TOROMONT

Toromont Announces Results for the First Quarter of 2010

TORONTO, ONTARIO, May 14, 2010 (Marketwire via COMTEX News Network) -- Toromont Industries Ltd. (TSX:TIH) today reported financial results for the three months ended March 31, 2010.

In the first quarter, Toromont completed the acquisition of Enerflex Systems Income Fund ("Enerflex"). Results from Enerflex have been consolidated from January 20, 2010, the date of acquisition. The combined business of Toromont Energy Services and Enerflex are now operating under Toromont ownership as Enerflex Ltd.

"The acquisition of Enerflex is an important strategic move that creates a strong global player in the natural gas compression industry," said Robert M. Ogilvie, Chairman and Chief Executive Officer of Toromont Industries Ltd. "It will take some time for the synergies to flow through our statements and we need a recovery in the industries we serve to fully realize the benefits of the transaction. However, integration activities are well underway with actions taken to-date translating to $15 million in annualized cost savings."

Revenues declined 4% in the first quarter of 2010 reflecting weaker economic conditions in both Equipment and Compression and the significant increase in the Canadian dollar over the past year.

Earnings in the first quarter of 2010 were $15.4 million ($0.21 per share after tax). These earnings included an $18.6 million gain ($0.22 per share after tax) on units of Enerflex which were held by Toromont prior to acquisition. Acquisition-related transaction costs and restructuring costs expensed in the first quarter of 2010 totalled $5.5 million ($0.06 per share after tax), interest costs related to transaction financing increased by $3.8 million ($0.03 per share after tax) and the amortization of intangible assets acquired in the acquisition totaled $2.2 million ($0.02 per share after tax).

Financial Highlights

$ millions, except per share amounts	Three months ended March 31 2010	2009	% change
Revenues	$ 440.7	$ 457.7	(4%)
Operating income	$ 7.1	$ 36.6	(81%)
Net earnings	$ 15.4	$ 23.7	(35%)
Earnings per share - basic	$ 0.21	$ 0.37	(43%)

"General economic conditions in the markets we serve continued to be slow," continued Mr. Ogilvie. "Our first quarter results were also impacted by transaction and rationalization costs together with the overhead costs assumed with the acquired entity."

Highlights for the First Quarter:

-- Integration efforts are well underway at Enerflex Ltd. The leadership team is in place, with managers from both predecessor companies filling out the senior positions under CEO Blair Goertzen. The Canadian product support business has been fully integrated and we have merged all of the sales, engineering, fabrication and administrative personnel serving the Canadian Energy industry. As expected, operations in the U.S. and international locations have been largely unaffected. These measures have led to the closing of ten redundant service locations, movement of personnel to shared office locations and reductions of 160 employee positions. Actions taken through to the date of this release are estimated to have reduced costs by $15 million on an annualized basis. Continued focus is being placed on facilities requirements, surplus real estate and excess inventory and these efforts are expected to reduce our capital employed and lead to additional cost savings.

-- Compression Group revenues were down 1% in the quarter compared to the same period last year. Declines in revenues at our legacy businesses due to the weak natural gas markets more than offset the revenues added due to the acquisition. The Compression Group reported an operating loss as lower shop utilization, restructuring costs and acquisition-related transaction costs impacted results.

-- Compression Group bookings for the quarter increased 132% compared to the first quarter of 2009. This increase is principally due to significant orders received in the US while approximately one-sixth of the increase arose due to the acquisition. Backlogs increased 59% from December 31, 2009. Approximately two-thirds of this increase was due to the $140 million in backlog assumed on acquisition, while the balance was due to the improved bookings.

-- Equipment Group revenues were down 8% in the quarter versus the similar period of 2009 on lower new machine sales and rentals. Operating income decreased 32% compared to last year on lower volumes and lower gross margins.

-- Equipment Group bookings were 74% higher than the first quarter of 2009 on improved activity levels in certain sectors including power systems, mining and road building. Backlogs were up 52% from December 31, 2009. Compared to March 31, 2009, backlogs were up 26%.

-- The Company maintained a strong financial position and ended the quarter with $192 million of cash and cash equivalents. After completing the largest acquisition in the Company's history, debt net of cash to shareholders' equity was 0.35:1, comfortably within stated capital targets.

-- The Board of Directors declared the regular quarterly dividend of $0.15 per common share, to be paid on July 2, 2010 to shareholders of record on June 11, 2010. The Company has paid dividends every year since going public in 1968.

-- The Company held its Annual meeting of Shareholders on April 22, 2010. The meeting is available via webcast of audio and slides at www.toromont.com.

"We are encouraged by the increased bookings this past quarter and the general sense from our front-line people that business prospects are improving. Significantly, sequential backlogs had a meaningful increase for the first time since the recession began in the third quarter of 2008. We expect that it will take several quarters for rising backlogs to translate into improved earnings due to the long delivery cycle for process and compression equipment as well as for mining and power projects," continued Mr. Ogilvie. "We are excited about moving forward with the integration of Enerflex with Toromont Energy Systems. This will be a year of significant transition at Enerflex and we believe that Toromont is now very well positioned for growth."

Quarterly Conference Call and Webcast

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Friday, May 14, 2010 at 4:30 p.m. (EDT). The call may be accessed by telephone at 1-866-223-7781 (toll free) or 416-340-8018 (Toronto area). A replay of the conference call will be available until Friday, May 28, 2010 by calling 1-800-408-3053 or 416-695-5800 and quoting passcode 2752372.

Both the live webcast and the replay of the quarterly conference call can be accessed at www.toromont.com.

About Toromont

Toromont Industries Ltd. operates through two business segments: The Compression Group and the Equipment Group. The Compression Group is a global leader specializing in the design, engineering, fabrication, and installation of compression systems for natural gas, coal-bed methane, fuel gas and carbon dioxide in addition to process systems and industrial and recreational refrigeration systems. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. Both Groups offer comprehensive product support capabilities. This press release and more information about Toromont Industries can be found on the Web at www.toromont.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three months ended March 31, 2010, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited consolidated financial statements and related notes for the three months ended March 31, 2010, the annual MD&A contained in the 2009 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2009.

The consolidated results of operations of Enerflex have been included in the Consolidated Statement of Earnings from January 20, 2010. Prior period amounts do not include financial results of Enerflex operations. Enerflex is reported as part of the Compression Group.

This MD&A contains certain forward-looking information. Please refer to the "Advisory" section of this MD&A for important information regarding forward-looking information.

The consolidated financial statements reported herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars. The information in this MD&A is current to May 13, 2010.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2009 Annual Report and 2010 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

ACQUISITION OF ENERFLEX

On January 20, 2010, the Company completed its offer for the units of Enerflex Systems Income Fund ("Enerflex"). The units acquired in the offer, together with the trust units owned by Toromont prior to the commencement of its offer, accounted for approximately 96% of the outstanding trust units of Enerflex on a fully diluted basis. Enerflex is a supplier of products and services to the global oil and gas production industry, and has operations in Canada, Australia, the Netherlands, the United States, Germany, Pakistan, the United Arab Emirates, Indonesia and Malaysia.

This important transaction brought together Enerflex and Toromont Energy Systems, to create a stronger organization (named "Enerflex Ltd."), better able to serve customers and compete in both North American and international markets. The new Enerflex benefits from increased financial strength and access to capital and is better positioned to serve customers. Toromont also expects to realize attractive synergies and cost savings through the elimination of excess fabrication capacity, overlapping service facilities, certain public company costs of Enerflex and duplicative head office and general and administration expenses.

The total consideration paid to acquire Enerflex was approximately $700 million, including units acquired prior to the take-over bid, units acquired in the take-over bid and the second step transaction.

CONSOLIDATED RESULTS OF OPERATIONS

	Three months ended March 31		
$ thousands, except per share amounts	2010	2009	% change
Revenues	$ 440,706	$ 457,659	(4%)

Cost of goods sold	356,377	363,182	(2%)
Gross profit	84,329	94,477	(11%)
Selling and administrative expenses	77,251	57,857	34%
Operating income	7,078	36,620	(81%)
Interest expense	7,104	2,181	226%
Interest and investment income	(801)	(880)	(9%)
Gain on available for sale financial assets on business acquisition	(18,627)	-	n/m
Equity earnings from affiliates	(217)	-	n/m
Income before income taxes	19,619	35,319	(44%)
Income taxes	4,254	11,601	(63%)
Net earnings	$ 15,365	$ 23,718	(35%)
Basic earnings per share	$ 0.21	$ 0.37	(43%)

Key ratios:		
Gross profit as a % of revenues	19.1%	20.6%
Selling and administrative expenses as a % of revenues	17.5%	12.6%
Operating income as a % of revenues	1.6%	8.0%
Income taxes as a % of income before income taxes	21.7%	32.8%

Note - Prior period amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

Revenues decreased by $17.0 million or 4% in the first quarter of 2010 compared to the same period in the prior year as lower revenues on weak economic conditions more than offset the additional revenues from the acquired business, Enerflex, included in consolidated revenues for 2010. Compression revenues were down 1% while Equipment revenues were down 8%.

The Canadian/U.S. dollar exchange rate impacts reported revenues on the translation of the financial statements of foreign subsidiaries. On average, the Canadian dollar was 19% stronger in the first quarter of 2010 compared to the same period of 2009. The impact in the first quarter of 2010 was a decrease in revenues of $19 million and net income by $0.7 million. In addition, the exchange rate impacts revenues in the Canadian operations of both the Equipment and Compression Groups, as pricing to customers typically reflects movements in the exchange rate on U.S. sourced equipment, components and spare parts.

Gross profit margin in the first quarter of 2010 was 19.1%, compared to 20.6% in the first quarter of 2009. Equipment Group gross profit margins were lower than the first quarter of 2009 while Compression Group gross margins were largely unchanged.

Selling and administrative expenses increased by $19.4 million, as expense reductions at the legacy Toromont businesses were more than offset by the additional $22.8 million attributable to the acquired Enerflex business. This incremental amount included regular expenses assumed together with $5.5 million related to transaction and rationalization costs and $2.2 million amortization related to identifiable intangible assets recorded on acquisition. At the legacy Toromont businesses, selling and administrative expenses were down $3.4 million or 6% compared to the first quarter of 2009, largely due to lower compensation costs on reduced staffing levels and lower profit sharing related to lower earnings. Selling and administrative expenses as a percentage of revenues were 17.5% in the first quarter of 2010, versus 12.6% in the same period of 2009.

Operating income declined $29.5 million or 81% in the first quarter of 2010 compared to the similar period in the prior year on higher expense levels, lower revenues and lower gross margins. Operating income as a percentage of revenue declined in the first quarter of 2010 to 1.6% from 8.0% in the same period of 2009.

Interest expense was $4.9 million higher in the first quarter of 2010 than in the similar period of 2009. The increase in expense resulted primarily from interest on a new $450 million term loan facility sourced to finance the acquisition of Enerflex.

Earnings in the first quarter of 2010 include a gain of $18.6 million ($16.3 million after tax and $0.22 per share) related to units of Enerflex purchased by Toromont during 2009. These assets were previously designated as available for sale and unrealized gains were included in Other Comprehensive Income ("OCI"). The amount of the gain represents the difference in value between actual cash cost of the units and the fair market value of the units on the acquisition date of January 20, 2010. Under Canadian accounting standards, the gain in OCI is required to be reclassified out of OCI and into net earnings on acquisition of the related business.

The effective income tax rate for the first quarter of 2010 was 21.7% compared to 32.8% for the similar period of 2009. The effective income tax rate in 2010 is lower than in 2009 reflecting the favourable capital gains tax rate used for the unrealized gain on units reclassified out of OCI and into income on acquisition. The rate in 2010 is also impacted by the mix of taxable income and loss by tax jurisdiction.

Net earnings in the first quarter of 2010 were $15.4 million, down 35% from the similar period of 2009, reflecting the higher expenses. Earnings per shares ("EPS"), for the first quarter were $0.21 basic, down 43% from 2009, reflecting lower earnings and a higher number of shares outstanding.

Comprehensive loss for the first quarter was $10.3 million, comprised of net earnings of $15.4 million and other comprehensive loss of $25.7 million. The other comprehensive loss arose from the reclassification to earnings of unrealized gains on available for sale financial assets in the period of $15.6 million and a loss on translation of self-sustaining foreign operations of $9.6 million.

BUSINESS SEGMENT OPERATING RESULTS

The accounting policies of the segments are the same as those of the consolidated entity. Management evaluates overall business segment performance based on revenue growth and operating income relative to revenues. Corporate expenses are allocated based on each segment's revenue. Previously, corporate overheads were allocated to the business segments based on operating income. The change in allocation method has been applied prospectively from January 1, 2010. Prior periods have not been restated as the impact is insignificant. Interest expense and interest and investment income are not allocated.

Results of Operations in the Compression Group

	Three months ended December 31		
$ thousands	2010	2009	% change
Package sales and rentals			
Natural gas compression	$ 111,286	$ 158,635	(30%)
Natural gas compression rentals	7,569	4,289	76%
Process and fuel gas compression	36,016	35,300	2%
Refrigeration systems	19,566	18,159	8%
Total package sales and rentals	174,437	216,383	(19%)
Product support	89,634	49,583	81%
Total revenues	$ 264,071	$ 265,966	(1%)
Operating (loss) income	$ (3,979)	$ 17,634	n/m
Key ratios:			
Product support revenues as a % of total revenues	33.9%	18.6%	
Group total revenues as a % of consolidated revenues	59.9%	58.1%	
Operating income as a % of revenues	n/m	6.6%	

Note - Prior period amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

Toromont completed its acquisition of Enerflex Systems Income Fund on January 20, 2010. The first quarter results for the Compression Group include the financial performance of the former Enerflex business units from the date of acquisition, combined with the performance of the legacy Compression Group.

Integration efforts are well underway at Enerflex Ltd. The leadership team is in place, with managers from both predecessor companies filling out the senior positions. The Canadian product support business has been fully integrated and all of the sales, engineering, fabrication and administrative personnel serving the Canadian Energy industry, have been merged. As expected, operations in the U.S. and international locations have been largely unaffected. These measures have led to the closing of ten redundant service locations, movement of personnel to shared office locations and reductions of 160 employee positions. Actions taken through to the date of this MD&A are estimated to have reduced costs by $15 million on an annualized basis. Continued focus is being placed on facilities requirements, surplus real estate and excess inventory and these efforts are expected to reduce our capital employed and lead to additional cost savings.

Due to the advanced stage of integration of the Canadian operations achieved in the first quarter, it is not possible to clearly associate trends to either of the two predecessor organizations. Generally, continued weak fundamentals in the natural gas compression and related markets have translated to reduced revenues in the quarter, that have more than offset the increases in revenues derived from the acquisition.

Natural gas package sales revenues were down $47.3 million or 30% compared to 2009. The stronger Canadian dollar resulted in a $13 million decrease compared to the prior year on translation of revenues derived at foreign operations. In addition, sales of natural gas compression packages from US operations were down 36% on a US dollar basis due to reduced opening backlogs. Sales from Canadian operations were up 78% as revenues added by the acquisition exceeded declines in the legacy business.

Natural gas rental revenues were $3.3 million or 76% higher in 2010 than in the prior year as a result of the rental operations of the acquired Enerflex business. Rental revenues for Toromont legacy natural gas compression business were down 14%. The natural gas compression rental fleet now includes 165,000 hp available for rent versus 67,000 hp at March 31, 2009.

Process and fuel gas compression systems revenues were up 2% reflecting revenues added due to the Enerflex acquisition, largely offset by a decline in the legacy business.

Refrigeration systems revenues were $1.4 million or 8% higher compared to the similar period of 2009. Bookings for recreational refrigeration in Canada have seen good growth due to the Federal recreational infrastructure programs, while the markets for industrial refrigeration in Canada and refrigeration generally in the US have remained challenged.

Product support revenues were up $40.1 million or 81% in the first quarter of 2010 on the acquisition, including the new international service business acquired with Enerflex. Product support in Canada was fully integrated in the quarter. While year-over-year there was an increase in revenues due to the acquisition of Enerflex, overall business levels were down in Canada. While legacy Toromont US natural gas product support revenues grew 18% on a USD basis, they were flat versus the first quarter in the prior year on a Canadian dollar basis. Refrigeration product support revenues were down 2.5% due to the impact of the stronger Canadian dollar on the translation of US service revenues.

The Compression Group reported an operating loss of $4.0 million in the first quarter of 2010 compared to a profit of $17.6 in the similar period of 2009. The decrease in operating income reflects the fixed overheads with respect to fabrication facilities which continued to be under absorbed on lower activity levels. Restructuring costs of $3.4 million have been incurred in the first quarter of 2010 related to the continuing integration of Enerflex, primarily related to severance costs. Acquisition-related transaction costs of $2.1 million have also been charged to the Compression Group. Amortization related to identifiable intangible assets recorded on acquisition totalled $2.2 million in the quarter.

	Three months ended March 31		
$ millions	2010	2009	% change
Bookings ($ millions)	$ 188	$ 81	132%

$ millions	March 31, 2010	Dec. 31, 2009	March 31, 2009
Backlog ($ millions)	$ 478	$ 301	$ 502

Note - Prior period amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

Compression bookings in the first quarter of 2010 were up 132% versus the relatively weak bookings seen in the first quarter of 2009. This increase is principally due to significant orders received in the US, while approximately one-sixth of the increase arose due to the acquisition. Industrial and recreational bookings were up 37%, with strong order activity in Canadian recreational markets significantly due to the Federal Recreational Infrastructure Program. Backlogs at March 31, 2010 were up 59% from those reported at December 31, 2009 and down 5% compared to March 31, 2009. Approximately $140 million in backlog was assumed on acquisition of Enerflex.

Results of Operations in the Equipment Group

	Three months ended March 31		
$ thousands	2010	2009	% change
Equipment sales and rentals			
New	$ 49,781	$ 64,684	(23%)
Used	28,591	24,485	17%
Rental	24,828	27,668	(10%)
Total equipment sales and rentals	103,200	116,837	(12%)
Power generation	2,563	2,365	8%
Product support	70,872	72,491	(2%)
Total revenues	$ 176,635	$ 191,693	(8%)
Operating income	$ 11,057	$ 18,986	(42%)
Key ratios:			
Product support revenues as a % of total revenues	40.1%	37.8%	
Group total revenues as a % of consolidated revenues	40.1%	41.9%	
Operating income as a % of revenues	6.3	9.9%	

New equipment sales were 23% lower in the first quarter of 2010 compared to the similar period of 2009 on lower unit sales. Most market segments, most notably heavy and general construction, and mining were lower.

Used equipment sales were 17% higher. Sales of used equipment have been a focus area during the economic downturn.

Rental revenues were down $2.8 million or 10% in the first quarter of 2010 compared to the prior year reflecting lower utilization and lower rental rates in a very competitive market.

Power generation revenues from Toromont-owned plants increased 8% in the first quarter compared to the similar period of the prior year, reflecting increased operating hours and higher average prices for electricity.

Product support revenues in the first quarter of 2010 were down $1.6 million or 2% from the similar period of 2009. On a constant dollar basis, parts revenues were level with the prior year.

Operating income was down $7.9 million or 42% in the first three months of 2010 compared to the similar period of 2009. Gross margins were higher in 2009 on a positive benefit from foreign currency hedges during a period of rapid devaluation of the Canadian dollar. This was not repeated in the first quarter of 2010. Selling and administrative expenses were 8% lower in the first quarter of 2010 than in the similar period of the prior year. Operating income was 6.3% of revenues, down from 9.9% reported in the similar period of the prior year.

	Three months ended March 31		
$ millions	2010	2009	% change
Bookings ($ millions)	$ 135	$ 78	74%

$ millions	March 31, 2010	Dec. 31, 2009	March 31, 2009
Backlog ($ millions)	$ 167	$ 110	$ 133

Equipment bookings increased 74% versus the first quarter of 2009, significantly due to increases in orders related to power systems, road building and mining activities. Backlogs at March 31, 2010 were up 52% from December 31, 2009 and 26% from March 31, 2009. A significant portion of the total sales in the Equipment Group is delivered from inventory and consequently resides in backlog for a short period of time. Items residing in backlog are typically orders of larger equipment with longer lead times, including mining and marine engine sales.

CONSOLIDATED FINANCIAL CONDITION

At March 31, 2010, the ratio of total debt net of cash to equity was 0.35:1, within the Company's targeted range. Total assets were $2.3 billion at March 31, 2010, compared with $1.4 billion at December 31, 2009. Total assets purchased in the acquisition of Enerflex were approximately $1 billion.

Working Capital

The Company's investment in non-cash working capital was $360.3 million at March 31, 2010. The major components, along with the changes from December 31, 2009, and March 31, 2009 are identified in the following table.

The acquisition of Enerflex led to the assumption of working capital upon consolidation and is reflected in the March 31, 2010 numbers.

Components of non-cash working capital

$ thousands	March 31 2010	December 31 2009	Change $	Change %	March 31 2009	Change $	Change %
Accounts receivable	$304,745	$244,759	$ 59,986	25%	$ 313,064	$ (8,319)	-3%

Inventories	512,525	373,110	139,415	37%	545,695	(33,170)	-6%
Income taxes receivable	29,380	16,967	12,413	n/m	2,265	27,115	n/m
Future income tax assets	45,134	34,326	10,808	31%	39,416	5,718	15%
Derivative financial instruments	(1,386)	(874)	(512)	n/m	6,527	(7,913)	n/m
Other current assets	13,659	6,037	7,622	n/m	12,860	799	6%
Accounts payable and accrued liabilities	(286,184)	(228,436)	(57,748)	25%	(266,528)	(19,656)	7%
Dividends payable	(11,531)	(9,728)	(1,803)	19%	(9,702)	(1,829)	19%
Deferred revenue	(164,736)	(89,810)	(74,926)	83%	(152,524)	(12,212)	8%
Current portion of long-term debt	(81,314)	(14,044)	(67,270)	n/m	(15,584)	(65,730)	n/m
Total non-cash working capital	$360,292	$332,307	$ 27,985	8%	$ 475,489	$(115,197)	-24%

Note - Prior period amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

n/m = not meaningful

Accounts receivable as at March 31, 2010 include approximately $91 million at the acquired Enerflex business. The remaining changes compared to December 31, 2009 and March 31, 2009 are described as follows:

- The legacy Compression Group accounts receivable are down 51% compared to March 31, 2009 on a decrease in trailing revenues, strong collections and on a stronger Canadian dollar which reduces the balances at foreign subsidiaries on translation.
- The legacy Compression Group accounts receivable are down 13% compared to December 31, 2009 on a decrease in trailing revenues.
- Equipment Group accounts receivable were down 16% compared to December 31, 2009 and 4% compared to March 31, 2009 on lower trailing revenues in 2010 versus the comparable periods at the previous dates.

There are a number of significant factors which need to be considered in comparing inventory balances at these three points in time:

- The rapid transition into economic recession in late 2008 and early 2009 led to increased inventories at March 31, 2009 as items ordered with long lead times arrived during a period of reduced sales. By December 31, 2009, significant actions had been taken to reduce these inventory levels.

- Seasonality is a factor which leads to certain trends as inventories build early in a calendar year in preparation for anticipated deliveries through the year.
- Foreign exchange fluctuations impact the translation of balances at foreign subsidiaries. The Canadian dollar strengthened significantly at March 31, 2010 compared to March 31, 2009 resulting in a reduction in reported inventories of $23 million. The effect compared to December 31, 2009 was approximately $4 million.
- The Enerflex acquisition included inventories of approximately $143 million.

Future income tax assets reflect differences between income tax and accounting.

Derivative financial instruments represent the fair value of foreign exchange contracts. Given the recent volatility in the Canadian/U.S. dollar exchange rate, the Company's hedging practices have led to a cumulative net loss of $1.4 million as at March 31, 2010. This is not expected to affect net income, as the unrealized loss will offset future gains on the related hedged items.

Dividends payable were 19% higher at March 31, 2010 than at both March 31 and December 31, 2009 reflecting the higher number of shares outstanding after the acquisition. Approximately 11.9 million shares were issued as partial consideration in the acquisition of Enerflex, representing an increase in the number of shares outstanding at December 31, 2009 of 18%. The dividend rate was $0.15 per share at each period.

Deferred revenues represent billings to customers in excess of revenue recognized. In the Compression Group, deferred revenues arise on progress billings in advance of revenue recognition. Deferred revenues increased as a result of the acquisition. In the Equipment Group, deferred revenues arise on sales of equipment with residual value guarantees, extended warranty and other customer support agreements as well as on progress billings on long-term construction contracts. Equipment Group deferred revenues decreased $3 million compared to both March and December 2009 on lower sales with residual value guarantees.

The current portion of long-term debt reflects scheduled principal repayments due in 2010. In connection with the acquisition of Enerflex, borrowings of $450 million were drawn down under a new term loan facility. This facility is due in July 2011, with periodic principal payments required each quarter. The value of principal payments due within the next twelve months on this facility is $67.5 million.

Income taxes receivable (payable) reflects amounts owing for corporate income taxes less installments made to date. The amount receivable in 2010 is higher than in 2009 as higher tax instalments were made compared to income generated in the period.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition.

Legal and Other Contingencies

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

Outstanding Share Data

As at the date of this MD&A, the Company had 76,882,317 common shares and 2,431,259 share options outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

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

Toromont arranged a term loan facility in January 2010 in connection with the acquisition of Enerflex. Borrowings of $450 million have been drawn down under this facility, with principal repayments of $16.875 million due quarterly and a lump sum final repayment due in July 2011 (eighteen month term). Debt incurred under this facility is unsecured and ranks equally with debt incurred under Toromont's existing credit facility and debentures. Toromont intends to utilize this facility through the issuance of bankers' acceptances with acceptance fees ranging from 275 to 400 basis points. The applicable margin or acceptance fee will, in each case, be determined based on Toromont's leverage ratio. Debt issuance costs of $6.9 million are being amortized over the term of this debt. This facility includes covenants, restrictions and events of default that are substantially the same as the corresponding provisions in Toromont's existing credit facility.

The Company maintains $225 million in bank credit in Canada and US$20 million in bank credit in the United States, provided through committed credit facilities. Of this, US$20 million matures in July 2010 and $225 million matures in 2011. No amount was drawn on the US facility at March 31, 2010 (December 31, 2009 - nil; March 31, 2009 - US$10.5 million), which bears interest at prime. The US prime rate was 3.25% at March 31, 2009 and 2010. There were no amounts drawn on this Canadian facility as at any of the above reporting dates. At March 31, 2010, standby letters of credit issued under this facility utilized $43 million of the credit lines (December 31, 2009 - $33 million; March 31, 2009 - $64 million).

At March 31, 2010, $451.5 million or 75% of the Company's total debt portfolio was subject to movements in floating interest rates, with maturity in 2011. The remaining $150.1 million or 25% of long-term debt carried interest at fixed rates. This debt matures at various dates through to 2019 with a current weighted average interest rate of 5.3%.

The Company expects that continued cash flows from operations in 2010, cash and cash equivalents on hand and currently available credit facilities will be more than sufficient to fund requirements for debt repayments, investments in working capital and capital assets over the next twelve months.

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:

Components of Cash Flow

$ thousands	Three months ended March 31 2010	2009
Cash, beginning of period	$ 206,957	$ 137,274
Cash, provided by (used in):		
Operations	18,248	31,911
Change in non-cash working capital and other	25,870	(85,947)
Operating activities	44,118	(54,036)
Investing activities	(321,997)	(14,484)
Financing activities	264,087	(1,593)
Decrease in cash in the period	(13,792)	(70,113)
Effect of foreign exchange on cash balances	(1,289)	-
Cash, end of period	$ 191,876	$ 67,161

Note - Prior period amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

Cash Flows from Operating Activities

Operating activities provided $44.1 million in the first quarter of 2010 compared to using $54.0 million in the comparable period of 2009. Net earnings adjusted for items not requiring cash was down 43% on lower activity in both Groups and costs related to the acquisition of Enerflex. Non-cash working capital and other provided $25.9 million in the first quarter of 2010 compared to using $85.9 million in the similar period of 2009. The components and changes in working capital are discussed in more detail in this MD&A under the heading "Consolidated Financial Condition."

Cash Flows from Investing Activities

Investing activities in the first quarter of 2010 included $292.5 million for the acquisition of Enerflex.

Net additions to the rental fleet (additions less proceeds on disposal) in the first quarter of 2010 were $0.1 million. Additions to the rental fleet have been curtailed in light of the current economic environment and during the integration of Enerflex rental operations.

Gross investment in property, plant and equipment was $33.7 million during the first quarter of 2010. Significant investments included the following:

- $15 million for purchase of land in the greater Toronto area;
- $6.6 million in land and building in Brampton for a new location for Toromont Power Systems; and
- $6.5 million in service centres in Canada and north western United States to accommodate growth in natural gas product support business.

Additions to property, plant and equipment amounts to $8.3 million during the first quarter of 2009. This included $4 million for expansion of the compression facilities in Casper, Wyoming.

Cash Flows from Financing Activities

Cash provided by financing activities included $450 million borrowed under a new term loan facility entered into as part of the acquisition of Enerflex.

Enerflex's senior secured notes payable in the amount of $100.6 million were repaid subsequent to completing the acquisition. A premium of $11.3 million was paid in connection with the repayment of these notes, and was included in the fair value of liabilities assumed for purposes of the purchase price allocation. Borrowings under Enerflex's bank facility of $53 million were also repaid in the first quarter of 2010 following completion of the acquisition.

Financing costs of $6.9 million were paid in connection with the new term loan facility. These costs have been deferred and will be amortized over the life of the related term loan facility using the effective interest method.

Dividends paid to common shareholders in the first quarter of 2010 totalled $9.7 million, an increase of 7% over the comparable period of 2009. The dividend per share paid in the first quarter of 2010 was $0.15 compared to $0.14 paid in the first quarter of 2009. The acquisition related share issue took place subsequent to the record date for receiving dividends in the first quarter of 2010.

There were no shares purchased under the normal course issuer bid (NCIB) during the first quarter of 2010. During the first quarter of 2009, 43,400 shares were purchased and cancelled under the Company's NCIB at a cost of $858.

Cash received on exercise of Toromont share options was $2.0 million in the first quarter of 2010 compared to $1.3 million in the first quarter of 2009. The number of stock options exercised was 15% higher in 2010 and the weighted average exercise price was 34% higher, reflecting the generally increasing number of options granted and generally higher strike prices.

OUTLOOK

Toromont entered 2010 with many of its end markets continuing to deal with the adverse economic conditions experienced through 2009. Compounding matters, the strong backlogs which had sustained performance for much of 2009 had significantly eroded by the time Toromont entered 2010.

Improvement in the economy is expected and management is encouraged that bookings and enquiry levels have improved versus the weak conditions seen in 2009. We do not, however, expect a meaningful recovery in our businesses in 2010 and as a result we are not expecting to attain the same level of profitability as reported in 2009.

Toromont's newly merged business, Enerflex Ltd., is a global leader in the compression market, built on the complementary strengths of its predecessor organizations. A strong leadership team is in place and the Company believes that the long-term prospects for this business are very good. 2010 will be a year of significant transition for this business and the Company expects that the full benefit of the acquisition will become more evident as the integration progresses, synergies are realized and the global demand for compression equipment improves. The Company believes that the long term market fundamentals for natural gas are attractive.

Canadian refrigeration markets have held up well, due to governmental stimulus spending designated for recreational refrigeration projects, moderated by challenging conditions in industrial refrigeration.

Within the Equipment Group, certain markets continue to perform well including road building stimulated by infrastructure spending, power systems and precious metals mining. The increased bookings seen in the first quarter are encouraging and there are some indications that prospects are improving.

Our management teams remain focused on protecting our leading market positions while at the same time controlling expenses.

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 and new short- and long-term financing facilities, and that the Company's credit ratings provide reasonable access to capital markets to facilitate future debt issuance.

Payments due by Period	remainder of 2010	2011	2012	2013
Long-term Debt				
- principal	$ 58,200	$ 406,264	$ 1,280	$ 1,372
- interest	18,961	14,499	6,986	6,895
Operating Leases	12,573	11,875	8,500	5,906
	$ 89,734	$ 432,638	$ 16,766	$ 14,173

Payments due by Period	2014	Thereafter	Total
Long-term Debt			
- principal	$ 1,471	$ 133,039	$ 601,626
- interest	6,796	7,635	61,772
Operating Leases	3,384	7,624	49,862
	$ 11,651	$ 148,298	$ 713,260

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 2009 annual audited consolidated financial statements.

Quarterly review

$ thousands, except per share amounts	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Revenues				
Equipment Group	$ 217,015	$ 233,629	$ 239,009	$ 176,635
Compression Group	267,158	196,293	213,829	264,071
Total revenues	$ 484,173	$ 429,922	$ 452,838	$ 440,706
Net earnings	$ 33,525	$ 31,923	$ 31,350	$ 15,365
Per share information:				
Basic earnings per share	$ 0.51	$ 0.50	$ 0.48	$ 0.21
Diluted earnings per share	$ 0.51	$ 0.50	$ 0.48	$ 0.21
Dividends per share	$ 0.15	$ 0.15	$ 0.15	$ 0.15

	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Revenues				
Equipment Group	$ 285,845	$ 307,441	$ 303,904	$ 191,693
Compression Group	250,632	270,528	305,800	265,966
Total revenues	$ 536,477	$ 577,969	$ 609,704	$ 457,659
Net earnings				
Continuing operations	$ 38,222	$ 37,104	$ 49,110	$ 23,718
Discontinued operations	(406)	-	-	
	$ 37,816	$ 37,104	$ 49,110	$ 23,718
Per share information:				
Basic earnings per share				
Continuing operations	$ 0.59	$ 0.57	$ 0.76	$ 0.37
Discontinued operations	(0.01)	-	-	-
	$ 0.58	$ 0.57	$ 0.76	$ 0.37
Diluted earnings per share				
Continuing operations	$ 0.59	$ 0.56	$ 0.76	$ 0.37
Discontinued operations	(0.01)	-	-	-
	$ 0.58	$ 0.56	$ 0.76	$ 0.37

Dividends per share	$ 0.14	$ 0.14	$ 0.14	$ 0.15

Note - Prior period amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

Interim period revenues and earnings historically reflect some 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 has typically been the strongest quarter due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option.

The Compression Group also has historically had a distinct seasonal trend in activity levels due to well-site access and drilling patterns, which reflect weather conditions in Canada. Generally, higher revenues are reported in the fourth quarter of each year. The Company expects that the geographic and product mix diversification will mitigate this seasonality.

As a result of the historical seasonal sales trends, inventories increase through the year in order to meet the expected demand for delivery in the fourth quarter of the fiscal year, while accounts receivable are highest at year end.

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to risks that may potentially impact its financial results in either or both 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.

There have been no material changes to the operating and financial risk assessment and related risk management strategies as described in the Company's 2009 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are consistent with those used in the Company's 2009 audited annual consolidated financial statements and described in Note 1 therein, except for the changes in accounting policies described in the following section.

The preparation of financial statements in conformity with Canadian GAAP requires estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. There have been no material changes to the critical accounting estimates as described in the Company's 2009 Annual Report.

CHANGES IN ACCOUNTING POLICIES

Business Combinations

Effective January 1, 2010, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements, and Section 1602 Non-controlling Interests. Section 1582 specifies a number of changes, including an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These new standards are harmonized with International Financial Reporting Standards (IFRS). The new standards will become effective in 2011, however early adoption is permitted. The Company has early adopted Section 1582 effective from January 1, 2010.

The Company had reported deferred transaction costs of $9,035 as at December 31, 2009. These costs were charged to opening retained earnings, net of tax of $1,129, as a result of the change in accounting policy.

FUTURE ACCOUNTING STANDARDS

Financial Instruments Recognition and Measurement

In June 2009, the CICA amended Handbook Section 3855 - Financial Instruments - Recognition and Measurement ("Section 3855") to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument at initial recognition for accounting purposes. The amendments are applicable for the Company's interim and annual financial statements for its fiscal year beginning January 1, 2011. Earlier adoption is permitted. At March 31, 2010, the Company had no debt instruments to which the Section 3855 amendments would be applicable.

Multiple Deliverable Revenue Arrangements

On December 24, 2009, the CICA issued EIC Abstract 175 - Multiple deliverable revenue arrangements ("EIC-175"). EIC-175 addresses the accounting by a vendor for arrangements under which it will perform multiple revenue generating activities and how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. EIC-175 is applicable to revenue arrangements with multiple deliverables entered into or materially modified on or after January 1, 2011. Earlier adoption is permitted. The Company does not anticipate early adopting EIC-175. The Company plans to adopt revenue recognition principles in accordance with IFRS effective January 1, 2011 and does not anticipate that this adoption will have a material impact on the Company's consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures.

The conversion project consists of four phases: diagnostic, design and planning, solution development and implementation. Investments in training and resources will be made throughout the transition period to facilitate a timely conversion.

Based on diagnostics completed to date, the areas identified with the most potential impact are as follows: property, plant and equipment; provisions; certain aspects of revenue recognition; expanded disclosure requirements and IFRS 1 First Time Adoption. The Company expects the transition to IFRS to potentially impact financial reporting, business processes, internal controls and information systems.

We are in the solution development and implementation phase and have established issue-specific work teams to focus on quantification of impact, generating options and making recommendations in the identified risk areas. Quarterly updates are provided to the Audit Committee.

Although our activities are well underway and commencing according to plan, continued progress is necessary before the Company can prudently increase the specificity of the disclosure of IFRS changeover accounting policy differences. In addition, due to anticipated changes in Canadian GAAP and IFRS prior to the Company's transition to IFRS, the full impact of adopting IFRS on the Company's future financial position and results of operations cannot be reasonably determined at this time.

Toromont anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as systems changes that may be necessary to gather and process the required information.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the accompanying consolidated financial statements. The Audit Committee is also responsible for determining that management fulfills its responsibilities in the financial control of operations, including disclosure controls and procedures and internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chairman & Chief Executive Officer and the Chief Financial Officer, together with other members of management, have designed the Company's disclosure controls and procedures ("DC&P") in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them and by others within those entities.

Additionally, they have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with GAAP.

The control framework used in the design of both DC&P and ICFR is the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The design and maintenance of adequate disclosure controls and procedures and internal control over financial reporting include controls, policies and procedures of Enerflex effective from the date of acquisition, January 20, 2010.

There have been no significant changes in the design of the Company's internal controls over financial reporting during the three-month period ended March 31, 2010 that would materially affect, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

While the Officers of the Company have designed the Company's disclosure controls and procedures and internal controls over financial reporting, they expect that these controls and procedures 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.

NON-GAAP FINANCIAL MEASURES

The success of the Company and business unit strategies is measured using a number of key performance indicators, which are outlined below. These measures are also used by management in its assessment of relative investments in operations. These key performance indicators are not measurements in accordance with Canadian GAAP. It is possible that these measures will not be comparable to similar measures prescribed by other companies. They should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP.

Operating Income and Operating Margin

Each business segment assumes responsibility for its operating results as measured by, amongst other factors, operating income, which is defined as income before income taxes, interest income and interest expense. Financing and related interest charges cannot be attributed to business segments on a meaningful basis that is comparable to other companies. Business segments and income tax jurisdictions are not synonymous, and it is believed that the allocation of income taxes distorts the historical comparability of the performance of the business segments. Consolidated and segmented operating income is reconciled to net earnings in tables where used in this MD&A.

Operating income margin is calculated by dividing operating income by total revenue.

Return on Equity (ROE) and Return on Capital Employed (ROCE)

Return on equity is monitored to assess the profitability of the consolidated Company. ROE is calculated by dividing net earnings by opening shareholders' equity.

ROCE is a key performance indicator that is utilized to assess both current operating performance and prospective investments. The 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.

Working Capital and Non-Cash Working Capital

Working capital is defined as current assets less current liabilities. Non-cash working capital is defined as working capital less cash and equivalents.

Bookings and Backlog

Bookings represent new orders for the supply of equipment that management believe are firm. Bookings do not include rental, operating or service contracts. Bookings also include contract changes and cancellations received during the period. Within the Equipment Group, backlog arises on items that are not in inventory, items with long delivery times and as a result of specified customer delivery requests. This occurs primarily in specialized areas such as mining and marine power systems. Within the Compression Group, backlog arises due to the time required for engineering, sourcing of direct materials and fabrication, as well as specific customer requests for delivery. Backlog represents the unearned portion of revenue on orders that are in process and have not been completed at the specified date. Closing backlog is not a guarantee of future revenues and provides no information about the timing on which future revenue may be recorded.

There is no direct comparable measure for bookings or backlog in GAAP.

ADVISORY

Statements and information herein that are not historical facts are "forward-looking information". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "likely", "should", "could", "will", "may" and similar expressions often identify forward-looking information and statements. Forward looking statements and information may include, without limitation, statements regarding the operations, business, financial condition, liquidity, expected financial results, performance, obligations, market conditions, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Toromont and its business units.

Forward-looking information and statements contained herein are based on, among other things, Toromont management's current assumptions, expectations, estimates, objectives, plans and intentions regarding projected revenues and expenses, the economic, industry and regulatory environments in which Toromont operates or which could affect its activities, Toromont's ability to attract and retain customers as well as Toromont's operating costs and raw materials supply. By their nature, forward-looking information and statements, and the factors upon which they are based, are subject to risks and uncertainties which may be beyond Toromont's ability to control or predict. Actual results or events could differ materially from those expressed or implied by forward-looking information and statements. Factors that could cause actual results or events to differ from current expectations include, among others: business cycle risk, including general economic conditions in the countries in which Toromont operates; risk of commodity price changes including precious and base metals and natural gas; risk of changes in foreign exchange rates, including the Cdn$/US$ exchange rate; risk of the termination of distribution or original equipment manufacturer agreements; risk of equipment product acceptance and availability of supply; risk of increased competition; credit risk related to financial instruments; risk of additional costs associated with warranties and maintenance contracts; interest rate risk on financing arrangements; risk of availability of financing; risk of environmental regulation; risks related to the integration of Enerflex's operations with those of Toromont; and risks related to the realization of identified synergies. Additional information on these factors and other risks and uncertainties that could cause actual results or events to differ from current expectations can be found in the "Risks and Risk Management" and "Outlook" section of this MD&A and the "Risks and Risk Management" and "Outlook" sections of Toromont's MD&A for the year ended December 31, 2009. 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 forward-looking information and statements.

Forward-looking information and statements contained herein about prospective results of operations, financial position or cash flows are presented for the purpose of assisting Toromont's shareholders in understanding managements' current view regarding those future outcomes and may not be appropriate for other purposes. Readers are cautioned not to place undue reliance on the forward-looking information and statements contained herein, which are given as of the date of this document, and not to use such information and statements for anything other than their intended purpose. Toromont disclaims any obligation or intention to update or revise any forward-looking information or statement, whether the result of new information, future events or otherwise, except as required by applicable law.

TOROMONT INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEETS
(unaudited)

($ thousands)	March 31 2010	December 31 2009	March 31 2009
Assets			
Current assets			
Cash and cash equivalents	$ 191,876	$ 206,957	$ 67,161
Accounts receivable	304,745	244,759	313,064
Inventories (note 4)	512,525	373,110	545,695
Income taxes receivable	29,380	16,967	10,534
Future income taxes	45,134	34,326	39,416
Derivative financial instruments	1,851	-	7,022
Other current assets	13,659	6,037	12,860
Total current assets	1,099,170	882,156	995,752
Property, plant and equipment	341,310	186,491	203,111

Rental equipment	245,561	183,175	196,460
Future income taxes	25,817	-	-
Derivative financial instruments	62	-	296
Other assets (note 5)	12,946	78,045	26,954
Intangible assets (note 6)	41,861	-	-
Goodwill	491,973	34,800	34,800
Total assets	$ 2,258,700	$ 1,364,667	$ 1,457,373
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 7)	$ 297,715	$ 238,164	$ 276,230
Deferred revenues	164,736	89,810	152,524
Current portion of long-term debt (note 8)	81,314	14,044	15,584
Income taxes payable	-	-	8,269
Derivative financial instruments	3,237	874	495
Total current liabilities	547,002	342,892	453,102
Deferred revenues	11,481	13,386	33,994
Long-term debt (note 8)	514,324	144,051	164,875
Accrued pension liability	2,359	2,351	2,385
Future income taxes	28,025	7,924	5,426
Shareholders' equity			
Share capital (note 9)	462,940	132,261	129,441
Contributed surplus (note 10)	10,043	10,012	9,075
Retained earnings	708,345	712,418	644,766
Accumulated other comprehensive (loss) income (note 11)	(26,338)	(628)	14,309
Shareholders' equity before non-controlling interest	1,154,990	854,063	797,591
Non-controlling interest	519	-	-
Shareholders' equity	1,155,509	854,063	797,591
Total liabilities and shareholders' equity	$ 2,258,700	$ 1,364,667	$ 1,457,373

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)

	Three months ended March 31	
$ thousands, except per share amounts	2010	2009
Revenues	$ 440,706	$ 457,659

Cost of goods sold	356,377	363,182
Gross profit	84,329	94,477
Selling and administrative expenses	77,251	57,857
Operating income	7,078	36,620
Interest expense	7,104	2,181
Interest and investment income	(801)	(880)
Gain on available for sale financial assets on business acquisition	(18,627)	-
Equity earnings from affiliates	(217)	-
Income before income taxes	19,619	35,319
Income taxes	4,254	11,601
Net earnings	$ 15,365	$ 23,718
Earnings per share (note 13)		
Basic and Diluted	$ 0.21	$ 0.37
Weighted average number of shares outstanding		
Basic	73,866,042	64,678,273
Diluted	74,205,914	64,865,128

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(Unaudited)

	Three months ended March 31	
($ thousands)	2010	2009
Retained earnings, beginning of period	$ 712,418	$ 631,522
Change in accounting policy (note 2)	(7,906)	-
	$ 704,512	$ 631,522
Net earnings	15,365	23,718
Dividends	(11,532)	(9,702)
Shares purchased for cancellation (note 9)	-	(772)
Retained earnings, end of period	$ 708,345	$ 644,766

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

Three months
ended March

($ thousands)	31 2010	2009
Net earnings	$ 15,365	$ 23,718
Other comprehensive income (loss):		
Change in fair value of derivatives designated as cash flow hedges, net of income taxes (2010 - ($534); 2009 - ($156))	(763)	(290)
Gains (loss) on derivatives designated as cash flow hedges transferred to net income in the current period, net of income taxes (2010 - $134; 2009 - ($862))	260	(1,601)
Unrealized (loss) gain on translation of financial statements of self-sustaining foreign operations	(9,592)	5,053
Unrealized gain on financial assets designated as available-for-sale, net of income taxes of $49	-	248
Reclassification to net income of gain on available-for-sale financial assets as a result of business acquisition, net of income taxes of $3,090	(15,615)	-
Other comprehensive (loss) income	(25,710)	3,410
Comprehensive (loss) income	$ (10,345)	$ 27,128

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ thousands)	Three months ended March 31 2010	2009
Operating activities		
Net earnings	$ 15,365	$ 23,718
Items not requiring cash and cash equivalents		
Depreciation and amortization	18,668	12,137
Equity earnings from affiliates	(217)	-
Stock-based compensation	717	595
Accrued pension liability	8	63
Future income taxes	3,793	(2,508)
Gain on sale of rental equipment, property, plant and equipment	(1,459)	(2,094)
Gain on available-for-sale financial		

instruments on business acquisition	(18,627)	-
	18,248	31,911
Net change in non-cash working capital and other (note 17)	25,870	(85,947)
Cash provided by (used in) operating activities	44,118	(54,036)
Investing activities		
Additions to:		
Rental equipment	(8,788)	(5,827)
Property, plant and equipment	(33,656)	(8,318)
Proceeds on disposal of:		
Rental equipment	8,666	8,642
Property, plant and equipment	2,698	563
Decrease (increase) in other assets	1,616	(9,544)
Business acquisition, net of cash (note 3)	(292,533)	-
Cash used in investing activities	(321,997)	(14,484)
Financing activities		
Increase in term credit facility debt	-	13,291
Issue of long-term debt	450,000	-
Repayment of other long-term debt	(171,279)	(6,307)
Financing costs	(6,951)	-
Dividends	(9,728)	(9,045)
Shares purchased for cancellation	-	(858)
Cash received on exercise of stock options	2,045	1,326
Cash provided by (used in) financing activities	264,087	(1,593)
Effect of exchange rate changes on cash denominated in foreign currency	(1,289)	-
Decrease in cash and cash equivalents	(13,792)	(70,113)
Cash and cash equivalents at beginning of period	206,957	137,274
Cash and cash equivalents at end of period	$ 191,876	$ 67,161

Supplemental cash flow information (note 17)

See accompanying notes

TOROMONT INDUSTRIES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010
(unaudited)
($ thousands except where otherwise indicated)

1. Significant accounting policies

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the preparation of interim financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with those used in the Company's 2009 audited annual consolidated financial statements, except for the change in accounting policies described in Note 2. These unaudited interim consolidated financial statements do not include all disclosures required by GAAP for annual financial statements, and accordingly should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2009.

2. Changes in accounting policies

Current Accounting Changes

Business Combinations

Effective January 1, 2010, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements, and Section 1602 Non-controlling Interests. Section 1582 specifies a number of changes, including an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These new standards are harmonized with International Financial Reporting Standards (IFRS). The new standards will become effective in 2011, however early adoption is permitted. The Company has early adopted these standards effective from January 1, 2010.

The Company had reported deferred transaction costs of $9,035 as at December 31, 2009. These costs were charged to opening retained earnings, net of tax of $1,129, as a result of the change in accounting policy.

Future Accounting Changes

Financial Instruments - Recognition and Measurement

In June 2009, the CICA amended Handbook Section 3855 - Financial Instruments - Recognition and Measurement ("Section 3855") to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument at initial recognition for accounting purposes. The amendments are applicable for the Company's interim and annual financial statements for its fiscal year beginning January 1, 2011. Earlier adoption is permitted. At March 31, 2010, the Company had no debt instruments to which the Section 3855 amendments would be applicable.

Multiple Deliverable Revenue Arrangements

On December 24, 2009, the CICA issued EIC Abstract 175 - Multiple deliverable revenue arrangements ("EIC-175"). EIC-175 addresses the accounting by a vendor for arrangements under which it will perform multiple revenue generating activities and how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. EIC-175 is applicable to revenue arrangements with multiple deliverables entered into or materially modified on or after January 1, 2011. Earlier adoption is permitted. The Company does not anticipate early adopting EIC-175. The Company plans to adopt revenue recognition principles in accordance with IFRS effective January 1, 2011 and does not anticipate that this adoption will have a material impact on the Company's consolidated financial statements.

International Financial Reporting Standards

Canadian GAAP will be converged with IFRS effective January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS. The project is on track and is currently in the solution development and implementation stage. Quarterly updates are provided to the Audit Committee. The Company continues to assess the impact of adopting IFRS on the consolidated financial statements.

3. Business acquisition

On January 20, 2010, the Company completed its offer for the units of Enerflex Systems Income Fund ("Enerflex"). The units acquired in the offer, together with the trust units owned by Toromont prior to the commencement of its offer, accounted for approximately 96% of the outstanding trust units of Enerflex on a fully diluted basis. Enerflex is a supplier of products and services to the global oil and gas production industry, and has operations in Canada, Australia, the Netherlands, the United States, Germany, Pakistan, the United Arab Emirates, Indonesia and Malaysia. Enerflex has been integrated with the

Company's existing natural gas and process compression business, Toromont Energy Systems, and is continuing under the name Enerflex. This acquisition creates a stronger organization, better able to serve customers and compete globally. The financial results of Enerflex are included in the Compression Group.

Toromont purchased Enerflex pursuant to a take-over bid (the "Offer") to acquire all of the outstanding trust units (the "Trust Units") of Enerflex Systems Income Fund and all of the issued and outstanding class B limited partnership units (the "Exchangeable LP Units" and, together with the Trust Units, the "Units") of Enerflex Holdings Limited Partnership ("Enerflex LP"), Toromont acquired approximately 87.2% of the outstanding Trust Units and approximately 99.5% of the outstanding Exchangeable LP Units. Together with the Trust Units owned by Toromont prior to the commencement of its offer, Toromont then owned approximately 96% of the outstanding Trust Units on a fully diluted basis.

On February 3, 2010, the remaining outstanding Exchangeable LP Units (other than those owned by Toromont) were redeemed. Pursuant to a "Tax Efficient Subsequent Acquisition" under the amended Deed of Trust of Enerflex, Toromont acquired all of the remaining outstanding Trust Units, other than Trust Units owned by Toromont or its affiliates, on February 26, 2010 (the "Tax Efficient Subsequent Acquisition").

Toromont's acquisition of Units pursuant to the Offer and acquisition of Trust Units pursuant to the Tax Efficient Subsequent Acquisition is collectively referred to as the "Acquisition".

Pursuant to the Offer, Toromont acquired 39,583,074 Trust Units and 2,640,692 Exchangeable LP Units. Toromont subsequently acquired 1,907,500 Trust Units in the subsequent Tax Efficient Subsequent Acquisition. In both the Offer and the Tax Efficient Subsequent Acquisition, Toromont offered the holders of Units the opportunity to elect to receive as consideration either $14.25 in cash or 0.5382 of a common share of Toromont plus $0.05 in cash per Unit, in each case subject to pro ration.

In total, Toromont paid approximately $315.5 million in cash and issued approximately 11.9 million Toromont common shares for the Units acquired in the Acquisition. The cost to Toromont to purchase all of the Units of Enerflex is included below. For accounting purposes, the cost of Toromont's common shares issued in the Acquisition was calculated based on the average share price traded on the TSX on the respective dates of acquisition.

Prior to the Acquisition, Toromont owned 3,902,100 Trust Units which were purchased with a cash cost of $37.8 million ($9.69 per unit). Prior to the date of acquisition, Toromont designated its investment in Enerflex as available-for-sale and as a result the units were measured at fair value with the changes in fair value recorded in Other Comprehensive Income ("OCI"). On acquisition, the cumulative gain on this investment was reclassified out of OCI and into the statement of earnings. The fair value of this investment was included in the cost of purchase outlined below. The fair value of these units at January 20, 2010 was $56.4 million.

Purchase price		
Units owned by Toromont prior to Offer	$	56,424
Cash consideration		315,539
Issuance of Toromont common shares		328,105
Total	$	700,068

The Acquisition is accounted for as a business combination with Toromont as the acquirer of Enerflex. The Acquisition has been accounted for using the purchase method of accounting. Results from Enerflex have been consolidated from the acquisition date, January 20, 2010 and contributed approximately $100 million in revenue and reduced pre-tax income by $5 million.

Cash used in the investment is determined as follows:

Cash consideration	$	315,539
less cash acquired		(23,006)
	$	292,533

The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon their fair value at the date of acquisition. The Company determined the fair values based on discounted cash flows, market information, independent valuations and management's estimates, Final valuations of certain items are not yet complete due to the inherent complexity associated with valuations. Therefore the purchase price allocation is preliminary and subject to adjustment over the course of 2010 on completion of the valuation process and analysis of resulting tax effects.

The preliminary allocation of the purchase price is as follows:

Purchase price allocation	
Cash	$ 23,006
Non-cash working capital	133,106
Property, plant and equipment	133,500
Rental equipment	69,072
Other long term assets	21,286
Intangible assets with a definite life	
Customer relationships	36,600
Other	7,500
Long term liabilities	(181,174)
Net identifable assets	242,895
Residual purchase price allocated to goodwill	457,173
	$ 700,068

Non-cash working capital includes accounts receivable of $109 million, representing gross contractual amounts receivable of $115 million less management's best estimate of the contractual cash flows not expected to be collected of $6 million.

The primary factors that contributed to a purchase price that resulted in the recognition of goodwill are: the existing Enerflex business; the acquired workforce; time-to-market benefits of acquiring an established manufacturing and service organization in key international markets such as Australia, Europe and the Middle East; and the combined strategic value to the Company's growth plan. The amount assigned to goodwill is not expected to be deductible for tax purposes.

Acquisition-related costs, primarily for advisory services, were incurred during the year ended December 31, 2009 and during the three-month period ended March 31, 2010 in the amount of approximately $9,035 and $2,089, respectively. Costs incurred and deferred at December 31, 2009 have been charged to opening retained earnings on adoption of CICA Section 1582 (see note 2). Costs incurred during the three-month period ended March 31, 2010 were included in selling and administrative expenses in the unaudited consolidated interim statement of earnings.

The revenues and pre-tax earnings for the combined entity for the current reporting period as though the acquisition date had been January 1, 2010, excluding purchase accounting adjustments and one-time costs related to change of control, are estimated at $470 million and $18 million respectively. These are unaudited pro forma figures and are not necessarily indicative of the combined results that would have been attained had the acquisition taken place at January 1, 2010, nor is it necessarily indicative of future results.

4. Inventories

	March 31 2010	December 31 2009	March 31 2009
Equipment	$ 206,843	$ 164,744	$ 282,994
Repair and distribution parts	112,554	74,809	89,628
Direct materials	113,544	75,740	92,114

Work-in-process	79,584	57,817	80,959
	$ 512,525	$ 373,110	$ 545,695

The amount of inventory recognized as an expense and included in cost of goods sold accounted for other than by the percentage-of-completion method during the first quarter of 2010 was $188 million (2009 - $160 million). The amount recovered to the income statement and included in cost of goods sold for the reversal of inventory valuation issues during the first quarter of 2010 was $1.5 million (2009 - $1.1 million).

5. Other long-term assets

	March 31 2010	December 31 2009	March 31 2009
Equipment sold with guaranteed residual values	$ 10,226	$ 10,940	$ 16,784
Investment in affiliate	2,250		
Investment in Enerflex units	-	56,502	8,887
Deferred transaction costs	-	10,160	-
Other long-term assets	470	443	1,283
	$ 12,946	$ 78,045	$ 26,954

Toromont, as a result of its acquisition of Enerflex, owns a 40% investment in Total Production Services Inc, an investment subject to significant influence. The Company uses the equity method to account for this investment.

6. Intangible assets

	Acquired value	Accumulated amortization	Net book value
Customer relationships	$ 36,600	$ 1,408	$ 35,192
Other	7,500	831	6,669
	$ 44,100	$ 2,239	$ 41,861

Intangible assets are recorded at cost and are amortized on a straight-line basis over their estimated economic lives. Customer relationships are being amortized over 5 years. Other intangibles include long-term contracts, distribution agreements and order backlog. These assets are being amortized over periods ranging from 1 to 3 years.

7. Accounts payable and accrued liabilities

	March 31 2010	December 31 2009	March 31 2009

Accounts payable and accrued liabilities	$ 286,184	$ 228,436	$ 266,528
Dividends payable	11,531	9,728	9,702
Total accounts payable and accrued liabilities	$ 297,715	$ 238,164	$ 276,230

8. Long-term debt

	March 31 2010	December 31 2009	March 31 2009
Term loan facility	$ 450,000	$ -	$ -
Bank term facility	-	-	13,291
Senior debentures	150,125	155,999	161,678
Notes payable	1,501	2,096	5,490
Debt issuance costs, net of amortization	(5,988)	-	-
Total long-term debt	595,638	158,095	180,459
Less current portion	81,314	14,044	15,584
	$ 514,324	$ 144,051	$ 164,875

All debt is unsecured.

Toromont secured a term loan facility in January 2010 in connection with the acquisition of Enerflex. Borrowings of $450 million have been drawn down under this facility, with principal repayments of $16.875 million due quarterly and a lump sum final repayment due in July 2011 (eighteen month term). Debt incurred under this facility is unsecured and ranks equally with debt incurred under Toromont's existing credit facility and debentures. This facility is subject to fees at levels customary for credit facilities of this type. Outstanding loans under this facility bear interest at a rate equal to the Canadian prime rate plus a specified margin ranging from 175 to 300 basis points. Toromont intends to utilize this facility through the issuance of bankers' acceptances with acceptance fees ranging from 275 to 400 basis points. The applicable margin or acceptance fee will, in each case, be determined based on Toromont's leverage ratio. Debt issuance costs of $6.9 million have been adjusted against the carrying value of the debt. This facility includes covenants, restrictions and events of default that are substantially the same as the corresponding provisions in Toromont's existing credit facility.

The Company maintains $225 million in bank credit in Canada and US$20 million in bank credit in the United States, provided through committed credit facilities. Of this, US$20 million matures in July 2010 and $225 million matures in 2011. No amount was drawn on the US facility at March 31, 2010 (December 31, 2009 - nil; March 31, 2009 - US$10.5 million), which bears interest at prime. The US prime rate was 3.25% at March 31, 2009 and 2010. There were no amounts drawn on the Canadian facility as at any of the above reporting dates.

Senior secured notes payable assumed in the acquisition of Enerflex in the amount of $100.6 million were required to be repaid under the terms of the term loan facility. These notes were repaid subsequent to completing the acquisition. A premium of $11.3 million was paid in connection with the repayment of these notes, and was included in the fair value of liabilities assumed for purposes of the purchase price allocation. Borrowings under Enerflex's bank facility were also repaid following completion of the acquisition. The repayment of Eneflex's senior secured notes and bank facility were also funded through the drawings on the term loan facility.

Scheduled principal repayments and interest payments on long-term debt are as follows:

	Principal	Interest
Remainder of 2010	$ 58,200	$ 18,961
2011	406,264	14,499
2012	1,280	6,986
2013	1,372	6,895
2014	1,471	6,796
Thereafter	133,039	7,635
	$ 601,626	$ 61,771

At March 31, 2010, standby letters of credit issued utilized $43 million of the credit lines (December 31, 2009 - $33 million; March 31, 2009 - $64 million).

9. Share capital

The changes in the common shares issued and outstanding during the period were as follows:

	Three months ended March 31, 2010		Three months ended March 31, 2009	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Balance, beginning of period	64,867,467	$ 132,261	64,620,677	$ 127,704
Issue of shares re Enerflex acquisition	11,875,250	327,947	-	$ -
Exercise of stock options	131,600	2,732	114,160	1,823
Purchase of shares for cancellation	-	-	(43,400)	(86)
Balance, end of period	76,874,317	$ 462,940	64,691,437	$ 129,441

Normal Course Issuer Bid

The Company purchased and cancelled 43,400 shares for $858 (average cost of $19.77 per share) in the first quarter of 2009 under its NCIB program which expired on August 30, 2009. The shares were purchased for an amount higher than their weighted average book value per share ($1.97 per share) resulting in a reduction of retained earnings of $772. The Company did not purchase any shares under the normal course issuer bid in the first three months of 2010.

Toromont renewed its NCIB program in 2009. The current issuer bid allows the Company to purchase up to approximately 4.7 million of its common shares in the 12 month period ending August 20, 2010, representing 10% of common shares in the public float, as estimated at the time of renewal. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont. All shares purchased under the bid will be cancelled.

10. Contributed surplus

Contributed surplus consists of accumulated stock option expense less the fair value of the options at the grant date that have been exercised and reclassified to share capital. Changes in contributed surplus were as follows:

	Three months ended March 31 2010	2009
Contributed surplus, beginning of period	$ 10,012	$ 8,978
Stock-based compensation	717	595
Value of compensation cost associated with exercised options	(686)	(498)
Contributed surplus, end of period	$ 10,043	$ 9,075

11. Accumulated other comprehensive Income

The changes in accumulated other comprehensive income were as follows:

	Three months ended March 31 2010	2009
Balance, beginning of period	$ (628)	$ 10,899
Other comprehensive (loss) income	(25,710)	3,410
Balance, end of period	$ (26,338)	$ 14,309

Accumulated other comprehensive income was comprised of the following amounts:

	March 31 2010	December 31 2009	March 31 2009
Unrealized (losses) gains on translation of financial statements of self-sustaining foreign operations	$ (25,545)	$ (15,954)	$ 12,408
Unrealized gain on financial assets designated as available-for-sale, net of income tax expense of $0, $3,090 and $49	-	15,615	248
(Losses) gains on foreign exchange derivatives designated as cash flow hedges, net of income tax (recovery) expense of ($551), ($150) and $891	(793)	(289)	1,653
	$ (26,338)	$ (628)	$ 14,309

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12. Financial instruments

Categories of financial assets and liabilities

The carrying values of the Company's financial instruments are classified into the following categories:

	March 31 2010	December 31 2009	March 31 2009
Held for trading (1)	$ 191,876	$ 206,957	$ 67,161
Loans and receivables (2)	$ 304,745	$ 244,759	$ 313,064
Available for sales assets (3)	$ -	$ 56,502	$ 8,887
Other financial liabilities (4)	$ 893,353	$ 396,259	$ 456,689
Derivatives designated as effective hedges (5) - (loss) gain	$ (1,338)	$ (440)	$ 2,545
Derivatives designated as held for trading (6) - gain (loss)	$ 14	$ (434)	$ 4,278

(1) Comprised of cash and cash equivalents. All held for trading assets were designated as such upon initial recognition.
(2) Comprised of accounts receivable.
(3) Comprised of investments in marketable securities, reported in other assets.
(4) Comprised of accounts payable and accrued liabilities and long-term debt.
(5) Comprised of the Company's foreign exchange forward contracts designated as hedges.
(6) Comprised of the Company's foreign exchange forward contracts that are not designated as hedges for accounting purposes.

Fair Value Measurements

There has been no change during the three months ended March 31, 2010 in the designation of the Company's financial instruments from that disclosed in the Company's 2009 annual audited consolidated financial statements.

The following table presents carrying value and fair value information about the Company's assets and liabilities as at March 31, 2010 and December 31, 2009.

	March 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Marketable Securities	$ -	$ -	$ 56,052	$ 56,502
Liabilities				
Derivative financial instruments	$ 1,324	$ 1,324	$ 874	$ 874

Senior debentures	$150,125	$156,602	$155,999	$156,993

The estimated fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, borrowings under the bank term facility and notes payable approximate their respective carrying values.

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract's value at maturity based on the contracted foreign exchange rate and the contract's value at maturity based on the comparable foreign exchange rate at March 31, 2010 under the same conditions. The financial institution's credit risk is also taken into consideration in determining fair value. Fair value measurement of derivative financial instruments is classified as Level 2 in the hierarchy of fair value measurements.

The fair value of senior debentures is determined using the discounted cash flow method using current interest rates for debt with similar terms and remaining maturities. The Company has no plans to prepay these instruments prior to maturity. Fair value measurement of the senior debentures is classified as Level 2 in the hierarchy of fair value measurements.

Derivative financial instruments and hedge accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. The following table summarizes the Company's commitments to buy and sell foreign currencies as at March 31, 2010.

		Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	USD	107,661	$ 1.0433	April 2010 to January 2011
	EUR	5,877	$ 1.5107	June 2010 to September 2010
Sales contracts	USD	22,103	$ 1.0478	April 2010 to December 2010
	EUR	3,862	$ 1.4790	September 2010 to May 2011
	AUD	7,250	$ 0.9293	June 2010
	GBP	8	$ 1.6971	May 2010

Management estimates that a loss of $1,324 would be realized if the contracts were terminated on March 31, 2010. Certain of these forward contracts are designated as cash flow hedges, and accordingly, a loss of $1,338 has been included in other comprehensive income. These losses are not expected to affect net income as the losses will be reclassified to net income within the next twelve months and will offset gains recorded on the underlying hedged items, namely foreign denominated accounts payable and accounts receivable. A gain of $14 on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable and accounts receivable.

All hedging relationships are formally documented, including the risk management objective and strategy. On an ongoing basis, an assessment is made as to whether the designated derivative financial instruments continue to be effective in offsetting changes in cash flows of the hedged transactions.

Risks arising from financial instruments and risk management

In the normal course of business, Toromont is exposed to financial risks that may potentially impact its operating results in one or both of its operating segments. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis. Derivative financial agreements are used to manage exposure to fluctuations in exchange rates and interest rates. The Company does not enter into derivative financial agreements for speculative purposes.

Currency risk

The Company's currency exposure has increased from December 31, 2009 with the acquisition of Enerflex. Enerflex has significant international exposure through export from its Canadian operations as well as a number of foreign subsidiaries, the most significant of which are located in Australia and the Netherlands.

The types of foreign exchange risk and the Company's related risk management strategies are as follows:

Transaction exposure

The Canadian operations of the Company source the majority of its products and major components from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company mitigates exchange rate risk by entering into foreign currency contracts to fix the cost of imported inventory where appropriate. In addition, pricing to customers is customarily adjusted to reflect changes in the Canadian dollar landed cost of imported goods.

The Company also sells compression packages in foreign currencies, primarily the U.S. dollar, the Australian dollar and the Euro and enters into foreign currency contracts to reduce these exchange rate risks.

The Company maintains a conservative hedging policy whereby all significant transactional currency risks are identified and hedged.

Translation exposure

The Company's earnings from and net investment in, self-sustaining foreign subsidiaries are exposed to fluctuations in exchange rates. The currencies with the most significant impact are the US dollar, Australian dollar and the Euro.

All of the Company's foreign operations are considered self-sustaining. Accordingly, assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the balance sheet dates. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income. The cumulative currency translation adjustments are recognized in income when there has been a reduction in the net investment in the foreign operations.

Earnings at foreign operations are translated into Canadian dollars each period at current exchange rates for the period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income. Such exchange rate fluctuations have historically not been material year-over-year relative to the overall earnings or financial position of the Company. A fluctuation of +/- 5% against the USD, AUD and Euro, provided as an indicative range in a volatile currency environment, would, everything else being equal, have an effect on net income before tax for the three months ended March 31, 2010 of approximately +/- $0.1 million.

Sensitivity analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in foreign exchange rates on the Company's financial instruments and show the impact on net earnings and comprehensive income. Financial instruments affected by currency risk include cash and cash equivalents, accounts receivable, accounts payable and derivative instruments. This sensitivity analysis relates to the position as at March 31, 2010. The following table shows Toromont's sensitivity to a 5% weakening of the Canadian dollar against the US dollar, Euro and Australian dollar. A 5% strengthening of the Canadian dollar would have an equal and opposite effect.

Cdn dollar weakens by 5%	USD	Euro	AUD	Total
Financial instruments held in foreign operations:				
Other comprehensive Income	$ 4,076	$ 533	$ 889	$ 5,498
Financial instruments held in Canadian operations:				
Net (loss) earnings	$ (469)	$ 66	$ 438	$ 35
Other comprehensive Income	$ 1,243	$ 94	$ (229)	$ 1,107

The movement in other comprehensive income in foreign operations reflects the change in the fair value of financial instruments. Gains or losses on translation of self-sustaining subsidiaries are deferred in other comprehensive income. Accumulated currency translation adjustments are recognized in income when there is a reduction in the net investment in the foreign operation.

The movement in net earnings in Canadian operations is a result of a change in the fair values of financial instruments. The majority of these financial instruments are hedged.

The movement in other comprehensive income in Canadian operations reflects the change in the fair value of derivative financial instruments that are designated as cash flow hedges. The gains or losses on these instruments are not expected to affect net income as the gains or losses will offset losses or gains on the underlying hedged items.

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash equivalents, accounts receivable, and derivative financial instruments. The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

Cash equivalents consist mainly of short-term investments, such as money market deposits. The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

The Company has accounts receivable from customers engaged in various industries including mining, construction, natural gas production and transportation, chemical and petrochemicals, food and beverage, and governmental agencies that are not concentrated in any specific geographic area. These specific industries may be affected by economic factors that may impact accounts receivable. Management does not believe that any single industry or particular geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by the Company's large customer base.

As at March 31, 2010, $27 million or 8.6% of accounts receivable were outstanding for more than 90 days from original invoice. The movement in the Company's allowance for doubtful accounts is identified below.

	Three months ended March 31	
	2010	2009
Balance, beginning of period	$ 7,096	$ 9,774
Change in foreign exchange rates	(43)	113
Provisions and revisions, net	1,387	1,435
Balance, end of period	$ 8,440	$ 11,322

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.

Interest rate risk

In relation to its debt financing, the Company is exposed to changes in interest rates, which may impact on the Company's borrowing costs. Floating rate debt exposes the Company to fluctuations in short-term interest rates. As at March 31, 2010, $451.5 million or 75% of the Company's total debt portfolio was subject to movements in floating interest rates. A 1.0% increase in interest rates, all things being equal, would reduce income before taxes by $4.5 million on an annualized basis.

The Company minimizes its interest rate risk by managing its portfolio of floating and fixed rate debt, as well as managing the term to maturity. The Company may use derivative instruments such as interest rate swap agreements to manage its current and anticipated exposure to interest rates. There were no interest rate swap agreements outstanding as at March 31, 2010.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at March 31, 2010, the Company was holding cash and cash equivalents of $192 million and had unutilized lines of credit of $202 million.

Accounts payable are primarily due within 90 days and will be satisfied from current working capital.

The Company expects that continued cash flows from operations in 2010, together with cash and cash equivalents on hand and currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital, capital assets and dividend payments through the next twelve months, and that the Company's credit ratings provide reasonable access to capital markets to facilitate future debt issuance

13. Earnings per share

Basic earnings per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share is calculated to reflect the effect of exercising outstanding stock options applying the treasury stock method, which assumes that all outstanding stock option grants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period.

	Three months ended March 31	
	2010	2009
Net earnings available to common shareholders	$ 15,365	$ 23,718
Weighted average common shares outstanding	73,866,042	64,678,273
Dilutive effect of stock option conversion	339,872	186,855
Diluted weighted average common shares outstanding	74,205,914	64,865,128
Earnings per share Basic and Diluted	$ 0.21	$ 0.37

In the three-month period ended March 31, 2010, 945,450 outstanding stock options with an exercise price range of $28.84 to $29.71 were excluded from the calculation of diluted earnings per share as these options were anti-dilutive. In the three-month period ended March 31, 2009, 1,752,750 stock options were excluded from the calculation as they were anti-dilutive.

14. Stock based compensation

The Company maintains a stock option program for certain employees. Under the plan, up to 6,096,000 options may be granted for subsequent exercise in exchange for common shares. Stock options have a seven-year term, 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 of the common shares at the date the option is granted.

A reconciliation of the outstanding options is as follows:

	Three Months ended March 31 2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	1,961,809	$ 22.91	1,917,599	$ 21.62
Granted	610,050	29.71	498,000	22.02
Exercised	(131,600)	15.35	(114,160)	11.47
Forfeited	(1,000)	25.68	(22,600)	23.55
Options outstanding, end of period	2,439,259	$ 25.02	2,278,839	$ 22.19
Options exercisable, end of period	1,068,453	$ 22.57	1,084,877	$ 19.44

The following table summarizes stock options outstanding and exercisable as at March 31, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
$16.59 - $23.34	948,609	3.5	20.50	571,809	19.47
$24.58 - $29.71	1,490,650	5.2	27.89	496,644	26.15
Total	2,439,259	4.5	$ 25.02	1,068,453	$ 22.57

The fair value of the stock options granted during the period was determined at the time of grant using the Black-Scholes option pricing model with the following assumptions:

	Three Months ended March 31 2010	2009
Weighted average fair value price per option	$ 6.59	$ 4.55
Expected life of options (years)	5.84	5.80
Expected stock price volatility	25.0%	25.0%
Expected dividend yield	2.0%	2.2%
Risk-free interest rate	2.6%	2.1%

Deferred Share Unit Plan

The Company offers a deferred share unit (DSU) plan for executives and non-employee directors, whereby they may elect on an annual basis to receive all or a portion of their management incentive award or fees, respectively, in deferred share units. In addition, the Board may grant discretionary DSUs to executives. As at March 31, 2010, 83,053 units were outstanding at a value of $2,471 (December 31, 2009 - 68,723 units at a value of $1,882; March 31, 2009 - 109,910 units at a value of $2,570). The Company records the cost of the DSU Plan as compensation expense.

15. Employee future benefits

The Company sponsors pension arrangements for substantially all of its employees, primarily through defined contribution plans in Canada and a 401(k) matched savings plan in the United States. Certain unionized employees do not participate in company-sponsored plans, and contributions are made to these retirement programs in accordance with respective collective bargaining agreements. 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 document. The cost of pension benefits for defined contribution plans are expensed as the contributions are paid.

Approximately 5% of participating employees are included in defined benefit plans. Pension benefit obligations under the defined benefit plans are determined periodically by independent actuaries and are accounted for using the accrued benefit method using a measurement date of December 31.

The net pension expense recorded for the periods are presented below.

	Three months ended March 31 2010	2009
Defined benefit plans	$ 537	$ 565
Defined contribution plans	3,032	2,428
401(k) matched savings plans	239	388
Net pension expense	$ 3,808	$ 3,381

16. Capital Management

The Company defines capital as the aggregate of shareholders' equity (excluding accumulated other comprehensive income) and long-term debt less cash and cash equivalents.

The Company's capital management framework is designed to maintain a flexible capital structure that allows for optimization of the cost of capital at acceptable risk while balancing the interests of both equity and debt holders.

The Company generally targets a net debt to equity ratio of 0.5:1, although there is a degree of variability associated with the timing of cash flows. Also, if appropriate opportunities are identified, the Company is prepared to significantly increase this ratio depending upon the opportunity.

The above capital management criteria can be illustrated as follows:

	March 31 2010	December 31 2009	March 31 2009
Shareholders' equity	$ 1,155,509	$ 854,063	$ 797,591

Accumulated other comprehensive (loss) income	26,338	628	(14,309)
Long-term debt	595,638	158,095	180,459
Cash and cash equivalents	(191,876)	(206,957)	(67,161)
Capital under management	$ 1,585,609	$ 805,829	$ 896,580
Net debt as a % of capital under management	25%	n/m	13%
Net debt to equity ratio	0.35:1	n/m	0.14:1

n/m - not meaningful, cash exceeds long-term debt at December 31, 2009

The Company is subject to minimum capital requirements relating to bank credit facilities and senior debentures. The Company has comfortably met these minimum requirements during the period.

There were no changes in the Company's approach to capital management during the period.

17. Supplemental cash flow information

	Three months ended March 31 2010	2009
Net change in non-cash working capital and other		
Accounts receivable	$ 49,238	$ 61,995
Inventories	5,083	(46,335)
Accounts payable and accrued liabilities	(14,993)	(109,364)
Other	(13,458)	7,757
	$ 25,870	$ (85,947)
Cash paid during the period for:		
Interest	$ 3,753	$ 1,642
Income taxes	$ 6,092	$ 20,245

18. Commitments

Certain land and buildings and equipment are leased under several non-cancellable operating leases that require minimum annual payments as follows:

Remainder of 2010	$ 12,573
2011	11,875
2012	8,500
2013	5,906
2014	3,384
Thereafter	7,624

	$ 49,862

19. Segmented financial information

The Company has two reportable operating segments, each supported by the corporate office. The Equipment Group includes one of the world's largest Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. The Compression group of segments, collectively, is a global leader specializing in the design, engineering, fabrication, and installation of compression systems for natural gas, coal bed methane, fuel gas and carbon dioxide in addition to process systems and industrial and recreational refrigeration systems. Both groups offer comprehensive product support capabilities. The corporate office provides finance, treasury, legal, human resources and other administrative support to the business segments.

Corporate overheads are allocated to the business segments based on revenue. Previously, corporate overheads were allocated to the business segments based on operating income. Due to the operating loss reported by the Compression Group in the quarter, management determined that it would be appropriate to reconsider this allocation approach. The change in allocation method has been applied prospectively from January 1, 2010. Prior periods have not been restated as the impact is insignificant.

The accounting policies of the reportable operating segments are the same as those described in Note 1 - Significant Accounting Policies.

	Equipment Group		Compression Group	
Three months ended March 31	2010	2009	2010	2009
Equipment /package sales	$ 78,372	$ 89,169	$166,868	$212,093
Rentals	24,828	27,668	7,569	4,290
Product support	70,872	72,491	89,634	49,583
Power Generation	2,563	2,365	-	-
Revenues	$176,635	$191,693	$264,071	$265,966
Operating Income	$ 11,057	$ 18,986	$ (3,979)	$ 17,634
Operating income as a % of revenues	6.3%	9.9%	-1.5%	6.6%

	Consolidated	
Three months ended March 31	2010	2009
Equipment /package sales	$ 245,240	$ 301,262
Rentals	32,397	31,958
Product support	160,506	122,074
Power Generation	2,563	2,365
Revenues	$ 440,706	$ 457,659

Operating Income	$ 7,078	$ 36,620
Operating income as a % of revenues	1.6%	8.0%

Selected balance sheet information:

	Equipment Group			Compression Group		
	March 31 2010	December 31 2009	March 31 2009	March 31 2010	December 31 2009	March 31 2009
Goodwill	$ 13,000	$ 13,000	$ 13,000	$ 478,973	$ 21,800	$ 21,800
Identifiable assets	$ 596,330	$ 599,358	$ 710,530	$ 1,429,508	$ 459,572	$ 637,017
Corporate assets						
Total assets						

	Consolidated		
	March 31 2010	December 31 2009	March 31 2009
Goodwill	$ 491,973	$ 34,800	$ 34,800
Identifiable assets	$ 2,025,838	$ 1,058,930	$ 1,347,547
Corporate assets	232,862	305,737	109,826
Total			

assets	$ 2,258,700	$ 1,364,667	$ 1,457,373

Operating income from rental operations for the quarter ended March 31, 2010 was $2.7 million (2009 - $3.1 million).

20. Seasonality of business

Interim period revenues and earnings historically reflect seasonality in the Equipment Group. The first quarter is typically the weakest due to winter shutdowns in the construction industry while the fourth quarter has consistently been the strongest quarter due to higher conversions at the Caterpillar dealership of equipment on rent with a purchase option. Within Canadian Compression Group, the fourth quarter tends to be the strongest due to higher activity levels resulting from well-site access and drilling patterns.

SOURCE: Toromont Industries Ltd.

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