MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the year ended December 31, 2024 is prepared as at February 11, 2025, and should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2024.

The consolidated financial statements reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A is presented in thousands of Canadian dollars unless otherwise noted.

Additional information about Toromont is available online at www.sedarplus.ca and Toromont's website www.toromont.com.

Use of Non-IFRS Financial Measures

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

Forward-Looking Information

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

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

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included herein. 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 under the heading "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual Management Discussion and Analysis, as filed with Canadian securities regulators at www.sedarplus.ca or at our website www.toromont.com. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

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

CORPORATE PROFILE AND BUSINESS SEGMENTATION

As at December 31, 2024, Toromont employed over 7,300 people in more than 165 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, industry-leading rental operations, SITECH, providing Trimble technology products and services, Toromont Material Handling, representing MCFA, Kalmar and other manufacturers' products. The Company is the exclusive Caterpillar dealer for a contiguous geographical territory in Canada that covers Manitoba, Ontario, Québec, 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; and forestry. 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. CIMCO's thermal management solutions enable customers to reduce energy consumption and emissions, use natural refrigerants and monitor and control their operating environments autonomously. 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 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 revenue is 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.

BUSINESS COMBINATION

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

The acquisition was accounted for as a business combination and the results of Tri-City have been included in the Equipment Group from the date of acquisition. We anticipate that the acquisition will have a positive, accretive impact on future results.

For further information, refer to note 4 "Business Combination" in the notes to the consolidated financial statements.

CONSOLIDATED ANNUAL OPERATING RESULTS

($ thousands, except per share amounts)	**2024**	2023	$ change	% change
REVENUE	**$ 5,021,163**	$ 4,622,301	$ 398,862	9 %
Cost of goods sold	**3,758,531**	3,377,412	381,119	11 %
Gross profit [(1)]	**1,262,632**	1,244,889	17,743	1 %
Selling and administrative expenses	**592,460**	540,661	51,799	10 %
OPERATING INCOME [(1)]	**670,172**	704,228	(34,056)	(5)%
Interest expense	**28,655**	28,098	557	2 %
Interest and investment income	**(53,637)**	(45,982)	(7,655)	17 %
Income before income taxes	**695,154**	722,112	(26,958)	(4)%
Income taxes	**188,638**	193,005	(4,367)	(2)%
Net income from continuing operations	**$ 506,516**	$ 529,107	$ (22,591)	(4)%
Net income from discontinued operations	**—**	5,605	(5,605)	nm
NET EARNINGS	**$ 506,516**	$ 534,712	$ (28,196)	(5)%
BASIC EARNINGS PER SHARE				
Continuing operations	**$ 6.18**	$ 6.43	$ (0.25)	(4)%
Discontinued operations	**—**	0.07	(0.07)	nm
	$ 6.18	$ 6.50	$ (0.32)	(5)%
KEY RATIOS:				
Gross profit margin [(1)]	**25.1%**	26.9%		
Selling and administrative expenses as a % of revenue	**11.8%**	11.7%		
Operating income margin [(1)]	**13.3%**	15.2%		
Income taxes as a % of income before income taxes	**27.1%**	26.7%		
Return on capital employed [(1)]	**25.7%**	30.4%		
Return on equity [(1)]	**19.2%**	23.1%		

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

Higher revenue was generated by both the Equipment Group and CIMCO with new equipment deliveries and execution against order backlog and project schedules. Rental revenue improved during the latter half of the year, however utilization levels remained lower than prior year particularly in the construction and power systems markets, while used equipment sales declined on lower rental dispositions. Product support revenue increased in both parts and service, on improving customer activity and focused execution, supported by our higher technician workforce. Gross profit margins were lower compared to prior year, on sales mix, with a lower percentage of product support revenue to total, and against a stronger comparator in the Equipment Group last year given market dynamics in play at that time. Operating income was down 5% compared to the strong results last year, as the higher top-line revenue was offset by the lower gross margins and higher expense levels.

Revenue for the year increased 9% from prior year to $5.0 billion. Equipment Group revenue increased 8% compared to last year on higher new equipment sales and strong product support activity. CIMCO revenue increased 16% versus last year, on higher package revenue and product support activity.

Gross profit margin decreased 180 basis points ("bps") to 25.1% versus 26.9% for last year. The Equipment Group reported lower margins in all areas, except for product support margins which remained relatively unchanged year-over-year, while CIMCO margins increased on good execution in all areas. Sales mix was unfavourable, with a higher proportion of equipment and package revenues to total, dampening margins by 70 bps.

Selling and administrative expenses for the year increased $51.8 million or 10% compared to the prior year. Compensation costs increased approximately $18.6 million, reflecting higher staffing levels and regular salary increases. Sales related expenses, including such things as advertising, promotion, travel and training, increased $15.3 million year over year, reflecting the higher activity levels. Other expenses such as occupancy and information technology costs have increased on continued investment for future growth and inflationary effects. Bad debt expense increased $5.5 million compared to the similar period last year, reflecting certain exposures. Mark-to-market adjustments on DSUs resulted in a $3.6 million decrease in expense, as a result of the lower share price. In 2023, a property disposition reduced expenses by $5.0 million. Overall, selling and administrative expenses were 10 bps higher as a percentage of revenue (11.8% versus 11.7% last year).

Operating income decreased $34.1 million or 5% in the year, as higher revenue was more than offset by lower gross margins and higher expenses. Operating income margin decreased 190 bps to 13.3%, reflecting lower gross margins and the higher relative expense levels.

Interest expense was largely unchanged at $28.7 million, with no change to outstanding fixed-rate term debt and an unused credit facility.

Interest and investment income increased $7.7 million or 17% in the year on higher average cash balances and higher interest rates.

The effective income tax rate for the year was up slightly to 27.1% compared to 26.7% last year, reflecting the lower capital gains rate on the property disposition in 2023.

Net earnings (including discontinued operations) for the year decreased $28.2 million or 5% to $506.5 million from 2023. Basic earnings per share ("EPS") decreased $0.32 or 5% to $6.18.

Other comprehensive income of $39.4 million in the year (2023 – comprehensive loss of $17.4 million) included an actuarial gain on post-employment benefit plans of $19.8 million (2023 – actuarial gain of $2.1 million). These gains reflect actuarial changes used in the valuation, as well as changes in the fair value of pension plan assets. Other comprehensive income also included a favourable net change in the fair value of cash flow hedges of $17.0 million (2023 – unfavourable net change of $19.0 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 revenue and return on capital employed. Corporate expenses are allocated based on each segment’s revenue. Interest expense and interest and investment income are not allocated.

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

Equipment Group

($ thousands)	**2024**	2023	$ change	% change
Equipment sales and rentals				
New	**$ 1,939,129**	$ 1,647,757	$ 291,372	18 %
Used	**296,295**	303,551	(7,256)	(2)%
Rentals	**491,162**	487,178	3,984	1 %
Total equipment sales and rentals	**2,726,586**	2,438,486	288,100	12 %
Product support	**1,823,049**	1,775,310	47,739	3 %
Power generation	**10,933**	11,326	(393)	(3)%
Total revenue	**$ 4,560,568**	$ 4,225,122	$ 335,446	8 %
Operating income	**$ 616,718**	$ 664,688	$ (47,970)	(7)%
KEY RATIOS:				
Product support revenue as a % of total revenue	**40.0%**	42.0%		
Operating income margin	**13.5%**	15.7%		
Group total revenue as a % of consolidated revenue	**90.8%**	91.4%		
Return on capital employed	**24.1%**	28.8 %		

The Equipment Group delivered good results for the year. Revenue increased on solid equipment deliveries against order backlog. Rental revenue improved in the latter half of the year, however utilization remained at low levels, especially in the construction and power systems markets, while used equipment sales declined on lower rental dispositions. Product support revenue continued to increase on higher parts and service activity, supported by the higher technician workforce. Operating income declined versus the prior year, as expected, given a strong comparator which reflected market dynamics in play at that time, and an unfavourable sales mix in the current year, coupled with lower gross margins and higher expenses, which eroded the good top-line growth.

Total equipment revenue (new and used) increased $284.1 million or 15% across most market segments and regions compared to 2023, reflecting inflow and delivery of equipment against order backlog. New equipment sales increased 18% for the year, across all market segments and regions, except for material handling, which was marginally down versus 2023. Used equipment sales decreased 2%, predominantly in the construction market. Both rental fleet dispositions and sales of used equipment from trades and purchases decreased, reflecting shifting supply and demand dynamics. The change in equipment revenue by market segment was as follows: construction +6%, mining +41%, power systems +16% and material handling -8%.

Rental revenue increased $4.0 million or 1% versus last year. Most market sectors and regions were down compared to prior year, generally reflecting persisting softer market conditions, principally in residential construction. Revenue changes in each market were as follows: Light equipment rentals -1%, heavy equipment rentals -5%, power systems -4% and material handling +2%. As at December 31, 2024, the RPO fleet (rent with a purchase option) was $97.9 million versus $81.1 million at this time last year, and associated rental revenue was up 36% compared to last year.

Product support revenue increased $47.7 million or 3% compared to last year with increases in both parts (up 1%) and service (up 9%). Activity was higher across most markets and regions on good end user demand and product support sales mix, coupled with a higher technician base. Revenue change by market was as follows: construction +1%; mining +4%; power systems +4%; and material handling -1%.

Gross profit margin decreased 200 bps to 25.0% from 27.0% in 2023. Sales mix was unfavourable with a higher proportion of equipment revenue to total revenue dampening margin 70 bps. Equipment margins were down 30 bps as expected given market dynamics in play in the prior year. Rental margins were down 100 bps on lower fleet utilization, higher recent acquisition costs, in part due to a weaker Canadian dollar, and higher maintenance and repair costs. Product support margins were unchanged year over year.

Selling and administrative expenses increased $47.6 million or 10%. Compensation costs were $16.8 million higher year-over-year reflecting staffing levels and regular salary increases. Sales-related costs increased $14.3 million, reflective of the 8% increase in revenue. Other expenses such as occupancy costs and information technology have increased in support of growth and other strategic initiatives. Allowance for doubtful accounts increased $6.5 million, reflecting certain exposures. In 2023, a gain on a property disposition reduced expenses by $5.0 million. As a percentage of revenue, selling and administrative expenses were 20 bps higher at 11.5% in the current period versus 11.3% in the similar period last year.

Operating income decreased $48.0 million or 7% reflecting the higher revenue, more than offset by lower gross margins and higher expenses. As a percentage of revenue, operating income was 220 bps lower at 13.5% versus 15.7% in 2023.

Capital expenditures

($ millions)		**2024**		2023		$ change	% change
Rental equipment							
Capital expenditures	**$**	**208,976**	$	221,650	$	(12,674)	(6)%
Proceeds on disposals		**60,417**		60,707		(290)	— %
Net expenditure	**$**	**148,559**	$	160,943	$	(12,384)	(8)%
Property, plant and equipment							
Capital expenditures	**$**	**125,890**	$	115,256	$	10,634	9 %

Investment in both the heavy and light equipment rental fleets across our territory continued to support future long-term growth strategies, however reduced compared to prior year due to fleet management needs and lower market activity. Fleet dispositions, as measured by proceeds, were comparable to prior year on regular roll-out of aged units as part of regular fleet management.

Property, plant and equipment additions increased in 2024 and included:

- $27.6 million related to the new remanufacturing facility in Bradford, Ontario, which opened in Q2 2024;
- $37.5 million for upgraded facilities and new locations across the business;
- $44.3 million for new and replacement service and delivery vehicles;
- $3.0 million for information technology infrastructure improvements and developments; and
- $13.4 million for other machinery and equipment for general operations.

Bookings and Backlog

($ millions)		**2024**		2023		$ change	% change
Bookings – years ended December 31	**$**	**1,986.5**	$	1,876.6	$	109.9	6 %
Backlog – as at December 31	**$**	**708.4**	$	957.3	$	(248.9)	(26)%

New bookings increased $109.9 million or 6% in 2024, compared to 2023. Higher construction and material handling bookings (up 17% and 18% respectively) were partially offset by lower orders in mining (-8%) and power systems (-15%).

Backlog of $708.4 million at December 31, 2024, was lower $248.9 million or 26%, compared to the same time last year, reflecting deliveries against customer orders from the opening backlog, partially offset by good new bookings. As at December 31, 2024, the composition of backlog by market was as follows: construction 27%; mining 26%; power systems 41%; and material handling 6%. Approximately 90% of the backlog is expected to be delivered over the next twelve months, however this is subject to timing of vendor supply and customer delivery schedules.

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

CIMCO

($ thousands)		**2024**		2023		$ change	% change
Package sales	**$**	**239,156**	$	187,573	$	51,583	28 %
Product support		**221,439**		209,606		11,833	6 %
Total revenue	**$**	**460,595**	$	397,179	$	63,416	16 %
Operating income	**$**	**53,454**	$	39,540	$	13,914	35 %
KEY RATIOS:							
Product support revenue as a % of total revenue		**48.1%**		52.8%			
Operating income margin		**11.6%**		10.0%			
Group total revenue as a % of consolidated revenue		**9.2%**		8.6%			
Return on capital employed		**87.0%**		61.3%			

CIMCO delivered solid results for 2024 with good execution in both Canada and the US (against a tough comparator), coupled with healthy activity levels. Package revenue reflects advancement of construction schedules against a strong order backlog and improved execution. Product support activity continued to demonstrate strong growth in Canada, supported by the larger technician workforce and was slightly dampened by the US region. Operating income increased on the higher revenue and improved gross margins, partially offset by unfavourable sales mix (lower product support revenue to total revenue) and the higher expense levels.

Package sales increased $51.6 million or 28% versus 2023, with increases in both markets. Recreational market revenue increased 43%, as revenue was higher in both Canada (+7%) and in the US (+120%). Industrial market revenue was up 19%, with higher activity in Canada (+49%), slightly offset by lower activity in the US (-52% against a tough comparative). Package revenue reflects the progress of construction applying the percentage-of-completion method of accounting. This introduces a degree of variability as the timing of construction schedules are largely under the control of third parties (contractors and end-customers).

Product support revenue increased $11.8 million or 6% versus 2023 on higher activity levels in Canada (up 12%), partially offset by lower activity in the US (down 12%). Activity levels continued to improve on good customer demand and the increased technician base.

Gross profit margin increased 40 basis points versus last year to 26.4%. Package margins were up 20 bps, on good execution. Product support margins increased 60 bps on improved execution and higher volume. An unfavourable sales mix, with a lower proportion of product support revenue to total revenue, dampened margins by 40 bps.

Selling and administrative expenses increased $4.2 million or 7% versus last year. Allowance for doubtful accounts decreased $1.0 million reflecting focused efforts on collections and an improvement of aged receivable balances. Compensation costs $1.8 million reflecting staff levels, annual salary increases and higher profit sharing accruals on the higher earnings. Other expenditures such as travel and training expenses increased to support activity and staffing levels. As a percentage of revenue, selling and administrative expenses improved to 14.8% in 2024 versus 16.0% in 2023, reflecting continued focus on expense control and reduction in bad debt expense.

Operating income increased by $13.9 million or 35% in 2024, reflecting improved gross margins and higher revenue. Operating income as a percentage of revenue increased 160 bps to 11.6% compared to last year.

Capital expenditures

($ millions)	**2024**	2023	$ change	% change
Property, plant and equipment	**$ 10,610**	$ 6,573	$ 4,037	61 %

Capital expenditures in 2024 largely relate to new and replacement service vehicles ($7.9 million) due to shorter lead times for delivery, as well as delayed shipment of vehicles ordered in 2023. Other expenditures included facility upgrades and maintenance ($0.5 million), other machinery and equipment for general operations ($1.3 million) and information technology enhancements and upgrades ($0.9 million).

Bookings and Backlog

($ millions)	**2024**	2023	$ change	% change
Bookings – years ended December 31	**$ 318.5**	$ 245.9	$ 72.6	30 %
Backlog – as at December 31	**$ 342.3**	$ 255.2	$ 87.1	34 %

Bookings increased $72.6 million or 30% to $318.5 million in 2024. Recreational bookings increased 146% or $93.8 million, with higher orders in both Canada (+75%) and in the US (+339%). Industrial bookings were down 12% or $21.2 million lead by a decrease in Canada (-33% against a strong comparator) which offset an increase in the US (+79%).

Backlog of $342.3 million increased $87.1 million or 34% compared to 2023, with higher backlog in both the recreational and the industrial market. Recreational backlog was up 78%, reflecting a strong increase in both Canada (+82%) and in the US (+74%). Industrial backlog increased 10%, with a decrease in Canada (-20%), largely offset by a strong increase in the US (+325%). Approximately 70% of the backlog is expected to be realized as revenue over the next twelve months, however this is subject to construction schedules.

CONSOLIDATED FINANCIAL CONDITION

The Company's strong financial position continued. At December 31, 2024, the ratio of net debt to total capitalization increased to -9% (cash and cash equivalents exceeded debt) compared to -17% at December 31, 2023.

Non-cash Working Capital

The Company's investment in non-cash working capital was $930.3 million at December 31, 2024. The major components, along with the changes from prior year, are identified in the following table.

			Change	
($ thousands)	**2024**	2023	$	%
Accounts receivable	**$ 628,671**	$ 627,243	$ 1,428	— %
Inventories	**1,321,567**	1,119,071	202,496	18 %
Other current assets	**22,074**	23,733	(1,659)	(7)%
Accounts payable and accrued liabilities	**(667,907)**	(619,318)	(48,589)	8 %
Provisions	**(30,675)**	(30,269)	(406)	1 %
Income tax recoverable (payable)	**8,267**	(7,006)	15,273	nm
Derivative financial instruments	**19,352**	(13,946)	33,298	nm
Dividends payable	**(39,127)**	(35,383)	(3,744)	11 %
Deferred revenue and contract liabilities	**(331,946)**	(360,143)	28,197	(8)%
Total non-cash working capital	**$ 930,276**	$ 703,982	$ 226,294	32 %

Accounts receivable was relatively unchanged from December 31, 2023, largely reflecting the higher trailing revenue (Q4 2024 revenue was 7% higher than Q4 2023) offset by good collection activity. Days sales outstanding ("DSOs") decreased to 40 days, with a decrease in the Equipment Group (down 2 days) partially offset by an increase in CIMCO (up 5 days). Collection activity and credit metrics are closely monitored, with added focus considering the current economic environment.

Inventories at December 31, 2024 increased 18% compared to December 31, 2023, with increases in both Groups:

- Equipment Group inventories were up $201.7 million or 19%, with increased equipment (up $121.0 million or 19%), work-in-progress (up $30.2 million or 28%), and parts (up $50.5 million or 15%). Inventory levels of equipment and parts increased in light of activity levels, higher availability of new equipment due to improved supply chain and reflect delayed customer delivery schedules. Price increases and foreign exchange rates on US sourced supplies have also served to increase inventory. Work-in-process levels reflect higher activity levels.
- CIMCO inventories were up $0.8 million or 2%, largely lead by higher parts inventory levels up $0.5 million reflecting higher product support levels. Work-in-process levels increased $0.3 million (up 1%), reflecting timing of project construction and product support schedules.

Other current assets are comprised of prepaid expenses and vendor deposits. These vary over time based on timing of ordering, receipt of invoice, vendor terms and payment.

Accounts payable and accrued liabilities at December 31, 2024, were 8% higher than at December 31, 2023, largely reflecting higher activity levels and timing of purchase and payment for inventory and other suppliers. Accounts payable at December 31, 2024, also includes $4.0 million deferred payment related to the acquisition of Tri-City.

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

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar have led to a cumulative net gain of $19.4 million as at December 31, 2024. This is not expected to affect net earnings as the unrealized gains will offset future losses on the related hedged items, either current accounts payable or future transactions.

Dividends payable increased year over year reflecting the increased dividend rate. Effective with the April 4, 2024 payment, the quarterly dividend rate was increased 11.6% from $0.43 per share to $0.48 per share.

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

- In the Equipment Group, these balances arise due to: progress billings from the sale of power and energy systems; long-term product support maintenance contracts; and, customer deposits for equipment to be delivered in the future. These balances decreased $43.5 million or 14.1%, in 2024, largely on lower customer deposits held on equipment deliveries, with significant deliveries made in the current year.
- At CIMCO, these balances arise on progress billings from the sale of refrigeration packages and vary depending on timing of billings compared to customer's construction schedules. These balances increased $15.3 million or 30.3%, 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, 2024, as outlined in note 9 of the notes to the annual consolidated financial statements.

Employee Share Ownership

The Company employs a variety of share-based compensation plans to align employees' interests with corporate objectives. Certain programs are offered to all employees, while other programs are offered selectively to executives, senior managers and directors.

<u>Executive Stock Option Plan</u>

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, 2024, 1.5 million options to purchase common shares were outstanding, of which 0.9 million were exercisable. Directors do not participate in the option program.

<u>Long-Term Incentive Program</u>

In 2022, the Company introduced performance share units ("PSUs"), restricted share units ("RSUs") and executive deferred share units ("EDSUs"). The Company has the ability to grant options and awards under each of these plans. The Company intends that total incentive award grants will be based on historical share option grant levels at approximately a 50/50 split between share options and grants under the LTIP.

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

A total of 27,544 restricted share units ("RSUs") and 73,420 performance share units ("PSUs") were outstanding under the LTIP as at December 31, 2024, including reinvested dividends.

LTIP expense of $3.5 million (2023 – $3.6 million) was included in selling and administrative expenses with a credit to contributed surplus.

<u>Deferred Share Units ("DSU")</u>

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. 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 received 60% of their annual compensation in the form of DSUs and may also elect to receive some or all of their remainder compensation in DSUs. The Company records the cost of the DSU plan as compensation expense in selling and administrative expenses. Units credited prior to September 2022 were issued under a cash-settled plan, while units elected or granted after that date were issued under a share-settled plan.

As at December 31, 2024, 177,706 cash-settled DSUs were outstanding with a total value of $20.3 million (2023 – 191,320 units at a value of $22.1 million). The liability for cash-settled DSUs is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

As at December 31, 2024, 62,673 share-settled DSUs were outstanding (2023 – 33,360 units). Share-settled DSUs are credited to contributed surplus at time of grant.

Employee Share Purchase Plan

Employees may purchase shares by way of payroll deductions. The Company matches employee 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 $5.2 million in 2024 (2023 – $4.4 million) were charged to selling and administrative expense when paid. Approximately 3,490 employees participate in the plan (2023 – 3,200) which is administered by an independent third party.

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 pension 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, 2024, approximately 4,800 employees participated in Company-sponsored defined contribution plans.

Defined Benefit Pension Plans

The Company sponsors defined benefit plans, which provide pension benefits for approximately 1,100 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 $24.5 million during 2024 (a reduction in post employment obligations). Actuarial gains, largely related to a higher discount rate reduced the defined benefit obligation by $3.7 million. Stronger capital markets resulted in a positive return on plan assets, increasing the funded position by $24.0 million, net of the interest expense on the obligation.

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. At December 31, 2024, the Company has posted letters of credit in the amount of $10.6 million to secure the obligations under this plan.

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.

Post-employment Benefit Plans

The Company also sponsors defined benefit plans which provide supplementary post-employment health and life insurance coverage to certain employees. The Company is not obligated to fund the plans but is obligated to pay benefits as they come due. The plan is closed to new entrants.

See notes 2, 3 and 21 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 financial position or results of operations.

Normal Course Issuer Bid ("NCIB")

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

The Company purchased and cancelled 1,321,500 common shares for $160.4 million (average cost of $121.39 per share, including transaction costs) during the year ended December 31, 2024.

The Company maintains an Automatic Share Purchase Plan ("ASPP") with a broker to enable the purchase of common shares under the NCIB during regular trading blackout periods. The volume of the purchases are determined by the broker based on share price and maximum volume parameters established by the Company prior to the commencement of each blackout period. As at December 31, 2024, there was no obligation for the repurchase of shares under the ASPP.

The Company purchased and cancelled 353,000 common shares for $37.5 million (average cost of $106.35 per share, including transaction costs) during the year ended December 31, 2023. As at December 31, 2023, there was an obligation for the repurchase of shares of $12.5 million under the ASPP.

Shareholder Rights Plan ("SRP")

The Company has a shareholder rights plan, which is designed to encourage the fair treatment of shareholders in connection with any takeover offer. Rights issued under the plan become exercisable when a person, and any related parties, acquires or commences a takeover bid to acquire 20% or more of the Company’s outstanding common shares without complying with certain provisions set out in the plan or without approval of the Company's Board of Directors. Should such an acquisition occur, each rights holder, other than the acquiring person and related parties, will have the right to purchase common shares of the Company at a 50% discount to the market price at that time.

Outstanding Share Data

As at the date of this MD&A, the Company had 81,302,154 common shares and 1,458,651 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 over the business cycle.

In February 2024, the quarterly dividend was increased by 11.6% or 5 cents per share, to 48 cents per common share, effective with the April payment. In 2024, the Company declared dividends of $1.92 per common share (2023 – $1.72 per common share).

Considering the Company's strong financial position and positive long-term outlook, the Board of Directors increased the quarterly dividend by four cents per share (8.3%) to 52 cents per share effective with the dividend payable on April 4, 2025, to shareholders on record on March 7, 2025. Toromont has paid dividends every year since 1968 and this is the 36th 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 on hand, cash generated from operations, long and short-term borrowings and the issuance of common shares. Borrowings are obtained through a variety of senior debentures, notes payable and committed credit facilities.

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

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

No amounts were drawn on this revolving credit facility as at December 31, 2024 or 2023. Standby letters of credit issued utilized $40.8 million of the facility as at December 31, 2024 (2023 – $40.3 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, 2024 and 2023.

The Company expects that continued cash flows from operations in 2025, together with cash and cash equivalents on hand (2024 – $890.8 million) and currently available credit facilities will be more than sufficient to fund requirements for investments in working capital, capital assets, 2025 debenture repayment and dividend payments through the next 12 months. The Company's credit ratings will also continue to provide access to capital markets to facilitate future debt issuance. The Company also has a certain degree of flexibility in its operating and investing plans to mitigate fluctuations.

Principal Components of Cash Flow

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

($ thousands)	**2024**	2023
Cash and cash equivalents, beginning of year	**$ 1,040,757**	$ 927,780
Cash, provided by (used in):		
Operating activities		
Operations	**696,392**	701,421
Change in non-cash working capital and other	**(188,189)**	(177,021)
Net rental fleet additions	**(148,976)**	(171,192)
	359,227	353,208
Investing activities	**(206,801)**	(104,313)
Financing activities	**(303,541)**	(164,451)
Effect of foreign exchange on cash and cash equivalents balances	**1,173**	(210)
(Decrease) increase in cash and cash equivalents during the year from continuing operations	**$ (149,942)**	$ 84,234
Discontinued operations	**$ —**	$ 28,743
Cash and cash equivalents, end of year	**$ 890,815**	$ 1,040,757

Cash Flows from Operating Activities

Operating activities provided cash in both 2024 and 2023.

Cash generated from operations decreased 1% from 2023 reflecting in part the lower net earnings, which decreased 4%.

Non-cash working capital and other used cash in 2024, as higher inventory levels, held in part for future customer deliveries, and lower deferred revenue balances were partially offset by higher accounts payable, on the timing of payments to suppliers.

Non-cash working capital and other also used cash in 2023, as working capital levels increased on higher activity levels. Accounts receivable and inventory both increased reflective of activity, while accounts payable reduced on timing of payment to vendors. This was partially offset by higher customer deposits received on future order delivery.

Cash used for net rental fleet additions (purchases less proceeds of dispositions) decreased by $22.2 million in 2024 compared to 2023. The Company continued to invest in both the heavy and light equipment rental fleets across Eastern Canada reflective of long-term growth strategies, although at lower rates than in the comparative period. Dispositions were relatively unchanged year over year as aged units were rolled out as part of regular fleet management.

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 used $206.8 million in 2024 compared to $104.3 million in 2023.

During the year, the Company used cash of $73.6 million for the acquisition of Tri-City. See note 4 to the consolidated financial statements for further information on this transaction.

Toromont invested $136.5 million in 2024 in property, plant and equipment (2023 – $114.5 million), as follows:

- $65.1 million additions for land, buildings and construction in process for new and upgraded facilities across the business (2023 – $53.2 million);
- $53.5 million for normal replacement of service and delivery vehicles (2023 – $44.6 million);
- $3.6 million for upgrades and enhancements to information technology infrastructure and office furniture (2023 – $5.8 million); and
- $14.3 million for machinery and equipment replacements and upgrades (2023 – $10.9 million).

In 2023, the Company sold an excess property for gross proceeds of $9.2 million resulting in a capital gain of $5.0 million or $4.5 million after-tax. Total disposition proceeds for 2024 were $3.4 million (2023 – $10.3 million).

Cash Flows from Financing Activities

For the year ended December 31, 2024, financing activities used $303.5 million (2023 – used $164.5 million) in cash, major uses and sources of cash during the year included:

- Dividends paid to common shareholders of $153.6 million or $1.87 per share (2023 – $138.6 million or $1.68 per share);
- Cash received on exercise of share options of $20.3 million (2023 – $21.0 million);
- Purchase of shares under the NCIB program of $160.4 million (2023 – $37.5 million); and,
- Lease liability payments of $9.7 million (2023 – $9.4 million).

Cash Flows from Discontinued Operations

Net cash provided in 2023 from discontinued operations, AgWest Ltd., was $28.7 million, including $26.6 million in proceeds of disposition. See note 26 to the consolidated financial statements for further information on this transaction.

OUTLOOK

With a long-term focus on growth and returns, we remain dedicated to our operating and financial disciplines to ensure our costs are well managed, while we invest in capacity and capabilities to provide exceptional service to our customers.

We continue to monitor regional, national and global economic factors, in particular, inflationary pressures from price and wage increases, interest rate changes, tariffs, and general economic health of the industries we serve. The recent announcements on the tariffs between the US and Canada has created additional economic turbulence for every company engaged in cross border trade. Our team is engaged, monitoring and developing an appropriate action plan to navigate the potential impacts over the short and longer term when details become available. Foreign exchange rate volatility, and a weaker Canadian dollar are also being monitored given the majority of our supply of equipment and parts is sourced in US dollars. Hedging and pricing policies should limit bottom line exposure to changing exchange rates, however the impact on the economy as whole could be a factor. The global supply chain has improved gradually.

The Equipment Group's parts and service business provides stability supported by a large and diversified installed base of equipment. The long-term outlook for infrastructure projects and other construction activity is positive across most territories although tied somewhat to the general economic climate. Mine investment and expansion will remain dependent on global economic and financial conditions. We have had several years of significant deliveries to the mining industry which has impacted sales mix, however should support product support activity in the future as the machines are utilized. Power systems, particularly prime and stand-by power generation, continues to be in demand. Our 2025 investment in an enclosure manufacturer should support our position and future growth in this market.

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

CIMCO's installed base supports current and future operations and growth trends. CIMCO has a wide product offering using natural refrigerants including innovative CO_2 solutions, which remains a differentiator in the markets they serve. In industrial markets, CIMCO's proven track record and strong geographical coverage provides growth opportunities. Current backlog is 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 and cash equivalents on hand, cash generated from operations and existing long-term financing facilities.

Payments due by year

($ thousands)	**2025**	**2026**	**2027**	**2028**	**2029**	**Thereafter**	**Total**
Long-term debt							
Principal	$ 150,000	$ —	$ 500,000	$ —	$ —	$ —	**$ 650,000**
Interest	23,374	19,200	16,000	—	—	—	**58,574**
Accounts payable and accrued liabilities	698,222	—	—	—	—	—	**698,222**
Lease liabilities	8,812	6,385	5,902	5,485	4,357	10,358	**41,299**
	$ 880,408	$ 25,585	$ 521,902	$ 5,485	$ 4,357	$ 10,358	**$1,448,095**

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 are reset with new actuarial funding valuations at least every three years. Contributions in 2024 totaled $3.8 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 $7.2 million in 2025.

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. Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

Years ended December 31	2024	2023	2022	2021	2020
EXPANDING MARKETS AND BROADENING PRODUCT OFFERINGS					
Revenue growth	**8.6%**	12.3%	8.7%	11.6%	(5.5)%
Revenue per employee (thousands)	**$ 698**	$ 668	$ 628	$ 617	$ 548
STRENGTHENING PRODUCT SUPPORT					
Product support revenue growth	**3.0%**	11.1%	15.6%	5.4%	(4.5)%
INVESTING IN OUR RESOURCES					
Investment in information technology (millions)	**$ 39.6**	$ 36.4	$ 35.6	$ 34.7	$ 37.4
Return on capital employed [(1)]	**25.7%**	30.1%	32.5%	27.0%	20.7%
STRONG FINANCIAL POSITION					
Non-cash working capital (millions) [(1)]	**$ 930.3**	$ 704.0	$ 584.7	$ 377.9	$ 486.8
Net debt to total capitalization [(1)]	**(9)%**	(17)%	(14)%	(16)%	3%
Book value (shareholders' equity) per share	**$ 36.35**	$ 32.61	$ 28.25	$ 23.69	$ 20.60
BUILD SHAREHOLDER VALUE					
Basic earnings per share growth	**(3.9)%**	17.6%	36.4%	30.2%	(13.5)%
Growth in dividends declared per share	**11.6%**	10.3%	14.7%	9.7%	14.8%
Return on equity [(1)]	**19.2%**	22.8%	23.3%	19.6%	16.4%

[(1)] Defined in the sections title "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 through a challenging period (including the pandemic in 2020), with good operating performance, financial results, cash generation and financial position.

Since 2020, revenue increased at an average annual rate of 7.1%, with product support growing at 6.1% annually. Over this period, growth in revenue has resulted from:

- Optimizing operations and go-to-market strategies to increase market share,
- 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 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, declared in March 2020, which resulted in a significant downturn in economic activity and disruption of normal operations. Site restrictions and closures impacted the timing of construction and delivery schedules, as well as product supply and demand,
- Inability to source equipment and parts from suppliers to meet customer demand or delivery schedules, as a result of specific supplier issues and more generally the global supply chain disruption caused by the pandemic;
- Economic weakness and uncertainty, both generally and in specific markets or sectors;
- Geopolitical developments;
- Volatility in commodity prices;
- Competitive conditions;
- Inflationary pressures and rising interest rates; and
- Inability to hire necessary skilled technicians to service market demand.

Changes in the Canadian/US exchange rate also affect reported revenue as the exchange rate impacts the purchase price of equipment that, in turn, is reflected in selling prices. Since 2020, the average annual exchange rate of the Canadian dollar against the US dollar has varied from $0.73 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 and secure 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 -9% at the end of 2024 compared to -17% at the end of 2023. Since 2020, strong cash generation has allowed the Company to invest in the business, while building cash balances.

Toromont has paid dividends consistently since 1968 and has increased the dividend in each of the last 35 years, 36 years including the recent increase announced in February 2025. The Company declared dividends of $1.92 per common share in 2024, or $0.48 per quarter (2023 – $1.72 per common share (increase of 11.6%).

CONSOLIDATED FOURTH QUARTER OPERATING RESULTS

	Three months ended December 31			
($ thousands, except per share amounts)	**2024**	2023	$ change	% change
REVENUE	**$ 1,306,953**	$ 1,226,937	$ 80,016	7 %
Cost of goods sold	**951,184**	897,994	53,190	6 %
Gross profit	**355,769**	328,943	26,826	8 %
Selling and administrative expenses	**144,602**	124,388	20,214	16 %
OPERATING INCOME	**211,167**	204,555	6,612	3 %
Interest expense	**7,415**	7,122	293	4 %
Interest and investment income	**(10,588)**	(13,132)	2,544	(19)%
Income before income taxes	**214,340**	210,565	3,775	2 %
Income taxes	**58,044**	56,513	1,531	3 %
NET EARNINGS from continuing operations	**$ 156,296**	$ 154,052	$ 2,244	1 %
BASIC EARNINGS PER SHARE				
Continuing operations	**$ 1.91**	$ 1.87	$ 0.04	2 %
KEY RATIOS:				
Gross profit margin	**27.2%**	26.8%		
Selling and administrative expenses as a % of revenue	**11.1%**	10.1%		
Operating income margin	**16.2%**	16.7%		
Income taxes as a % of income before income taxes	**27.1%**	26.8%		

Results for the fourth quarter of 2024 reflected good growth in revenue across all revenue streams, with solid equipment deliveries and execution against order backlog and project schedules. Gross profit margins were higher compared to prior year, dampened by lower package sales margins, on timing of project completion impacting cost savings and unfavourable sales mix, with a lower percentage of product support revenue to total. Operating income was up 3% compared to last year, mainly reflecting the higher revenue levels and increased gross margins, slightly dampened by higher expense levels and lower property gains.

Revenue increased 7% to $1.3 billion, with the Equipment Group up 5% and CIMCO up 23%. Equipment and package sales delivery increased 9% on equipment availability, as well as scheduled deliveries against order backlog. Rental activity improved, up 6%. Product support activity increased across both Groups, also up 4%.

Gross profit margins increased 40 bps to 27.2% in the quarter, with higher gross margins in the Equipment Group, offset by lower margins at CIMCO. Overall sales mix was unfavourable with a higher proportion of equipment revenue to total revenue, reducing gross profit margin by 30 bps.

Selling and administrative expenses increased $20.2 million or 16% in the fourth quarter compared to the prior year. Compensation costs were $7.8 million higher on increased staffing levels, annual salary increases and higher profit sharing accruals on the higher income. Sales related expenses increased $7.3 million in the quarter, reflecting the higher activity levels. Other expenses such as occupancy costs and information technology have increased in light of sales levels, planned investment and inflation. Allowance for doubtful accounts increased $4.4 million in the quarter, reflecting certain exposures. MTM adjustments on cash-settled DSUs reduced expenses $4.9 million compared to the fourth quarter last year on underlying share price changes. Selling and administrative expenses were 100 basis points higher as a percentage of revenue (11.1% versus 10.1% last year).

Operating income increased $6.6 million or 3% reflecting the higher revenue and gross margins offset by the higher expense levels given the higher activity. Operating income margin decreased 50 bps to 16.2%, reflecting the higher expense levels.

Interest expense increased $0.3 million in the quarter largely unchanged from 2023.

Interest income decreased $2.5 million on lower average cash balances compared to similar period in 2023.

The effective income tax rate for the fourth quarter was 27.1% compared to 26.8% in 2023, mainly as a result of the lower capital gains rate on the property dispositions.

Net earnings in the quarter increased $2.2 million or 1% to $156.3 million. Basic EPS increased $0.04 or 2% to $1.91 versus $1.87 in 2023.

BUSINESS SEGMENT FOURTH QUARTER OPERATING RESULTS

Equipment Group

	Three months ended December 31			
($ thousands, except as noted)	**2024**	2023	$ change	% change
Equipment sales and rentals				
New	**$ 514,515**	$ 480,556	$ 33,959	7 %
Used	**68,172**	70,461	(2,289)	(3)%
Rentals	**141,952**	133,346	8,606	6 %
Total equipment sales and rentals	**724,639**	684,363	40,276	6 %
Product support	**458,682**	441,732	16,950	4 %
Power generation	**2,632**	2,812	(180)	(6)%
Total revenue	**$ 1,185,953**	$ 1,128,907	$ 57,046	5 %
Operating income	**$ 193,192**	$ 192,368	$ 824	— %
Bookings ($ millions)	**$ 487.4**	$ 537.2	$ (49.8)	(9)%
KEY RATIOS:				
Product support revenue as a % of total revenue	**38.7%**	39.1%		
Operating income margin	**16.3%**	17.0%		
Group total revenue as a % of consolidated revenue	**90.7%**	92.0%		

The Equipment Group delivered good results in the quarter, with continued sales growth up 5%, reflecting the inflow of new equipment supply and good deliveries against order backlog. Improved availability of new equipment continues to shift the demand from used equipment sales. Rental revenue increased on a larger fleet and product support activity continued. Higher gross margins were dampened by lower rental margins (lower fleet utilization) and an unfavourable sales mix of lower product support to total revenue. Operating income was higher as the higher revenue and gross margins offset the heightened expense levels to support the higher activity.

Total equipment sales (new and used) increased $31.7 million or 6%. New equipment sales increased 7% on good deliveries in the construction, mining and material handling, slightly dampened by lower power systems deliveries. Used equipment sales were down slightly on lower rental fleet dispositions. Overall, total equipment revenue change by market segment was as follows for the quarter: construction (+6%), mining (+4%), power systems (-1%), and material handling (+44%).

Rental revenue increased $8.6 million or 6% in the quarter, largely due to higher RPO fleet revenue (+62%) reflecting a larger fleet. Heavy equipment rentals increased 11% in the quarter largely due to the Tri-City acquisition. Material handling rentals increased 37%, although on a small base. These increases were partially offset by lower light equipment rentals (-1%).

Product support revenue increased $17.0 million or 4% on higher parts (up 2%) and service (up 8%). Activity levels were good across most market segments and regions, with changes by market in the quarter as follows: mining (+2%); power systems (+8%); construction (+5%) and material handling (-1%).

Gross margins increased 60 bps in the quarter versus last year. Equipment margins improved (+100 bps) on sales mix while product support margins (+50 bps) improved on good execution. Rental margins continue to be challenged by lower utilization, dampening gross margins 70 bps. An unfavourable sales mix, with a higher proportion of equipment revenue to total revenue, dampened gross margins by 20 bps.

Selling and administrative expenses increased $21.8 million or 20%. Compensation costs were higher reflecting higher staffing levels and salary increases. Sales-related and other expenses such as training, travel and occupancy costs have increased in light of higher activity, planned investment and inflation. Allowance for doubtful accounts increased $4.7 million in the quarter, reflecting certain exposures, offset by good collections in other areas.

Operating income increased $0.8 million (unchanged as a percent) in the quarter. Operating income was 16.3% as a percentage of revenue, a decrease of 70 bps versus the comparable period last year, mainly reflecting higher gross margins more than offset by the higher expenses.

Bookings decreased $49.8 million or 9% to $487.4 million. Improved bookings in construction, power systems and material handling sectors were more than offset by lower mining orders, against a tough comparator of large customer orders in Q4 2023. Bookings for the fourth quarter were up in construction (+6%), power systems (+18%), and material handling (+67%), largely offset by lower orders in mining (-65%).

CIMCO

	Three months ended December 31			
($ thousands, except as noted)	**2024**	2023	$ change	% change
Package sales	**$ 65,852**	$ 44,924	$ 20,928	47 %
Product support	**55,148**	53,106	2,042	4 %
Total revenue	**$ 121,000**	$ 98,030	$ 22,970	23 %
Operating income	**$ 17,975**	$ 12,187	$ 5,788	47 %
Bookings ($ millions)	**$ 126.0**	$ 56.2	$ 69.8	nm
KEY RATIOS:				
Product support revenue as a % of total revenue	**45.6%**	54.2%		
Operating income margin	**14.9%**	12.4%		
Group total revenue as a % of consolidated revenue	**9.3%**	8.0%		

CIMCO continued to deliver strong results in the fourth quarter with good execution in both Canada and the US, coupled with healthy activity levels. Revenue increased in the fourth quarter driven by strong package sales, on improvements in equipment delivery schedules and execution of the healthy backlog going into Q4, as well as, on the continued strong growth in product support activity levels. Operating income increased on the higher revenue, partially offset by lower gross margins and the higher expenses.

Package revenue increased $20.9 million or 47% in the quarter compared to last year, with good equipment delivery schedules and strong execution on construction schedules. Revenue was up in both markets, with recreational revenue up 10% and industrial revenue up 77%. In Canada, revenue was up 64%, largely lead by strong industrial revenue (+105%) along with a moderate increase in recreational activity (+11%). In the US, package sales were down 2% mainly on lower industrial activity (-15% against a tough comparative), which was only slightly offset by marginally higher recreational activity (+9%).

Product support revenue increased $2.0 million or 4% from last year with an increase in Canada (+9%), partially offset by lower US revenue (-12%). The increased technician base continues to support activity levels.

Gross margins decreased 210 bps in the quarter versus the comparable period in 2023. Margins were mainly dampened by a decrease in package margins down 270 bps, resulting from the timing of stage of-completion of construction projects. An unfavourable sales mix (down 20 bps) also reduced margins on a lower proportion of product support revenue to total revenue. These reductions more than offset an improvement in product support margins up 80 bps. Improving execution and efficiency continues to be a focus.

Selling and administrative expenses decreased $1.6 million or 10%. Allowance for doubtful accounts increased $0.3 million from the similar period last year reflecting delayed payments on project billings. Most expenses including travel, training, occupancy and information technology were lower than last year on good focus on cost containment strategies. Compensation expense in the quarter was lower reflecting the timing of accruals for profit sharing.

Operating income increased $5.8 million in the quarter versus a year ago, largely reflecting the higher revenue and lower selling and administrative expenses, which were slightly dampened by lower gross margins. As a percentage of revenue, operating income increased to 14.9% in 2024, from 12.4% in 2023.

Bookings increased $69.8 million or 124% to $126.0 million with increases in both the recreational (+68%) and the industrial markets (+174%). In Canada, bookings were up 48%, lead by strong industrial market activity (+82%), slightly offset by lower bookings in the recreational market (-2%). In the US, bookings were strong in both the recreational (+204%) and the industrial markets (+932%). Timing of decisions by customers and receipt of orders can vary from period to period.

QUARTERLY RESULTS

The following table summarizes quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited and has been prepared on the same basis as the 2024 annual audited consolidated financial statements. Data reflects results including discontinued operations, unless otherwise noted.

($ thousands, except per share amounts)	**Q4 2024**	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
REVENUE								
Equipment Group	**$1,185,953**	$1,210,821	$1,235,649	$ 928,145	$1,128,907	$1,065,615	$1,070,194	$ 960,406
CIMCO	**121,000**	127,171	124,220	88,204	98,030	108,430	104,762	85,957
Revenue - continuing operations	**$1,306,953**	$1,337,992	$1,359,869	$1,016,349	$1,226,937	$1,174,045	$1,174,956	$1,046,363
NET EARNINGS	**$ 156,296**	$ 130,951	$ 135,350	$ 83,919	$ 154,052	$ 145,619	$ 139,037	$ 96,004
PER SHARE INFORMATION:								
Basic earnings per share	**$ 1.91**	$ 1.60	$ 1.65	$ 1.02	$ 1.87	$ 1.77	$ 1.69	$ 1.17
Diluted earnings per share	**$ 1.90**	$ 1.59	$ 1.64	$ 1.01	$ 1.86	$ 1.76	$ 1.68	$ 1.16
Dividends paid per share	**$ 0.48**	$ 0.48	$ 0.48	$ 0.43	$ 0.43	$ 0.43	$ 0.43	$ 0.39
Weighted average common shares outstanding – basic (in thousands)	**81,721**	81,931	82,090	82,309	82,315	82,282	82,294	82,333

Interim period revenue and earnings historically reflect variability from quarter to quarter due to seasonality. This trend has been impacted in recent years by the pandemic and resulting impact on the economy, including global supply chains. Such factors or others may result in variations to historically experienced trends.

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

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

Historically, inventories have increased through the year to meet the expected demand for higher deliveries in the third and fourth quarter. This trend can be impacted by equipment and parts availability. These seasonal sales trends also typically lead to accounts receivable to be at their highest level at year-end.

In 2023 and 2024, we saw gradual improvements to supply chain availability across most of our product offerings, although constraints in some areas still exist.

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

Local and global economic factors, and supply chain issues have affected and may continue to impact these trends. There can be no certainty that this historical seasonal pattern will recur in the future.

SELECTED ANNUAL INFORMATION

The selected information presented below has been derived from and should be read in conjunction with the annual consolidated financial statements of the Company dated December 31, 2024, 2023 and 2022. The analysis of the data contained in the table focuses on the trends and significant events or items affecting the results of operations and financial condition of the Company over the latest three year period.

Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

($ thousands, except per share amounts)		**2024**		2023		2022
Revenue	**$**	**5,021,163**	$	4,622,301	$	4,115,347
Net earnings	**$**	**506,516**	$	529,107	$	450,100
Earnings per share ("EPS")						
Basic	**$**	**6.18**	$	6.43	$	5.47
Diluted	**$**	**6.13**	$	6.38	$	5.42
Dividends declared per share	**$**	**1.92**	$	1.72	$	1.56
Total assets	**$**	**4,868,492**	$	4,571,847	$	4,182,125
Total long-term debt	**$**	**648,428**	$	647,784	$	647,060
Weighted average common shares outstanding - basic (in millions)		**82.0**		82.3		82.3

Revenue increased 9% in 2024 versus the prior year. Equipment Group revenue increased 8% on growth in total equipment sales and product support activity, reflecting the increase in inflow and delivery of equipment, along with end customer demand. Rental revenue was relatively flat year over year due to lower market activity. CIMCO revenue increased 16% with the advancement on construction schedules against a strong order backlog and improved execution, while product support activity continued to increase year over year with the hiring of more technicians and increased customer demand. General macroeconomic factors such as inflation, higher interest rates for majority of the year, geopolitical developments and Canadian dollar movements continued to challenge the business, as well as influence buying patterns.

Revenue increased 12% in 2023 compared to 2022. Equipment Group revenue increased 12% on growth in equipment sales, rental revenue and product support activity, reflecting the improved inflow and deliver of equipment, along with end customer demand. CIMCO revenue increased 13% versus a tough comparable, with the advancement on construction schedules against a strong order backlog and improved execution, while product support activity increased year over year with the higher technician workforce. General macroeconomic factors such as inflation, higher interest rates, geopolitical developments and Canadian dollar movements continued to challenge the business, as well as influence buying patterns.

Net earnings decreased 4% in 2024, mainly reflecting the 9% increase in revenue, offset by lower gross margins and higher selling and administrative expenses. Net financing costs were lower, due to the higher interest earned on cash balances year over year.

Net earnings increased 18% in 2023, mainly reflecting the 12% increase in revenue, partially offset by higher selling and administrative expenses on the increased activity. Net financing costs were significantly lower, on the higher interest earned on cash balances year over year.

Dividends have generally increased in proportion to trailing earnings growth. The quarterly dividend rate increased: in 2022 by 11.4% to $0.39 per share; in 2023 by 10.3% to $0.43; and in 2024 by 11.6% to $0.48 per share. The Company has paid dividends every year since 1968.

Total assets increased 6% in 2024 compared to 2023, and 9% in 2023 compared to 2022. Higher working capital, including inventories and accounts receivable reflect increasing activity levels. Increased investment in capital assets including rental fleets were also made each year to support growth, network expansion and other strategic initiatives.

Long-term debt was largely unchanged over the three year period noted. In September 2025, $150 million of the debenture debt is repayable, thus reflected under current as at December 31, 2024. The $500 million revolving credit facility matures in November 2026.

CORPORATE DEVELOPMENT

On January 31, 2025, the Company acquired 60% of the shares of AVL Manufacturing Inc. ("AVL") for consideration of $67.5 million cash plus the issuance of 110.4 thousand Toromont shares (nominally $13.5 million based on 5 day average share price as at signing) for a total consideration of $81.0 million (subject to post-closing adjustments). In addition, the Company has committed to purchase the remaining 40% at various dates through to 2031. The initial purchase price was funded with cash on hand. AVL is a leader in the design and fabrication of power generation and storage enclosures. AVL has operations in Hamilton, Ontario and currently serves the data center market across eastern North America. The Company has not yet finalized its determination of fair value of the assets acquired and liabilities assumed. The acquisition, while accretive, is not expected to have an overall material impact on Toromont’s combined revenue, earnings or balance sheet in the near-term.

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to risks that may potentially impact its business, results of operations and financial condition. The Company and each operating segment employ risk management strategies designed to identify, mitigate and report on these risks.

We maintain a strong risk management culture to protect and enhance shareholder value. The Board reviews all material risks on an annual basis. The Audit Committee and Board also reviews the adequacy of disclosures of key risks in our AIF, MD&A and financial statements on a quarterly and annual basis, as applicable.

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, inflation, geo-political factors impacting the economy, credit conditions and the availability of capital to finance purchases, and the level of government infrastructure spending. Toromont's customers are typically affected, to varying degrees, by these factors and trends in the general business cycle as well as 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 services. Lower commodity prices reduces short term demand as development of new and existing projects, along with production levels, may be curtailed or deferred, leading to less demand for heavy equipment, parts and service.

We rely on Caterpillar to supply financing to our customers. In periods of global credit market disruption, Caterpillar may tighten sources or terms of financing for our customers. In the current economic climate, our customers may have limited access to financing from Caterpillar or alternate sources such as financial institutions. Disruption in Caterpillar's or our customers' access to liquidity, due to the effects of the pandemic or otherwise, could have a material adverse impact on our business, results of operations and financial condition.

As well, many of Toromont's customers export products to the U.S. Any changes to tariffs on export or import to the US can negatively impact their overall competitiveness and demand for their products, which in turn may reduce product purchases from Toromont.

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. Product support activity has been, and will continue to be, fundamental to the mitigation of downturns in the business cycle as it is typically subject to less volatility than equipment supply activities. We mitigate the economic risks associated with lower business volumes at a regional level through cost reduction initiatives and through constant evaluation of efficiency and process improvements. No assurances can be given that our mitigating steps will offset the impact of these economic risks.

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 customer needs, including no/low carbon alternatives to support customer energy transition and net zero goals, 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, remanufacturing capabilities, and other sources (such as the dealer network) to meet demand, but there can be no assurance of continued success in this area. We continue to monitor these issues as they could adversely affect our business, results of operations, and financial condition.

The general supply chain is also affected by other factors, including global demand and economic factors, more recently resulting in key component and parts shortages and longer order and shipment times for equipment and parts. We continue to monitor these issues as they could adversely affect our business, results of operations, and financial condition.

The recent announcements on the tariffs between the US and Canada has created additional economic turbulence for every company engaged in cross border trade. Our team is engaged, monitoring and developing an appropriate action plan to navigate the potential impacts over the short and longer term when details become available.

In addition, new digital and other technologies and advancements to equipment in the market, such as equipment electrification, can become disruptive to our operations, market share and business model. We scan continuously for emerging digital and other technologies and equipment advancements and their potential impacts. In order to face this disruption risk, our digital and technology solutions initiatives are focused on investigating emerging digital technologies to determine how they can impact customers and our core business opportunities, improving the customer experience, and identifying and pursuing new opportunities for revenue generation in the digitally enabled value-added services area. While execution performance to date has been strong, our failure to meet these objectives could have an adverse impact on our business.

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 including digital performance solutions, 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.

We may encounter increased competition in the future through new entrants in the market and the expansion of suppliers' e-commerce channels for parts and equipment sales, which may also put pressure on prices. We may also encounter competition through the introduction of digitally enabled or digitally enhanced value-added services from third parties, including potential new non-traditional entrants into the market. In addition, pressure on prices may occur as a result of increased data in the marketplace, increasing price transparency and customers' pursuit of value-added services, which would put commoditization pressure on equipment, core physical parts and service sales.

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.

Health and Safety

Certain hazards and risks are inherent in the Company's operations, with the potential for serious injury, loss of life and damage to property, which could result in negative financial and/or reputational impacts.

To mitigate these risks, a comprehensive and standardized health and safety program is in place, which includes leadership walkthroughs, training, inspections, supervisory observations, safety standards for critical operations, safe work procedures, job hazard assessments, incident investigations, emergency preparedness, industrial hygiene assessments and other measures focused on maintaining a safe and healthy work environment. To make the application of the different safety processes easier for employees and enable data analysis, some of the key processes are supported by digital tools such as electronic job hazard assessments and vehicle monitoring systems. No assurance can be given that these mitigating steps will eliminate these risks and the potential for negative financial and/or reputational impacts.

Further information on the Company's health and safety practices and programs can be found in the Sustainability Report on our website at www.toromont.com.

Key Personnel

Our success in achieving our goals is largely dependent on the abilities and experience of our senior management team and other key personnel. Our future performance will also depend on our ability to attract, develop, motivate and retain highly qualified diverse and inclusive talent in all areas of our business and, as applicable, to successfully integrate employees transitioning to us from acquisitions. Competition for highly skilled management, sales and technical personnel is intense, particularly in certain geographic areas where we operate. 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. To help mitigate this risk, we have implemented a number of human resources initiatives, including training and career development programs, succession plans, employee experience surveys, performance management systems, compensation programs and recruiting strategies.

Although we actively manage our human resources risks, there can be no assurance we will be successful in our efforts. The loss of certain key employees, or failure to attract, retain and engage talent as needed, may have an adverse impact on our business, results of operations and future prospects.

Certain of our employees are represented by unions and we are party to a number of collective bargaining agreements, covering approximately 1,030 employees. Of the 21 agreements in place, 10 are scheduled for negotiation during 2025.

While we are committed to the collective bargaining process and to concluding a fair contract for us and for our employees, the renegotiation process could result in future work stoppages or higher wages and benefits paid to union members. Generally, Toromont believes its labour relations are satisfactory and does not anticipate any difficulties in respect of upcoming negotiations. The failure to renew collective agreements with satisfactory terms and in a timely manner could have an adverse impact on our business, results of operations, and financial condition.

Credit Risk

Credit risk is the risk of financial loss to us if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arise principally in respect of cash and 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's customers are engaged in various industries including construction, mining, food and beverage, and governmental agencies, predominately based in Canada. Toromont also maintains policies to manage credit risk, including establishing and reviewing credit limits for customers taking into account factors such as projected purchase values, credit worthiness of the customer, and payment performance.

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.

Contract Execution, Including Product Warranty

We enter into thermal heating and cooling and power systems contracts, which are engineered solutions involving the design, assembly and installation of large, complex systems. The length of these contracts varies but typically construction is completed in under two years. The contracts are generally at a fixed price over the term and provide for penalties payable by us if contractual milestones are not met.

We have developed processes and have controls in place to ensure contracts are bid appropriately, but due to the nature and complexity of these contracts, there is a risk that significant cost overruns may be incurred. If we miscalculate the extent of work required, or if costs increase beyond those anticipated, contract profitability may be adversely affected. We closely monitor these contracts for early warning signs of cost overruns, however, there can be no assurance that cost overruns will be avoided.

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 machine hours, with provisions for inflationary and foreign 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. Preventative measures such as condition monitoring and scheduled fluid sampling help identify problems in equipment early on and help reduce the risk of costly repair work. 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. There is no assurance that such measures will always address such risks. Our failure to effectively price and manage these contracts could have a material adverse impact on our business, results of operations and financial position.

Standard and extended warranties are provided for most of the equipment, parts and services sold. 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. There is a risk that product quality erosion or lack of skilled labor could increase warranty claims in the future, or that future warranty claims may be greater than we anticipate. If our liability in respect of such claims is greater than anticipated, it may have a material adverse impact on our business, results of operations and financial condition. To mitigate this risk, we regularly review our warranty offering to assess the experience with the product and endeavour to adequately manage the costs to service the product over its warranty period. Additionally, we work closely with Caterpillar on all product quality issues and have extensive product improvement, product support and pre-delivery inspection programs in place. No assurance can be given that these steps will fully mitigate these risks.

Foreign Exchange

Toromont's operating results are reported in Canadian dollars. While the majority of Toromont's sales are transacted in Canadian dollars, significant portions of its purchases are made in U.S. dollars. Changes in the U.S. dollar exchange rate can have a negative or positive impact on revenue, margins and working capital balances.

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.

The rate of exchange between the Canadian and US dollar can have an impact on revenue trends. 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. As a result, a stronger Canadian dollar can adversely affect revenue, while a weaker Canadian dollar can increase reported revenue. 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, revenue 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$0.73 in 2024 and US$0.74 in 2023.

As well, many of Toromont's customers export products to the U.S., or sell products based on the US dollar. A strengthening Canadian dollar can negatively impact their overall competitiveness and demand for their products, which in turn may reduce product purchases from Toromont.

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 in 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 also 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.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. The Company follows an active cash management program including continuous monitoring of actual and forecast cash flows. The Company also maintains syndicated credit facilities, and holds cash balances to provide added liquidity. Based on cash balances on hand, the availability of credit facilities, expected cash flow generation of operations, and the discretionary nature of some cash outflows, such as rental and capital expenditures, the Company expects to continue to have sufficient liquidity to meet operational needs.

The Company will also require capital to finance future growth and to refinance 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 financial market conditions, as well as the Company's current and expected future financial condition. Further, the Company's ability to increase its debt financing may be limited by existing financial covenants or 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.

Growth Initiatives

The Company's Strategic Plan establishes priorities for growth, including organic growth and strategic acquisitions.

We have strategic initiatives underway, designed to improve our market competitiveness, and our operational and financial performance. These initiatives include enhancing our customers' experience including expanding our product offering; operational excellence and sharing of best practices across our decentralized organization; continuous investment and improvement in systems and processes to reduce cost-to-serve and provide value-added information; and, improving employee relations and engagement. Failure to effectively execute on these initiatives may result in the inability to obtain desired business results and could adversely affect our business, results of operations and financial condition.

Climate Change

Toromont is committed to monitoring, reporting and reducing greenhouse gas ("GHG") emissions of our operations. Further, we see ourselves as valuable partners to our customers to help them reduce their carbon emissions and build resilience into their own operations.

Our service facilities and fleets of vehicles, generate direct GHG emissions (Scope 1) from fuel combustion in our fleet, natural gas use for heating facilities, and diesel use for engine and transmission diagnostics. We also generate indirect GHG emissions (Scope 2) from purchased electricity. Our strategy to address the climate change challenge is to focus on monitoring and reducing our emissions and to offer and develop products and services that help our customers further decarbonize their operations. Focus in this area is viewed as a shared responsibility among our employees and is an important part of our corporate culture.

Our principal climate-related risks are categorized into risks related to the transition to a lower carbon economy (transition risks) and physical risks resulting from climate change (physical risks) which may impact our operations and facilities.

Government and Other Regulation

Our business and customers are subject to evolving law, regulation, and intervention by governments at the federal, provincial, state, and municipal levels in the countries where we and they conduct operations. The nature and magnitude of regulatory risks has the potential to change over time, and have the potential to impact our existing and planned projects as well as impose costs of compliance and increase capital expenditures and operating expenses. In addition, changes to laws and regulations may impact our customers in ways that affect their demand for our products. Amendments to, or more stringent implementation of current laws and regulations governing our operations, or the operations of our customers could have a material adverse effect on our business, operating results or financial position. In addition, noncompliance with laws and regulations could significantly damage, and require us to spend substantial amounts of money to rebuild, our reputation and negatively impact our business.

Our operations expose Toromont to liability for environmental contamination, which may render the Company 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. Toromont maintains an environmental management program that includes robust policies and procedures, training and audit and compliance processes. We retain environmental engineering consultants to conduct the following activities: environmental site assessments prior to the acquisition or occupation; ongoing monitoring of soil and groundwater contamination; and remediation of contaminated sites. There can be no assurance that any future incidents, emissions or spills will not result in a material adverse effect on Toromont's results of operations or cash flows. Management is not aware of any material environmental concerns for which a provision has not been recorded.

We have in place, in each of our business units, programs for monitoring and compliance to ensure that we meet or exceed applicable laws and regulatory requirements. In addition, our Board has established and maintains the Human Resources and Health and Safety Committee, the Environment, Social and Governance Committee, and the Audit Committee to oversee, monitor, and report to the Board on compliance matters. More information about the mandates of these committees may be found in our most recent Management Proxy Circular, which can be found on our website www.toromont.com or under our profile on SEDAR at www.sedarplus.ca. No assurance can be given that these steps will be successful in completely mitigating these risks and ensuring we meet all applicable laws and regulatory requirements.

Information Technology

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 risks.

The integrity, reliability and availability of technology and the data processed by that technology is an integral part of our business processes, including marketing of equipment and support services, inventory and logistics optimization, business intelligence and finance. Some of these systems are integrated with our suppliers and other partners' core processes and systems.

Toromont continues to invest in information systems to improve business performance through our internal transactional systems and install or upgrade various business process enablement and decision support systems as appropriate on a continuous basis. These system implementations often drive business process changes as well as technology changes.

Information systems, technology and business process changes, and related organizational change, often carry a risk of business disruption, failure to achieve expected business benefits, cost overruns and ineffective design and operation of systems of internal control over financial reporting and disclosure controls and procedures. Benefits assessment, change management, risk and impact assessments, solution validation, strong project governance, communication and training have been identified as critical success factors in the successful implementation of new systems. Any disruptions to these systems or the failure of these systems to operate as expected, or any failure to appropriately adapt to business process changes, could adversely impact our operating results by limiting our ability to effectively monitor and control our operations.

In addition, new digital and other technologies and advancements to equipment in the market, such as equipment electrification, can become disruptive to our operations, market share and business model. We scan continuously for emerging digital and other technologies and equipment advancements and their potential impacts. In order to face this disruption risk, our digital and technology solutions initiatives are focused on investigating emerging digital technologies to determine how they can impact customers and our core business opportunities, improving the customer experience, and identifying and pursuing new opportunities for revenue generation in the digitally enabled value-added services area. While execution performance to date has been strong, our failure to meet these objectives could have an adverse impact on our business.

A rigorous management process is followed to manage these risks and a great deal of the business processes and systems transformation program focus is on developing capabilities to reduce and mitigate these risks, however, there is no certainty that these risks can be sufficiently reduced or mitigated.

Cybersecurity

Cybersecurity incidents related to our information technology systems are a threat to the integrity, reliability, and availability of technology and data. Cybersecurity incidents may take the form of malware, computer viruses, cyber threats, cyber extortion, employee error, malfeasance, system errors and other types of security and data breaches and may arise from inside and outside of our organization. Cybersecurity incidents could also target customer data or the security, integrity and/or reliability of the hardware and software installed in products we sell or service. We rely heavily on information technology systems, some of which are managed by third parties, to process, transmit and store electronic information, including personally identifiable information, credit card payment data and other sensitive customer and employee information, and to manage or support a variety of critical business processes and activities.

The Company continues to monitor and enhance its defenses and procedures to prevent, detect, respond to and manage these threats, which are constantly evolving, however there can be no assurance these efforts and measures will be able to prevent all cybersecurity incidents. 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, including the following: disruption of our business operations and lost revenue; unauthorized access to, or destruction, loss, theft, misappropriation or release of, our proprietary, confidential, sensitive or otherwise valuable information or that of our customers, suppliers or employees, which could be used for disruptive or otherwise harmful purposes; disruptions in the functioning or operation of equipment, which could lead to property loss or damage or personal injury or death; damage to our reputation with our customers, partners, suppliers, investors and the general public; a disruption to the proper functioning of our information technology systems; potential significant expenditures related to remediation; investigations by regulatory agencies or litigation, claims and liability for breach of contract, damages or other penalties; inability to process customer transactions or service customers; and/or disruptions to inventory management.

To mitigate information security risks, the Company, through a dedicated, full-time team of cybersecurity professionals, undertakes preventative measures, including controlling access to its network and applications using secure firewalls and limiting access to an "as-needed" basis. To identify information security risks, the company uses various detection methods, including monitoring event logs for firewalls, server, mail systems, and applications. Third-party experts are utilized to perform testing and assessments. The Company provides regular and mandatory information security training to employees as applicable and appropriate. The Company maintains an insurance policy with coverage for information security risk.

The security of the Company's data and other information is one of the operational risks overseen by the Board. Three members of the Board have knowledge and experience in technology, including cyber risk. Management reports to the Board regularly on information technology and security matters.

Risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cybersecurity and the continued development and enhancement of controls, processes, practices and training designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. To date, the Company has not experienced any material losses relating to cyber-attacks or other information security breaches; however, there can be no assurance that we will not incur such losses in the future.

Business Continuity Risks

The occurrence of one or more natural or man-made disasters, such as earthquakes, floods, hurricanes, unusually adverse weather, health pandemic outbreaks, boycotts, security breach, power loss, telecommunications failure, and geo-political events in countries in which we supply or sell goods, could materially adversely affect our business, people, customers and financial results. We maintain and continue to enhance our business continuity program to address and mitigate, to the extent possible, the impact of these risks. Our decentralized operations provides certain coverage in the case of localized issues. However, no such plan can eliminate the risks associated with events of this nature, which could still have a material adverse impact on our business, results of operations and financial condition.

Pandemic Risk

A pandemic can create significant volatility, uncertainty and economic disruption. A pandemic could exacerbate or amplify other risks and uncertainties facing the Company. Such risks include, but are not limited to:

- 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;

- a material reduction in demand for, or profitability of, our products or services;
- an increase in accounts receivable delinquencies from financial hardship for our customers;
- 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;
- increase in exposure to and reliance on networked systems and the internet increasing risk and frequency of cybersecurity incidents;
- the impact of additional legislation, regulation and other government interventions in response to pandemic;
- the negative impact on global debt and equity capital markets, including the trading price of the Company’s securities; and
- 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.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING 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 revenue, 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 judgments, estimates and assumptions, 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.

Toromont's material accounting policies and significant accounting estimates, assumptions and judgments are described in the consolidated financial statements. Refer to notes 2 and 3 of the audited consolidated financial statements.

Changes in Accounting Policies

The following amendments to accounting standards were adopted by the Company on January 1, 2024:

IAS 1 – *Presentation of Financial Statements – Disclosure of Accounting Policies*:
- Clarified the classification of liabilities as current or non-current based on contractual rights that are in existence at the end of the reporting period and are unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next 12 months is classified as non-current even if management intends or expects to settle the liability within 12 months. The amendments also introduced a definition of "settlement" to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.
- Clarified that only covenants with which an entity is obliged to comply with on or before the reporting date will affect a liability's classification as current or non-current. Further, disclosure is required for any information that enables users of financial statements to comprehend the possibility that non-current liabilities with covenants may become payable within 12 months.

IFRS 16 – *Lease Liability in a Sale and Leaseback*:
- Specified the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

IAS 7 – *Statement of Cash Flows* and IFRS 7 – *Supplier Finance Arrangements*:
- Specified that specific disclosure requirements should be presented to enhance current disclosure requirements, which are intended to assist users of the financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The implementation of these amendments to standards did not have a significant impact on the Company's consolidated financial statements. The Company has not early-adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments Issued but Not Effective

A number of amendments to standards and interpretations have been issued but are not yet effective up to the date of authorization of these consolidated financial statements, for the financial year ended December 31, 2024, and accordingly, have not been applied in preparing these consolidated financial statements. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards, amendments and interpretations to existing standards may have been issued but are not expected to have a material impact to the Company's consolidated financial statements. The Company is in the process of reviewing these amendments to determine the impact on the consolidated financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11 (effective January 1, 2026):
Annual improvements are limited to changes that either clarify the wording in an accounting standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the accounting standards. It contains amendments to five standards as a result of the IASB's annual improvements project.

Amendments to IFRS 9 and IFRS 7 – *Classification and Measurement of Financial Instruments* (effective January 1, 2026):

- Clarify the requirements for the timing of recognition and derecognition of financial assets and liabilities at settlement date, except for regular-way purchases or sales of financial assets and financial liabilities meeting conditions for new exception. The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date;
- Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion;
- Add new disclosures guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social and governance linked features; and,
- Add updates to the disclosures for equity instruments designated at fair value through OCI.

IFRS 18 – *Presentation and Disclosure of Financial Statements,* which replaces IAS 1 (effective January 1, 2027):

- Introduces new requirements on presentation and base disclosure requirements for financial statements, mostly within the statement of income or loss, including the requirement to classify income and expenses into three new categories – operating, investing and financing – and present specified totals and subtotals for operating profit and loss and profit and loss before financing and income taxes.
- Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g., employee compensation), by function (e.g., cost of sales) or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.
- Also provides enhanced guidance of information in the financial statements, such as disclosure of management-defined performance measures, and aggregation and disaggregation of financial information based on identified roles of the primary financial statements and the notes and eliminates classification options for interest and dividends in the statement of cash flows.
- In addition, narrow-scope amendments have been made to IAS 7, which include changing the starting point for determining cash flows from operations under the indirect method and the removal of the optionality around the classification of cash flows from dividends and interest.
- Minor consequential amendments to other standards were also made.
- Earlier adoption is permitted and the Company intends to adopt these when they become effective.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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, 2024.

Internal Control over Financial Reporting

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

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, 2024, using the criteria set forth in the Internal Control – Integrated Framework (2013 edition) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the CEO and CFO concluded that the Company's
internal control over financial reporting was effective as at December 31, 2024.

There have been no changes in the design of the Company's internal control over financial reporting during 2024, 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 revenue less cost of goods sold.

Operating Income

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

	Three months ended December 31		**Year ended December 31**	
($ thousands)	**2024**	2023	**2024**	2023
Net income from continuing operations	**$ 156,296**	$ 154,052	**$ 506,516**	$ 529,107
plus: Interest expense	**7,415**	7,122	**28,655**	28,098
less: Interest and investment income	**(10,588)**	(13,132)	**(53,637)**	(45,982)
plus: Income taxes	**58,044**	56,513	**188,638**	193,005
Operating income	**$ 211,167**	$ 204,555	**$ 670,172**	$ 704,228
Total revenue	**$ 1,306,953**	$ 1,226,937	**$ 5,021,163**	$ 4,622,301
Operating income margin	**16.2%**	16.7%	**13.3%**	15.2%

Net Debt to Total Capitalization/Equity

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

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

The calculations are as follows:

($ thousands)	**2024**	2023
Long-term debt	**$ 498,518**	$ 647,784
Current portion of long-term debt	**149,910**	—
less: Cash and cash equivalents	**890,815**	1,040,757
Net debt	**(242,387)**	(392,973)
Shareholders' equity	**2,955,393**	2,683,852
Total capitalization	**$ 2,713,006**	2,290,879
Net debt to total capitalization	**(9)%**	(17)%
Net debt to equity	**(0.08):1**	(0.15):1

NON-GAAP MEASURES

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

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

Working Capital

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

($ thousands)	**2024**	2023
Total current assets	**$ 2,890,746**	$ 2,810,804
less: Total current liabilities	**1,219,565**	1,066,065
Working capital	**$ 1,671,181**	$ 1,744,739

Non-Cash Working Capital

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

($ thousands)	**2024**	2023
Total current assets	**$ 2,890,746**	$ 2,810,804
less: Cash and cash equivalents	**890,815**	1,040,757
	1,999,931	1,770,047
Total current liabilities	**1,219,565**	1,066,065
less: Current portion of long-term debt	**149,910**	—
	1,069,655	1,066,065
Non-cash working capital	**$ 930,276**	$ 703,982

Market Capitalization & Total Enterprise Value

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

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

The calculations are as follows:

($ thousands, except for shares and share price)		**2024**		2023
Outstanding common shares		**81,300,574**		82,297,341
times: Ending share price	**$**	**113.64**	$	116.10
Market capitalization	**$**	**9,238,997**	$	9,554,721
Long-term debt	**$**	**498,518**	$	647,784
Current portion of long-term debt		**149,910**		—
less: Cash and cash equivalents		**890,815**		1,040,757
Net debt	**$**	**(242,387)**	$	(392,973)
Total enterprise value	**$**	**8,996,610**	$	9,161,748

KEY PERFORMANCE INDICATORS ("KPIs")

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

Gross Profit Margin

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

Operating Income Margin

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

Order Bookings and Backlog

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

Return on Capital Employed ("ROCE")

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

($ thousands)	**2024**	2023
Net earnings	**$ 506,516**	$ 534,712
plus: Interest expense	**28,655**	28,101
less: Interest and investment income	**(53,637)**	(46,190)
plus: Interest income – rental conversions	**3,635**	3,348
plus: Income taxes	**188,638**	194,849
Adjusted net earnings	**$ 673,807**	$ 714,820
Average capital employed	**$ 2,621,627**	$ 2,347,864
Return on capital employed	**25.7%**	30.4%

Return on Equity ("ROE")

ROE is monitored to assess profitability and is calculated by dividing net earnings by opening shareholders' equity (adjusted for shares issued and shares repurchased and cancelled during the year).

($ thousands)	**2024**	2023
Net earnings	**$ 506,516**	$ 534,712
Opening shareholder's equity (net of adjustments)	**$ 2,636,834**	$ 2,317,906
Return on equity	**19.2%**	23.1%