.9 million or 3%), offset by higher service work-in-process (up $18.5 million or 35%). While inventory levels are typically lowest at the end of a fiscal year due to seasonality, changes in supply chain availability has further affected these trends, with inventory levels generally lower than desired levels in both 2020 and 2021. Service work-in-process levels reflect higher activity levels.
- CIMCO inventories were down $14.4 million or 41%, predominantly driven by lower work-in-process on the advancement of larger industrial projects, partially offset by increased parts inventories (up $1.1 million or 37%).

Other current assets mainly relate to prepaid expenses, which vary year-over-year on the timing of payments and the realization of expenses.

Accounts payable and accrued liabilities decreased $13.9 million or 2%. The DSU liability decreased $12.4 million on redemptions, offset in part by the higher share price. Other accounts payable and accrued liabilities were lower principally due to the timing of purchases and payments for inventory.

Income taxes payable reflects the difference between tax installments and current income tax expense.

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar have led to a cumulative net gain of $5.3 million

as at December 31, 2021. This is not expected to affect net earnings as the unrealized gains will offset future losses on the related hedged items.

Higher dividends payable year-over-year reflect the higher dividend rate. Effective with the July 5, 2021 payment, the quarterly dividend rate was increased 12.9% from $0.31 per share to $0.35 per share.

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

- In the Equipment Group, these arise due to progress billings from the sale of power and energy systems, long-term product support maintenance contracts, sales of equipment with residual value guarantees, and, customer deposits for machinery to be delivered in the future. These balances were higher, up $74.7 million or 72.5%, in 2021, generally on timing of progress billings under long-term contracts, as well as customer deposits for future equipment deliveries.
- At CIMCO, these arise on progress billings from the sale of refrigeration packages, which were down $24.1 million or 52.2%, reflecting the timing of billings compared to revenue recognized under the percentage-of-completion method.

Goodwill and Intangibles

The Company performs impairment tests on its goodwill and intangibles with indefinite lives on an annual basis or as warranted by events or circumstances. The assessment entails estimating the fair value of operations to which the goodwill and intangibles relate using the fair value less cost to sell valuation method. This assessment affirmed goodwill and intangibles values as at December 31, 2021, as outlined in note 7 of the notes to the annual consolidated financial statements.

Employee Share Ownership

The Company employs a variety of stock-based compensation plans to align employees' interests with corporate objectives.

1. An Executive Stock Option Plan for its senior employees. Stock options have a 10-year life, vest 20% per year on each anniversary date of the grant and are exercisable at the designated common share price, which is fixed at prevailing market prices at the date the option is granted. As at December 31, 2021, 2.2 million options to purchase common shares were outstanding, of which 0.8 million were exercisable.

2. An Employee Share Purchase Plan whereby employees can purchase shares by way of payroll deductions. The Company pays a portion of the purchase price, matching contributions at a rate of $1 for every $3 contributed, to a maximum of 2.5% of an employee's base salary per annum. Company contributions prior to 2019 vested to the employee immediately, while contributions in 2019 onwards vest five years from date of contribution. Company contributions amounting to $3.3 million in 2021 (2020 – $2.9 million) were charged to selling and administrative expense when paid. Approximately 40.9% of employees participate in the plan (2020 – 39.0%), which is administered by an independent third party.

3. A deferred share unit ("DSU") plan for executives, certain senior managers and non-employee directors. A DSU is a notional unit that reflects the market value of a single Toromont common share and generally vests immediately. DSUs may be redeemed only on cessation of

employment or directorship. DSUs have dividend equivalent rights, which are expensed as earned. Executives and senior managers may elect, on an annual basis, to receive all or a portion of their performance incentive bonus in DSUs. Non-employee directors receive approximately 55% of their annual compensation in the form of DSUs and may also elect to receive some or all of their remainder annual compensation in DSUs. The Company records the cost of the DSU plan as compensation expense in selling and administrative expenses. As at December 31, 2021, 202,969 DSUs were outstanding with a total value of $23.1 million (2020 – 394,154 units at a value of $35.6 million). The liability for DSUs is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

Employee Future Benefits

The Company sponsors pension arrangements for substantially all of its employees. These include:

- Defined contribution plans, including 401(k) matched savings plans for employees in the US, covering the largest segment of employees, including all new hires;
- Defined benefit plans; and,
- Other post-employment benefit plans for certain grandfathered employees.

Certain unionized employees do not participate in Company-sponsored plans, and contributions are made to their retirement programs in accordance with the respective collective bargaining agreements.

Defined Contribution Plans

In the case of defined contribution plans, regular contributions are made to the individual employee accounts, which are administered by a plan trustee in accordance with the plan documents. As at December 31, 2021, approximately 4,400 employees participated in Company-sponsored defined contribution plans.

Defined Benefit Plans

The Company sponsors defined benefit pension plans, which provide pension and other post-retirement benefits for approximately 1,300 active employees. All Plans are administered by a separate Fund that is legally separate from the Company, with the exception of the Executive Plan described below.

The funded status of these plans improved by $66.7 million during 2021 (a reduction in post employment obligations). Actuarial gains, largely related to a higher discount rate reduced the defined benefit obligation by $59.8 million. Return on plan assets was positive, and exceeded interest cost on the obligation by $11.3 million. Company contributions increased and exceeded current service cost by $6.7 million. Offsetting this was a charge of $5.0 million related to the annuity purchase transaction entered into in October 2021, whereby the defined benefit obligations associated with certain retired plan members were assumed by a third party insurer. Toromont considers, for accounting purposes, that this buy-out transaction essentially eliminates any further legal or constructive obligations for benefits, and that a settlement has occurred.

The Executive Plan is a supplemental plan and is solely the obligation of the Company. All members of the plan are retired. The Company is not obligated to fund the plan but is obligated to pay benefits under the terms of the plan as they come due. The Company has posted letters

of credit to secure the obligations under this plan, which were $14.8 million as at December 31, 2021.

A key assumption in pension accounting is the discount rate. This rate is set with regard to the yield on high-quality corporate bonds of similar average duration to the cash flow liabilities of the Plans. Yields are volatile and can deviate significantly from period to period.

See notes 1, 2 and 19 to the audited consolidated financial statements for further information

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.

Normal Course Issuer Bid ("NCIB")

The Company's NCIB program commenced on September 15, 2021. 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 14, 2022, representing 10% of common shares in the public float, as estimated at the time of renewal. All shares purchased under the bid will be cancelled.

In connection with the NCIB, the Company has entered into an Automatic Share Purchase Plan ("ASPP') with a broker that allows, in its sole discretion and based on parameters established by the Company, the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. At December 31, 2021, no liability was recorded in the Company's consolidated statements of financial position in connection with the ASPP.

Under this bid, the Company purchased and cancelled 470,600 common shares for $50.0 million (average cost of $106.25 per share, including transaction costs) through to December 31, 2021. During the year ended December 31, 2020, the Company purchased and cancelled 67,800 common shares for $4.0 million (average cost of $59.62 per share, including transaction costs) under the NCIB program in place at that time.

Shareholder Rights Plan ("SRP")

The SRP is a 'new generation' shareholder rights plan, designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. The SRP was renewed at the annual meeting of shareholders in 2021 and expires at the end of the annual meeting of shareholders in 2024.

Outstanding Share Data

As at the date of this MD&A, the Company had 82,444,168 common shares and 2,164,895 share options outstanding.

Dividends

Toromont pays a quarterly dividend on its outstanding common shares and has historically

targeted a dividend rate of approximately 30 - 40% of trailing earnings from continuing operations.

During 2021, the quarterly dividend was increased by 12.9% or 4 cents per share, to 35 cents per common share, effective with the second quarter. In 2021, the Company declared dividends of $1.36 per common share (2020 - $1.24 per common share).

Considering the Company's strong financial position and positive long-term outlook, the Board of Directors increased the quarterly dividend by 11.4% to 39 cents per share effective with that payable on April 4, 2022, to shareholders on record on March 9, 2022. Toromont has paid dividends every year since 1968 and this is the 33rd consecutive year of dividend increases.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

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

The Company maintains a $500.0 million committed revolving credit facility. This facility was extended in November 2021, maturing 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 this revolving credit facility as at December 31, 2021 or 2020. Standby letters of credit issued utilized $28.8 million of the facility as at December 31, 2021 (2020 – $30.8 million).

The Company's credit arrangements include covenants, restrictions and events of default usually present in arrangements of this nature, including requirements to meet certain financial tests periodically and restrictions on additional indebtedness and encumbrances. The Company was in compliance with all covenants at December 31, 2021 and 2020.

The Company expects that cash on hand (2021 - $916.8 million) together with cash flows from operations in 2022, will be more than sufficient to fund its requirements for investments in working capital, capital assets and dividend payments through the next 12 months, and that the Company's credit ratings will continue to provide access to capital markets to facilitate future debt issuance.

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:

($ thousands)		**2021**		2020
Cash, beginning of year	**$**	**591,128**	$	365,589
Cash, provided by (used in):				
Operating activities				
Operations		**480,745**		410,184
Change in non-cash working capital and other		**129,322**		(10,096)
Net rental fleet additions		**(67,343)**		(51,060)
		542,724		349,028
Investing activities		**(68,869)**		(32,553)
Financing activities		**(148,143)**		(90,878)
Effect of foreign exchange on cash balances		**(10)**		(58)
Increase in cash in the year		**325,702**		225,539
Cash, end of the year	**$**	**916,830**	$	591,128

Cash Flows from Operating Activities

Operating activities provided $542.7 million in 2021 compared to $349.0 million in 2020.

Cash generated from operations increased 17% compared to prior year primarily on higher net earnings.

Non-cash working capital and other provided $129.3 million in 2021. Lower accounts receivable on lower trailing sales and good collection activity provided $89.6 million. An increase in deferred revenues including customer deposits provided $61.5 million. The remaining working capital accounts had a more modest impact overall, with higher income tax instalments and derivative contracts; inventory levels have been constrained due to supply chain limitations.

Non-cash working capital and other used $10.1 million in 2020. Reductions in inventory levels in light of market demand provided $183.8 million, while timing of income tax instalments provided $32.6 million. This was more than offset by reductions in accounts payable, largely due to the wind-down of certain vendor extended payment terms, utilizing $224.7 million.

Net rental fleet additions (purchases less proceeds of dispositions) were higher by $16.3 million compared to 2020. Additional investment in both the heavy and light equipment rental fleets reflect increased demand and improving market conditions, dampened slightly by equipment availability. In some cases, fleet dispositions have been deferred, pending improved equipment supply.

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

Investing activities utilized $68.9 million in 2021 compared to $32.6 million in 2020, an increase

of $36.3 million. Additional investments have been made in 2021 for new and expanded facilities and branches, including the new CIMCO head office, and two new rental locations (Collingwood and Mississauga, Ontario). In 2020, spending plans were adjusted to reflect weaker economic conditions.
Investments in property, plant and equipment included:

- $35.8 million for land and buildings for new and expanded branches (2020 - $9.2 million);
- $24.0 million for service vehicles (2020 - $15.0 million);
- $3.9 million for upgrades and enhancements to information technology infrastructure and furniture and fixtures (2020 - $3.6 million); and
- $5.0 million for machinery and equipment (2020 - $4.6 million).

Cash Flows from Financing Activities

Financing activities used $148.1 million in 2021 versus $90.9 million in 2020.

In 2021, the Company purchased and cancelled 470,600 common shares at an average cost of $106.25 (including transaction costs) for $50.0 million. In 2020, the Company purchased and cancelled 67,800 common shares for $4.0 million (average cost of $59.62 per share, including transaction costs) under the NCIB program in place at that time.

Other significant sources and uses of cash from financing activities included:

- Dividends paid to common shareholders of $109.1 million or $1.36 per share (2020 - $98.5 million or $1.20 per share);
- Cash received on exercise of share options of $21.8 million (2020 - $22.4 million); and
- Lease liability payments of $9.9 million (2020 - $10.3 million).

OUTLOOK

The emergency measures enacted in early 2020, to combat the spread of COVID-19 have affected economies and disrupted 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 vaccination programs are underway and generally restrictions are easing across most of our territories, 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 inflationary pressures from price and wage increases. 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 travel.

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 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 should underpin 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.

CONTRACTUAL OBLIGATIONS

Contractual obligations are set out in the following table. Management believes that these obligations will be met comfortably through cash on hand, cash generated from operations and existing long-term financing facilities.

Payments due by year ($ thousands)	**2022**	**2023**	**2024**	**2025**	**2026**	**Thereafter**	**Total**
Long-term debt							
- principal	$ -	$ -	$ -	$ 150,000	$ -	$ 500,000	**$ 650,000**
- interest	24,765	24,765	24,765	23,374	19,200	16,000	**132,869**
Accounts payable and accrued liabilities	573,363	-	-	-	-	-	**573,363**
Lease liabilities	7,833	5,779	3,966	1,187	452	396	**19,613**
	$ 605,961	**$ 30,544**	**$ 28,731**	**$ 174,561**	**$ 19,652**	**$ 516,396**	**$ 1,375,845**

The above table does not include obligations related to defined benefit pension plans. Regular contributions are made to registered defined benefit pension plans in order to fund the pension obligations as required. Funding levels are monitored regularly and reset with new actuarial funding valuations at least every three years. Contributions in 2021 totaled $21.3 million, including certain defined benefit pension payments, which are made directly by the Company. Based on

the most recent valuations completed, funding contributions and pension payments are expected to be approximately $12.1 million in 2022.

KEY PERFORMANCE MEASURES

Management reviews and monitors its activities and the performance indicators it believes are critical to measuring success. Some of the key financial performance measures are summarized in the following table. Others include, but are not limited to, measures such as market share, fleet utilization, customer and employee satisfaction, and employee health and safety.

Years ended December 31,	**2021**	2020	2019	2018	2017
EXPANDING MARKETS AND BROADENING PRODUCT OFFERINGS					
Revenue growth	**11.7%**	-5.4%	5.0%	49.1%	22.9%
Revenue per employee (thousands)	**$ 625**	$ 554	$ 575	$ 573	$ 487
STRENGTHENING PRODUCT SUPPORT					
Product support revenue growth	**5.3%**	-4.4%	10.1%	60.4%	16.3%
INVESTING IN OUR RESOURCES					
Investment in information technology (millions)	**$ 35.2**	$ 37.7	$ 34.8	$ 27.4	$ 15.0
Return on capital employed [(1)]	**26.6%**	20.4%	22.9%	21.7%	21.5%
STRONG FINANCIAL POSITION					
Non-cash working capital (millions) [(1)]	**$ 377.9**	$ 486.8	$ 463.7	$ 309.5	$ 608.8
Net debt to total capitalization [(1)]	**-16%**	3%	15%	18%	40%
Book value (shareholders' equity) per share	**$ 23.69**	$ 20.60	$ 18.70	$ 16.35	$ 13.89
BUILD SHAREHOLDER VALUE					
Basic earnings per share growth	**30.0%**	-11.9%	13.5%	39.4%	11.6%
Dividends per share growth	**9.7%**	14.8%	17.4%	21.1%	5.6%
Return on equity [(1)]	**19.6%**	16.6%	21.4%	22.3%	19.3%

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

Measuring Toromont’s results against these strategies over the past five years illustrates that the Company has delivered steady growth. 2021 has seen a gradual recovery to pre-pandemic comparative years with good operating performance, financial results, cash generation and financial position through a challenging business environment. Results in 2020 reflect the pandemic which resulted in lower economic activity levels in our markets, negatively impacting many of the key performance measures. Since the beginning of the pandemic, Toromont remained focused on three priorities, namely, safeguarding our employees, servicing our customers’ needs and protecting our business for the future.

The addition of the Quebec and Maritimes territories in October 2017, provided a larger platform for continued growth. The 2018 amounts shown above include one full year of operations in the acquired territories, and are fully comparable from 2019 to 2021. Results for 2017 include the two months of operations under Toromont’s ownership, thereby affecting the comparability of results.

Since 2017, revenues increased at an average annual rate of 16.7%, with product support

growing at 17.5% annually. Over this period, revenue growth has been mainly a result of:

- In 2017 and 2018, the acquisition of the Hewitt Group of Companies, which contributed $242.6 million and $1.3 billion to revenue respectively;
- Increased customer demand in certain market segments, most notably construction and mining;
- Organic growth through increased rental fleet size and additional branches;
- Increased customer demand for formal product support agreements;
- Additional product offerings over the years from Caterpillar and other suppliers; and
- Governmental funding programs that provide support for infrastructure spending.

Over the same five-year period, revenue growth has been constrained at times by a number of factors including:

- The COVID-19 pandemic, first identified in March 2020, which resulted in a significant downturn in economic activity and disrupting normal operations in part from site restrictions and closures which impacted the timing of delivery of project schedules
- Inability to source equipment and parts from suppliers to meet customer demand or delivery schedules, as a result of specific supplier issues or more recently due to global supply chain disruption caused by the pandemic;
- Economic weakness and uncertainty, both generally and in specific markets or sectors;
- Volatility in commodity prices;
- Competitive conditions;
- Ability to hire necessary skilled technicians to service market demand; and

Changes in the Canadian/US exchange rate also affect reported revenues as the exchange rate impacts the purchase price of equipment that, in turn, is reflected in selling prices. Since 2017, the average annual exchange rate of the Canadian dollar against the US dollar has varied from $0.75 to $ 0.80, however, there have been periods of higher volatility, with the dollar ranging from a low of $0.69 to a high of $0.83.

Toromont continues to invest in its resources, including investment in information technology, in part to increase productivity levels, as well as to maintain our systems to be relevant in the ever-changing technological environment in which we operate.

Toromont continues to maintain a strong balance sheet. Leverage, as represented by the ratio of net debt to total capitalization, was -16% at the end of 2021 versus 3% at the end of 2020. Leverage of 40% at the end of 2017 reflects borrowings used to finance in part the acquisition of the Quebec/Maritimes Caterpillar dealership. Strong cash generation since that time has served to consistently decrease leverage on a sequential basis.

Toromont has paid dividends consistently since 1968 and has increased the dividend in each of the last 33 years. The Company declared dividends of $1.36 per common share in 2021, $0.31 in the first quarter and $0.35 per each subsequent quarter of the year (2020 - $1.24 per common share or $0.31 per quarter). The regular quarterly dividend rate was increased 12.9% from $0.31 per share to $0.35 per share in the second quarter of 2021, evidencing our commitment to delivering exceptional shareholder value.

CONSOLIDATED FOURTH QUARTER OPERATING RESULTS

Three months ended December 31 *($ thousands, except per share amounts)*	**2021**	2020	$ change	% change
REVENUES	**$ 956,035**	$ 992,185	$ (36,150)	(4%)
Cost of goods sold	**686,785**	747,697	(60,912)	(8%)
Gross profit	**269,250**	244,488	24,762	10%
Selling and administrative expenses	**120,480**	117,306	3,174	3%
OPERATING INCOME	**148,770**	127,182	21,588	17%
Interest expense	**6,889**	7,286	(397)	(5%)
Interest and investment income	**(2,827)**	(3,075)	248	(8%)
Income before income taxes	**144,708**	122,971	21,737	18%
Income taxes	**39,118**	34,021	5,097	15%
NET EARNINGS	**105,590**	88,950	16,640	19%
BASIC EARNINGS PER SHARE	**$ 1.28**	$ 1.08	$ 0.20	19%
KEY RATIOS:				
Gross profit margin	**28.2%**	24.6%		
Selling and administrative expenses as a % of revenues	**12.6%**	11.8%		
Operating income margin	**15.6%**	12.8%		
Income taxes as a % of income before income taxes	**27.0%**	27.7%		

Revenues in the fourth quarter were lower in both the Equipment Group and CIMCO, while improved gross margin on sales mix and market conditions resulted in higher net earnings.

The timing of customer orders in both 2020 and 2021 have been impacted by the pandemic, including lower economic activity, market uncertainty and global supply chain disruptions. For some customers, orders were accelerated earlier in 2021, while in other situations, ordering and/or delivery has been deferred into 2022. Rental activity increased with good market activity and constrained equipment supply. Product support activity continued in both Groups, supported by the essential nature of these services, up 3% in the quarter compared to last year.

Gross profit margin increased 360 bps to 28.2% in the quarter, with higher reported gross margins in both the Equipment Group and CIMCO. Strong demand, good execution and a favourable sales mix were all factors in the increase.

Selling and administrative expenses increased $3.2 million or 3% in the fourth quarter compared to the prior year. Expenses in 2021 include a $5.0 million charge related to an annuity purchase to settle defined benefit pension obligations for certain retirees. Benefits under the CEWS program in the fourth quarter of 2020 totalled $4.7 million (2021 - $nil). The mark-to-market expense on DSUs was $1.5 million in the fourth quarter of 2021 compared to $5.2 million in the fourth quarter of 2020. Excluding these three items, expenses were down $2.8 million or 2% in the quarter. Compensation costs increased on higher headcount, annual salary increases and higher profit sharing accruals on the higher earnings. Sales related and other travel and training expenses were $1.4 million lower in light of lower market activity and travel restrictions.

Operating income increased $21.6 million or 17% reflecting the higher gross margins, partially offset by higher expenses. Operating income margin increased 280 bps to 15.6%.

Interest expense decreased $0.4 million in the quarter due to lower financing costs related to the reduced debt levels.

Interest income decreased $0.2 million resulting from lower interest from conversions of RPOs offset by higher interest earned on average cash balances, reflective of market interest rates.

The effective income tax rate for the fourth quarter was 27.0% compared to 27.7% in 2020.

Net earnings in the quarter were up $16.6 million or 19% to $105.6 million. Basic EPS increased $0.20 or 19% to $1.28 versus $1.08 in 2020.

BUSINESS SEGMENT FOURTH QUARTER OPERATING RESULTS

Equipment Group

Three months ended December 31 *($ thousands)*	**2021**	2020	$ change	% change
Equipment sales and rentals				
New	**$ 313,232**	$ 335,035	$ (21,803)	(7%)
Used	**78,878**	111,446	(32,568)	(29%)
Rentals	**112,742**	100,448	12,294	12%
Total equipment sales and rentals	**504,852**	546,929	(42,077)	(8%)
Product support	**359,403**	347,153	12,250	4%
Power generation	**2,715**	2,822	(107)	(4%)
Total revenues	**$ 866,970**	$ 896,904	$ (29,934)	(3%)
Operating income	**$ 135,302**	$ 114,976	$ 20,326	18%
Bookings ($ millions)	**$ 618.9**	$ 563.3	$ 55.6	10%
KEY RATIOS:				
Product support revenues as a % of total revenues	**41.5%**	38.7%		
Operating income margin	**15.6%**	12.8%		
Group total revenues as a % of consolidated revenues	**90.7%**	90.4%		

The Equipment Group delivered results reflective of pandemic related factors that override normal seasonality in the quarter, with lower revenues and higher operating income. The last quarter of the year has historically been the strongest for the Equipment Group, however the impact of the pandemic over the past two years, and more recent supply chain disruptions has altered this trend. Delivery schedules have been altered based on customer requirements, with some pulled forward earlier in the year and some being deferred into 2022. Strong focus on cost containment strategies and improved margins based on market demand has served to improve operating income.

Total equipment sales (new and used) decreased $54.4 million or 12%. Sales decreased across most markets and regions, mainly due to timing of delivery and supply chain challenges. Sales declines were as follows: construction (-10%), mining (-18%), power systems (-23%), material handling (-7%) and agricultural markets (-1%).

Rental revenues increased $12.3 million or 12%. All markets and most segments were higher reflecting the continued improvement in market activity. Revenue growth in the quarter for each market was as follows: Light equipment rentals +11%, Power +28%, Heavy rental in the construction market +7% and Material Handling +15%. Rental revenues from RPO equipment were up 10%.

Product support revenues increased $12.3 million or 4% on high parts (up 3%) and service (up 6%). Activity levels were good across most market segments. Parts revenues in construction were up 14%, offset by lower mining (-6%) and power systems (-14%). Service revenues were up in mining (+29%) and material handling (+16), partially offset by decreases in construction (-6%) and power systems (-3%).

Gross margins increased 330 bps in the quarter versus last year. Equipment margins were up 100 bps, reflecting strong demand and tight supply. Product support margins increased 80 bps, reflecting improved efficiency on higher volumes. Rental gross margins were up 50 bps, reflective of higher utilization as well as fleet adjustments (selective dispositions and additions) over the last year. Sales mix was also favourable (up 100 bps) with a larger proportion of product support revenues to total revenues.

Selling and administrative expenses increased $0.9 million or 1%. Expenses in 2021 include a $5.0 million charge related to the annuity purchase in settlement of defined benefit pension obligations for certain retirees. Benefits under the CEWS program in the fourth quarter of 2020 totalled $4.1 million. Excluding these two items, expenses were down $8.3 million or 8% in the quarter reflecting the benefit of a continued focus on cost control. Compensation costs were lower on a reduction in mark-to-market expense on DSUs in the quarter and normal year-end adjustments to profit sharing accruals. Other compensation costs were higher on higher headcount and annual salary and wage increases. Certain costs such as travel and training have increased as activity returns and certain restrictions ease, and investments continue after a period of restrained spending.

Operating income increased $20.3 million or 18% in the quarter. Operating income was 15.6% as a percentage of revenues, 280 bps higher than the comparable period last year, mainly reflecting the higher gross margins.

Bookings increased $55.6 million or 10% to $618.9 million reflecting strong activity in construction (+12%) and power systems (+34%). This was partially offset by lower orders in material handling (-22%), mining (-3%), and agricultural (-2%).

CIMCO

Three months ended December 31 *($ thousands)*	**2021**	2020	$ change	% change
Package sales	**$ 48,103**	$ 53,934	$ (5,831)	(11%)
Product support	**40,962**	41,347	(385)	(1%)
Total revenues	**$ 89,065**	$ 95,281	$ (6,216)	(7%)
Operating income	**$ 13,468**	$ 12,206	$ 1,262	10%
Bookings ($ millions)	**$ 55.9**	$ 24.5	$ 31.4	128%
KEY RATIOS:				
Product support revenues as a % of total revenues	**46.0%**	43.4%		
Operating income margin	**15.1%**	12.8%		
Group total revenues as a % of consolidated revenues	**9.3%**	9.6%		

Revenues in the fourth quarter were lower reflecting timing of customers’ construction schedules. Order bookings improved in the quarter versus the same quarter of 2020 and sequentially, a

positive sign of market activity. Operating income improved reflecting good execution and sales mix, offset by higher expenses.

Package revenues were down $5.8 million or 11% in the quarter compared to last year. In Canada revenues were down 15%, mainly due to a decrease in recreational markets (-42%), while the industrial segment remained flat. Equipment supply issues and customer delays have deferred some projects, and the recreational market was slow for most of the last year due to COVID-19 restrictions and closures. In the US, package sales were up 14% on strong industrial activity (+50%), while the recreational market was unchanged.

Product support revenues were down slightly from last year as growth in Canada (+4%) was more than offset by a decrease in the US (-13%). In Canada, economic activity has improved and site restrictions in most areas, including recreational facilities, easing late in the quarter.

Gross margins increased 580 bps in the quarter on good execution and sales mix. Package margins increased 480 bps while product support margins increased 60 bps. Sales mix was favourable, with a higher proportion of product support revenues to total revenues (up 40 bps).

Selling and administrative expenses increased $2.3 million or 19%. Bad debt expense increased $1.3 million from the similar period reflecting certain collection matters. In the fourth quarter of 2020, governmental subsidies under the CEWS program reduced expenses by $0.6 million (2021 – nil). All other expenses, including compensation increased $0.4 million or 3%, on higher staffing levels and normal annual salary increases, offset by year-end adjustments to certain payroll expense accruals following completion of a new payroll and HRIS system in the year.

Operating income increased $1.3 million in the quarter on improved gross margins, offset by higher selling and administrative expense. As a percentage of revenues, operating income improved to 15.1% in 2021, versus 12.8% in 2020.

Bookings increased $31.4 million or 128% to $55.9 million on stronger orders in both Canada and the US, after a period of slower activity given pandemic closures and restrictions. Recreational orders were up in Canada (+83%) and the US (+403%), along with industrial orders which were up in Canada (+102%) and the US (+57%).

QUARTERLY RESULTS

The following table summarizes 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)	Q1 2021	Q2 2021	Q3 2021	**Q4 2021**
REVENUES				
Equipment Group	$ 727,383	$ 1,016,545	$ 914,386	**$ 866,970**
CIMCO	78,855	110,521	82,812	**89,065**
Total revenues	$ 806,238	$ 1,127,066	$ 997,198	**$ 956,035**
NET EARNINGS	$ 47,956	$ 85,400	$ 93,764	**$ 105,590**
PER SHARE INFORMATION:				
Basic earnings per share	$ 0.58	$ 1.03	$ 1.13	**$ 1.28**
Diluted earnings per share	$ 0.58	$ 1.02	$ 1.12	**$ 1.27**
Dividends paid per share	$ 0.31	$ 0.35	$ 0.35	**$ 0.35**
Weighted average common shares outstanding - basic (in thousands)	82,499	82,587	82,705	**82,401**

($ thousands, except per share amounts)	Q1 2020	Q2 2020	Q3 2020	Q4 2020
REVENUES				
Equipment Group	$ 657,776	$ 776,703	$ 834,716	$ 896,904
CIMCO	57,683	72,894	86,940	95,281
Total revenues	$ 715,459	$ 849,597	$ 921,656	$ 992,185
NET EARNINGS	$ 37,396	$ 51,210	$ 77,359	$ 88,950
PER SHARE INFORMATION:				
Basic earnings per share	$ 0.46	$ 0.62	$ 0.94	$ 1.08
Diluted earnings per share	$ 0.45	$ 0.62	$ 0.94	$ 1.07
Dividends paid per share	$ 0.27	$ 0.31	$ 0.31	$ 0.31
Weighted average common shares outstanding - basic (in thousands)	82,015	82,024	82,195	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 2021 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. Lower revenues are recorded 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 2021, demand for equipment was stronger through the first nine months of the year, on both delayed purchasing from 2020, as well as an acceleration of orders in light of global supply chain disruptions, thus impacting revenues in the fourth quarter. In 2020, the second quarter experienced the most significant slowdown in market activity.

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.

SELECTED ANNUAL INFORMATION

(in thousands, except per share amounts)	**2021**	2020	2019
Revenues	**$ 3,886,537**	$ 3,478,897	$ 3,678,705
Net earnings	**$ 332,710**	$ 254,915	$ 286,800
Earnings per share ("EPS")			
- Basic	**$ 4.03**	$ 3.10	$ 3.52
- Diluted	**$ 4.00**	$ 3.09	$ 3.49
Dividends declared per share	**$ 1.36**	$ 1.24	$ 1.08
Total assets	**$ 3,583,796**	$ 3,346,792	$ 3,371,337
Total long-term debt	**$ 646,337**	$ 646,299	$ 645,471
Weighted average common shares outstanding - basic (in millions)	**82.5**	82.2	81.6

Revenues increased 12% in 2021 versus the prior year. Equipment Group revenues increased 11% on strong equipment sales, higher rental revenue and product support reflecting the improvement in demand as pandemic restrictions eased compared to 2020. CIMCO revenues were up 15% on execution of several large industrial construction projects while product support activity was unchanged year-over-year.

Revenues decreased 5% in 2020 compared to 2019. Equipment Group revenues decreased 5% on lower new equipment sales, rentals and product support revenues, reflecting a downturn in economic activity as a result of the COVID-19 pandemic, slightly offset by higher used equipment sales. CIMCO revenues were down 7% on reduced construction and product support activity stemming in part from site restrictions and closures related to the pandemic.

Net earnings increased 31% in 2021, largely reflecting the 12% increase in revenues, improved gross margins in the Equipment Group, and a lower relative level of selling and administrative expenses to sales reflecting cost reductions implemented as a result of the pandemic. Financing costs were lower on a lower total value of committed credit facilities year-over-year.

Net earnings decreased 11% in 2020 compared to 2019, largely reflecting the 5% reduction in

revenues on lower economic activity resulting from the pandemic and governmental response. Selling and administrative expenses, while lower on the curtailment of non-essential expenditures, increased as a percentage of revenues. Financing costs increased on an additional committed credit facility and increased borrowings.

Dividends have generally increased in proportion to trailing earnings growth. The quarterly dividend rate continued to increase - in 2019 by 17.4% to $0.27 per share, in 2020, by 14.8% to $0.31 and in 2021 by 12.9% to $0.35 per share. The Company has paid dividends every year since 1968.

Total assets increased 7% in 2021, largely on good free cash flow. Focus on accounts receivable has resulted in a reduction in DSO, while inventory levels have been constrained as a result of strong demand and supply chain delays. Investments in capital assets have been made to support growth. In 2020, total assets decreased 1% compared to 2019, as equipment inventory was intentionally reduced in reflection of lower economic activity. Investments in light equipment rental fleet was also reduced due to prevailing market conditions, as well as in recognition of the time required to absorb recent significant investments to full utilization.

Long-term debt was largely unchanged over the three year period noted. During 2021, the Company renewed and extended the $500 million revolving credit facility to mature in November 2026. The additional credit facility of $250 million taken out in 2020 was not renewed.

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to risks that may potentially impact its financial results in any or all of its business segments. The Company and each operating segment employ risk management strategies with a view to mitigating these risks on a cost-effective basis.

Business Cycle

Expenditures on capital goods have historically been cyclical, reflecting a variety of factors including interest rates, foreign exchange rates, consumer and business confidence, commodity prices, corporate profits, credit conditions and the availability of capital to finance purchases. Toromont's customers are typically affected, to varying degrees, by these factors and trends in the general business cycle within their respective markets on both a global and local level. As a result, Toromont's financial performance is affected by the impact of such business cycles on the Company's customer base.

Commodity prices, and, in particular, changes in the view on long-term trends, affect demand for the Company's products and services in the Equipment Group. Commodity price movements in base and precious metals sectors in particular can have an impact on customers' demands for equipment and service. Lower commodity prices reduces short term demand as development of new and existing projects may be curtailed or deferred, leading to less demand for heavy equipment.

The business of the Company is diversified across a wide range of industry market segments, serving to temper the effects of business cycles on consolidated results. Continued diversification strategies such as expanding the Company's customer base, broadening product offerings and geographic diversification are designed to moderate business cycle impacts. The Company has focused on the sale of specialized equipment and ongoing support through parts distribution and

skilled service. Product support growth has been, and will continue to be, fundamental to the mitigation of downturns in the business cycle. The product support business contributes significantly higher profit margins and is typically subject to less volatility than equipment supply activities.

Product and Supply

The Equipment Group purchases most of its equipment inventories and parts from Caterpillar Inc. ("Caterpillar") under a dealership agreement that dates back to 1993. As is customary in distribution arrangements of this type, the agreement with Caterpillar can be terminated by either party upon 90 days' notice. In the event Caterpillar terminates, it must repurchase substantially all inventories of new equipment and parts at cost. Toromont has maintained an excellent relationship with Caterpillar since inception and management expects this will continue going forward.

Toromont is dependent on the continued market acceptance of Caterpillar's products. It is believed that Caterpillar has a solid reputation as a quality manufacturer, with excellent brand recognition and customer support as well as strong market shares in many of the markets it serves. However, there can be no assurance that Caterpillar will be able to maintain its reputation and market position in the future. If Caterpillar is unsuccessful in developing and enhancing its product lines to meet evolving and sophisticated customer needs, is unable to maintain the quality of its products, or is unable to provide its products at competitive prices, market acceptance for Caterpillar products may deteriorate over time. Any resulting decrease in the demand for Caterpillar products could have a material adverse impact on the Company's business, results of operations and future prospects.

Toromont is also dependent on Caterpillar for timely supply of equipment and parts to meet our customers' demand for equipment deliveries and product support services. From time to time during periods of intense demand and/or supply chain disruptions, Caterpillar may find it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not in the past proven to be a significant impediment in the conduct of business. When supply constraints have occurred in the past, we have been able to lessen the impact by utilizing our rental assets, used equipment, and other sources (such as the dealer network) to meet demand, but there can be no assurance of continued success in this area. There can be no assurance that Caterpillar will continue to supply its products in the quantities and timeframes required by customers; a significant disruption to our supply chain could adversely affect our business, results of operations and financial condition.

Competition

The Company competes with a large number of international, national, regional and local suppliers in each of its markets. Although price competition can be strong, there are a number of factors that have enhanced the Company's ability to compete throughout its market areas including the range and quality of products and services, ability to meet sophisticated customer requirements, distribution capabilities including number and proximity of locations, financing offered by Caterpillar Finance, e-commerce solutions, reputation and financial strength.

Increased competitive pressures or the inability of the Company to maintain the factors that have enhanced its competitive position to date could adversely affect the Company's business, results of operations or financial condition.

Specialized Skills

The Company relies on the skills and availability of trained and experienced tradesmen and technicians in order to provide efficient and appropriate services to customers. Hiring and retaining such individuals is critical to the success of these businesses. Demographic trends are reducing the number of individuals entering the trades, making access to skilled individuals more difficult. The Company has several remote locations, which make attracting and retaining skilled individuals more difficult.

The Company addresses this issue by attempting to become the “employer of choice” for technicians in the industries in which we operate, as well as encouraging and attracting young people to the trades, and investing in on-going training and development of the current workforce.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash equivalents, accounts receivable and derivative financial instruments. The carrying amounts on the statement of financial position represent the maximum expected credit exposure.

When the Company has cash on hand it may be invested in short-term instruments, such as money-market deposits. The Company has deposited cash with reputable financial institutions, from which management believes the risk of loss to be remote.

The Company has accounts receivable from a large diversified customer base, and is not dependent on any single customer or industry. The Company has accounts receivable from customers engaged in various industries including construction, mining, food and beverage, and governmental agencies. These customers are based predominately in Canada.

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, the Company enters into derivative transactions only with highly rated financial institutions.

Warranties and Maintenance Contracts

Warranties are provided for most of the equipment sold, typically for a one-year period following sale. The warranty claim risk is generally shared jointly with the equipment manufacturer. Accordingly, liability is generally limited to the service component of the warranty claim, while the manufacturer is responsible for providing the required parts.

The Company also enters into long-term maintenance and repair contracts, whereby it is obligated to maintain equipment for its customers. The length of these contracts varies generally from two to five years. The contracts are typically fixed price on either machine hours or cost per hour, with provisions for inflationary and exchange adjustments. Due to the long-term nature of these contracts, there is a risk that maintenance costs may exceed the estimate, thereby resulting in a loss on the contract. These contracts are closely monitored for early warning signs of cost overruns. In addition, the manufacturer may, in certain circumstances, share in the cost overruns if profitability falls below a certain threshold.

Foreign Exchange

The Company transacts business in multiple currencies, the most significant of which are the Canadian dollar and the US dollar. As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies.

The rate of exchange between the Canadian and US dollar can have an impact on revenue trends. As substantially all of the equipment and parts sold in the Equipment Group are sourced in US dollars, and Canadian dollar sales prices generally reflect changes in the rate of exchange, a stronger Canadian dollar can adversely affect revenues, while a weaker Canadian dollar can increase reported revenues. The impact is not readily estimable as it is largely dependent on when customers order the equipment versus when it was sold. Bookings in a given period would more closely follow period-over-period changes in exchange rates. Sales of parts come from inventories maintained to service customer requirements. As a result, constant parts replenishment means that there is a lagging impact of changes in exchange rates. In CIMCO, sales are largely affected by the same factors. In addition, revenues from CIMCO's US subsidiary reflect changes in exchange rates on the translation of results, although this is not significant. The Canadian dollar averaged US$0.80 in 2021 and US$0.75 in 2020.

Foreign exchange contracts reduce volatility by fixing landed costs related to specific customer orders and establishing a level of price stability for high-volume goods such as spare parts. The Company does not enter into foreign exchange forward contracts for speculative purposes. The gains and losses on the foreign exchange forward contracts designated as cash flow hedges are intended to offset the translation losses and gains on the hedged foreign currency transactions when they occur. As a result, the foreign exchange impact on earnings with respect to transactional activity is not significant.

Interest Rate

Changes in market interest rates can cause fluctuations in the fair value or future cash flows of financial instruments.

The Company has exposure to changes in interest rates on interest-bearing financial liabilities, primarily from long-term debt. The Company has fixed-rate debt obligations outstanding with maturities between 2025 and 2027. Fixed-rate debt exposes the Company to future interest rate movements upon refinancing the debt at maturity. The fair value of fixed-rate debt obligations fluctuates with changes in interest rates, exposing the Company to potential losses on early settlements or refinancing. The Company does not intend to settle or refinance any existing fixed-rate debt before maturity.

The Company's revolving credit facilities bear interest at floating-rates and exposes the Company to fluctuations in short-term interest rates by causing related interest payments and finance expense to vary.

The Company minimizes its interest rate risk by managing its portfolio of floating-and fixed-rate debt, as well as managing the term to maturity.

The Company is exposed to changes in interest rates on interest bearing financial assets, primarily cash and cash equivalents. Due to the short-term nature of cash and cash equivalents, the impact of fluctuations in fair value is limited but interest income earned can be impacted.

Financing Arrangements

The Company requires capital to finance its growth and to refinance its outstanding debt obligations as they come due for repayment. If the cash generated from the Company's business, together with the credit available under existing bank facilities, are not sufficient to fund future capital requirements, the Company will require additional debt or equity financing in the capital markets. The Company's ability to access capital markets, on terms that are acceptable, will be dependent upon prevailing market conditions, as well as the Company's future financial condition. Further, the Company's ability to increase its debt financing may be limited by its financial covenants or its credit rating objectives. The Company maintains a conservative leverage structure and although it does not anticipate difficulties, there can be no assurance that capital will be available on suitable terms and conditions, or that borrowing costs and credit ratings will not be adversely affected.

Environmental Regulation

Toromont's customers are subject to significant and ever-increasing environmental legislation and regulation. This legislation can impact Toromont in two ways. First, it may increase the technical difficulty in meeting environmental requirements in product design, which could increase the cost of these businesses' products. Second, it may result in a reduction in activity by Toromont's customers in environmentally sensitive areas, in turn reducing the sales opportunities available to Toromont.

Toromont is also subject to a broad range of environmental laws and regulations. These may, in certain circumstances, impose strict liability for environmental contamination, which may render Toromont liable for remediation costs, natural resource damages and other damages as a result of conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior owners, operators or other third parties. In addition, where contamination may be present, it is not uncommon for neighbouring land owners and other third parties to file claims for personal injury, property damage and recovery of response costs. Remediation costs and other damages arising as a result of environmental laws and regulations, and costs associated with new information, changes in existing environmental laws and regulations or the adoption of new environmental laws and regulations could be substantial and could negatively impact Toromont's business, results of operations or financial condition.

Information Technology and Cybersecurity Risk

The Company depends on information technology infrastructure and systems, hosted internally or outsourced, to conduct day-to-day operations and for the effective operation of our business. Our business also requires the appropriate and secure utilization of sensitive and confidential information belonging to third parties such as our customers and suppliers. While we strive to leverage technology to meet the growing needs of our customers and enhance the efficiency of our operations, it nevertheless comes with information security and cybersecurity risks.

These risks include information technology system failures and non-availability, and cyber-attacks, including but not limited to hacking, malware, unauthorized access to confidential, proprietary or sensitive information or other breaches of network or Information Technology (IT) security. The Company continues to monitor and enhance its defences and procedures to prevent, detect, respond to and manage these threats, which are constantly evolving. Disruption to information systems or breaches of security could result in a negative impact on the Company's financial results or result in reputational damage.

Pandemic Risk (Coronavirus COVID-19)

COVID-19 is an evolving risk, the duration and impact of which remains uncertain at this time, as is the efficacy of the government and central bank interventions. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

The risks and uncertainties discussed above could be particularly exacerbated by extraordinary externalities such as the COVID-19 pandemic, including, risks described under "Business Cycle", "Product and Supply", "Specialized Skills", "Credit Risk", "Foreign Exchange", "Interest Rate", "Financing Arrangements" and "Environmental Regulation". Such risks include, but are not limited to:

a) uncertainty associated with the costs and ability of resources, including technicians, required to provide the appropriate/required levels of service to our customers on site;
b) a material reduction in demand for, or profitability of, our products or services;
c) an increase in accounts receivable delinquencies from financial hardship for our customers;
d) issues delivering the Company's products and services due to illness, Company or government imposed isolation programs, restrictions on the movement of personnel and other supply chain disruptions;
e) the impact of additional legislation, regulation and other government interventions in response to the COVID-19 pandemic;
f) the negative impact on global debt and equity capital markets, including the trading price of the Company's securities; and
g) the ability to access capital markets at a reasonable cost.

Any of these risks, and others, could have a material adverse effect on our business, operations, capital resources and/or financial results of operations.

The Company continues to focus on ensuring the continued safety of our employees, while continuing to serve our customers' needs as an essential service, and protecting the business and organization for the long-term. The Critical Incident Executive Response Team remains in effect and focuses on monitoring and assessing developments in our markets and operations, and developing appropriate plans in response. Updates are provided to employees on a frequent basis, including general information as well as specific safety protocols in place. Safety protocols (masking, social distancing, sanitization, etc.) are strictly enforced. The Company continues to have an open dialogue with public safety and government officials at all levels, as well as customers, key suppliers and other partners.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, 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.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Management reviews its estimates and judgments on an ongoing basis. The Company has discussed the development, selection, and application of its key accounting policies, and the critical accounting estimates and assumptions they involve, with the Audit Committee.

The Company's significant accounting policies, estimates and assumptions are described in notes 1 and 2 of the notes to the consolidated financial statements.

Changes in Accounting Policies

No changes in accounting policies were adopted in 2021 as a result of new standards and interpretations which became effective during the year.

Pending Accounting Changes

A number of amendments to standards have been issued but are not yet effective for the financial year ending December 31, 2021, and accordingly, have not been applied. The Company reviewed these amendments and concluded that there would be no impact on adoption given their nature and applicability.

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 December 31, 2021.

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.

The CEO and the CFO, together with other members of management, have evaluated the effectiveness of the Company's internal control over financial reporting as at December 31, 2021, using the criteria set forth in Internal Control - Integrated Framework (2013 edition) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on that evaluation, the CEO and CFO concluded that the Company's internal control over financial reporting was effective as at December 31, 2021.

There have been no changes in the design of the Company's internal control over financial reporting during 2021 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 December 31 2021	2020	Years ended December 31 2021	2020
Net earnings	**$ 105,590**	$ 88,950	**$ 332,710**	$ 254,915
plus: Interest expense	**6,889**	7,286	**28,161**	29,981
less: Interest and investment income	**(2,827)**	(3,075)	**(9,027)**	(9,083)
plus: Income taxes	**39,118**	34,021	**124,093**	96,621
Operating income	**$ 148,770**	$ 127,182	**$ 475,937**	$ 372,434
Total Revenues	**956,035**	992,185	**3,886,537**	3,478,897
Operating income margin	**15.6%**	12.8%	**12.2%**	10.7%

Net Debt to Total Capitalization and Net Debt to 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)	2021	2020
Long-term debt	**$ 646,337**	$ 646,299
less: Cash	**916,830**	591,128
Net debt	**(270,493)**	55,171
Shareholders' equity	**1,953,329**	1,698,652
Total capitalization	**$ 1,682,836**	$ 1,753,823
Net debt to total capitalization	**-16%**	3%
Net debt to equity	**-0.14:1**	0.03:1

NON-GAAP MEASURES

Management believes that providing certain non-GAAP measures provides users of the Company's 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 (where available), 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 may not be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for GAAP measures 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)	**2021**	2020
Total current assets	**$ 2,108,441**	$ 1,872,144
less: Total current liabilities	**813,702**	794,216
Working capital	**$ 1,294,739**	$ 1,077,928

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)	**2021**	2020
Total current assets	**$ 2,108,441**	$ 1,872,144
less: Cash	**916,830**	591,128
	1,191,611	1,281,016
Total current liabilities	**813,702**	794,216
Non-cash working capital	**$ 377,909**	$ 486,800

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)	**2021**	2020
Outstanding common shares	**82,443,968**	82,474,658
times: Ending share price	**$ 114.36**	$ 89.20
Market capitalization	**$ 9,428,292**	$ 7,356,739
Long-term debt	**$ 646,337**	$ 646,299
less: Cash	**916,830**	591,128
Net debt	**$ (270,493)**	$ 55,171
Total enterprise value	**$ 9,157,799**	$ 7,411,910

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.

($ thousands)	**2021**	2020
Net earnings	**$ 332,710**	$ 254,915
plus: Interest expense	**28,161**	29,981
less: Interest and investment income	**(9,027)**	(9,083)
plus: Interest income - rental conversions	**2,635**	3,529
plus: Income taxes	**124,093**	96,621
Adjusted net earnings	**$ 478,572**	$ 375,963
Average capital employed	**$ 1,796,703**	$ 1,838,533
Return on capital employed	**26.6%**	20.4%

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 both shares issued and shares repurchased and cancelled during the year).

($ thousands)	**2021**	2020
Net earnings	**$ 332,710**	$ 254,915
Opening shareholders' equity (net of adjustments)	**$ 1,695,008**	$ 1,538,817
Return on equity	**19.6%**	16.6%