Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the year ended December 31, 2020, compared to the preceding year. This MD&A should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2020.

The consolidated financial statements reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The information in this MD&A is current to February 10, 2021.

Advisory

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

Numerous risks and uncertainties could cause the actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: business cycles, including general economic conditions in the countries and regions in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; potential risks and uncertainties relating to the novel COVID-19 global pandemic, including an economic downturn, reduction or disruption in supply or demand for our products and services, or adverse impacts on our workforce, capital resources, or share trading price or liquidity, and 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; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability of financing; potential environmental liabilities of the acquired businesses and changes to environmental regulation; failure to attract and retain key employees; damage to the reputation of Caterpillar, product quality and product safety risks which could expose Toromont to product liability claims and negative publicity; new, or changes to current, federal and provincial laws, rules and regulations including changes in infrastructure spending; any requirement of Toromont to make contributions to the registered funded defined benefit pension plans, postemployment benefits plan or the multi-employer pension plan obligations in which it participates and acquired in excess of those currently contemplated; and ability to secure insurance coverage and cost of premiums. Readers are cautioned that the foregoing list of factors is not exhaustive.

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this MD&A. For a further description of certain risks and uncertainties

and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and "Outlook" sections herein. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

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

CORPORATE PROFILE AND BUSINESS SEGMENTATION

As at December 31, 2020, Toromont employed over 6,000 people in more than 150 locations across Canada and the United States. Toromont is listed on the Toronto Stock Exchange under the symbol TIH.

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

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

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

PRIMARY OBJECTIVE AND MAJOR STRATEGIES

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

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

Expand Markets

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

Strengthen Product Support

Toromont's parts and service business is a significant contributor to overall profitability and serves to stabilize results through economic downturns. Product support activities also represent opportunities to develop closer relationships with customers and differentiate the Company's 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 initiatives, strengthen customer service capabilities, generate new opportunities for growth, drive efficiency and increase returns to shareholders.

Maintain a Strong Financial Position

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

CONSOLIDATED ANNUAL OPERATING RESULTS

($ thousands, except per share amounts)	**2020**	2019	$ change	% change
REVENUES	**$ 3,478,897**	$ 3,678,705	(199,808)	(5%)
Cost of goods sold	**2,643,151**	2,772,583	(129,432)	(5%)
Gross profit [(1)]	**835,746**	906,122	(70,376)	(8%)
Selling and administrative expenses	**463,312**	493,627	(30,315)	(6%)
OPERATING INCOME [(1)]	**372,434**	412,495	(40,061)	(10%)
Interest expense	**29,981**	27,707	2,274	8%
Interest and investment income	**(9,083)**	(9,752)	669	(7%)
Income before income taxes	**351,536**	394,540	(43,004)	(11%)
Income taxes	**96,621**	107,740	(11,119)	(10%)
NET EARNINGS	**254,915**	286,800	(31,885)	(11%)
BASIC EARNINGS PER SHARE	**$ 3.10**	$ 3.52	$ (0.42)	(12%)
KEY RATIOS:				
Gross profit margin [(1)]	**24.0%**	24.6%		
Selling and administrative expenses as a % of revenues	**13.3%**	13.4%		
Operating income margin [(1)]	**10.7%**	11.2%		
Income taxes as a % of income before income taxes	**27.5%**	27.3%		
Return on capital employed [(1)]	**20.4%**	22.9%		
Return on equity [(1)]	**16.6%**	21.4%		

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

The Company demonstrated resilience and ability to adapt to an ever-changing environment and execute in a very challenging market. Results reflect reduced economic activity stemming from reaction to the COVID-19 pandemic. While there was gradual recovery from the earlier part of the year, with certain restrictions easing, customer activity was still cautious and below last year’s levels. Cost containment initiatives have served to lessen the impact of the lower revenues while being supportive of the workforce during the transitional time.

The Equipment Group’s core dealership business experienced lower results in most market segments across most regions, due to the lower market demands, although fourth quarter results showed some sequential improvement. CIMCO generated strong bookings, but this was not converted to revenue growth due to customer construction schedules, delayed in part by site restrictions. Net earnings decreased 11% versus a year ago on a 5% decrease in revenues.

Revenues decreased $199.8 million or 5% for the year with a decline of 5% in the Equipment Group and 7% at CIMCO. Product support across the enterprise was down 4% with a decrease of 5% in the Equipment Group and 3% in CIMCO. Market demand for product support is correlated to equipment activity levels in the field.

Gross profit margin decreased 60 basis points (“bps”) to 24.0% versus last year. The Equipment Group reported lower margins mainly on lower rental fleet utilization. Margins at CIMCO were higher on good project execution. Both Groups benefitted from a favorable sales mix of higher product support revenues to total revenues.

Selling and administrative expenses were $30.3 million (6%) lower for the year compared to the prior year. Compensation costs decreased $17.5 million including senior leadership and Board wage reductions, governmental work-share and subsidy programs, temporary lay-offs, and

reduced profit sharing accruals on the lower earnings. Mark-to-market adjustments on Deferred Share Units ("DSUs") increased expenses $1.3 million year over year. Sales related and other travel and training expenses were $17.6 million lower in light of lower market activity and travel restrictions, while information technology expenses were $3.1 million higher as systems integration work and other enhancements continued.

The Government of Canada introduced the Canada Emergency Wage Subsidy ("CEWS") in April 2020 to facilitate the economic recovery. The program provides a subsidy subject to certain criteria, including demonstration of revenue declines. The qualification and application of the CEWS is assessed in application periods as defined by the program. The Company qualified for a $12.8 million subsidy for 2020, recognized as a reduction of selling and administrative expenses. These funds have supported our workforce since the pandemic took hold by helping to offset lower productivity levels and maintaining higher employment.

Operating income decreased $40.1 million or 10% reflecting the lower revenues and lower overall gross margins. Operating income margin decreased 50 basis points ("bps") to 10.7%.

Interest expense increased $2.3 million on costs related to the new credit facility and associated drawings earlier this year.

Interest income decreased $0.7 million on lower interest income earned on conversion of equipment on rent with a purchase option ("RPO").

The effective income tax rate for 2020 was 27.5% compared to 27.3% in 2019.

Net earnings in 2020 of $254.9 million were down $31.9 million or 11% from 2019. Basic earnings per share ("EPS") decreased $0.42 or 12% to $3.10 mainly reflecting the lower revenues.

Other comprehensive loss of $12.3 million in 2020 (2019 – comprehensive loss of $24.9 million) arose on actuarial losses on defined benefit pension and other post-employment benefit plans of $11.2 million (2019 – actuarial loss of $18.6 million). The actuarial loss reflects a lower weighted-average discount rate (2.6% at December 31, 2020 versus 3.1% at December 31, 2019) as well as changes in the fair value of pension plan assets, both of which are reflective of underlying financial markets. Other comprehensive loss also included an unfavorable net change in the fair value of cash flow hedges of $0.7 million (2019 - $5.8 million). These changes reflect mark to market differences in the value of foreign exchange derivative contracts designated as cash flow hedges and are largely a function of the underlying USD/CAD exchange rates at period end compared to contract date.

BUSINESS SEGMENT ANNUAL OPERATING RESULTS

The accounting policies of the segments are the same as those of the consolidated entity. Management evaluates overall business segment performance based on revenue growth, operating income relative to revenues and return on capital employed. Corporate expenses are allocated based on each segment's revenue. Interest expense and interest and investment income are not allocated.

Equipment Group

($ thousands)	**2020**	2019	$ change	% change
Equipment sales and rentals				
New	**$ 1,088,031**	$ 1,195,646	$ (107,615)	(9%)
Used	**381,346**	328,539	52,807	16%
Rentals	**358,266**	418,818	(60,552)	(14%)
Total equipment sales and rentals	**1,827,643**	1,943,003	(115,360)	(6%)
Product support	**1,327,478**	1,390,340	(62,862)	(5%)
Power generation	**10,978**	10,607	371	3%
Total revenues	**$ 3,166,099**	$ 3,343,950	$ (177,851)	(5%)
Operating income	**$ 345,953**	$ 384,077	$ (38,124)	(10%)
Capital expenditures (net)				
Rental	**$ 51,060**	$ 153,390	$ (102,330)	(67%)
Other	**$ 17,631**	$ 54,130	(36,499)	(67%)
Total	**$ 68,691**	$ 207,520	$ (138,829)	(67%)
KEY RATIOS:				
Product support revenues as a % of total revenues	**41.9%**	41.6%		
Operating income margin	**10.9%**	11.5%		
Group total revenues as a % of consolidated revenues	**91.0%**	90.9%		
Return on capital employed	**19.2%**	19.0%		

The Equipment Group's results for 2020, reflect the significant downturn in economic activity as a result of the response to the pandemic, despite the classification as an essential service. Although there was some gradual recovery from the second quarter as restrictions eased, activity was lower than the prior year. Cost containment actions were employed, including human resource initiatives, reduced travel and discretionary spending.

Total equipment sales (new and used) decreased $54.8 million or 4%. Sales in construction markets increased $8.5 million or 1%. In Ontario, activity levels continued to improve, while deliveries into Atlantic Canada and Quebec were lower on certain project activity due to pandemic shut downs and disruptions to project schedules. All other market segments were down across most regions for the year compared to prior year. Power systems sales (down $14.8 million or 8%); mining (down $41.8 million or 26%); material handling (down $3.1 million or 6%) and agriculture (down $3.6 million or 5%). Used equipment benefitted from used machine sourcing and a cautious market environment.

Rental revenues decreased $60.6 million or 14% versus last year. All markets and most segments were lower reflecting the reduction in market activity. Rental revenues from equipment on rent with a purchase option ("RPO") were down 37% reflecting the lower market demand and cautious tone. At December 31, 2020, the RPO fleet was $35.1 million versus $47.3 million a year ago.

Product support revenues decreased $62.9 million or 5%, with a decrease in both parts (-4%) and service (-6%) across most markets and regions. Product support activity in construction markets increased 1% on continued operation of equipment in the field. Mining product support was 9% lower, reflecting temporary mine site restrictions and lower activity levels earlier in the year. Agricultural markets reported increases in both parts and services, up 15% and 11% respectively, reflective of stronger market activity as well as weaker comparative results in 2019.

Power generation revenues were comparable to 2019.

Gross profit margin decreased 70 bps, to 24.0% versus last year of 24.7%. Equipment margins were down 30 bps mainly due to sales mix, with a higher proportion of smaller equipment models. Rental margins were down 10 bps reflecting the lower fleet utilization offset by selective reductions in the fleet. Product support margins were down 30 bps, a result of a higher portion of parts to service volumes. The overall sales mix of product support revenues to total revenues had a favourable impact of 10 bps.

Selling and administrative expenses decreased $28.7 million or 6%. Governmental subsidies under the CEWS program reduced expenses by $11.4 million. Compensation costs also decreased on other human resource initiatives such as vacation scheduling, selected salary reductions, use of work-share programs and lay-offs and reduced profit sharing accruals on the lower earnings. Travel and training was restricted through much of the year, resulting in additional cost savings of $9.0 million. Allowance for doubtful accounts increased $1.1 million in consideration of potential increased collection risk in the current economic environment. Information technology related costs increased $3.1 million on system integration efforts and other enhancements. Expenses in 2020 included a $4.1 million gain on the sale of a property while 2019 included a $5.0 million gain on a pension plan curtailment.

Operating income was down $38.1 million or 10% and was 60 bps lower as a percentage of revenues (10.9% versus 11.5% last year) reflecting the lower gross margins.

Capital expenditures, net of dispositions, decreased $138.8 million, largely due to the strategic decision to reduce the level of new investments in the light equipment rental fleet portfolio across Eastern Canada as a result of the current market conditions, as well as in recognition of the time required to absorb recent investments to full utilization. Net rental fleet additions decreased $102.3 million to $51.1 million while other capital expenditures decreased $36.5 million. During the first quarter of 2020, a property previously identified as available for sale was disposed of for $9.4 million, resulting in a capital gain of $4.1 million ($3.5 million after-tax).

Bookings and Backlogs

($ millions)	**2020**	2019	$ change	% change
Bookings - year ended December 31	**$ 1,570.0**	$ 1,468.2	$ 101.8	7%
Backlogs - as at December 31	**$ 373.0**	$ 272.3	$ 100.7	37%

Bookings increased $101.8 million or 7%. Higher orders resulted across all market segments: construction orders (+5%); mining (+21%), power systems (+3%), material handling lift trucks (+1%) and agriculture orders (+26%).

Backlogs increased $100.7 million or 37% to $373.0 million. At December 31, 2020, the total backlog related to power systems (29%), construction (38%), mining (17%), agriculture (10%) and lift trucks (6%), most of which is expected to be delivered in 2021.

Bookings and backlogs can vary significantly from period to period on large project activities, especially in mining and power systems, the timing of orders and deliveries and the availability of equipment from either inventory or suppliers.

CIMCO

($ thousands)	**2020**	2019	$ change	% change
Package sales	**$ 161,144**	$ 177,974	$ (16,830)	(9%)
Product support	**151,654**	156,781	(5,127)	(3%)
Total revenues	**$ 312,798**	$ 334,755	$ (21,957)	(7%)
Operating income	**$ 26,481**	$ 28,418	$ (1,937)	(7%)
Capital expenditures (net)	**$ 14,735**	$ 2,335	$ 12,400	531%
KEY RATIOS:				
Product support revenues as a % of total revenues	**48.5%**	46.8%		
Operating income margin	**8.5%**	8.5%		
Group total revenues as a % of consolidated revenues	**9.0%**	9.1%		
Return on capital employed	**78.0%**	75.9%		

CIMCO's results for 2020 were lower than the prior year on reduced construction and recreational activity stemming in part from site restrictions and closures related to the pandemic. Customer specific construction schedules also affect timing of revenue recognition. Product support activity continued given the essential nature of the business, albeit at lower levels. The translation of financial results at the US operations did not have a significant impact on results year over year.

Packages sales were down $16.8 million or 9% versus 2019. In Canada, package revenues were down $17.8 million or 12%, reflecting lower sales into both the industrial (down $6.3 million or 6%) and recreational market segment (down $11.5 million or 22%). In the US, package revenues increased $1 million or 4% as higher sales into recreational markets (up $3.2 million or 18%) were partially offset by lower industrial revenues (down $2.3 million or 26%).

Product support revenues decreased $5.1 million or 3% versus last year on weaker sales in Canada (down 5%) on lower economic activity resulting mainly from COVID-19 related restrictions, partially offset by higher sales in the US (up 3%). The strong installed base continues to provide a growth platform for product support activity.

Gross profit margin improved 50 basis points. Package margins increased on improved project execution and a favourable sales mix of higher product support revenues to total revenues.

Selling and administrative expenses decreased $1.5 million or 3% versus last year. Governmental subsidies under the CEWS program reduced expenses by $1.4 million. Higher compensation costs related to increased headcount to support the substantial backlog of orders, were offset by cost reductions in other areas related to reduced activity.

Operating income was down by $2.0 million or 7% in 2020 largely reflecting the lower revenues. Operating income as percentage of revenues was unchanged at 8.5% in both years.

Capital expenditures, net of dispositions, were up $12.4 million or 531% to $14.7 million, the majority of the expenditure in 2020 related to the acquisition of land for CIMCO's new head office facility in Canada ($10.3 million). Other expenditures related to additional service vehicles ($2.4 million), information technology enhancements and upgrades ($0.8 million), and machinery and equipment ($0.3 million).

Bookings and Backlogs

($ millions)	**2020**	2019	$ change	% change
Bookings - year ended December 31	**$ 228.3**	$ 193.6	$ 34.7	18%
Backlogs - as at December 31	**$ 184.4**	$ 122.5	$ 61.9	51%

Bookings of $228.3 million were up $34.7 million or 18%, with higher industrial orders (+54%) in both Canada (+51%) and the US (+95%), offsetting lower recreational orders (-30%) down in both Canada (-24%) and the US (-41%).

Backlogs of $184.4 million were higher by $61.9 million or 51% versus last year. Industrial backlogs were 96% higher on good activity in both Canada (+99%) and the US (+69%), while recreational backlogs were 13% lower in both Canada (-14%) and the US (-11%). The backlog levels provide a good base entering 2021. Substantially all of the backlog is expected to be realized as revenue in 2021, however this is subject to construction schedules and potential changes stemming from the pandemic.

CONSOLIDATED FINANCIAL CONDITION

The Company's strong financial position continued.

At December 31, 2020, the ratio of net debt to total capitalization decreased to 3% versus 15% at December 31, 2019.

Non-cash Working Capital

The Company's investment in non-cash working capital was $486.8 million at December 31, 2020. The major components, along with the changes from December 31, 2019, are identified in the following table.

($ thousands)	**2020**	2019	**$**	**%**
Accounts receivable	**$ 541,580**	$ 525,052	$ 16,528	3%
Inventories	**728,404**	912,186	(183,782)	(20%)
Other current assets	**10,897**	12,063	(1,166)	(10%)
Accounts payable and accrued liabilities	**(558,443)**	(797,807)	239,364	(30%)
Provisions	**(26,645)**	(23,680)	(2,965)	13%
Income taxes (payable) receivable, net	**(23,281)**	9,275	(32,556)	n/m
Derivative financial instruments	**(11,043)**	(10,366)	(677)	7%
Dividends payable	**(25,560)**	(22,139)	(3,421)	15%
Deferred revenues and contract liabilities	**(149,109)**	(140,898)	(8,211)	6%
Total non-cash working capital	**$ 486,800**	$ 463,686	$ 23,114	5%

Accounts receivable increased $16.5 million or 3% year over year. Trade accounts receivable and other receivables were down slightly on improved collections within both the Equipment Group and CIMCO. Days sales outstanding ("DSOs") decreased 2 days to 41 days, on improvements in both the Equipment Group (down 2 days) and CIMCO (down 1 day). The increase in accounts receivable is mainly attributable to unbilled receivables where performance on projects and other long-term contracts has progressed further than contractual billing milestones.

Inventories decreased $183.8 million or 20%, largely due to a decrease in the Equipment Group, partially offset by an increase in CIMCO:

- Equipment Group inventories were down $197.1 million or 22%, with decreases in equipment (down $163.9 million or 29%), parts (down $22.1 million or 9%) and service work-in-process (down $11.1 million or 17%). Equipment inventory was intentionally reduced from the previous high and in light of market activity. Service work-in-process levels reflect lower activity levels generally and an enhanced focus on timely billing.
- CIMCO inventories were up $13.3 million or 60%, predominantly driven by higher work-in-process and inventory held to support order backlog.

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

Accounts payable and accrued liabilities decreased $239.4 million or 30% largely reflecting lower activity levels. The extended credit terms from suppliers are unwinding as expected, thus transitioning accounts payable to more normal levels. The DSU liability increased during the year versus prior year on the higher relative closing share price.

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

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar (weaker) have led to a cumulative net loss of $11.0 million as at December 31, 2020. This is not expected to affect net earnings as the unrealized losses will offset future gains on the related hedged items.

Higher dividends payable year-over-year reflect the higher dividend rate. Effective with the April 2, 2020 payment, the quarterly dividend rate was increased 14.8% from $0.27 per share to $0.31 per share.

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

- In the Equipment Group, these arise due to progress billings from the sale of power and energy systems; long-term product support maintenance contracts; sales of equipment with residual value guarantees; and, customer deposits for machinery to be delivered in the future. These balances were lower in 2020 generally on lower economic activity levels and timing of progress of work under long-term contracts.
- At CIMCO, these arise on progress billings from the sale of refrigeration packages and were up $22.6 million or 95.8%, reflecting order backlog, and timing of billings compared to customer's construction schedules.

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, 2020 as outlined in note 7 of the notes to the consolidated financial statements.

Employee Share Ownership

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

1. An Executive Stock Option Plan for its senior employees. Stock options have a 10-year life, vest 20% per year on each anniversary date of the grant and are exercisable at the designated common share price, which is fixed at prevailing market prices at the date the option is granted. At December 31, 2020, 2.3 million options to purchase common shares were outstanding, of which 0.9 million were exercisable.

2. An Employee Share Purchase Plan whereby employees can purchase shares by way of payroll deductions. Under the terms of this plan, which is designed to incentivize long-term share ownership, eligible employees may purchase common shares of the Company in the open market at the then-current market price. The Company pays a portion of the purchase price, matching contributions at a rate of $1 for every $3 contributed, to a maximum of 2.5% of an employee's base salary per annum. Company contributions prior to 2019 vested to the employee immediately, while contributions in 2019 onwards will vest in five years from date of contribution. Company contributions amounting to $2.9 million in 2020 (2019 – $2.7 million) were charged to selling and administrative expense when paid. Approximately 39% of employees participate in the plan (2019 – 33%), which is administered by an independent third party.

3. A deferred share unit ("DSU") plan for executives, certain senior managers and non-employee directors. Executives and senior managers may elect, on an annual basis, to receive all or a portion of their performance incentive bonus in DSUs. Non-employee directors receive approximately 55% of their annual compensation in the form of DSUs and may also elect to receive the balance of their annual compensation in DSUs. A DSU is a notional unit that reflects the market value of a single Toromont common share and generally vests immediately. DSUs may be redeemed only on cessation of employment or directorship. DSUs have dividend equivalent rights, which are expensed as earned. The Company records the cost of the DSU plan as compensation expense in selling and administrative expenses. As at December 31, 2020, 394,154 DSUs were outstanding with a total value of $35.6 million (2019 – 388,547 units at a value of $27.4 million). The liability for DSUs is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

Employee Future Benefits

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

- Defined contribution plans, which cover the largest segment of employees, including all newly hired employees;
- Defined benefit plans, which are largely associated with acquired businesses;
- 401(k) matched savings plans for employees in the US; and
- Other post-employment benefit plans for certain grandfathered employees in the acquired businesses.

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. At December 31, 2020, approximately 4,100 employees participated in Company-sponsored defined contribution plans.

Defined Benefit Plans

The Company sponsors defined benefit pension plans, which provide pension and other post-retirement benefits for approximately 1,600 qualifying 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 changed by $23.7 million (an increase in the accrued pension liability) during 2020.

The Executive Plan is a supplemental plan and is solely the obligation of the Company. All members of the plan are retired. The Company is not obligated to fund the plan but is obligated to pay benefits under the terms of the plan as they come due. The Company has posted letters of credit to secure the obligations under this plan, which were $15.6 million as at December 31, 2020.

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.

Legal and Other Contingencies

Due to the size, complexity and nature of the Company’s operations, various legal matters are pending. Exposure to these claims is mitigated through levels of insurance coverage considered appropriate by management and by active management of these matters. In the opinion of management, none of these matters will have a material effect on the Company’s consolidated financial position or results of operations.

Normal Course Issuer Bid (“NCIB”)

During the year the Company purchased and cancelled 67,800 common shares for $4.0 million (average cost of $59.62 per share, including transaction costs) under the NCIB program. No shares were purchased and cancelled in 2019.

The Company’s NCIB program expired in August 2020 and was not renewed.

Shareholder Rights Plan (“SRP”)

A new amended and restated SRP will be presented to a vote of shareholders at our annual and special meeting on May 5, 2021. The proposed amended and restated SRP, if adopted, would expire at the earlier of the Termination Time (as defined in the proposed new plan) and the termination of the annual meeting of our shareholders in the year that is three years after the year in which such adoption occurs.

Outstanding Share Data

As at the date of this MD&A, the Company had 82,474,658 common shares and 2,335,038 share options outstanding.

Dividends

Toromont pays a quarterly dividend on its outstanding common shares and has historically targeted a dividend rate that approximates 30 - 40% of trailing earnings from continuing operations.

During 2020, the Company declared dividends of $1.24 per common share, $0.31 per quarter (2019 - $1.08 per common share or $0.27 per quarter).

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

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

Toromont's debt portfolio is unsecured, unsubordinated and ranks on par with each other.

The Company maintains a $500.0 million revolving credit facility, maturing in October 2022. No amounts were drawn on this facility at December 31, 2020 and 2019. Standby letters of credit utilized $30.8 million of the revolving facility (2019 - $33.1 million).

On April 17, 2020, Toromont arranged a $250 million one-year syndicated facility, on substantially similar terms to the existing revolving credit facility, to provide additional liquidity given the current economic environment. This facility was undrawn at December 31, 2020.

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, 2020 and 2019.

Cash at December 31, 2020, was $591.1 million, compared to $365.6 million at December 31, 2019.

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

Principal Components of Cash Flow

Cash from operating, investing and financing activities, as reflected in the Consolidated

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

($ thousands)	**2020**	2019
Cash, beginning of period	**$ 365,589**	$ 345,434
Cash, provided by (used in):		
Operating activities		
Operations	**410,184**	456,240
Change in non-cash working capital and other	**(10,096)**	(156,820)
Net rental fleet additions	**(51,060)**	(153,390)
	349,028	146,030
Investing activities	**(32,553)**	(56,558)
Financing activities	**(90,878)**	(69,173)
Effect of foreign exchange on cash balances	**(58)**	(144)
Increase in cash in the period	**225,539**	20,155
Cash, end of period	**$ 591,128**	$ 365,589

Cash Flows from Operating Activities

Operating activities provided $349.0 million in 2020 compared to $146.0 million in 2019.

Cash generated from operations decreased on lower net earnings.

Non-cash working capital and other used less cash in 2020 as compared to the prior year. In the current year, reductions in inventory levels largely offset reductions in accounts payable, resulting in a 5% increase in non-cash working capital. Inventory levels were reduced in light of market demand, while reduction of accounts payable reflect the wind-down of extended payment terms from certain suppliers. In 2019, non-cash working capital increased as cash was used to reduced accounts payable.

Net rental fleet additions (purchases less proceeds of dispositions) were lower by $102.3 million compared to 2019. The Company has reduced the level of new investments in the light equipment rental fleet portfolio across Eastern Canada due to current market conditions as well as in recognition of the time required to absorb recent investments to full utilization.

The components and changes in non-cash working capital are discussed in more detail in this MD&A under the heading “Consolidated Financial Condition”.

Cash Flows from Investing Activities

Investing activities utilized less cash, down $24.0 million in 2020, as spending plans were somewhat curtailed due to economic conditions.

During the first quarter of 2020, a property previously identified as available for sale was disposed of for $9.4 million, resulting in a capital gain of $4.1 million ($3.5 million after-tax).

Investments in property, plant and equipment, net of disposition proceeds, were $32.4 million in

2020 versus $56.5 million in 2019 as follows:

- $9.2 million for land and buildings for new and expanded branches (2019 - $25.5 million);
- $15.0 million for service vehicles (2019 - $15.7 million);
- $3.6 million for upgrades and enhancements to information technology infrastructure and furniture and fixtures (2019 - $7.7 million); and
- $4.6 million for machinery and equipment (2019 - $7.6 million).

Cash Flows from Financing Activities

Financing activities used $90.9 million in 2020 versus $69.2 million in 2019.

In 2020, the Company purchased and cancelled 67,800 common shares at an average cost of $59.62 (including transaction costs) for $4.0 million. No shares were purchased and cancelled in 2019.

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

- Dividends paid to common shareholders of $98.5 million or $1.20 per share (2019 - $84.8 million or $1.04 per share);
- Cash received on exercise of share options of $22.4 million (2019 - $26.7 million); and
- Lease liability payments of $10.3 million (2019 - $10.1 million).

OUTLOOK

The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self isolation and quarantine periods, social distancing, and business operating restrictions and closures have affected economies and financial markets around the world resulting in an economic slowdown. This outbreak may also cause staff shortages, affect customer demand and supply chains, impact capital resources, as well as increase government regulations or intervention, all of which may negatively impact the business, financial results and conditions of the Company. Toromont's businesses were classified as essential in all circumstances requiring such a designation to date and supports operations. Emergency measures are variable and evolving based on local conditions. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial results and condition of the Company in future periods.

The Equipment Group's parts and service business provides stability along with a large and diversified installed base of equipment, so long as it is working in the field. Prior to the outbreak, the long-term outlook for infrastructure projects and other construction activity was positive across most territories. The Company has a large base of mining customers which in some cases saw reduced operating activities as a result of the COVID-19 implications. These customers and jurisdictions they operate in continue to evaluate appropriate activity levels on a regular basis. Longer term, mine expansion is still possible depending on global economic and financial conditions.

Human capital, including our technician workforce, is one of our most valuable assets and we will protect that asset to the extent possible. Workforce planning initiatives undertaken to support our team through this time included voluntary compensation reductions by the executive team and the Board of Directors; wage increase freezes in some cases; advancement of vacation

schedules; use of governmental programs such as work share and CEWS subsidies; and, selective temporary layoffs.

We continue to move forward with our investment in information technology, aligning our dealership under one operating system as well as facilitating and securing remote access to our networks. Actions are being balanced between short-term adjustments relative to demand, while also being sensitive to long-term requirements ensuring the business is positioned well to meet increased client requirements.

Broader product lines, investment in rental equipment and developing product support technologies supporting remote diagnostics and telematics are expected to contribute to longer-term growth once economic, financial and social environments return to a more normalized state.

CIMCO's installed base and product support levels should underpin current and future operations and growth trends. CIMCO has a wide product offering using natural refrigerants including innovative CO2 solutions, which remains a differentiator in recreational markets. In industrial markets, CIMCO's proven track record and strong geographical coverage provides growth opportunities. Strong order backlog supports the business through this turbulent period.

The diversity of the markets served, expanding product offering and services, strong financial position and disciplined operating culture position the Company well for continued positive results in the long term.

CONTRACTUAL OBLIGATIONS

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

Payments due by year ($ thousands)	**2021**	**2022**	**2023**	**2024**	**2025**	**Thereafter**	**Total**
Long-term debt							
- principal	$ -	$ -	$ -	$ -	$ 150,000	$ 500,000	**$ 650,000**
- interest	24,765	24,765	24,765	24,765	23,374	35,200	**157,634**
Accounts payable and accrued liabilities	584,003	-	-	-	-	-	**584,003**
Lease liabilities	9,152	6,527	4,977	3,281	964	815	**25,716**
	$ 617,920	**$ 31,292**	**$ 29,742**	**$ 28,046**	**$ 174,338**	**$ 536,015**	**$ 1,417,353**

KEY PERFORMANCE MEASURES

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

Years ended December 31,	2020	2019	2018	2017	2016
EXPANDING MARKETS AND BROADENING PRODUCT OFFERINGS					
Revenue growth	**-5.4%**	5.0%	49.1%	22.9%	3.5%
Revenue per employee (thousands)	**$ 554**	$ 575	$ 573	$ 487	$ 533
STRENGTHENING PRODUCT SUPPORT					
Product support revenue growth	**-4.4%**	10.1%	60.4%	16.3%	7.6%
INVESTING IN OUR RESOURCES					
Investment in information technology (millions)	**$ 37.7**	$ 34.8	$ 27.4	$ 15.0	$ 15.2
Return on capital employed [(1)]	**20.4%**	22.9%	21.7%	21.5%	24.5%
STRONG FINANCIAL POSITION					
Non-cash working capital (millions) [(1)]	**$ 486.8**	$ 463.7	$ 309.5	$ 608.8	$ 388.5
Net debt to total capitalization [(1)]	**3%**	15%	18%	40%	-4%
Book value (shareholders' equity) per share	**$ 20.60**	$ 18.70	$ 16.35	$ 13.89	$ 11.29
BUILD SHAREHOLDER VALUE					
Basic earnings per share growth	**-11.9%**	13.5%	39.4%	11.6%	6.3%
Dividends per share growth	**14.8%**	17.4%	21.1%	5.6%	5.9%
Return on equity [(1)]	**16.6%**	21.4%	22.3%	19.3%	20.0%

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

Measuring Toromont's results against these strategies over the past five years illustrates that the Company has delivered consistent, steady growth. 2020 was an abnormal year due to the pandemic and we have seen a decline in our calculated metrics reflective of the current economic and market environment. The Toromont team continues to drive long-term, sustainable improvements and invest in our resources, while remaining focused on our three priorities, namely, safeguarding our employees, servicing our customers' needs and protecting our business for the future.

The addition of the Quebec and Maritimes territories in October 2017, bolstered these key performance measures and provides a larger platform for continued growth. The 2018 amounts shown above include one full year of operations in the acquired territories, and are fully comparable to 2019 and 2020. Results for 2017 include the two months of operations under Toromont's ownership, thereby affecting the comparability of results versus the prior years.

Since 2016, revenues increased at an average annual rate of 15.0%, with product support growing at 18.0% annually. Over this period, revenue growth has been mainly a result of:

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

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

factors including:

- General economic weakness and uncertainty in specific sectors;
- Volatility in commodity prices;
- Competitive conditions;
- Inability to source equipment and parts from suppliers to meet customer demand or delivery schedules;
- Ability to hire necessary skilled technicians to service the market demand;
- Declines in underlying market conditions such as depressed US industrial markets and Manitoba agricultural markets;
- Recent political trade wars between the USA and China which have created uncertainty and adversely impacted several industries, including steel and agriculture; and
- The COVID-19 pandemic in 2020, reflect the significant downturn in economic activity, disrupting normal operations, stemming in part from site restrictions and closures and timing of delivery of project schedules.

Changes in the Canadian/US exchange rate also affect reported revenues as the exchange rate impacts the purchase price of equipment that, in turn, is reflected in selling prices. Since 2015, there have been fluctuations in the average yearly exchange rate of the Canadian dollar against the US dollar, during which time it has ranged between $0.75 and $0.77 and averaged $0.76, however, there have been periods of higher volatility.

Toromont has generated a significant competitive advantage by investing in its resources, in part to increase productivity levels, as well as to maintain our systems to be relevant in the ever-changing technological environment in which we operate. We will continue this into the future as it is a crucial element to our success in the marketplace.

Toromont continues to maintain a strong balance sheet. Leverage, as represented by the ratio of net debt to total capitalization, was 3% at the end of 2020 versus 15% at the end of 2019. An additional credit facility was secured in early 2020, in an abundance of caution in an uncertain economic environment, bringing total revolving credit lines to $750 million; no amounts were drawn on these facilities as at December 31, 2020. The decrease in the leverage ratio reflects strong cash generation from operations.

Toromont has paid dividends consistently since 1968 and has increased the dividend in each of the last 32 years. The regular quarterly dividend rate was increased 14.8% from $0.27 per share to $0.31 per share in 2020, evidencing our commitment to delivering exceptional shareholder value.

CONSOLIDATED FOURTH QUARTER OPERATING RESULTS

Three months ended December 31 *($ thousands, except per share amounts)*	**2020**	2019	$ change	% change
REVENUES	**$ 992,185**	$1,025,190	$ (33,005)	(3%)
Cost of goods sold	**747,697**	770,016	(22,319)	(3%)
Gross profit	**244,488**	255,174	(10,686)	(4%)
Selling and administrative expenses	**117,306**	126,976	(9,670)	(8%)
OPERATING INCOME	**127,182**	128,198	(1,016)	(1%)
Interest expense	**7,286**	6,854	432	6%
Interest and investment income	**(3,075)**	(3,166)	91	(3%)
Income before income taxes	**122,971**	124,510	(1,539)	(1%)
Income taxes	**34,021**	34,056	(35)	(0%)
NET EARNINGS	**88,950**	90,454	(1,504)	(2%)
BASIC EARNINGS PER SHARE	**$ 1.08**	$ 1.10	$ (0.02)	(2%)
KEY RATIOS:				
Gross profit margin	**24.6%**	24.9%		
Selling and administrative expenses as a % of revenues	**11.8%**	12.4%		
Operating income margin	**12.8%**	12.5%		
Income taxes as a % of income before income taxes	**27.7%**	27.4%		

Fourth quarter results reflect continued lower economic activity levels stemming from the pandemic. While activity has improved on a sequential basis, it is still lower than the comparative period in 2019, reflecting continued site restrictions and general market uncertainty.

Revenues decreased $33.0 million or 3% on weaker revenues in the Equipment Group (-4%), partially offset by higher revenues at CIMCO (+3%). Equipment Group reported reduced equipment sales and rental activity was lower. CIMCO reported strong package sales as progressed continued on projects. Product support activity continued in both Groups, supported by the essential nature of these services, down 1% in the quarter compared to last year.

Gross profit margin decreased 30 bps to 24.6% in the quarter, with lower reported gross margins in both the Equipment Group and CIMCO.

Selling and administrative expenses decreased $9.7 million or 8% in the fourth quarter compared to the prior year. Compensation costs decreased $4.8 million including senior leadership and Board wage reductions, governmental work-share and subsidy programs, temporary lay offs, and reduced profit sharing accruals on the lower earnings. Mark-to-market adjustments on DSU increased expenses by $2.5 million. Sales related and other travel and training expenses were $6.1 million lower in light of lower market activity and travel restrictions. As a percentage of revenues, expenses improved 60 bps to 11.8% in 2020 compared to 12.4% in 2019.

Operating income decreased $1.0 million or 1% reflecting the lower activity levels in the Equipment Group, partially offset by improvements at CIMCO. Operating income margin increased 30 bps to 12.8%.

Interest expense increased $0.4 million in the quarter due to financing costs related to the higher debt levels.

Interest income decreased $0.1 million resulting from higher interest from conversions of RPOs offset by lower interest earned on average cash balances, reflective of market interest rates.

The effective income tax rate for the fourth quarter was 27.7% compared to 27.4% in 2019.

Net earnings in the quarter were down $1.5 million or 2% to $88.9 million. Basic EPS decreased $0.02 or 2% to $1.08 versus $1.10 in 2019.

BUSINESS SEGMENT FOURTH QUARTER OPERATING RESULTS

Equipment Group

Three months ended December 31 *($ thousands)*	**2020**	2019	$ change	% change
Equipment sales and rentals				
New	**$ 335,035**	$ 363,660	$ (28,625)	(8%)
Used	**111,446**	99,589	11,857	12%
Rentals	**100,448**	114,729	(14,281)	(12%)
Total equipment sales and rentals	**546,929**	577,978	(31,050)	(5%)
Product support	**347,153**	352,243	(5,090)	(1%)
Power generation	**2,822**	2,910	(88)	(3%)
Total revenues	**$ 896,904**	$ 933,131	$ (36,228)	(4%)
Operating income	**$ 114,976**	$ 117,728	$ (2,752)	(2%)
Bookings ($ millions)	**$ 563.3**	$ 415.1	$ 148.2	36%
KEY RATIOS:				
Product support revenues as a % of total revenues	**38.7%**	37.7%		
Operating income margin	**12.8%**	12.6%		
Group total revenues as a % of consolidated revenues	**90.4%**	91.0%		

The Equipment Group continued to see gradual recovery of results from the more significantly reduced activity levels in the earlier part of the year. Restrictions vary by jurisdiction and activity is still below prior year's levels. New order bookings increased late in the quarter, which is supportive for next year.

Total equipment sales (new and used) decreased $16.8 million or 4%. Higher sales into construction (up 8%) were offset by lower sales into mining (down 28%), power systems (down 30%), material handling (down 9%) and agricultural markets (down 20%).

Rental revenues decreased $14.3 million or 12%. All markets and most segments were lower reflecting the reduction in market activity. Revenue declines in each market for the quarter were as follows: Light equipment rentals 8%, Power 13%, Heavy rental in the construction market 5% and Material Handling 8%. Rental revenues from RPO equipment were down 44% reflecting a reduced fleet on both market demand and focused efforts to minimize fleet investments.

Product support revenues decreased $5.1 million or 1% on lower service (down 5%) while parts were relatively unchanged from the comparable period last year. Service activity levels decreased across most market segments: mining (down 13%); power systems (down 10%) and material

handling (down 6%), partially offset by increases in the construction (up 15%) and agricultural market (up 9%).

Gross margins decreased 10 bps in the quarter versus last year. Equipment margins were lower, down 40 bps, on product mix. Product support margins were also lower, down 60 bps, reflective of lower activity levels. Rental gross margins improved in quarter compared to the comparable period last year, up 70 bps, reflective of reductions in the rental fleet made over the last year. Sales mix was also favourable (positive 20 bps) with a larger proportion of product support revenues to total.

Selling and administrative expenses decreased $7.8 million or 7%. Governmental subsidies under the CEWS program reduced expenses by $4.1 million. Compensation costs continued to decrease on strategic initiatives mentioned previously. Travel and training was restricted through much of the quarter, resulting in additional $2.5 million in savings.

Operating income decreased $2.8 million or 2% in the quarter. Operating income was 12.8% as a percentage of revenues, 20 bps higher than the comparable period last year, mainly reflecting the lower expenses.

Bookings increased $148.2 million or 36% to $563.3 million reflecting strong activity in construction (+37%), mining (+107%), and agricultural (+48%). This was partially offset by lower power systems (-8%) and material handling lift truck orders (-14%).

CIMCO

Three months ended December 31 *($ thousands)*	**2020**	2019	$ change	% change
Package sales	**$ 53,934**	$ 50,780	$ 3,154	6%
Product support	**41,347**	41,279	68	-
Total revenues	**$ 95,281**	$ 92,059	$ 3,222	3%
Operating income	**$ 12,206**	$ 10,470	$ 1,736	17%
Bookings ($ millions)	**$ 24.5**	$ 44.4	$ (19.9)	(45%)
KEY RATIOS:				
Product support revenues as a % of total revenues	**43.4%**	44.8%		
Operating income margin	**12.8%**	11.4%		
Group total revenues as a % of consolidated revenues	**9.6%**	9.0%		

CIMCO's results in the fourth quarter were higher, despite the pandemic, which continues to impact the business with some project delays, as strong backlog, good margins in product support, and reduced expenses all contributed to favourable results year-over-year. Translation of US operations did not have a significant impact on results.

Package revenues were up $3.2 million or 6% in the quarter compared to last year. In Canada revenues were up 6%, with increases in both the industrial (+2%) and recreational (+14%) market segment. In the US, package sales were up 9% on strong recreational revenues (+20%), partially offset by lower industrial activity (down 14%).

Product support revenues were in line with last year as growth in the US (+7%) was offset by a

slight decrease in Canada (-1%). Site closures and restrictions, particularly in the recreational segment, resulted in reduced activity.

Gross margins, decreased 100 bps in the quarter on lower package sales margins, partially offset by higher product support margins and an unfavourable sales mix of lower product support revenues to total sales.

Selling and administrative expenses decreased $1.8 million or 13%. Governmental subsidies under the CEWS program reduced expenses by $0.6 million. Compensation costs have increased in part for hiring of staff to support the substantial backlog of orders while other expenses such as bad debts, travel and training were lower.

Operating income increased $1.7 million in the quarter on reduced expenses. As a percentage of revenues, operating income improved to 12.8% in 2020 versus 11.4% in 2019.

Bookings decreased $19.9 million or 45% to $24.5 million on weaker orders in both Canada and the US. Overall recreational orders were down in both Canada (-16%) and the US (-68%), while industrial orders increased in the US (183%) but were down in Canada (-54%).

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2020 annual audited consolidated financial statements.

($ thousands, except per share amounts)		Q1 2020		Q2 2020		Q3 2020		**Q4 2020**
REVENUES								
Equipment Group	$	657,776	$	776,703	$	834,716	**$**	**896,904**
CIMCO		57,683		72,894		86,940		**95,281**
Total revenues	$	715,459	$	849,597	$	921,656	**$**	**992,185**
NET EARNINGS	$	37,396	$	51,210	$	77,359	**$**	**88,950**
PER SHARE INFORMATION:								
Basic earnings per share	$	0.46	$	0.62	$	0.94	**$**	**1.08**
Diluted earnings per share	$	0.45	$	0.62	$	0.94	**$**	**1.07**
Dividends paid per share	$	0.27	$	0.31	$	0.31	**$**	**0.31**
Weighted average common shares outstanding - basic (in thousands)		82,015		82,024		82,195		**82,373**

($ thousands, except per share amounts)	Q1 2019	Q2 2019	Q3 2019	Q4 2019
REVENUES				
Equipment Group	$ 633,875	$ 895,457	$ 881,487	$ 933,131
CIMCO	66,099	82,863	93,734	92,059
Total revenues	$ 699,974	$ 978,320	$ 975,221	$ 1,025,190
NET EARNINGS	$ 39,261	$ 77,398	$ 79,687	$ 90,454
PER SHARE INFORMATION:				
Basic earnings per share	$ 0.48	$ 0.95	$ 0.98	$ 1.10
Diluted earnings per share	$ 0.48	$ 0.94	$ 0.97	$ 1.10
Dividends paid per share	$ 0.23	$ 0.27	$ 0.27	$ 0.27
Weighted average common shares outstanding - basic (in thousands)	81,326	81,510	81,622	81,897

Interim period revenues and earnings historically reflect variability from quarter to quarter due to seasonality.

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

CIMCO has also had a distinct seasonal trend in results historically, due to timing of construction activity. Lower revenues are recorded during the first quarter on slower construction schedules due to winter weather. Revenues increase in subsequent quarters as construction schedules ramp up. This trend can be, and has been, impacted somewhat by significant governmental funding initiatives and significant industrial projects.

Historically, inventories have increased through the year to meet the expected demand for higher deliveries in the third and fourth quarters of the fiscal year. This seasonal sales trend also leads accounts receivable to be at their highest level at year-end.

Year-over-year quarterly comparisons were impacted by the governmental and market response and reaction to COVID-19. Revenues and earnings for the first quarter of 2020 were trending up from the prior year before the onset of the pandemic, with results ending largely flat to 2019. The second quarter experienced the most significant slowdown in market activity, resulting in reduction in revenues and earnings quarter-over-quarter. Market activity improved in the third quarter sequentially, but was still below that of the prior year. Continued improvements were noted in the fourth quarter of the year on a sequential basis, although activity remained below that of the prior year.

SELECTED ANNUAL INFORMATION

(in thousands, except per share amounts)		**2020**		2019		2018
Revenues	**$**	**3,478,897**	$	3,678,705	$	3,504,236
Net earnings	**$**	**254,915**	$	286,800	$	251,984
Earnings per share ("EPS")						
- Basic	**$**	**3.10**	$	3.52	$	3.10
- Diluted	**$**	**3.09**	$	3.49	$	3.07
Dividends declared per share	**$**	**1.24**	$	1.08	$	0.92
Total assets	**$**	**3,346,792**	$	3,371,337	$	3,234,531
Total long-term debt	**$**	**646,299**	$	645,471	$	645,562
Weighted average common shares outstanding - basic (in millions)		**82.2**		81.6		81.2

Revenues decreased 5% in 2020. Equipment Group revenues decreased 5% on lower product support, new equipment sales and rentals reflecting significant downturn in economic activity as a result of the COVID-19 pandemic, slightly offset by increased used equipment sales and prime power generation projects. CIMCO revenues were down 7% on reduced construction activity stemming in part from construction and recreational site restrictions and closures related to the pandemic. Timing of receipt of orders and customer specific construction schedules also affect timing of revenue recognition. Product support activity continued given the essential nature of the business, albeit at lower levels, along with lower package sales. Revenues grew 5% in 2019 compared to 2018. Equipment Group revenues increased 6% on growth in product support, total new and used equipment sales and rentals resulting from good market activity and increased investment in the rental fleets. CIMCO revenues were down 2% as continued growth in product support activity was offset by lower package sales.

Net earnings decreased 11% in 2020, largely reflecting the lower revenue levels in both the Equipment Group and CIMCO. Lower selling and administrative expenses due to the curtailment of non-essential expenditures was slightly off set by increased financing costs from the increased credit facility. Net earnings increased 14% in 2019 compared to 2018. Equipment Group delivered good results on the higher revenues and a lower relative expense ratio, while CIMCO's results improved on better project execution and a one-time inventory write-down in 2018 which did not repeat. Net interest expense was lower in 2019 as strong cash inflows resulted in lower net debt levels.

Dividends have generally increased in proportion to trailing earnings growth. The quarterly dividend rate continued to increase - in 2018 by 21.1% to $0.23 per share, in 2019 by 17.4% to $0.27 per share, and in 2020, by 14.8% to $0.31. The Company has paid dividends every year since 1968.

Total assets decreased 1% in 2020. Equipment inventory was intentionally reduced from the previous high levels and in light of reduced economic activity. Investments in light equipment rental fleet was also reduced due to current market conditions, as well as in recognition of the time required to absorb recent significant investments to full utilization. In 2019, total assets increased 4% on continued investments in the rental fleets and capital assets, as well as higher inventory levels held generally in support of the expanded business territory and volumes.

Long-term debt was largely unchanged from 2019. During 2020, the Company drew on the term credit facility in an abundance of caution early in the year at the start of the pandemic. These amounts were repaid within the year, in light of more stable market conditions and continued strong cash balances and cash flows.

RISKS AND RISK MANAGEMENT

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

Business Cycle

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

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

The business of the Company is diversified across a wide range of industry market segments, serving to temper the effects of business cycles on consolidated results. Continued diversification strategies such as expanding the Company's customer base, broadening product offerings and geographic diversification are designed to moderate business cycle impacts. The Company has focused on the sale of specialized equipment and ongoing support through parts distribution and skilled service. Product support growth has been, and will continue to be, fundamental to the mitigation of downturns in the business cycle. The product support business contributes significantly higher profit margins and is typically subject to less volatility than equipment supply activities.

Product and Supply

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

Toromont is dependent on the continued market acceptance of Caterpillar's products. It is believed that Caterpillar has a solid reputation as a high-quality manufacturer, with excellent brand recognition and customer support as well as leading 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. 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. From time to time during periods of intense demand, 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. However, there can be no assurance that Caterpillar will continue to supply its products in the quantities and timeframes required by customers.

Competition

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

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

Specialized Skills

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

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

Credit Risk

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

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

The Company has accounts receivable from a large diversified customer base, and is not dependent on any single customer or industry. The Company has accounts receivable from

customers engaged in various industries including construction, mining, food and beverage, and governmental agencies. Management does not believe that any single customer represents significant credit risk. These customers are based predominately in Canada.

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

Warranties and Maintenance Contracts

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

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

Foreign Exchange

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

The rate of exchange between the Canadian and US dollar can have an impact on revenue trends. As substantially all of the equipment and parts sold in the Equipment Group are sourced in US dollars, and Canadian dollar sales prices generally reflect changes in the rate of exchange, a stronger Canadian dollar can adversely affect revenues, while a weaker Canadian dollar can increase reported revenues. The impact is not readily estimable as it is largely dependent on when customers order the equipment versus when it was sold. Bookings in a given period would more closely follow period-over-period changes in exchange rates. Sales of parts come from inventories maintained to service customer requirements. As a result, constant parts replenishment means that there is a lagging impact of changes in exchange rates. In CIMCO, sales are largely affected by the same factors. In addition, revenues from CIMCO's US subsidiary reflect changes in exchange rates on the translation of results, although this is not significant. The Canadian dollar averaged US$0.75 in both 2020 and 2019.

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

Interest Rate

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.

At December 31, 2020, the Company's outstanding debt of $650.0 million bears interest at fixed-rates and matures between 2025 and 2027. Fixed-rate debt exposes the Company to future interest rate movements upon refinancing the debt at maturity. Further, the fair value of the Company's fixed-rate debt obligations may be negatively affected by declines in interest rates, thereby 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 totalling $750.0 million 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. At December 31, 2020, no amounts were drawn on these facilities while standby letters of credit utilized $30.8 million.

Financing Arrangements

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

Environmental Regulation

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

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

Information Technology and Cybersecurity Risk

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

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

Pandemic Risk (Coronavirus COVID-19)

A pandemic can create significant volatility, uncertainty and economic disruption. The outbreak of the novel strain of coronavirus COVID-19 has resulted in governments worldwide enacting emergency measures to contain the spread of the virus including the implementation of travel bans, self-imposed quarantine periods, self-isolation, physical and social distancing and at times, the closure of non-essential businesses. These, and potential future emergency measures and restrictions, have and may cause, significant disruption to businesses in Canada and globally, resulting in an uncertain and challenging economic environment.

Global debt and equity capital markets have experienced significant volatility. Governments and central banks have reacted with considerable monetary and fiscal interventions designed to stabilize economic conditions.

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

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

a) uncertainty associated with the costs and ability of resources, including technicians, required to provide the appropriate/required levels of service to our customers on site;
b) a material reduction in demand for, or profitability of, our products or services;
c) an increase in accounts receivable delinquencies from financial hardship for our customers;

d) issues delivering the Company's products and services due to illness, Company or government imposed isolation programs, restrictions on the movement of personnel and supply chain disruptions;
e) the impact of additional legislation, regulation and other government interventions in response to the COVID-19 pandemic;
f) the negative impact on global debt and equity capital markets, including the trading price of the Company's securities; and
g) the ability to access capital markets at a reasonable cost.

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

In response to the COVID-19 pandemic, management has directed significant focus towards ensuring the ongoing safety of our employees, continuing to serve our customers' needs as an essential service, and protecting the business and organization for the long-term. A Critical Incident Executive Response Team was activated at an early stage and continues to assess developments and respond appropriately, including limiting business travel, enabling work from home where practical, enforcing social distancing practices, mask wearing and sanitation protocols in all areas. Steps have also been taken to ensure that information technology, including remote access, is secure. The Company is regularly updating employees to provide information on the situation and on necessary precautions to take. We continue to have an open dialogue with public safety and government officials at all levels, as well as key suppliers, partners, and customers.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

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

Changes in Accounting Policies

No changes in accounting policies were adopted in 2020 as a result of new standards and interpretations which became effective during the year. The accounting policy *Government grants* was adopted in 2020 in light of the Canada Emergency Wage Subsidy program ("CEWS"), which provided subsidies during the year in response to the pandemic.

Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Claims under income-related government grants are reported in the consolidated income statements as other income included in selling and administrative expenses. Government grants receivable are recorded in accounts receivable on the consolidated statements of financial position.

Pending Accounting Changes

A number of amendments to standards have been issued but are not yet effective for the financial year ending December 31, 2020, and accordingly, have not been applied. The Company reviewed these amendments and concluded that there would be no impact on adoption given their nature and applicability.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

The CEO and the CFO, together with other members of management, have evaluated the effectiveness of the Company's disclosure controls and procedures.

Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as at December 31, 2020.

Internal Control over Financial Reporting

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

The CEO and the CFO, together with other members of management, have evaluated the effectiveness of the Company's internal control over financial reporting as at December 31, 2020, using the criteria set forth in Internal Control - Integrated Framework (2013 edition) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on that evaluation, the CEO and CFO concluded that the Company's internal control over financial reporting was effective as at December 31, 2020.

There have been no changes in the design of the Company's internal control over financial reporting during 2020 that would materially affect, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, a projection of the evaluation of the effectiveness of internal control over financial reporting to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation. Internal controls over financial reporting may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

ADDITIONAL GAAP MEASURES

IFRS mandates certain minimum line items for financial statements and also requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the Company's financial position or performance. IFRS also requires the notes to the financial statements to provide information that is not presented elsewhere in the financial statements, but is relevant to understanding them. Such measures outside of the minimum mandated line items are considered additional GAAP measures. The Company's consolidated financial statements and notes thereto include certain additional GAAP measures where management considers such information to be useful to the understanding of the Company's results.

Gross Profit

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

Operating Income

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

	Three months ended December 31		**Years ended December 31**	
($ thousands)	**2020**	2019	**2020**	2019
Net earnings	**$ 88,950**	$ 90,454	**$ 254,915**	$ 286,800
plus: Interest expense	**7,286**	6,854	**29,981**	27,707
less: Interest and investment income	**(3,075)**	(3,166)	**(9,083)**	(9,752)
plus: Income taxes	**34,021**	34,056	**96,621**	107,740
Operating income	**$ 127,182**	$ 128,198	**$ 372,434**	$ 412,495
Total Revenues	**992,185**	1,025,190	**3,478,897**	3,678,705
Operating income margin	**12.8%**	12.5%	**10.7%**	11.2%

Net Debt to Total Capitalization/Equity

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

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

The calculations are as follows:

($ thousands)	**2020**	2019
Long-term debt	**$ 646,299**	$ 645,471
less: Cash	**591,128**	365,589
Net debt	**55,171**	279,882
Shareholders' equity	**1,698,652**	1,533,891
Total capitalization	**$ 1,753,823**	$ 1,813,773
Net debt to total capitalization	**3%**	15%
Net debt to equity	**0.03:1**	0.18:1

NON-GAAP MEASURES

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

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

Working Capital

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

($ thousands)	**2020**	2019
Total current assets	**$ 1,872,144**	$ 1,824,254
less: Total current liabilities	**794,216**	994,979
Working capital	**$ 1,077,928**	$ 829,275

Non-Cash Working Capital

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

($ thousands)		**2020**		2019
Total current assets	**$**	**1,872,144**	$	1,824,254
less: Cash		**591,128**		365,589
		1,281,016		1,458,665
Total current liabilities		**794,216**		994,979
Non-cash working capital	**$**	**486,800**	$	463,686

Market Capitalization & Total Enterprise Value

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

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

The calculations are as follows:

($ thousands, except for shares and share price)		**2020**		2019
Outstanding common shares		**82,474,658**		82,012,448
times: Ending share price	**$**	**89.20**	$	70.59
Market capitalization	**$**	**7,356,739**	$	5,789,258
Long-term debt	**$**	**646,299**	$	645,471
less: Cash		**591,128**		365,589
Net debt	**$**	**55,171**	$	279,882
Total enterprise value	**$**	**7,411,910**	$	6,069,140

Key Performance Indicators ("KPIs")

Management uses key performance indicators to consistently measure performance against the Company's priorities across the organization. The Company's KPIs include gross profit margin, operating margin, order bookings and backlogs, return on capital employed and return on equity. Although some of these KPIs are expressed as ratios, they are non-GAAP financial measures that do not have a standardized meaning under IFRS and may not be comparable to similar measures used by other issuers.

Gross Profit Margin

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

Operating Income Margin

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

Order Bookings and Backlogs

The Company's order bookings represent equipment unit orders that management believes are firm. Backlogs are defined as the retail value of equipment unit ordered by customers for future deliveries. Management uses order backlog as a measure of projecting future equipment 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 or total capitalization.

($ thousands)	**2020**	2019
Net earnings	**$ 254,915**	$ 286,800
plus: Interest expense	**29,981**	27,707
less: Interest and investment income	**(9,083)**	(9,752)
plus: Interest income - rental conversions	**3,529**	4,283
plus: Income taxes	**96,621**	107,740
Adjusted net earnings	**$ 375,963**	$ 416,778
Average capital employed	**$ 1,838,533**	$ 1,823,420
Return on capital employed	**20.4%**	22.9%

Return on Equity ("ROE")

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

($ thousands)	**2020**	2019
Net earnings	**$ 254,915**	$ 286,800
Opening shareholders' equity (net of adjustments)	**$ 1,538,817**	$ 1,338,468
Return on equity	**16.6%**	21.4%