

TOROMONT

First Quarter 2017

April 26, 2017

TOROMONT ANNOUNCES RESULTS FOR THE FIRST QUARTER OF 2017 AND QUARTERLY DIVIDEND

Toromont Industries Ltd. (TSX: TIH) reported financial results for the first quarter ended March 31, 2017.

<i>millions, except per share amounts</i>	Three months ended March 31		
	2017	2016	% change
Revenues	\$ 412.3	\$ 387.9	6%
Operating income	\$ 37.9	\$ 33.5	13%
Net earnings	\$ 27.0	\$ 24.2	12%
Basic earnings per share ("EPS")	\$ 0.34	\$ 0.31	10%

Toromont delivered continued growth in the first quarter on strong execution across the business. The Equipment Group performed well on strength in mining, power systems and rentals despite broad challenges with tight pricing conditions. CIMCO delivered solid results with excellent activity in Canada. Product support continues to provide a strong foundation for both Groups. The Company's balance sheet remained strong and is well-positioned.

First Quarter Highlights:

- Equipment Group – good execution in a challenging market
 - Revenues increased 6% to \$359.8 million versus a year ago with higher equipment sales, rentals and product support revenues. Operating income increased 10% to \$35.1 million and was 9.7% as a percentage of revenues.
 - Bookings increased 2% year-over-year to \$188.0 million on strong mining and power systems orders which served to offset lower construction orders. Backlogs were \$176.0 million at March 31, 2017 compared to \$147.0 million at December 31, 2016 and \$126.0 million at this time last year. Most of the backlog is expected to be delivered this year.
- CIMCO – strong results on higher revenues and improved margins
 - Revenues increased 5% to \$52.5 million from a year ago mainly due to higher product support revenues. Operating income increased 76% to \$2.8 million and was 5.4% as a percentage of revenues.
 - Bookings were up 37% versus last year to \$63.0 million with increases in both Canada and the US. Backlogs of \$138.0 million are at record levels for the end of a first quarter, and up from \$99.0 million at December 31, 2016 and \$112.0 million at this time last year. Most of the backlog is expected to be delivered this year.

- Net earnings increased 12% in the quarter to \$27.0 million reflecting the higher revenues and improved operating margins.
- EPS increased 10% or \$0.03 in the quarter to \$0.34.
- Toromont maintained a very strong financial position. Cash marginally exceeded total debt at the end of the quarter.
- The Board of Directors announced a quarterly dividend of 19 cents per common share, payable July 4, 2017 to shareholders of record on June 9, 2017. The quarterly dividend was previously increased 6% to 19 cents per share effective with the dividend paid April 3, 2017.

The long-term outlook for infrastructure spending remains positive following the federal budget, however, the Company awaits clarity on the timing and nature of the anticipated spending. The Company also remains cautiously optimistic on various provincial spending initiatives and expects to get better visibility in the coming months. In the mining sector, activity levels are beginning to increase. Performance at CIMCO continues to be positive and represents the emerging realization of focused strategies. Across the organization, strong product support growth, together with diverse products and markets, provides a sound financial base, operational stability and opportunities for continued success.

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, 2017, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2017, the annual MD&A contained in the 2016 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2016.

The unaudited condensed interim consolidated financial statements reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The information in this MD&A is current to April 26, 2017.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2016 Annual Report and 2017 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

Advisory

Information in this MD&A that is not a historical fact is "forward-looking information". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "likely", "should", "could", "will", "may" and similar expressions are intended to identify statements containing forward-looking information. Forward-looking information in this MD&A is based on current objectives, strategies, expectations and assumptions which management considers appropriate and reasonable at the time including, but not limited to, general economic and industry growth rates, commodity prices, currency exchange and interest rates, competitive intensity and shareholder and regulatory approvals.

By its nature, forward-looking information is subject to risks and uncertainties which may be beyond the ability of Toromont to control or predict. The actual results, performance or achievements of Toromont could differ materially from those expressed or implied by forward-looking information. Factors that could cause actual results, performance, achievements or events to differ from current expectations include, among others, risks and uncertainties related to: business cycles, including general economic conditions in the countries in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; changes in foreign exchange rates, including the Cdn\$/US\$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability of financing; and, environmental regulation.

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this MD&A. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual Management Discussion and Analysis, as filed with Canadian securities regulators at www.sedar.com or at www.toromont.com. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently

believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

Readers are cautioned not to place undue reliance on statements containing forward-looking information that are included in this MD&A, which are made as of the date of this MD&A, and not to use such information for anything other than their intended purpose. Toromont disclaims any obligation or intention to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

CONSOLIDATED RESULTS OF OPERATIONS

(\$ thousands, except per share amounts)	Three months ended March 31			
	2017	2016	\$ change	% change
REVENUES	\$ 412,308	\$ 387,919	\$ 24,389	6%
Cost of goods sold	311,903	295,969	15,934	5%
Gross profit ⁽¹⁾	100,405	91,950	8,455	9%
Selling and administrative expenses	62,511	58,474	4,037	7%
OPERATING INCOME ⁽¹⁾	37,894	33,476	4,418	13%
Interest expense	1,832	1,834	(2)	-
Interest and investment income	(1,112)	(1,573)	461	(29%)
Income before income taxes	37,174	33,215	3,959	12%
Income taxes	10,150	9,045	1,105	12%
NET EARNINGS	27,024	24,170	2,854	12%
BASIC EARNINGS PER SHARE	\$ 0.34	\$ 0.31	\$ 0.03	10%
KEY RATIOS:				
Gross profit margin ⁽¹⁾	24.4%	23.7%		
Selling and administrative expenses as a % of revenues	15.2%	15.1%		
Operating income margin ⁽¹⁾	9.2%	8.6%		
Income taxes as a % of income before income taxes	27.3%	27.2%		

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

Revenues increased 6% on growth in both the Equipment Group and CIMCO.

Gross profit margins increased 70 basis points to 24.4% due to higher package margins at CIMCO. Market conditions experienced throughout much of last year in the Equipment Group have carried over into 2017 and have contributed to margin pressures across most lines of business.

Selling and administrative expenses increased \$4.0 million (7%) and were up 10 basis points as a percentage of revenues (15.2% versus 15.1% last year). Compensation costs were up \$1.8 million on increased headcount, regular annual increases, and increased profit sharing accrual on the higher earnings. Additionally, mark-to-market adjustments on Deferred Share Units of \$1.5 million were up \$0.9 million from a year ago and the allowance for doubtful accounts increased by \$0.7 million.

Operating income increased 13% in the quarter on the higher revenues and improved gross profit margins and was up 60 basis points to 9.2% as a percentage of revenues.

Interest expense was relatively unchanged versus last quarter.

Interest income decreased in the quarter on lower conversions of equipment on rent with a purchase option partially offset by higher investment income on higher average cash balances.

The effective income tax rate was 27.3% compared to 27.2% last year.

Earnings per share increased \$0.03 or 10% in the quarter to \$0.34.

Comprehensive income in the quarter was \$26.8 million (2016 - \$19.7 million), comprising net earnings of \$27.0 million (2016 - \$24.2 million) and other comprehensive loss of \$0.2 million (2016 - \$4.5 million). Other comprehensive loss in the quarter included unrealized losses on cash flow hedges due to fluctuations in the Canadian dollar, net of income taxes of \$0.7 million (2016 - \$3.7 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. Interest expense and interest and investment income are not allocated.

Equipment Group

(\$ thousands)	Three months ended March 31			
	2017	2016	\$ change	% change
Equipment sales and rentals				
New	\$ 106,818	\$ 95,975	\$ 10,843	11%
Used	52,906	55,679	(2,773)	(5%)
Rentals	45,434	38,364	7,070	18%
Total equipment sales and rentals	205,158	190,018	15,140	8%
Power generation	3,130	2,933	197	7%
Product support	151,476	144,896	6,580	5%
Total revenues	\$ 359,764	\$ 337,847	\$ 21,917	6%
Operating income	\$ 35,076	\$ 31,874	\$ 3,202	10%
KEY RATIOS:				
Product support revenues as a % of total revenues	42.1%	42.9%		
Operating income margin	9.7%	9.4%		
Group total revenues as a % of consolidated revenues	87.3%	87.1%		

New equipment sales increased 11%, while used equipment sales decreased 5% following a record first quarter last year. There is an interplay between new and used depending on market conditions and relative pricing driven by sharp movements in the Canadian-US dollar exchange rates, which was a significant factor boosting used over new sales last year. On a combined basis, equipment sales were up 5% in the quarter.

Toromont's equipment sales into mining markets increased 60% in the quarter compared to last year. Mining activity within our territories has remained active, providing opportunities for sales to support mine expansion, equipment replacement and new mine development. Equipment sales into construction markets were down 14% with softness reported in all regions except Manitoba. Power systems revenues were 18% higher on activity in both prime and standby power generation projects.

Rental revenues increased 18% on a larger fleet and improved time utilization. All rental segments reported higher revenues versus last year with heavy equipment up 51%, light equipment up 10%, power rentals up 19% and rental revenues from RPO (equipment on rental with a purchase option) up 40%. The RPO fleet increased to \$46.8 million at March 31, 2017 from \$36.1 million a year ago.

Product support revenues increased 5% in the quarter. Parts sales were up 3% mainly due to higher sales into construction markets, increased propane sales as a result of colder temperatures versus last winter and higher agricultural sales. Service revenues were strong in the quarter (up 10%) with higher activity levels across most market segments. Product support was also buoyed by increased rebuild activity in mining and construction markets.

Gross profit margins were relatively unchanged compared to last year as higher product support margins were offset by lower equipment margins and an unfavorable sales mix of product support revenues to total revenues. Extremely competitive market conditions have continued to dampen equipment and rental margins.

Selling and administrative expenses increased \$2.0 million or 4% in the quarter but were 30 basis points lower as a percentage of revenues (14.1% versus 14.4% last year). Accounting for the majority of the increase were compensation costs (up \$0.8 million), increased allowance for doubtful accounts (up \$0.4 million) and information technology expenses (up \$0.4 million).

Operating income increased 10% in the quarter to \$35.1 million and was 9.7% as a percentage of revenues.

Bookings and Backlogs

<i>(\$ millions)</i>	2017	2016	\$ change	% change
Bookings - three months ended March 31	\$ 188	\$ 184	\$ 4	2%
Backlogs - as at March 31	\$ 176	\$ 126	\$ 50	40%

Equipment bookings increased 2% in the quarter on strong mining (up 128%) and power systems orders (up 120%) partially offset by lower construction orders (down 23%).

Backlogs of \$176.0 million were up 40% over last year and represented the highest level at March 31 over the last five years. At March 31, 2017, the backlog related to construction (35%), power systems (32%), mining (21%), and agriculture (12%), most of which is expected to be delivered this year. Backlogs can vary significantly from period to period on large project activities, especially in mining and power, the timing of orders and deliveries and the availability of equipment from either inventory or suppliers.

CIMCO

(\$ thousands)	Three months ended March 31			
	2017	2016	\$ change	% change
Package sales	\$ 23,315	\$ 22,955	\$ 360	2%
Product support	29,229	27,117	2,112	8%
Total revenues	\$ 52,544	\$ 50,072	\$ 2,472	5%
Operating income	\$ 2,818	\$ 1,602	\$ 1,216	76%
KEY RATIOS:				
Product support revenues as a % of total revenues	55.6%	54.2%		
Operating income margin	5.4%	3.2%		
Group total revenues as a % of consolidated revenues	12.7%	12.9%		

CIMCO delivered solid results for a first quarter on higher revenues and improved margins.

Package revenues reflect work performed using the percentage-of-completion method, which reflects timing of projects and construction schedules largely under our customers' control. In Canada, package revenues were up 10% on higher industrial (up 10%) and recreational activity (up 11%). Strong growth in Ontario and Atlantic Canada were partially offset by lower activity levels in Western Canada and Quebec. In the US, package revenues decreased 19% against a tough prior year comparator which included the delivery of a large industrial package. Despite the lower industrial sales, there was good activity in recreational markets (up 34%). Focus remains on continued expansion into the very active US markets.

Product support growth continued, increasing 8% in the quarter. In Canada, product support revenues were up 12% with all regions except Western Canada reporting growth. In the US, product support revenues were down 4%.

Gross profit margins increased 520 basis points in the quarter on higher package margins and a favorable sales mix of product support revenues to total revenues. Package margins improved mainly as a result of lower warranty costs and improved execution.

Selling and administrative expenses increased \$2.0 million or 21% in the quarter reflecting investments made to support growth in the business. Accounting for the majority of the increase was higher compensation costs (up \$1.0 million), legal fees (up \$0.4 million) and allowance for doubtful accounts (up \$0.3 million). Selling and administrative expenses were 300 basis points higher as a percentage of revenues (22.7% versus 19.7% last year).

Operating income increased 76%, reflecting the higher gross margins and revenues partially offset by a higher selling and administrative expense ratio. Operating income margin was 5.4% in the quarter versus 3.2% last year.

Bookings and Backlogs

(\$ millions)	2017	2016	\$ change	% change
Bookings - three months ended March 31	\$ 63	\$ 46	\$ 17	37%
Backlogs - as at March 31	\$ 138	\$ 112	\$ 26	23%

Bookings were up 37% in the quarter with increases in both Canada (up 43%) and the US (up 23%). Recreational orders were up 51% with growth in both Canada (up 46%) and the US (up 58%). Industrial orders were up 16% with strong Canadian activity (up 40%) partially offset by lower US activity (down 74%).

Backlogs increased to \$138.0 million with higher Canadian and US activity levels and across both market segments. Recreational activity was up 30% with increases in both Canada (up 35%) and the US (up 24%). Industrial activity was up 14% also with increases in both Canada (up 8%) and the US (up 58%). Backlogs are at record levels for the end of any first quarter with most expected to be delivered this year.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At March 31, 2017, the ratio of net debt to total capitalization was 0% with cash marginally exceeding total debt, compared to -4% (cash exceeded total debt) at December 31, 2016 and 11% at March 31, 2016.

Non-Cash Working Capital

The Company's investment in non-cash working capital was \$426.0 million at March 31, 2017. The major components, along with the changes from March 31 and December 31, 2016 are presented in the following table.

(\$ thousands)	March 31	March 31	Change		December 31	Change	
	2017		2016	\$		%	2016
Accounts receivable	\$ 271,360	\$ 214,844	\$ 56,516	26%	\$ 277,050	\$ (5,690)	(2%)
Inventories	485,575	495,646	(10,071)	(2%)	435,757	49,818	11%
Other current assets	6,497	5,499	998	18%	5,236	1,261	24%
Accounts payable, accrued liabilities and provisions	(263,651)	(225,120)	(38,531)	17%	(264,198)	547	-
Income taxes receivable (payable)	3,532	4,874	(1,342)	(28%)	(1,262)	4,794	nm
Derivative financial instruments	389	(7,313)	7,702	nm	1,197	(808)	nm
Dividends payable	(14,907)	(14,014)	(893)	6%	(14,111)	(796)	6%
Deferred revenues	(62,754)	(48,663)	(14,091)	29%	(51,211)	(11,543)	23%
Total non-cash working capital	\$ 426,041	\$ 425,753	\$ 288	-	\$ 388,458	\$ 37,583	10%

Accounts receivable increased 26% compared to March 31, 2016, reflecting the 6% increase in revenues in the quarter and slower collections. Days sales outstanding ("DSO") increased 4 days to 45 days with deteriorations in both the Equipment Group (up 2 days) and CIMCO (up 20 days).

In comparison to December 31, 2016, accounts receivable decreased 2% on lower trailing revenues (Q1 2017 revenues were 14% lower than Q4 2016 revenues; a normal seasonal trend) while DSO was relatively unchanged at 45 days.

Inventories at March 31, 2017 were 2% lower compared to March 31, 2016.

- Equipment Group inventories decreased 2% or \$10.5 million on lower parts (down \$7.8 million), equipment (down \$2.0 million) and service work-in-process (down \$0.7 million).
- CIMCO inventories were 2% or \$0.5 million higher than last year reflecting work-in-process levels on the timing of project advancement.

Inventories at March 31, 2017 were 11% higher compared to December 31, 2016 with increases in both Groups:

- Equipment Group inventories were 11% higher with increases in all categories. Equipment Group inventory levels are typically lowest at the end of the fiscal year due to seasonality, with inventories building during the year in advance of the busy selling period.

- CIMCO inventories were up 19% on higher work-in-process for both Canadian and US projects reflecting project construction schedules.

Accounts payable, accrued liabilities and provisions at March 31, 2017 were 17% higher than at March 31, 2016 on timing of payments related to inventory purchases and other supplies. Compared to December 31, 2016, accounts payable, accrued liabilities and provisions were relatively unchanged.

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

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar have led to a cumulative net gain of \$0.4 million as at March 31, 2017. This is not expected to affect net income, as the unrealized gains will offset future losses on the related hedged items.

Dividends payable increased compared to March 31 and December 31, 2016 reflecting the higher dividend rate. The quarterly dividend rate was increased 6% from \$0.18 per share to \$0.19 per share effective with the April 3, 2017 dividend payment.

Deferred revenues represent billings to customers in excess of revenue recognized. In the Equipment Group, deferred revenues arise on sales of equipment with residual value guarantees, extended warranty contracts and other long-term customer support agreements as well as on progress billings on long-term construction contracts. In CIMCO, deferred revenues arise on progress billings in advance of revenue recognition.

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 78,470,081 common shares and 2,343,746 share options outstanding.

Dividends

The Company declared and paid the following dividends to common shareholders during 2016 and 2017.

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total (\$ millions)
December 10, 2015	January 4, 2016	\$0.17	\$13.3
March 10, 2016	April 1, 2016	\$0.18	\$14.0
June 10, 2016	July 4, 2016	\$0.18	\$14.1
September 9, 2016	October 3, 2016	\$0.18	\$14.1
December 9, 2016	January 3, 2017	\$0.18	\$14.1
March 10, 2017	April 3, 2017	\$0.19	\$14.9

Normal Course Issuer Bid (“NCIB”)

During the three months ended March 31, 2017, no shares were purchased and cancelled under the NCIB program (2016 – 89,244 common shares for \$2.6 million (average cost of \$28.84 per share, including transaction costs)).

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-term and short-term borrowings and the issuance of common shares. Borrowings are obtained through a variety of sources including senior debentures, notes payable and committed long-term credit facilities.

The Company maintains a \$250.0 million committed bank credit facility which matures in September 2020. Debt under the facility is unsecured and ranks pari passu with debt outstanding under Toromont’s existing debentures. Interest is based on a floating rate, primarily bankers’ acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

No amounts were drawn on the credit facility at March 31, 2017, December 31, 2016 or March 31, 2016. Letters of credit utilized \$22.9 million of the facility at March 31, 2017 (December 31, 2016 - \$21.7 million; March 31, 2016 - \$21.1 million).

The Company expects that continued cash flows from operations in 2017 together with cash on hand, and available credit facilities will be more than sufficient to fund requirements for investments in working capital and capital assets.

Principal Components of Cash Flow

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

(\$ thousands)	Three months ended March 31	
	2017	2016
Cash, beginning of period	\$ 188,735	\$ 66,680
Cash, provided by (used in):		
Operating activities		
Operations	39,367	37,610
Change in non-cash working capital and other	(39,117)	(9,746)
Net rental fleet additions	(16,240)	(16,295)
	(15,990)	11,569
Investing activities	(3,567)	(3,732)
Financing activities	(13,565)	(13,995)
Effect of foreign exchange on cash balances	(29)	(139)
Decrease in cash in the period	(33,151)	(6,297)
Cash, end of period	\$ 155,584	\$ 60,383

Cash Flows from Operating Activities

Operating activities used cash of \$16.0 million in the first quarter compared to \$11.6 million provided last year. Net earnings adjusted for items not requiring cash increased 5% on higher net earnings. Non-cash working capital used significantly more cash in 2017 mainly due to higher accounts receivable and inventories partially offset by lower accounts payable, accrued liabilities and provisions and deferred revenues. Net rental fleet additions (purchases less proceeds of disposition) were consistent in both quarters.

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

Additions in the quarter included:

- \$2.6 million for service vehicles (2016 - \$1.5 million);
- \$0.6 million in land and buildings for new and expanded branches (2016 - \$0.9 million);
- \$0.5 million for machinery and equipment (2016 - \$1.0 million); and
- \$0.5 million for upgrades to information technology infrastructure (2016 - \$0.4 million).

Cash Flows from Financing Activities

The Company paid dividends of \$14.1 million or \$0.18 per share (2016 - \$13.3 million or \$0.17 per share) during the quarter.

The Company received \$1.4 million (2016 - \$2.7 million) on the exercise of stock options during the quarter.

There were no normal course purchases and cancellation of common shares during the first quarter of 2017 versus purchases and cancellation totalling \$2.6 million (89,244 common shares at an average cost of \$28.84, including transaction costs) during the first quarter of 2016.

OUTLOOK

The Equipment Group's parts and service business has provided momentum driven by the larger installed base of equipment working in the field, providing a measure of stability in a variable business environment. The Company continues to hire technicians in anticipation of an increase in demand, including the opportunity for increased equipment rebuilds and readying used iron. Broader product lines, investment in rental equipment, expanding the agricultural business and developing product support technologies supporting remote diagnostics and telematics are expected to contribute to longer-term growth.

The long-term outlook for infrastructure spending continues to be positive following the Federal budget, however, further clarity on the timing and nature of the spend is needed to understand the near-term impact. Toromont remains cautiously optimistic on various provincial spending initiatives and expects to gain better visibility in the coming months.

The mining industry has been capital constrained and focused on cost reduction initiatives for a number of years now, although increased enquiries point to the potential for increased opportunities. In the meantime, mine production continues generating product support opportunities and incremental equipment to support the operations and expansion of these existing mines. With the substantially increased base of installed equipment, product support activity should continue to grow so long as mines remain active.

AgWest expands Toromont's footprint in the important agricultural equipment market. Sales coverage and operational processes will continue to be a focus in order to generate longer term financial returns. Weak end markets together with increased industry inventory levels are expected to continue to dampen results in the near term.

CIMCO's growth in performance in recent years represents the nascent realization of focused strategies. Recent booking activity and current backlogs bode well for future prospects. Increasing product support levels is also a positive signal for future trends. CIMCO has a wide product offering using natural refrigerants including innovative CO₂ solutions, which are expected to contribute to growth. In addition, CIMCO is focused on its growth strategy in the US, which represents a significant market opportunity.

The diversity of the businesses, expanding product offering and services, financial strength and disciplined operating culture position the Company for continued growth in the long term.

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2016 annual audited consolidated financial statements.

<i>(\$ thousands, except per share amounts)</i>	Q2 2016	Q3 2016	Q4 2016	Q1 2017
REVENUES				
Equipment Group	\$ 453,145	\$ 421,862	\$ 418,793	\$ 359,763
CIMCO	68,979	87,912	73,430	52,545
Total revenues	\$ 522,124	\$ 509,774	\$ 492,223	\$ 412,308
NET EARNINGS	\$ 38,406	\$ 47,643	\$ 45,529	\$ 27,024
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.49	\$ 0.61	\$ 0.58	\$ 0.34
Diluted earnings per share	\$ 0.49	\$ 0.60	\$ 0.58	\$ 0.34
Dividends paid per share	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Weighted average common shares outstanding - basic (in thousands)	78,056	78,211	78,344	78,434

<i>(\$ thousands, except per share amounts)</i>	Q2 2015	Q3 2015	Q4 2015	Q1 2016
REVENUES				
Equipment Group	\$ 438,832	\$ 450,630	\$ 417,827	\$ 337,847
CIMCO	56,968	66,248	65,991	50,072
Total revenues	\$ 495,800	\$ 516,878	\$ 483,818	\$ 387,919
NET EARNINGS	\$ 36,395	\$ 44,730	\$ 44,404	\$ 24,170
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.47	\$ 0.58	\$ 0.57	\$ 0.31
Diluted earnings per share	0.46	0.57	0.57	0.31
Dividends paid per share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17
Weighted average common shares outstanding - basic (in thousands)	77,625	77,773	77,904	77,898

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

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

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

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

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 in a cost-effective manner. There have been no material changes to the operating and financial risk assessment and related risk management strategies as described in the Company's 2016 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Accounting Policies

The significant accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are consistent with those used in the Company's 2016 audited annual consolidated financial statements, and described in Note 1 therein. Certain balances in the comparative interim condensed consolidated income statement have been reclassified from statements previously presented to conform to the presentation of the 2017 interim condensed consolidated income statement.

Estimates

The preparation of financial statements in conformity with IFRS requires estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. There have been no material changes to the critical accounting estimates as described in Note 2 to the Company's 2016 audited annual consolidated financial statements, contained in the Company's 2016 Annual Report.

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 President & 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 to provide reasonable assurance regarding the reliability of financial reporting ("ICFR") and the preparation of financial reporting in accordance with IFRS. The control framework used in the design of both DC&P and ICFR is the internal control integration framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

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, 2017 that have materially affected, or are 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 control over financial reporting, they expect that the 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.

ADDITIONAL GAAP MEASURES

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

Gross Profit

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

Operating Income

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

(\$ thousands)	Three months ended March 31	
	2017	2016
Net earnings	\$ 27,024	\$ 24,170
<i>plus:</i> Interest expense	1,832	1,834
<i>less:</i> Interest and investment income	(1,112)	(1,573)
<i>plus:</i> Income taxes	10,150	9,045
Operating income	\$ 37,894	\$ 33,476

Net Debt to Total Capitalization

Net debt to total capitalization is calculated as net debt divided by total capitalization, both defined below, and is used by management as a measure of the Company's financial leverage.

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

The calculation is as follows:

(\$ thousands)	March 31	December 31	March 31
	2017	2016	2016
Long-term debt	\$ 149,875	\$ 150,717	\$ 151,303
Current portion of long-term debt	1,875	1,811	1,749
<i>less:</i> Cash	155,584	188,735	60,383
Net debt	(3,834)	(36,207)	92,669
Shareholders' equity	899,618	885,432	781,931
Total capitalization	\$ 895,784	\$ 849,225	\$ 874,600
Net debt to total capitalization	0%	-4%	11%

NON-GAAP MEASURES

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

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

Working Capital

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

<i>(\$ thousands)</i>	March 31 2017	December 31 2016	March 31 2016
Total current assets	\$ 922,937	\$ 907,975	\$ 781,246
less: Total current liabilities	343,187	332,593	296,859
Working capital	\$ 579,750	\$ 575,382	\$ 484,387

Non-Cash Working Capital

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

<i>(\$ thousands)</i>	March 31 2017	December 31 2016	March 31 2016
Total current assets	\$ 922,937	\$ 907,975	\$ 781,246
less: Cash	155,584	188,735	60,383
	767,353	719,240	720,863
Total current liabilities	343,187	332,593	296,859
less: Current portion of long-term debt	1,875	1,811	1,749
	341,312	330,782	295,110
Non-cash working capital	\$ 426,041	\$ 388,458	\$ 425,753

Key Performance Indicators (“KPIs”)

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

Gross Profit Margin

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

Operating Income Margin

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

Order Bookings and Backlogs

The Company’s order bookings represent new equipment unit orders that management believes are firm. Backlogs are defined as the retail value of new equipment unit ordered by customers for future deliveries. Management uses order backlogs as a measure of projecting future new equipment deliveries. There are no directly comparable IFRS measures for order bookings or backlogs.

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

(\$ thousands)	Note	March 31 2017	December 31 2016	March 31 2016
Assets				
Current assets				
Cash		\$ 155,584	\$ 188,735	\$ 60,383
Accounts receivable		271,360	277,050	214,844
Inventories		485,575	435,757	495,646
Income taxes receivable		3,532	-	4,874
Derivative financial instruments	7	389	1,197	-
Other current assets		6,497	5,236	5,499
Total current assets		922,937	907,975	781,246
Property, plant and equipment				
Property, plant and equipment	2	180,475	181,827	181,760
Rental equipment	2	281,696	272,277	255,005
Other assets	3	16,031	15,381	10,447
Deferred tax assets		5,954	5,610	9,768
Goodwill and intangible assets		27,494	27,501	27,523
Total assets		\$ 1,434,587	\$ 1,410,571	\$ 1,265,749
Liabilities				
Current liabilities				
Accounts payable, accrued liabilities and provisions	4	\$ 278,558	\$ 278,309	\$ 239,134
Deferred revenues		62,754	51,211	48,663
Current portion of long-term debt	5	1,875	1,811	1,749
Derivative financial instruments	7	-	-	7,313
Income taxes payable		-	1,262	-
Total current liabilities		343,187	332,593	296,859
Deferred revenues		19,335	19,259	14,550
Long-term debt	5	149,875	150,717	151,303
Accrued pension liability		22,572	22,570	21,106
Shareholders' equity				
Share capital		316,821	315,078	304,275
Contributed surplus		8,720	8,166	7,530
Retained earnings		571,369	559,252	471,121
Accumulated other comprehensive income (loss)		2,708	2,936	(995)
Shareholders' equity		899,618	885,432	781,931
Total liabilities and shareholders' equity		\$ 1,434,587	\$ 1,410,571	\$ 1,265,749

See accompanying notes

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

		Three months ended March 31	
(\$ thousands, except share amounts)		2017	2016
	Note		
Revenues	13	\$ 412,308	\$ 387,919
Cost of goods sold		311,903	295,969
Gross profit		100,405	91,950
Selling and administrative expenses		62,511	58,474
Operating income		37,894	33,476
Interest expense	8	1,832	1,834
Interest and investment income	8	(1,112)	(1,573)
Income before income taxes		37,174	33,215
Income taxes		10,150	9,045
Net earnings		\$ 27,024	\$ 24,170
Earnings per share			
Basic	9	\$ 0.34	\$ 0.31
Diluted	9	\$ 0.34	\$ 0.31
Weighted average number of shares outstanding			
Basic	9	78,433,827	77,897,536
Diluted	9	79,221,266	78,422,700

See accompanying notes

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

		Three months ended March 31	
(\$ thousands)		2017	2016
Net earnings		\$ 27,024	\$ 24,170
Other comprehensive income (loss), net of income tax:			
<i>Items that may be reclassified subsequently to net earnings:</i>			
Foreign currency translation adjustments		(83)	(614)
Unrealized loss on derivatives designated as cash flow hedges		(961)	(4,933)
Income tax recovery		250	1,286
Unrealized loss on cash flow hedges, net of income tax		(711)	(3,647)
Realized loss (gain) on derivatives designated as cash flow hedges		765	(232)
Income tax (recovery) expense		(199)	60
Realized loss (gain) on cash flow hedges, net of income tax		566	(172)
Other comprehensive loss		(228)	(4,433)
Total comprehensive income		\$ 26,796	\$ 19,737

See accompanying notes

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

(\$ thousands)	Note	Three months ended March 31	
		2017	2016
Operating activities			
Net earnings		\$ 27,024	\$ 24,170
Items not requiring cash:			
Depreciation and amortization		18,951	18,291
Stock-based compensation		861	838
Accrued pension liability		2	10
Deferred income taxes		(293)	(317)
Gain on sale of rental equipment and property, plant and equipment		(7,178)	(5,382)
		39,367	37,610
Net change in non-cash working capital and other	12	(39,117)	(9,746)
Additions to rental equipment	2	(27,608)	(26,978)
Proceeds on disposal of rental equipment	2	11,368	10,683
Cash (used in) provided by operating activities		(15,990)	11,569
Investing activities			
Additions to property, plant and equipment	2	(4,235)	(3,901)
Proceeds on disposal of property, plant and equipment	2	722	223
Increase in other assets		(54)	(54)
Cash used in investing activities		(3,567)	(3,732)
Financing activities			
Repayment of senior debentures		(890)	(830)
Dividends	6	(14,111)	(13,253)
Shares purchased for cancellation		-	(2,574)
Cash received on exercise of stock options		1,436	2,662
Cash used in financing activities		(13,565)	(13,995)
Effect of currency translation on cash balances		(29)	(139)
Decrease in cash		(33,151)	(6,297)
Cash, at beginning of period		188,735	66,680
Cash, at end of period		\$ 155,584	\$ 60,383

Supplemental cash flow information (note 12)

See accompanying notes

TOROMONT INDUSTRIES LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Share Capital		Contributed surplus	Retained earnings	Accumulated other comprehensive loss			Total
	Number	Amount			Foreign currency translation adjustments	Cash flow hedges	Total	
(\$ thousands)								
At January 1, 2017	78,398,456	\$ 315,078	\$ 8,166	\$ 559,252	\$ 2,627	\$ 309	\$ 2,936	\$ 885,432
Net earnings	-	-	-	27,024	-	-	-	27,024
Other comprehensive loss	-	-	-	-	(83)	(145)	(228)	(228)
Total comprehensive income	-	-	-	27,024	(83)	(145)	(228)	26,796
Exercise of stock options	71,625	1,743	-	-	-	-	-	1,743
Stock-based compensation expense	-	-	861	-	-	-	-	861
Stock options exercised	-	-	(307)	-	-	-	-	(307)
Effect of stock compensation plans	71,625	1,743	554	-	-	-	-	2,297
Dividends	-	-	-	(14,907)	-	-	-	(14,907)
At March 31, 2017	78,470,081	\$ 316,821	\$ 8,720	\$ 571,369	\$ 2,544	\$ 164	\$ 2,708	\$ 899,618

	Share Capital		Contributed surplus	Retained earnings	Accumulated other comprehensive loss			Total
	Number	Amount			Foreign currency translation adjustments	Cash flow hedges	Total	
(\$ thousands)								
At January 1, 2016	77,905,821	\$ 301,413	\$ 7,236	\$ 463,194	\$ 2,904	\$ 534	\$ 3,438	\$ 775,281
Net earnings	-	-	-	24,170	-	-	-	24,170
Other comprehensive loss	-	-	-	-	(614)	(3,819)	(4,433)	(4,433)
Total comprehensive income	-	-	-	24,170	(614)	(3,819)	(4,433)	19,737
Exercise of stock options	136,940	3,206	-	-	-	-	-	3,206
Stock-based compensation expense	-	-	838	-	-	-	-	838
Stock options exercised	-	-	(544)	-	-	-	-	(544)
Effect of stock compensation plans	136,940	3,206	294	-	-	-	-	3,500
Shares purchased for cancellation	(89,244)	(344)	-	(2,230)	-	-	-	(2,574)
Dividends	-	-	-	(14,013)	-	-	-	(14,013)
At March 31, 2016	77,953,517	\$ 304,275	\$ 7,530	\$ 471,121	\$ 2,290	\$ (3,285)	\$ (995)	\$ 781,931

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three months ended March 31, 2017
(Unaudited)

(\$ thousands, except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

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

Toromont operates through two reportable segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory, industry-leading rental operations and an expanding agricultural dealership in Manitoba. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities. Toromont employs over 3,600 people in more than 100 locations.

Basis of Preparation

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard (“IAS”) 34 - *Interim Financial Reporting*. Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2016.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements were the same as those that applied to the Company’s consolidated financial statements as at and for the year ended December 31, 2016.

The interim condensed consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousands, except where otherwise indicated.

These interim condensed consolidated financial statements were authorized for issue by the Audit Committee of the Board of the Directors on April 26, 2017.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended December 31, 2016. Certain balances in the comparative interim condensed consolidated income statement have been reclassified from statements previously presented to conform to the presentation of the 2017 interim condensed consolidated income statement.

Amendments to Standards Adopted in 2017

Certain amendments to standards that were adopted on January 1, 2017 are noted below.

a) Statement of Cash flows

Amendments to IAS 7 - *Statement of Cash Flows*, require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities; including both changes arising from cash flows and non-cash flows. The amendments must be applied prospectively with no requirement to provide comparative information for preceding periods and no additional information in the interim financial statements.

Standards Issued But Not Yet Effective

A number of new standards and amendments to standards have been issued but are not yet effective for the financial year ended December 31, 2017, and accordingly, have not been applied in preparing these consolidated financial statements.

a) Share-based Payment

In June 2016, the IASB issued final amendments to IFRS 2 – *Share-based payment*, which clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

b) Revenue Recognition

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Entities choose either a full retrospective approach with some limited relief provided or a modified retrospective approach for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Company's transition project consists of three phases: diagnostic assessment, solutions development and implementation. Investments in training and other support resources will be made throughout the transition period.

The Company is completing the diagnostic phase and has begun solutions development in core areas.

While work is well underway and on plan, continued progress is necessary before the Company can prudently increase the specificity of the impact of adopting this standard.

c) Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments*, which replaces all phases of the financial instruments project, IAS 39 – *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

d) Leases

In January 2016, the IASB issued IFRS 16 - *Leases*, which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 - *Leases*.

The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

Activity within property, plant and equipment and rental equipment included:

	Three months ended	
	March 31	
	2017	2016
Additions		
Rental equipment	\$ 27,608	\$ 26,978
Property, plant and equipment	4,235	3,901
Total Additions	\$ 31,843	\$ 30,879
Disposals - NBV		
Rental equipment	\$ 4,765	\$ 5,346
Property, plant and equipment	147	178
Total Disposals - NBV	\$ 4,912	\$ 5,524
Net gain on disposal	\$ 7,178	\$ 5,382
Depreciation		
Cost of goods sold	17,148	\$ 16,582
Selling and administrative expenses	1,684	1,588
Total Depreciation	\$ 18,832	\$ 18,170

3. OTHER ASSETS

	March 31 2017	December 31 2016	March 31 2016
Equipment sold with guaranteed residual values	\$ 13,744	\$ 13,147	\$ 8,367
Other	2,287	2,234	2,080
	\$ 16,031	\$ 15,381	\$ 10,447

4. PAYABLES, ACCRUALS AND PROVISIONS

	March 31 2017	December 31 2016	March 31 2016
Accounts payable and accrued liabilities	\$ 249,198	\$ 248,104	\$ 207,998
Dividends payable	14,907	14,111	14,013
Provisions	14,453	16,094	17,123
	\$ 278,558	\$ 278,309	\$ 239,134

5. LONG-TERM DEBT

	March 31 2017	December 31 2016	March 31 2016
3.71%, \$150.0 million, due September 30, 2025 ⁽¹⁾	\$ 150,000	\$ 150,000	\$ 150,000
7.06%, \$15.0 million, due March 29, 2019 ⁽²⁾	3,884	4,774	5,634
Senior debentures	153,884	154,774	155,634
Debt issuance costs, net of amortization	(2,134)	(2,246)	(2,582)
Total long-term debt	\$ 151,750	\$ 152,528	\$ 153,052
Less: current portion of long-term debt	(1,875)	(1,811)	(1,749)
Non-current portion of long-term debt	\$ 149,875	\$ 150,717	\$ 151,303

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

⁽²⁾ Blended principal and interest payments payable semi-annually through to maturity.

All debt is unsecured.

The Company maintains a \$250.0 million committed credit facility which matures in September 2020. Debt under the facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

No amounts were drawn on the facility at March 31, 2017, December 31, 2016 or March 31, 2016. Letters of credit utilized \$22.9 million of the facility (December 31, 2016 - \$21.7 million and March 31, 2016 - \$21.1 million).

6. SHARE CAPITAL

Normal Course Issuer Bid (“NCIB”)

During the three months ended March 31, 2017, no shares were purchased and cancelled under the NCIB program. For the three months ended March 31, 2016, the Company purchased and cancelled 89,244 common shares for \$2.6 million (average cost of \$28.84 per share, including transaction costs).

Dividends

During the three months ended March 31, 2017, the Company paid dividends of \$14.1 million or \$0.18 per share (2016 - \$13.3 million or \$0.17 per share).

The quarterly dividend was increased on February 6, 2017, to \$0.19 per share effective with the dividend paid on April 3, 2017.

7. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities – Classification and Measurement

Financial assets and financial liabilities are measured on an ongoing basis at cost, fair value or amortized cost, depending on the classification. The following table highlights the carrying amounts and classifications of certain financial assets and liabilities:

	March 31 2017	December 31 2016	March 31 2016
Other financial liabilities:			
Current portion of long-term debt	\$ 1,875	\$ 1,811	\$ 1,749
Long-term debt	149,875	150,717	151,303
Derivative instruments - cash flow hedges:			
Foreign exchange forward contracts	\$ 389	\$ 1,197	\$ (7,313)

Fair Value of Financial Instruments

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

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

	March 31 2017	December 31 2016	March 31 2016
Long-term debt			
Fair value	\$ 155,099	\$ 154,929	\$ 159,497
Carrying value	153,884	154,774	155,634

The fair value was determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities and based on Toromont's credit risk. The Company has no plans to prepay these instruments prior to maturity. The valuation is determined using Level 2 inputs which are observable inputs or inputs which can be corroborated by observable market data for substantially the full term of asset or liability.

During the three month period ended March 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. As at March 31, 2017, the Company was committed to USD purchase contracts with a notional amount of \$152.1 million at an average exchange rate of \$1.3285, maturing between April 2017 and December 2017.

Management estimates that a gain of \$389 (December 31, 2016 – gain of \$1,197; March 31, 2016 – loss of \$7,313) would be realized if the contracts were terminated on March 31, 2017. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of \$218 (December 31, 2016 – gain of \$414; March 31, 2016 – loss of \$4,447) has been included in other comprehensive income. These gains are not expected to affect net income as the gains will be reclassified to net income within the next twelve months and will offset losses recorded on the underlying hedged items, namely foreign-denominated accounts payable. Certain of those forward contracts are not designated as cash flow hedges but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A gain of \$171 (December 31, 2016 – gain of \$783; March 31, 2016 – loss of \$2,866) on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable.

8. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended March 31	
	2017	2016
Term loan facility	\$ 253	\$ 212
Senior debentures	1,579	1,622
	\$ 1,832	\$ 1,834

The components of interest and investment income were as follows:

	Three months ended March 31	
	2017	2016
Interest income on rental conversions	\$ 456	\$ 1,342
Other	656	231
	\$ 1,112	\$ 1,573

9. EARNINGS PER SHARE

	Three months ended March 31	
	2017	2016
Net earnings available to common shareholders	\$ 27,024	\$ 24,170
Weighted average common shares outstanding	78,433,827	77,897,536
Dilutive effect of stock option conversion	787,439	525,164
Diluted weighted average common shares outstanding	79,221,266	78,422,700
Earnings per share:		
Basic	\$ 0.34	\$ 0.31
Diluted	\$ 0.34	\$ 0.31

For the three months ended March 31, 2017, no share options were considered anti-dilutive (exercise price in excess of market price). For the three months ended March 31, 2016, 520,700 outstanding share options with an exercise price of \$36.65 were considered anti-dilutive and as such were excluded from the calculation.

10. STOCK BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Three months ended March 31, 2017		Three months ended March 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	2,430,871	\$ 29.25	2,512,250	\$ 24.91
Exercised ⁽¹⁾	(71,625)	20.05	(136,940)	19.44
Forfeited	(15,500)	31.63	(5,080)	20.12
Options outstanding, end of period	2,343,746	\$ 29.51	2,370,230	\$ 25.23
Options exercisable, end of period	859,431	\$ 23.38	861,270	\$ 20.41

⁽¹⁾ The weighted average share price at date of exercise for the year ended March 31, 2017, was \$45.47 (2016 - \$32.17).

The following table summarizes stock options outstanding and exercisable as at March 31, 2017.

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$16.76 - \$23.40	882,806	3.9	\$ 21.11	602,651	\$ 20.50
\$23.41 - \$26.79	454,940	7.3	\$ 26.52	165,440	\$ 26.52
\$36.65	495,500	8.3	\$ 36.65	91,340	\$ 36.65
\$39.79	510,500	9.3	\$ 39.79	-	\$ -
	2,343,746	6.7	\$ 29.51	859,431	\$ 23.38

Deferred Share Unit Plan

A reconciliation of the DSU plan was as follows:

	Three months ended March 31, 2017		Three months ended March 31, 2016	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, beginning of period	407,731	\$ 17,265	377,311	\$ 12,000
Units taken or taken in lieu and dividends	15,060	661	20,717	632
Redemptions	(17,389)	(778)	-	-
Fair market value adjustment	-	1,528	-	675
Outstanding, end of period	405,402	\$ 18,676	398,028	\$ 13,307

The liability for deferred share units is recorded in accounts payable and accrued liabilities.

11. EMPLOYEE FUTURE BENEFITS

The net pension expense included the following components:

	Three months ended March 31	
	2017	2016
Defined benefit plans	\$ 495	\$ 465
Defined contribution plans	3,042	2,658
401(k) matched savings plans	71	61
Net pension expense	\$ 3,608	\$ 3,184

12. SUPPLEMENTAL CASH FLOW INFORMATION

	2017	2016
Net change in non-cash working capital and other		
Accounts receivable	\$ 5,690	\$ 47,679
Inventories	(49,818)	(32,436)
Accounts payable, accrued liabilities and provisions	(547)	(15,082)
Deferred revenues	11,619	(6,211)
Income taxes receivable	(4,794)	(7,926)
Other	(1,267)	4,230
	\$ (39,117)	\$ (9,746)
Cash paid during the period for:		
Interest	\$ 3,135	\$ 3,068
Income taxes	\$ 15,232	\$ 17,312
Cash received during the period for:		
Interest	\$ 962	\$ 1,465

13. SEGMENTED INFORMATION

The Company has two reportable segments: the Equipment Group and CIMCO, each supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. The corporate office provides finance, treasury, legal, human resources and other administrative support to the segments. The accounting policies of each of the reportable segments are the same as the significant accounting policies described in note 1.

The operating segments are being reported based on the financial information provided to the Chief Executive Officer and Chief Financial Officer, who have been identified as the Chief Operating Decision Makers (“CODMs”) in monitoring segment performance and allocating resources between segments. The CODMs assess segment performance based on segment operating income, which is measured differently than income from operations in the interim condensed consolidated financial statements. Corporate overheads are allocated to the segments based on revenue. Income taxes, interest expense, interest and investment income are managed at a consolidated level and are not allocated to the reportable operating segments. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to the segments as they are also managed on a consolidated level.

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

The following table sets forth information by segment for the three month period ended March 31, 2017 and 2016:

Three months ended March 31	Equipment Group		CIMCO		Consolidated	
	2017	2016	2017	2016	2017	2016
Equipment/package sales	\$ 159,724	\$ 151,654	\$ 23,315	\$ 22,955	\$ 183,039	\$ 174,609
Rentals	45,434	38,364	-	-	45,434	38,364
Product support	151,476	144,896	29,229	27,117	180,705	172,013
Power generation	3,130	2,933	-	-	3,130	2,933
Total revenues	\$ 359,764	\$ 337,847	\$ 52,544	\$ 50,072	\$ 412,308	\$ 387,919
Operating income	\$ 35,076	\$ 31,874	\$ 2,818	\$ 1,602	\$ 37,894	\$ 33,476
Interest expense					1,832	1,834
Interest and investment income					(1,112)	(1,573)
Income taxes					10,150	9,045
Net earnings					\$ 27,024	\$ 24,170

For the three months ended March 31, 2017, operating loss from rentals was \$1.4 million (2016 – \$1.7 million).

14. SEASONALITY OF BUSINESS

Interim period revenues and earnings historically reflect seasonality. For 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. For CIMCO, the fourth quarter tends to be the strongest due to higher activity in recreational markets in advance of the winter recreational season.

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