

TOROMONT

Third Quarter 2016

November 7, 2016

TOROMONT ANNOUNCES RESULTS FOR THE THIRD QUARTER OF 2016 AND QUARTERLY DIVIDEND

Toromont Industries Ltd. (TSX: TIH) reported financial results for the third quarter ended September 30, 2016.

<i>millions, except per share amounts</i>	Three months ended September 30			Nine months ended September 30		
	2016	2015	% change	2016	2015	% change
Revenues	\$ 498.3	\$ 505.6	(1%)	\$ 1,386.6	\$ 1,330.3	4%
Operating income	\$ 66.0	\$ 62.3	6%	\$ 153.7	\$ 142.8	8%
Net earnings	\$ 47.6	\$ 44.7	7%	\$ 110.2	\$ 101.3	9%
Basic earnings per share ("EPS")	\$ 0.61	\$ 0.58	5%	\$ 1.41	\$ 1.30	8%

Toromont's results for the third quarter reflect a steady operational focus, which contributed to growth in year-to-date revenues and earnings despite challenging markets. Equipment Group market conditions remain soft with competitive pricing, including rental rates, dampening profitability. Product support continues to provide strong support for the overall business. CIMCO recorded significant growth in revenue, both in Canada and in the US. The Company's balance sheet continued to strengthen and is well-positioned for future growth initiatives.

Highlights:

- Equipment Group – lower results on soft market conditions.
 - Revenues decreased 7% to \$410.3 million in the quarter on lower new equipment sales, partially offset by higher used equipment revenues and product support. Operating income increased by \$1.5 million (3%) in the third quarter versus a year ago. In the third quarter, Toromont sold its licences related to internally-developed software modules, designed to work with dealer-based systems (DBS). The pre-tax gain on this sale was \$4.9 million (\$0.05 basic EPS).
 - Revenues were up 1% to \$1.2 billion year-to-date with product support growth offsetting lower equipment sales and rentals. Equipment sales decreased \$23.5 million or 4% with substantial decreases in construction and mining. Product support increased \$43.4 million or 11% on strong parts sales into construction and mining markets. Operating income increased 5% year-to-date in 2016.
 - Bookings increased 3% in the quarter to \$181.0 million on strong mining and power systems orders which served to offset lower construction and agriculture orders. Year-to-date, bookings were down 4% with decreases across all market segments except mining and agriculture. Backlogs were \$121.0 million at September 30, 2016 compared to \$92.0 million at December 31, 2015 and \$131.0 million at this

time last year. Approximately two-thirds of the backlog is expected to be delivered this year.

- CIMCO – record results in both Canada and the US.
 - Revenues increased 33% to \$87.9 million in the quarter on record package sales and product support revenues. Operating income increased 35% to \$8.4 million and was 9.6% as a percentage of revenues.
 - Revenues were up 24% to \$207.0 million year-to-date. Package sales increased 37% to \$118.5 million and product support revenues increased 10% to \$88.5 million with growth in both Canada and the US. Operating income margin was 120 basis points higher than last year at 6.9%.
 - Bookings were down 43% in the quarter to \$24.0 million with decreases in both Canada and the US. Year-to-date, bookings were up 32% with good growth in the US and Canada. Backlogs of \$102.0 million at September 30, 2016 were up from \$88.0 million at December 31, 2015 and \$86.0 million at this time last year. Approximately 40% of the backlog is expected to be delivered over the remainder of this year.
- Net earnings increased 7% in the quarter to \$47.6 million and 9% year-to-date to \$110.2 million largely due to continued product support contribution from both groups and strong package volume growth at CIMCO. Net income was also lifted by the previously described gain on sale of internally-developed software.
- EPS increased 5% or \$0.03 in the quarter to \$0.61 and 8% or \$0.11 to \$1.41 year-to-date.
- Toromont's financial position remains strong. Net debt to total capitalization was 5%. The Company's balance sheet strength supports the pursuit of growth opportunities.
- The Board of Directors announced a quarterly dividend of 18 cents per common share, payable January 3, 2017 to shareholders of record on December 9, 2016. The quarterly dividend was previously increased 6% to 18 cents per share effective with the dividend paid April 1, 2016. This represented the 27th consecutive year of dividend increases.

The Company is encouraged by the long-term outlook for infrastructure spending, however visibility to projects initiated to-date does not point to increased investment in the near-term. Equipment Group customers have been restrained with their capital spending pending project clarity, contributing to the softness in many of the markets served. Performance at CIMCO was terrific and has led to strong package sales and product support growth in both the US and Canada. The strong product support growth, diverse products and sound financial position provides financial and operational stability and opportunities for further growth.

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 and nine months ended September 30, 2016, 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 and nine months ended September 30, 2016, the annual MD&A contained in the 2015 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2015.

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 November 7, 2016.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2015 Annual Report and 2016 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

	Three months ended September 30				Nine months ended September 30			
	2016	2015	Change		2016	2015	Change	
			\$	%			\$	%
<i>(\$ thousands, except per share amounts)</i>								
REVENUES	\$ 498,258	\$ 505,553	\$ (7,295)	(1%)	\$1,386,630	\$ 1,330,282	\$ 56,348	4%
Cost of goods sold	371,946	381,604	(9,658)	(3%)	1,048,192	1,006,214	41,978	4%
Gross profit	126,312	123,949	2,363	2%	338,438	324,068	14,370	4%
Selling and administrative expenses	65,213	61,605	3,608	6%	189,702	181,231	8,471	5%
Gain on sale of internally-developed software	(4,939)	-	(4,939)	nm	(4,939)	-	(4,939)	nm
OPERATING INCOME	66,038	62,344	3,694	6%	153,675	142,837	10,838	8%
Interest expense	1,796	2,347	(551)	(23%)	5,389	6,432	(1,043)	(16%)
Interest and investment income	(422)	(653)	231	(35%)	(2,629)	(2,278)	(351)	15%
Income before income taxes	64,664	60,650	4,014	7%	150,915	138,683	12,232	9%
Income taxes	17,021	15,920	1,101	7%	40,696	37,421	3,275	9%
NET EARNINGS	\$ 47,643	\$ 44,730	\$ 2,913	7%	\$ 110,219	\$ 101,262	\$ 8,957	9%
BASIC EARNINGS PER SHARE	\$ 0.61	\$ 0.58	\$ 0.03	5%	\$ 1.41	\$ 1.30	\$ 0.11	8%
KEY RATIOS:								
Gross profit margin ⁽¹⁾	25.4%	24.5%			24.4%	24.4%		
Selling and administrative expenses as a % of revenues	13.1%	12.2%			13.7%	13.6%		
Operating income margin ⁽¹⁾	13.3%	12.3%			11.1%	10.7%		
Income taxes as a % of income before income taxes	26.3%	26.2%			27.0%	27.0%		

(1) Described in the section titled "Description of Additional GAAP and Non-GAAP Measures".

Revenues decreased 1% in the quarter but increased 4% year-to-date. The Equipment Group has faced challenging market conditions over the course of the year. Growth at CIMCO, both in Canada and the US, has been strong throughout 2016. Both groups benefitted from continued product support growth.

Gross profit margins increased 90 basis points in the quarter on a favorable sales mix of product support revenues to total revenues. On a year-to-date basis, margins were unchanged as a favorable sales mix was offset by lower product support and rental margins. Challenging market conditions have continued to exert downward pressures on margins across most of the business.

Selling and administrative expenses increased \$3.6 million (6%) in the quarter and \$8.5 million (5%) year-to-date. Higher compensation costs accounted for the majority of the increase (\$2.6 million in the quarter and \$8.3 million year-to-date) on increased headcount, regular annual increases and mark-to-market adjustments on Deferred Share Units ("DSUs") (up \$0.1 million in the quarter and \$1.4 million year-to-date). Bad debt expenses were lower in both the quarter (down \$0.4 million) and year-to-date (down \$1.5 million). As a percentage of revenues, selling

and administrative expenses were up 90 basis points in the quarter and 10 basis points year-to-date.

In the third quarter, Toromont sold its licences related to internally-developed software modules, designed to work with dealer-based systems (DBS). Previously, these licences had been granted to an independent third party, who in turn, sold, installed and supported them with other dealers. The pre-tax gain on this sale was \$4.9 million (\$0.05 basic EPS). Annual royalty revenue from the previous royalty arrangement averaged \$0.6 million over the preceding three years.

Operating income increased 6% in the quarter and 8% year-to-date. Excluding the gain noted above, operating income as a percentage of revenues was unchanged in both the quarter (12.3%) and year-to-date (10.7%).

Interest expense decreased in the quarter and year-to-date on lower average debt balances and lower effective interest rates.

Interest income decreased in the quarter mainly on lower conversions of equipment on rent with a purchase option ("RPO") following higher conversion activity levels in the first quarter, which led to an overall increase of interest income on a year-to-date basis.

The effective income tax rate was 26.3% in the quarter and 27.0% year-to-date.

Earnings per share ("EPS") increased \$0.03 or 5% in the quarter to \$0.61. On a year-to-date basis, EPS increased \$0.11 or 8% to \$1.41.

Comprehensive income in the quarter was \$46.2 million and \$103.2 million year-to-date, comprised mainly of net earnings partially offset by actuarial losses on defined benefit pension plans, which arose due to a decrease in the discount rate employed.

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 September 30				Nine months ended September 30			
	2016	2015	Change		2016	2015	Change	
			\$	%			\$	%
Equipment sales and rentals								
New	\$ 128,569	\$ 173,214	\$ (44,645)	(26%)	\$ 387,144	\$ 437,318	\$ (50,174)	(11%)
Used	56,445	51,377	5,068	10%	173,177	146,466	26,711	18%
Rental	66,747	68,639	(1,892)	(3%)	156,715	161,195	(4,480)	(3%)
Total equipment sales and rentals	251,761	293,230	(41,469)	(14%)	717,036	744,979	(27,943)	(4%)
Power generation	3,070	2,930	140	5%	9,105	8,479	626	7%
Product support	155,515	143,145	12,370	9%	453,525	410,082	43,443	11%
Total revenues	\$ 410,346	\$ 439,305	\$ (28,959)	(7%)	\$ 1,179,666	\$ 1,163,540	\$ 16,126	1%
Operating income	\$ 57,600	\$ 56,085	\$ 1,515	3%	\$ 139,473	\$ 133,312	\$ 6,161	5%
KEY RATIOS:								
Product support revenues as a % of total revenues	37.9%	32.6%			38.4%	35.2%		
Operating income margin	14.0%	12.8%			11.8%	11.5%		
Group total revenues as a % of consolidated revenues	82.4%	86.9%			85.1%	87.5%		

The Equipment Group has faced challenging market conditions this year. The weakened Canadian dollar and delays in the roll-out of the announced increased Federal infrastructure investment, have resulted in customers being more cautious with their capital expenditures and seeking alternatives such as used, rebuilds or rental purchase options. Additionally, weakness in other geographic markets has resulted in a migration of rental fleets, inventory and contractors into the more active Ontario market, increasing competitive conditions across all segments.

New equipment sales were down 26% in the quarter and 11% year-to-date, while used equipment sales increased to record levels, up 10% in the quarter and 18% year-to-date. On a combined basis, given the interplay between new and used described above, total equipment sales were down 18% in the quarter and 4% year-to-date. These declines were experienced across most markets served.

Rental revenues were down 3% in both the quarter and year-to-date on lower rental rates and reduced time utilization. Heavy equipment rental revenues were down 2% in the quarter and 8% year-to-date on increased rate pressures and a slow start to the year. Light equipment rentals increased 4% in the quarter and 2% year-to-date. Power rentals were down 36% in the quarter and 20% year-to-date against a tough prior year comparator which included good activity at the Toronto Pan-Am games and the conversion of a large rental package. Rental revenues from RPO (equipment on rental with a purchase option) were down 15% in the quarter and 13% year-to-date largely due to rental rate pressures. While the September 30th RPO fleet was up 18% to \$64.7 million versus a year ago, the average investment fleet was relatively consistent in both the quarter and year-to-date.

Product support revenues were strong in the quarter (up 9%) and year-to-date (up 11%) largely due to parts sales growth. For the quarter, parts sales were up 11% with increased mining activity offsetting lower construction sales. On a year-to-date basis, most markets experienced growth, most significantly in mining and construction. Higher parts sales also reflect changes in pricing as a consequence of the weakened Canadian dollar. We estimate that on a constant dollar basis, parts sales increased 7% in both the quarter and year-to-date. Service revenues increased 1% in the quarter and year-to-date with higher construction and agriculture activity offsetting lower mining levels. Product support was also buoyed by increased rebuild activity in mining and construction markets.

Gross profit margins increased 170 basis points in the quarter and 30 basis points year-to-date largely due to a favorable sales mix of product support revenues to total. Increased competition in rental markets has also led to lower financial utilization on the rental fleets, partially offset by lower depreciation charges due to updated estimates of estimated useful lives and residual values. The net impact of these changes reduced depreciation by \$1.1 million in the quarter and \$3.1 million year-to-date versus applying the previous estimates.

Selling and administrative expenses increased \$3.3 million or 6% in the quarter and \$6.3 million or 4% year-to-date. Compensation costs were up \$1.2 million in the quarter and \$5.1 million year-to-date due to annual salary increases and additional headcount mainly to support growth in product support. Bad debt expenses were \$0.3 million higher in the quarter but \$1.0 million lower year-to-date compared to 2015. Certain other expense categories such as customer allowances and information technology expenses increased while most other expense categories were lower. As a percentage of sales, expenses increased 170 basis points in the quarter and 40 basis points year-to-date.

The \$4.9 million pre-tax gain on the sale of software is included in the Equipment Group results. Excluding this gain, operating income margin was relatively consistent with prior year.

Bookings and Backlogs

<i>(\$ millions)</i>	2016	2015	\$ change	% change
Bookings - three months ended September 30	\$ 181	\$ 176	\$ 5	3%
Bookings - nine months ended September 30	\$ 590	\$ 614	\$ (24)	(4%)
Backlogs - as at September 30	\$ 121	\$ 131	\$ (10)	(8%)

Equipment bookings increased 3% in the quarter on strong mining (up 271%) and power systems (up 35%) orders partially offset by lower construction (down 22%) and agriculture (down 19%) orders. On a year-to-date basis, all market segments were lower except mining and agriculture.

Backlogs of \$121.0 million were down 8% from this time last year. At September 30, 2016, the backlog related to construction (42%), power systems (30%), mining (26%) and agriculture (2%), approximately two-thirds of which is expected to be delivered over the remainder of the 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 September 30				Nine months ended September 30			
	2016	2015	Change		2016	2015	Change	
			\$	%			\$	%
Package sales	\$ 55,368	\$ 35,251	\$ 20,117	57%	\$ 118,462	\$ 86,416	\$ 32,046	37%
Product support	32,544	30,997	1,547	5%	88,502	80,326	8,176	10%
Total revenues	\$ 87,912	\$ 66,248	\$ 21,664	33%	\$ 206,964	\$ 166,742	\$ 40,222	24%
Operating income	\$ 8,438	\$ 6,259	\$ 2,179	35%	\$ 14,202	\$ 9,525	\$ 4,677	49%
KEY RATIOS:								
Product support revenues as a % of total revenues	37.0%	46.8%			42.8%	48.2%		
Operating income margin	9.6%	9.4%			6.9%	5.7%		
Group total revenues as a % of consolidated revenues	17.6%	13.1%			14.9%	12.5%		

The momentum in growth continued at CIMCO with record results for the quarter and year-to-date. Translation of US operations did not have a significant impact on results in the quarter and year-to-date.

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 increased 34% in the quarter and 18% year-to-date with strong growth in Ontario and Quebec offsetting lower sales in Western and Atlantic Canada. Industrial markets were up 103% in the quarter and 32% year-to-date while recreational markets were down 36% in the quarter and 11% year-to-date. In the US, package revenues increased significantly in both the quarter (up 168%) and year-to-date (up 132%) on increased penetration into both market segments. Enhanced and expanded sales focus has yielded positive results in the US.

Product support revenues increased 5% in the quarter and 10% year-to-date. In Canada, product support revenues increased 7% in the quarter and 9% year-to-date with growth in both recreational and industrial markets. All regions except Western Canada recorded growth. In the US, product support revenues were down 1% in the quarter but up 12% year-to-date.

Gross profit margins decreased 330 basis points in the quarter and 130 basis points year-to-date on lower package margins and an unfavorable sales mix of product support revenues to total revenues. Lower package margins reflect competitive market conditions and higher warranty costs.

Selling and administrative expenses increased \$0.3 million (3%) in the quarter and \$2.2 million (7%) year-to-date. Compensation costs were up \$1.0 million in the quarter and \$2.5 million year-to-date on annual salary increases, additional headcount to support growth and an increased profit sharing accrual on the higher earnings. Bad debt expenses were lower by \$0.7 million in the quarter and \$0.5 million year-to-date. As a percentage of sales, selling and administrative expenses decreased 350 basis points in the quarter and 240 basis points year-to-date.

Operating income increased 35% in the quarter and 49% year-to-date largely reflecting the higher revenues and relatively lower expense ratios partially offset by lower gross margins. Operating income margin was 9.6% in the quarter and 6.9% year-to-date.

Bookings and Backlogs

(\$ millions)	2016	2015	\$ change	% change
Bookings - three months ended September 30	\$ 24	\$ 42	\$ (18)	(43%)
Bookings - nine months ended September 30	\$ 137	\$ 104	\$ 33	32%
Backlogs - as at September 30	\$ 102	\$ 86	\$ 16	19%

Bookings for any given quarter can fluctuate and are not necessarily indicative of longer term trends.

Bookings were down 43% in the quarter with decreases in both Canada (down 51%) and the US (down 22%). Industrial orders were down 70% with decreases in Canada (down 73%) and the US (down 45%). Recreational orders were up 17% with growth in Canada (up 73%) partially offset by a decrease in the US (down 16%).

On a year-to-date basis, bookings were up 32% with increases in both Canada (up 24%) and the US (up 61%) and across both market segments.

Backlogs increased 19% to \$102 million with increases in both Canada (up 21%) and the US (up 11%). Recreational activity was up 21% with increases in the US (up 29%) and Canada (up 14%). Industrial activity was up 16% with increases in Canada (up 25%) partially offset by a decrease in the US (down 39%). Approximately 40% of the backlog is expected to be delivered over the remainder of the year.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At September 30, 2016, the ratio of net debt to total capitalization was 5%, compared to 10% at December 31, 2015 and 22% at September 30, 2015.

Non-Cash Working Capital

The Company's investment in non-cash working capital was \$415.5 million at September 30, 2016. The major components, along with the changes from September 30 and December 31, 2015 are identified in the following table.

\$ thousands	September 30	September 30		December 31		Change	
	2016	2015	Change	2015	Change	Change	%
			\$	%		\$	%
Accounts receivable	\$ 288,562	\$ 309,803	\$ (21,241)	(7%)	\$ 262,523	\$ 26,039	10%
Inventories	493,292	514,542	(21,250)	(4%)	463,210	30,082	6%
Other current assets	6,434	2,529	3,905	154%	4,278	2,156	50%
Accounts payable, accrued liabilities and provisions	(302,094)	(256,796)	(45,298)	18%	(240,203)	(61,891)	26%
Income taxes (payable)	(5,640)	(8,955)	3,315	(37%)	(3,052)	(2,588)	85%
Derivative financial instruments	767	3,921	(3,154)	(80%)	2,445	(1,678)	(69%)
Dividends payable	(14,094)	(13,235)	(859)	6%	(13,253)	(841)	6%
Deferred revenues	(51,695)	(54,359)	2,664	(5%)	(54,645)	2,950	(5%)
Total non-cash working capital	\$ 415,532	\$ 497,450	\$ (81,918)	(16%)	\$ 421,303	\$ (5,771)	(1%)

Accounts receivable decreased 7% compared to September 30, 2015, mainly due to the 1% decrease in revenues in the quarter and improved collection efforts. Days sales outstanding (“DSO”) decreased 5 days to 46 days with improvements in both the Equipment Group (down 3 day) and CIMCO (down 23 days).

In comparison to December 31, 2015, accounts receivable increased 10% on higher trailing revenues (6% higher), and higher DSO (45 days at December 31, 2015).

Inventories at September 30, 2016 were 4% lower compared to September 30, 2015.

- Equipment Group inventories were 5% or \$26.7 million lower than last year, with decreases in equipment (down \$22.3 million), parts (down \$3.8 million) and service work-in-process (down \$0.6 million).
- CIMCO inventories were 30% or \$5.4 million higher than last year mainly due to higher work-in-process levels on the timing of project advancement.

Inventories at September 30, 2016 were 6% higher compared to December 31, 2015 with increases in both Groups:

- Equipment Group inventories were 5% higher with increases in most 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 41% mainly on higher work-in-process for both Canadian and US projects, principally due to seasonal factors.

Accounts payable, accrued liabilities and provisions at September 30, 2016 were 18% higher than at September 30, 2015 on timing of payments related to inventory purchases and other supplies. Compared to December 31, 2015, accounts payable, accrued liabilities and provisions increased 26% largely on timing of payments related to inventory purchases and other supplies, partially offset by the payout of annual performance incentive bonuses. The weaker Canadian dollar also contributed to increased accounts payable related to US based vendors.

Income taxes (payable) receivable 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 \$0.8 million as at September 30, 2016. 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 September 30 and December 31, 2015 reflecting the higher dividend rate. The quarterly dividend rate was increased from \$0.17 per share to \$0.18 per share effective with the April 1, 2016 dividend payment, an increase of 6%.

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 78,299,216 common shares and 2,530,111 share options outstanding.

Dividends

The Company declared and paid the following dividends to common shareholders during 2015 and 2016.

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total (\$ millions)
December 11, 2014	January 2, 2015	\$0.15	\$11.6
March 13, 2015	April 1, 2015	\$0.17	\$13.2
June 11, 2015	July 2, 2015	\$0.17	\$13.2
September 11, 2015	October 1, 2015	\$0.17	\$13.2
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

Normal Course Issuer Bid ("NCIB")

In August 2016, Toromont announced the renewal of its NCIB, allowing the Company to purchase up to approximately 6.7 million of its common shares in the 12 month period ending August 30, 2017, 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 the Company. All shares purchased under the bid will be cancelled.

The Company's previously announced NCIB expired in August 2016.

During the three months ended September 30, 2016, no shares were purchased and cancelled under the NCIB program (2015 – nil). Year-to-date, the Company purchased and cancelled 89,244 common shares for \$2.6 million (average cost of \$28.84 per share, including transaction costs) (2015 – nil).

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 September 30, 2016 (December 31, 2015 - \$nil, September 30, 2015 - \$25.0 million). Letters of credit utilized \$21.5 million of the facility (December 31, 2015 and September 30, 2015 - \$21.9 million).

The Company expects that continued cash flows from operations in 2016 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 September 30		Nine months ended September 30	
	2016	2015	2016	2015
Cash, beginning of period	\$ 29,298	\$ 33,689	\$ 66,680	\$ 85,962
Cash, provided by (used in):				
Operating activities				
Operations	57,285	58,853	147,680	137,177
Change in non-cash working capital and other	45,240	(93,457)	4,957	(165,287)
Net rental fleet additions	(9,970)	(7,711)	(60,961)	(84,473)
	92,555	(42,315)	91,676	(112,583)
Investing activities	(13)	(6,653)	(11,680)	(20,332)
Financing activities	(11,485)	112,745	(36,180)	144,294
Effect of foreign exchange on cash balances	9	(108)	(132)	17
Increase in cash in the period	81,066	63,669	43,684	11,396
Cash, end of period	\$ 110,364	\$ 97,358	\$ 110,364	\$ 97,358

Cash Flows from Operating Activities

Operating activities provided significant cash flow in both the third quarter and year-to-date compared to cash used in the respective periods of 2015. Net earnings adjusted for items not requiring cash decreased 3% in the quarter but was 8% higher year-to-date. Non-cash working capital provided cash in both periods mainly due to lower inventories and accounts receivable together with higher accounts payable, accrued liabilities and provisions. Net rental fleet additions (purchases less proceeds of disposition) were higher in the quarter but lower year-to-date as investments through the first half of the year were reduced from last year's significant level.

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:

- \$3.2 million for service vehicles (2015 - \$1.6 million);
- \$1.0 million in land and buildings for new and expanded branches (2015 - \$3.3 million);
- \$0.9 million for machinery and equipment (2015 - \$1.2 million); and
- \$0.3 million for upgrades to information technology infrastructure (2015 - \$0.6 million).

Additions year-to-date included:

- \$10.9 million for service vehicles (2015 - \$9.4 million);
- \$2.8 million in land and buildings for new and expanded branches (2015 - \$7.0 million);
- \$2.3 million for machinery and equipment (2015 - \$3.0 million); and
- \$1.3 million for upgrades to information technology infrastructure (2015 - \$2.4 million).

Also included in the current quarter and year-to-date were proceeds on disposal of internally-developed software of \$4.9 million.

Cash Flows from Financing Activities

In September 2015, the Company issued \$150.0 million in long-term senior debentures in advance of the October 2015 maturity of \$125.0 million in long-term senior debentures and repaid \$25.0 million or 50% of the amounts which were drawn on the credit facility at that time. Financing costs of \$1.7 million were incurred related to the issuance and amendments to the credit facility.

The Company paid dividends of \$14.1 million or \$0.18 per share (2015 - \$13.2 million or \$0.17 per share) during the quarter and \$41.3 million or \$0.53 per share (2015 - \$38.0 million or \$0.49 per share) year-to-date.

The Company received \$3.4 million (2015 - \$3.5 million) on the exercise of stock options during the quarter and \$9.4 million (2015 - \$10.6 million) year-to-date.

There were no normal course purchases and cancellation of common shares during 2015 and the current quarter. Year-to-date, purchases and cancellation totalled \$2.6 million (89,244 common shares at an average cost of \$28.84, including transaction costs).

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. 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. In the near-term, national and global economic conditions are leading national and international players to allocate additional resources to Toromont's local markets, creating challenging conditions.

The Federal government's commitment to increasing infrastructure spending in our territories, as highlighted by the 2016 Budget and extended further in the recent economic update, bodes well for prospects over the longer term. Based on Toromont's visibility to projects initiated to-date, there is no evidence that this will translate to materially increased activity in the near term.

While the mining industry remains focused on capital constraints and cost reduction initiatives, mine production continues, generating product support opportunities. Opportunities also exist for sales in support of new mine development, mine expansion and equipment replacement. The continued price support for precious metals has generated increased enquiries.

AgWest expands our 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 dampen results in the near term.

Recent booking activity and current backlog indicate another good year for CIMCO. Increasing product support levels, a focus area, is 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 positions 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 2015 annual audited consolidated financial statements.

<i>(\$ thousands, except per share amounts)</i>	Q4 2015	Q1 2016	Q2 2016	Q3 2016
REVENUES				
Equipment Group	\$ 405,960	\$ 327,644	\$ 441,677	\$ 410,346
CIMCO	65,991	50,072	68,979	87,912
Total revenues	\$ 471,951	\$ 377,716	\$ 510,656	\$ 498,258
NET EARNINGS	\$ 44,404	\$ 24,170	\$ 38,406	\$ 47,643
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.57	\$ 0.31	\$ 0.49	\$ 0.61
Diluted earnings per share	\$ 0.57	\$ 0.31	\$ 0.49	\$ 0.60
Dividends paid per share	\$ 0.17	\$ 0.17	\$ 0.18	\$ 0.18
Weighted average common shares outstanding - basic (in thousands)	77,904	77,898	78,056	78,211

<i>(\$ thousands, except per share amounts)</i>	Q4 2014	Q1 2015	Q2 2015	Q3 2015
REVENUES				
Equipment Group	\$ 405,194	\$ 296,670	\$ 427,565	\$ 439,305
CIMCO	60,457	43,526	56,968	66,248
Total revenues	\$ 465,651	\$ 340,196	\$ 484,533	\$ 505,553
NET EARNINGS	\$ 45,670	\$ 20,137	\$ 36,395	\$ 44,730
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.59	\$ 0.26	\$ 0.47	\$ 0.58
Diluted earnings per share	0.59	0.26	0.46	0.57
Dividends paid per share	\$ 0.15	\$ 0.15	\$ 0.17	\$ 0.17
Weighted average common shares outstanding - basic (in thousands)	77,195	77,422	77,625	77,773

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 2015 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 2015 audited annual consolidated financial statements, and described in Note 1 therein.

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 2015 audited annual consolidated financial statements, contained in the Company's 2015 Annual Report, with the exception of a change in estimate relating to estimated useful lives and residual values of certain rental assets which is described more in detail at note 2 of the notes to the interim condensed consolidated financial statements.

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 and nine month period ended September 30, 2016 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.

DESCRIPTION OF ADDITIONAL GAAP AND NON-GAAP MEASURES

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.

	Three months ended		Nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
<i>(\$ thousands)</i>				
Net earnings	\$ 47,643	\$ 44,730	\$ 110,219	\$ 101,262
<i>plus:</i> Interest expense	1,796	2,347	5,389	6,432
<i>less:</i> Interest and investment income	(422)	(653)	(2,629)	(2,278)
<i>plus:</i> Income taxes	17,021	15,920	40,696	37,421
Operating income	\$ 66,038	\$ 62,344	\$ 153,675	\$ 142,837

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:

<i>(\$ thousands)</i>	September 30 2016	December 31 2015	September 30 2015
Long-term debt	\$ 150,596	\$ 152,079	\$ 176,976
Current portion of long-term debt	1,811	1,690	126,690
less: Cash	110,364	66,680	97,358
Net debt	\$ 42,043	\$ 87,089	\$ 206,308
Shareholders' equity	\$ 845,712	\$ 775,281	\$ 743,800
Total capitalization	\$ 887,755	\$ 862,370	\$ 950,108
Net debt to total capitalization	5%	10%	22%

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>	September 30 2016	December 31 2015	September 30 2015
Total current assets	\$ 899,419	\$ 799,136	\$ 928,153
less: Total current liabilities	375,334	312,843	460,035
Working capital	\$ 524,085	\$ 486,293	\$ 468,118

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>	September 30 2016	December 31 2015	September 30 2015
Total current assets	\$ 899,419	\$ 799,136	\$ 928,153
less: Cash	110,364	66,680	97,358
	\$ 789,055	\$ 732,456	\$ 830,795
Total current liabilities	\$ 375,334	\$ 312,843	\$ 460,035
less: Current portion of long-term debt	1,811	1,690	126,690
	\$ 373,523	\$ 311,153	\$ 333,345
Non-cash working capital	\$ 415,532	\$ 421,303	\$ 497,450

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	September 30 2016	December 31 2015	September 30 2015
Assets				
Current assets				
Cash		\$ 110,364	\$ 66,680	\$ 97,358
Accounts receivable		288,562	262,523	309,803
Inventories		493,292	463,210	514,542
Derivative financial instruments	7	767	2,445	3,921
Other current assets		6,434	4,278	2,529
Total current assets		899,419	799,136	928,153
Property, plant and equipment	2	182,971	184,154	181,123
Rental equipment	2	280,265	245,670	253,768
Other assets	3	15,443	11,484	6,623
Deferred tax assets		14,704	8,102	16,355
Goodwill and intangible assets		27,508	27,531	27,680
Total assets		\$ 1,420,310	\$ 1,276,077	\$ 1,413,702
Liabilities				
Current liabilities				
Accounts payable, accrued liabilities and provisions	4	\$ 316,188	\$ 253,456	\$ 270,031
Deferred revenues		51,695	54,645	54,359
Current portion of long-term debt	5	1,811	1,690	126,690
Income taxes payable		5,640	3,052	8,955
Total current liabilities		375,334	312,843	460,035
Deferred revenues		19,224	14,779	9,893
Long-term debt	5	150,596	152,079	176,976
Accrued pension liability		29,444	21,095	22,998
Shareholders' equity				
Share capital		312,385	301,413	299,791
Contributed surplus		7,845	7,236	6,929
Retained earnings		522,877	463,194	433,413
Accumulated other comprehensive income		2,605	3,438	3,667
Shareholders' equity		845,712	775,281	743,800
Total liabilities and shareholders' equity		\$ 1,420,310	\$ 1,276,077	\$ 1,413,702

See accompanying notes

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

(\$ thousands, except share amounts)	Note	Three months ended September 30		Nine months ended September 30	
		2016	2015	2016	2015
Revenues	13	\$ 498,258	\$ 505,553	\$ 1,386,630	\$ 1,330,282
Cost of goods sold		371,946	381,604	1,048,192	1,006,214
Gross profit		126,312	123,949	338,438	324,068
Selling and administrative expenses		65,213	61,605	189,702	181,231
Gain on sale of internally-developed software		(4,939)	-	(4,939)	-
Operating income		66,038	62,344	153,675	142,837
Interest expense	8	1,796	2,347	5,389	6,432
Interest and investment income	8	(422)	(653)	(2,629)	(2,278)
Income before income taxes		64,664	60,650	150,915	138,683
Income taxes		17,021	15,920	40,696	37,421
Net earnings		\$ 47,643	\$ 44,730	\$ 110,219	\$ 101,262
Earnings per share					
Basic	9	\$ 0.61	\$ 0.58	\$ 1.41	\$ 1.30
Diluted	9	\$ 0.60	\$ 0.57	\$ 1.40	\$ 1.29
Weighted average number of shares outstanding					
Basic	9	78,211,460	77,773,042	78,055,416	77,606,112
Diluted	9	78,885,895	78,534,161	78,603,177	78,280,421

See accompanying notes

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

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Net earnings	\$ 47,643	\$ 44,730	\$ 110,219	\$ 101,262
Other comprehensive income (loss), net of income tax:				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	83	602	(517)	1,140
Unrealized gains (losses) on derivatives designated as cash flow hedges	350	5,290	(2,889)	11,048
Income tax (expense) recovery	(91)	(1,376)	754	(2,875)
Unrealized gains (losses) on cash flow hedges, net of income tax	259	3,914	(2,135)	8,173
Realized (gains) losses on derivatives designated as cash flow hedges, transferred to net earnings	(561)	(5,356)	2,462	(10,448)
Income tax expense (recovery)	146	1,396	(643)	2,722
Realized (gains) losses on cash flow hedges, net of income tax	(415)	(3,960)	1,819	(7,726)
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Actuarial losses on pension plans	(1,891)	-	(8,350)	-
Income tax recovery	501	-	2,213	-
Actuarial losses on pension plans, net of income tax	(1,390)	-	(6,137)	-
Other comprehensive (loss) income	(1,463)	556	(6,970)	1,587
Total comprehensive income	\$ 46,180	\$ 45,286	\$ 103,249	\$ 102,849

See accompanying notes

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

(\$ thousands)	Note	Three months ended September 30		Nine months ended September 30	
		2016	2015	2016	2015
Operating activities					
Net earnings		\$ 47,643	\$ 44,730	\$ 110,219	\$ 101,262
Items not requiring cash:					
Depreciation and amortization		19,882	19,903	57,242	54,380
Stock-based compensation		837	650	2,513	1,952
Accrued pension liability		(13)	-	(1)	2,208
Deferred income taxes		(2,545)	(3,651)	(4,279)	(10,724)
Gain on sale of rental equipment and property, plant and equipment	2	(3,580)	(2,779)	(13,075)	(11,901)
Gain on sale of internally-developed software		(4,939)	-	(4,939)	
		57,285	58,853	147,680	137,177
Net change in non-cash working capital and other	12	45,240	(93,457)	4,957	(165,287)
Additions to rental equipment	2	(17,061)	(15,674)	(87,243)	(110,684)
Proceeds on disposal of rental equipment	2	7,091	7,963	26,282	26,211
Cash provided by (used in) operating activities		92,555	(42,315)	91,676	(112,583)
Investing activities					
Additions to property, plant and equipment	2	(5,659)	(7,013)	(17,862)	(22,375)
Proceeds on disposal of property, plant and equipment	2	748	416	1,399	2,212
Proceeds on disposal of internally-developed software		4,939	-	4,939	-
Increase in other assets		(41)	(56)	(156)	(169)
Cash used in investing activities		(13)	(6,653)	(11,680)	(20,332)
Financing activities					
Issue of senior debentures		-	150,000	-	150,000
(Decrease) increase in term credit facility debt		-	(25,000)	-	25,000
Financing costs		-	(1,705)	-	(1,705)
Repayment of senior debentures		(860)	(802)	(1,690)	(1,576)
Dividends	6	(14,062)	(13,208)	(41,328)	(37,979)
Shares purchased for cancellation		-	-	(2,574)	-
Cash received on exercise of stock options		3,437	3,460	9,412	10,554
Cash (used in) provided by financing activities		(11,485)	112,745	(36,180)	144,294
Effect of currency translation on cash balances		9	(108)	(132)	17
Increase in cash		81,066	63,669	43,684	11,396
Cash, at beginning of period		29,298	33,689	66,680	85,962
Cash, at end of period		\$ 110,364	\$ 97,358	\$ 110,364	\$ 97,358

Supplemental cash flow information (note 12)

See accompanying notes

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

(\$ thousands)	Share Capital		Contributed surplus	Retained earnings	Accumulated other comprehensive income			Total
	Number	Amount			Foreign currency translation adjustments	Cash flow hedges	Total	
At January 1, 2016	77,905,821	\$ 301,413	\$ 7,236	\$ 463,194	\$ 2,904	\$ 534	\$ 3,438	\$ 775,281
Net earnings	-	-	-	110,219	-	-	-	110,219
Other comprehensive loss	-	-	-	(6,137)	(517)	(316)	(833)	(6,970)
Total comprehensive income	-	-	-	104,082	(517)	(316)	(833)	103,249
Issue on exercise of stock options	480,379	11,316	-	-	-	-	-	11,316
Stock-based compensation expense, net of forfeitures	-	-	2,514	-	-	-	-	2,514
Value of compensation cost associated with exercised options	-	-	(1,905)	-	-	-	-	(1,905)
Effect of stock compensation plans	480,379	11,316	609	-	-	-	-	11,925
Shares purchased for cancellation	(89,244)	(344)	-	(2,231)	-	-	-	(2,575)
Dividends on common shares	-	-	-	(42,168)	-	-	-	(42,168)
At September 30, 2016	78,296,956	\$ 312,385	\$ 7,845	\$ 522,877	\$ 2,387	\$ 218	\$ 2,605	\$ 845,712

(\$ thousands)	Share Capital		Contributed surplus	Retained earnings	Accumulated other comprehensive income			Total
	Number	Amount			Foreign currency translation adjustments	Cash flow hedges	Total	
At January 1, 2015	77,259,396	\$ 287,002	\$ 7,212	\$ 371,781	\$ 1,433	\$ 647	\$ 2,080	\$ 668,075
Net earnings	-	-	-	101,262	-	-	-	101,262
Other comprehensive income	-	-	-	-	1,140	447	1,587	1,587
Total comprehensive income	-	-	-	101,262	1,140	447	1,587	102,849
Issue on exercise of stock options	620,985	12,789	-	-	-	-	-	12,789
Stock-based compensation expense, net of forfeitures	-	-	1,952	-	-	-	-	1,952
Value of compensation cost associated with exercised options	-	-	(2,235)	-	-	-	-	(2,235)
Effect of stock compensation plans	620,985	12,789	(283)	-	-	-	-	12,506
Dividends on common shares	-	-	-	(39,630)	-	-	-	(39,630)
At September 30, 2015	77,880,381	\$ 299,791	\$ 6,929	\$ 433,413	\$ 2,573	\$ 1,094	\$ 3,667	\$ 743,800

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the nine months ended September 30, 2016
(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 annual consolidated financial statements of the Company for the year ended December 31, 2015.

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, 2015 except for a change in estimate relating to the estimated useful lives and residual values of certain rental assets (see note 2).

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 November 7, 2016.

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, 2015, except the following amendments that were adopted, as required, on January 1, 2016:

a) Presentation of Financial Statements

The amendments to IAS 1 – *Presentation of Financial Statements*, give some guidance on how to apply the concept on materiality in practice. For the nine months ended September 30, 2016, there was no impact on the financial performance or disclosures of the Company upon adoption.

b) Interim Financial Reporting

The amendment to IAS 34 – *Interim Financial Reporting*, requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the Management Discussion & Analysis). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment must be applied retrospectively. For the nine months ended September 30, 2016, there was no impact on the disclosures of the Company upon adoption.

c) Employee Benefits

The amendment to IAS 19 – *Employee Benefits*, requires an entity to recognise a post-employment benefit obligation for its defined benefit plans. This obligation must be discounted using market rates on high quality corporate bonds or using government bond rates if a deep market for high quality corporate bonds does not exist. The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively. For the nine months ended September 30, 2016, there was no impact on the financial performance or disclosures of the Company upon adoption.

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, 2016, and accordingly, have not been applied in preparing these interim condensed consolidated financial statements.

a) 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 chose 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 is currently assessing the impact of adopting this interpretation on its consolidated financial statements.

b) 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 interpretation on its consolidated financial statements.

c) 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 - *Revenue from Contracts with Customers*, has been applied, or is applied at the same date. The Company is currently assessing the impact of adopting this interpretation 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 September 30		Nine months ended September 30	
	2016	2015	2016	2015
Additions				
Rental equipment	\$ 17,061	\$ 15,674	\$ 87,243	\$ 110,684
Property, plant and equipment	5,659	7,013	17,862	22,375
Total Additions	\$ 22,720	\$ 22,687	\$ 105,105	\$ 133,059
Disposals - NBV				
Rental equipment	\$ 3,863	\$ 5,276	\$ 13,812	\$ 15,210
Property, plant and equipment	396	324	794	1,312
Total Disposals - NBV	\$ 4,259	\$ 5,600	\$ 14,606	\$ 16,522
Net gain on disposal	\$ 3,580	\$ 2,779	\$ 13,075	\$ 11,901
Depreciation				
Cost of goods sold	\$ 17,971	\$ 18,208	\$ 51,818	\$ 49,480
Selling and administrative expenses	1,793	1,543	5,064	4,448
Total Depreciation	\$ 19,764	\$ 19,751	\$ 56,882	\$ 53,928

Change in estimate

Management reviews various estimates used in the calculation of depreciation expense of property, plant and equipment and rental equipment on an ongoing basis. Effective January 1, 2016, the Company updated the estimated service lives and residual values of rental assets so as to accurately reflect asset life cycles and residual values based on experience. All other assumptions used in the calculation remain unchanged. This change was applied prospectively and accordingly, there was no effect on prior periods. As a result, for the three and nine months

ended September 30, 2016, depreciation expense was lower by \$1.1 million and \$3.1 million, respectively, than would have otherwise been calculated using prior estimates.

3. OTHER ASSETS

	September 30 2016	December 31 2015	September 30 2015
Equipment sold with guaranteed residual values	\$ 13,143	\$ 9,459	\$ 4,796
Other	2,300	2,025	1,827
	\$ 15,443	\$ 11,484	\$ 6,623

4. PAYABLES, ACCRUALS AND PROVISIONS

	September 30 2016	December 31 2015	September 30 2015
Accounts payable and accrued liabilities	\$ 285,448	\$ 223,381	\$ 242,015
Dividends payable	14,094	13,253	13,235
Provisions	16,646	16,822	14,781
	\$ 316,188	\$ 253,456	\$ 270,031

5. LONG-TERM DEBT

	September 30 2016	December 31 2015	September 30 2015
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⁾	4,774	6,464	6,464
4.92%, \$125.0 million, due October 13, 2015 ⁽¹⁾	-	-	125,000
Senior debentures	154,774	156,464	281,464
Bank credit facility	-	-	25,000
Debt issuance costs, net of amortization	(2,367)	(2,695)	(2,798)
Total long-term debt	\$ 152,407	\$ 153,769	\$ 303,666
Less: current portion of long-term debt	(1,811)	(1,690)	(126,690)
Non-current portion of long-term debt	\$ 150,596	\$ 152,079	\$ 176,976

⁽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 as at September 30, 2016 (December 31, 2015 - \$nil, September 30, 2015 - \$25.0 million). Letters of credit utilized \$21.5 million of the facility (December 31, 2015 and September 30, 2015 - \$21.9 million).

6. SHARE CAPITAL

Normal Course Issuer Bid (“NCIB”)

In August 2016, the Company announced a NCIB to purchase up to approximately 6.7 million of its common shares in the 12 month period ending August 30, 2017, 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 the Company. All shares purchased under the bid will be cancelled. The Company’s NCIB announced in 2015 expired in August 2016.

During the three months ended September 30, 2016, no shares were purchased and cancelled under the NCIB program (2015 – nil). For the nine months ended September 30, 2016, the Company purchased and cancelled 89,244 common shares for \$2.6 million (average cost of \$28.84 per share, including transaction costs) (2015 – nil).

Dividends

During the three months ended September 30, 2016, the Company paid dividends of \$14.1 million or \$0.18 per share (2015 - \$13.2 million or \$0.17 per share). For the nine months ended September 30, 2016, the Company paid \$41.3 million or \$0.53 per share (2015 - \$38.0 million or \$0.49 per share).

The quarterly dividend was increased on February 9, 2016, to \$0.18 per share effective with the dividend paid on April 1, 2016.

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:

	September 30 2016	December 31 2015	September 30 2015
Other financial liabilities:			
Current portion of long-term debt	\$ (1,811)	\$ (1,690)	\$ (126,690)
Long-term debt	(150,596)	(152,079)	(176,976)
Derivative instruments - cash flow hedges:			
Foreign exchange forward contracts	\$ 767	\$ 2,445	\$ 3,921

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:

Long-term debt	September 30 2016	December 31 2015	September 30 2015
Fair value	\$ 160,987	\$ 158,123	\$ 282,752
Carrying value	154,774	156,464	281,464

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 and nine month period ended September 30, 2016, 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 September 30, 2016, the Company was committed to USD purchase contracts with a notional amount of \$131.3 million at an average exchange rate of \$1.3052, maturing between October 2016 and July 2017.

Management estimates that a gain of \$767 (December 31, 2015 – \$2,445; September 30, 2015 – \$3,921) would be realized if the contracts were terminated on September 30, 2016. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of \$294 (December 31, 2015 – \$719; September 30, 2015 – \$1,473) 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 \$473 (December 31, 2015 – \$1,726; September 30, 2015 – \$2,448) 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 September 30		Nine months ended September 30	
	2016	2015	2016	2015
Term loan facility	\$ 196	\$ 547	\$ 579	\$ 1,060
Senior debentures	1,600	1,800	4,810	5,372
	\$ 1,796	\$ 2,347	\$ 5,389	\$ 6,432

The components of interest and investment income were as follows:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Interest income on rental conversions	\$ 165	\$ 445	\$ 1,896	\$ 1,603
Other	257	208	733	675
	\$ 422	\$ 653	\$ 2,629	\$ 2,278

9. EARNINGS PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Net earnings available to common shareholders	\$ 47,643	\$ 44,730	\$ 110,219	\$ 101,262
Weighted average common shares outstanding	78,211,460	77,773,042	78,055,416	77,606,112
Dilutive effect of stock option conversion	674,435	761,119	547,761	674,309
Diluted weighted average common shares outstanding	78,885,895	78,534,161	78,603,177	78,280,421
Earnings per share:				
Basic	\$ 0.61	\$ 0.58	\$ 1.41	\$ 1.30
Diluted	\$ 0.60	\$ 0.57	\$ 1.40	\$ 1.29

For the three months ended September 30, 2016, 517,500 outstanding share options (2015 – 520,700) with an exercise price of \$39.79 (2015 - \$36.65) were considered anti-dilutive (exercise price in excess of market price) and as such were excluded from the calculation. For the nine months ended September 30, 2016, 1,030,340 outstanding share options (2015 – 520,700) with a weighted average exercise price of \$38.23 (2015 - \$36.65) were considered anti-dilutive.

10. STOCK BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Nine months ended September 30, 2016		Nine months ended September 30, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	2,512,250	\$ 24.91	2,715,875	\$ 20.50
Granted	517,500	\$ 39.79	520,700	\$ 36.65
Exercised ⁽¹⁾	(480,379)	19.59	(620,985)	17.00
Forfeited	(5,080)	20.12	(3,400)	20.77
Options outstanding, end of period	2,544,291	\$ 28.95	2,612,190	\$ 24.55
Options exercisable, end of period	1,032,556	\$ 22.94	1,053,310	\$ 19.68

⁽¹⁾ The weighted average share price at date of exercise for nine-month period ended September 30, 2016 was \$36.65 (2015 - \$31.75).

The following table summarizes stock options outstanding and exercisable as at September 30, 2016.

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	1,042,061	4.1	\$ 20.87	756,186	\$ 20.29
\$23.41 - \$26.79	471,890	7.8	\$ 26.52	176,090	\$ 26.52
\$26.80 - \$39.79	1,030,340	9.3	\$ 38.23	100,280	\$ 36.65
Total	2,544,291	6.9	\$ 28.95	1,032,556	\$ 22.94

Deferred Share Unit Plan

A reconciliation of the DSU plan was as follows:

	Nine months ended September 30, 2016		Nine months ended September 30, 2015	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, beginning of period	377,311	\$ 12,000	334,709	\$ 9,527
Units taken in lieu of performance incentive awards, director fees and dividends	38,823	1,309	35,446	1,097
Redemptions	(11,459)	(454)	(3,160)	(106)
DSUs granted	-	-	-	-
Fair market value adjustment	-	2,903	-	1,550
Outstanding, end of period	404,675	\$ 15,758	366,995	\$ 12,068

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 September 30		Nine months ended September 30	
	2016	2015	2016	2015
Defined benefit plans	\$ 472	\$ 483	\$ 1,416	\$ 1,508
Defined contribution plans	2,815	2,544	8,354	7,670
401(k) matched savings plans	68	55	187	146
Net pension expense	\$ 3,355	\$ 3,082	\$ 9,957	\$ 9,324

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Net change in non-cash working capital and other				
Accounts receivables	\$ (1,633)	\$ (44,136)	\$ (26,039)	\$ (70,031)
Inventories	11,362	(31,609)	(30,083)	(147,349)
Accounts payable, accrued liabilities and provisions	35,341	(28,017)	61,891	29,615
Deferred revenues	(4,604)	4,035	1,496	19,489
Income taxes payable	7,668	7,346	2,588	5,069
Other	(2,894)	(1,076)	(4,896)	(2,080)
	\$ 45,240	\$ (93,457)	\$ 4,957	\$ (165,287)
Cash paid during the period for:				
Interest	\$ 3,159	\$ 627	\$ 6,405	\$ 4,634
Income taxes	\$ 13,622	\$ 14,324	\$ 44,116	\$ 45,151
Cash received during the period for:				
Interest	\$ 294	\$ 529	\$ 2,320	\$ 1,968
Income taxes	\$ 1,843	\$ 2,229	\$ 1,843	\$ 2,229

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 assesses 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.

No reportable segment is reliant on any single external customer.

The following table sets forth information by segment for the three and nine month periods ended September 30, 2016 and 2015:

Three months ended September 30	Equipment Group		CIMCO		Consolidated	
	2016	2015	2016	2015	2016	2015
Equipment/package sales	\$ 185,014	\$ 224,591	\$ 55,368	\$ 35,251	\$ 240,382	\$ 259,842
Rentals	66,747	68,639	-	-	66,747	68,639
Product support	155,515	143,145	32,544	30,997	188,059	174,142
Power generation	3,070	2,930	-	-	3,070	2,930
Total revenues	\$ 410,346	\$ 439,305	\$ 87,912	\$ 66,248	\$ 498,258	\$ 505,553
Operating income	\$ 57,600	\$ 56,085	\$ 8,438	\$ 6,259	\$ 66,038	\$ 62,344
Interest expense					1,796	2,347
Interest and investment income					(422)	(653)
Income taxes					17,021	15,920
Net earnings					\$ 47,643	\$ 44,730

Nine months ended September 30	Equipment Group		CIMCO		Consolidated	
	2016	2015	2016	2015	2016	2015
Equipment/package sales	\$ 560,321	\$ 583,784	\$ 118,462	\$ 86,416	\$ 678,783	\$ 670,200
Rentals	156,715	161,195	-	-	156,715	161,195
Product support	453,525	410,082	88,502	80,326	542,027	490,408
Power generation	9,105	8,479	-	-	9,105	8,479
Total revenues	\$1,179,666	\$1,163,540	\$ 206,964	\$ 166,742	\$1,386,630	\$1,330,282
Operating income	\$ 139,473	\$ 133,312	\$ 14,202	\$ 9,525	\$ 153,675	\$ 142,837
Interest expense					5,389	6,432
Interest and investment income					(2,629)	(2,278)
Income taxes					40,696	37,421
Net earnings					\$ 110,219	\$ 101,262

Operating income from rental operations for the three months ended September 30, 2016 was \$12.1 million (2015 - \$14.9 million). For the nine months ended September 30, 2016, operating income from rental operations was \$16.5 million (2015 - \$21.3 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.

How to get in touch with us

Tel: 416.667.5511

Fax: 416.667.5555

E-mail: investorrelations@toromont.com

www.toromont.com

How to reach our transfer agent and registrar

Investors are encouraged to contact CST Trust Company for information regarding their security holdings.

CST Trust Company

P.O. Box 700

Station B

Montreal, Quebec

H3B 3K3

Toll-Free North America: 1.800.387.0825

Local: 416.682.3860

E-mail: inquiries@canstockta.com

www.canstockta.com

Common Shares

Listed on the Toronto Stock Exchange

Stock Symbol – TIH

Toromont Industries Ltd.

Corporate Office

3131 Highway 7 West

P.O. Box 5511

Concord ON L4K 1B7