

TOROMONT

First Quarter 2016

April 26, 2016

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

Toromont Industries Ltd. (TSX: TIH) reported financial results for the first quarter ended March 31, 2016.

<i>millions, except per share amounts</i>	Three months ended March 31		
	2016	2015	% change
Revenues	\$ 377.7	\$ 340.2	11%
Operating income	\$ 33.5	\$ 28.8	16%
Net earnings	\$ 24.2	\$ 20.1	20%
Basic earnings per share ("EPS")	\$ 0.31	\$ 0.26	19%

Toromont achieved growth in the quarter on higher revenues and good expense control in both the Equipment Group and CIMCO. In the Equipment Group, strong used equipment sales, product support growth, and increased RPO conversions led to higher revenues. At CIMCO, package sales and product support achieved growth in both Canada and the US.

Highlights:

- Equipment Group revenues increased 10% to \$327.6 million in the quarter. Operating income increased 11% to \$31.9 million compared to last year on higher revenues and relatively lower expenses partially offset by lower gross margins.
- Equipment Group backlogs were \$126.0 million at March 31, 2016 compared to \$92.0 million at December 31, 2015 and \$140.0 million at this time last year. Substantially all of the backlog is expected to be delivered this year. Bookings for the quarter increased 20% versus a year ago to \$184.0 million.
- CIMCO revenues were up 15% to \$50.1 million in the quarter on increased package sales and strong product support growth. Operating income increased \$1.4 million to \$1.6 million and was 3.2% as a percentage of revenues.
- CIMCO bookings were up 35% in the quarter to \$46.0 million with strong growth in the US and Canada. Backlogs of \$112.0 million are at record levels for the end of a first quarter, and up from \$88.0 million at December 31, 2015 and \$83.0 million at March 31, 2015. Most of the backlog is expected to be delivered in 2016.
- Net earnings increased 20% in the quarter to \$24.2 million largely due to the higher revenues and a relatively lower expense ratio, partially offset by lower gross profit margins.
- Earnings per share (basic) increased 19% or \$0.05 in the quarter to \$0.31.

- Toromont's financial position remains strong. Net debt to total capitalization was 11%. The Company's balance sheet strength supports the pursuit of growth opportunities.
- During the quarter, the Company purchased and cancelled 89,244 common shares (\$2.6 million) under its Normal Course Issuer Bid program.
- The Board of Directors announced a quarterly dividend of 18 cents per common share, payable July 4, 2016 to shareholders of record on June 10, 2016. The quarterly dividend was previously increased 6% to 18 cents per share effective with the dividend paid April 1, 2016.

In the quarter, the Equipment Group delivered strong results despite weakness in many of the markets served. Excess inventory levels industry-wide and soft commodity prices continue, which impact the operating environment. Product support growth continues to benefit from the larger installed base in the field and serves to partially offset the downward pressures from other areas of the business. The Federal government has committed to increasing infrastructure spending in our territories, which is encouraging, however, timing of any such projects is unclear at this time. At CIMCO, activity levels in Canada and the US are encouraging with backlogs at record levels for any first quarter. Product support growth at CIMCO demonstrates continued momentum in both the US and Canada and remains a strategic focus.

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, 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 months ended March 31, 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 April 26, 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

(\$ thousands, except per share amounts)	Three months ended March 31			
	2016	2015	\$ change	% change
REVENUES	\$ 377,716	\$ 340,196	\$ 37,520	11%
Cost of goods sold	286,019	254,092	31,927	13%
Gross profit	91,697	86,104	5,593	6%
Selling and administrative expenses	58,221	57,310	911	2%
OPERATING INCOME	33,476	28,794	4,682	16%
Interest expense	1,834	2,115	(281)	(13%)
Interest and investment income	(1,573)	(936)	(637)	68%
Income before income taxes	33,215	27,615	5,600	20%
Income taxes	9,045	7,478	1,567	21%
NET EARNINGS	24,170	20,137	4,033	20%
BASIC EARNINGS PER SHARE	\$ 0.31	\$ 0.26	\$ 0.05	19%
KEY RATIOS:				
Gross profit margin ⁽¹⁾	24.3%	25.3%		
Selling and administrative expenses as a % of revenues	15.4%	16.8%		
Operating income margin ⁽¹⁾	8.9%	8.5%		
Income taxes as a % of income before income taxes	27.2%	27.1%		

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

Revenues increased 11% in the quarter with strong growth in both the Equipment Group and CIMCO. Revenues are buoyed by the weaker Canadian dollar, which increases new equipment and parts prices in the Equipment Group, and on the translation of US operations at CIMCO.

Gross profit margin decreased 1.0 percentage points in the quarter on significant market pressures in the Equipment Group, partially offset by improved margins at CIMCO. In the Equipment Group, most business segments reported lower margins, a trend that has carried over from the fourth quarter last year. At CIMCO, higher product support margins partially offset lower project margins.

Selling and administrative expenses increased \$0.9 million or 2% in the quarter. The increase was mainly related to higher compensation costs (up \$3.7 million), partially offset by lower bad debt expenses (down \$2.2 million) and mark-to-market adjustments on Deferred Share Units ("DSUs") (down \$0.7 million). As a percentage of revenues, selling and administrative expenses were lower by 1.4 percentage points in quarter.

Operating income increased \$4.7 million or 16% in the quarter on the higher revenues and an improved expense ratio, partially offset by lower margins. Operating income margin improved to 8.9% versus 8.5% last year.

Interest expense decreased in the quarter on lower average debt balances and lower effective interest rates. Interest income increased in the quarter mainly on higher conversions of equipment on rent with a purchase option (“RPO”).

The effective income tax rate was 27.2% compared to 27.1% last year.

Earnings per share increased \$0.05 or 19% in the quarter to \$0.31.

Comprehensive income in the quarter was \$19.7 million (2015 - \$24.0 million), comprising net earnings of \$24.2 million (2015 - \$20.1 million) and other comprehensive loss of \$4.5 million (2015 – other comprehensive income of \$3.9 million). Other comprehensive loss in the quarter included unrealized losses on cash flow hedges due to a rising Canadian dollar, net of income tax of \$3.7 million (2015 – unrealized gains, net of income tax of \$5.8 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			
	2016	2015	\$ change	% change
Equipment sales and rentals				
New	\$ 94,454	\$ 89,203	\$ 5,251	6%
Used	55,679	37,176	18,503	50%
Rentals	38,364	41,721	(3,357)	(8%)
Total equipment sales and rentals	188,497	168,100	20,397	12%
Power generation	2,933	2,735	198	7%
Product support	136,214	125,835	10,379	8%
Total revenues	\$ 327,644	\$ 296,670	\$ 30,974	10%
Operating income	\$ 31,874	\$ 28,632	\$ 3,242	11%
KEY RATIOS:				
Product support revenues as a % of total revenues	41.6%	42.4%		
Operating income margin	9.7%	9.7%		
Group total revenues as a % of consolidated revenues	86.7%	87.2%		

Equipment Group results increased from last year on strong used equipment sales, conversions of equipment on rent with a purchase option (“RPO”) and product support growth.

The majority of new equipment and parts is sourced from the United States, which impacts the comparability of revenues period-over-period. A weaker Canadian dollar translates to increased unit prices and costs. The value of the Canadian dollar was lower by 11% on average in the first quarter of 2016 versus a year ago.

New equipment sales were up 6% in the quarter on increased deliveries into mining and agriculture markets, partially offset by lower sales into construction markets. Sales into mining fluctuate based on specific project deliveries. Construction sales were down as customers shifted focus to a more cost effective option in used equipment or deferred purchases pending clarity on infrastructure-related spending levels. Power systems revenues were relatively

unchanged from last year.

Used equipment sales increased 50%, setting a first quarter record with strong construction and mining deliveries. These were fed in part by increased rental dispositions and also through increased purchasing of used by Toromont to meet customer demands. Given the increased price of new equipment on the weaker Canadian dollar, used equipment has been sought out by customers seeking a lower cost solution.

Rental revenues were down 8% in the quarter against a very tough prior year comparator, with decreases across all rental categories. Heavy and light equipment rentals were lower by 26% and 2%, respectively, on lower utilization as customers deferred project sourcing decisions. Reduced activity was seen with green power projects, mining, industrial and power, offset by continued growth in construction. Rental revenue from RPO (equipment on rental with a purchase option) was down 22% versus a year ago on good conversion activity in the quarter. The RPO fleet increased to \$34.8 million at March 31, 2016 from \$31.6 million a year ago, reflecting fleet additions this quarter at a relatively weaker Canadian dollar.

Product support increased 8% in the quarter. Parts sales were up 11% mainly on increases in construction and mining, partially offset by marginal decreases in other market segments. Parts sales have risen on increased pricing as a consequence of the weakened Canadian dollar. Excluding propane sales, which were down 53% in the quarter on milder winter conditions, the company estimates that parts sales increased 4% on a constant dollar basis. Service revenues were flat with higher construction activity offsetting lower mining.

Gross profit margins remained under significant pressure in the quarter, decreasing 1.3 percentage points compared to the first quarter last year. Most lines of business reported lower margins, reflective of generally weaker market activity combined with high inventory levels throughout Canada. Rental margins were lower on reduced utilization of larger fleets, partially offset by lower depreciation charges due to updated estimates of estimated useful lives and residual values, following a review. The net impact of these changes reduced depreciation by \$0.9 million in the quarter versus applying the previous estimates.

Selling and administrative expenses increased \$0.4 million or 1% in the quarter compared to last year. Bad debt expenses were significantly lower (down \$2.2 million) due to specific exposures identified in 2015 which were not repeated. Excluding bad debt, selling and administrative expenses were \$2.6 million or 6% higher but 0.7 percentage points lower as a percentage of revenues (14.8% versus 15.5% last year). Compensation costs were up \$2.8 million on annual salary increases and higher profit sharing accrual on the higher earnings. Certain other expense categories decreased relative to the higher sales activity as expense management remains a focus for the operations.

Operating income was up 11% in the quarter but relatively flat as a percentage of revenues.

Bookings and Backlogs

(\$ millions)	2016	2015	\$ change	% change
Bookings - three months ended March 31	\$ 184	\$ 164	\$ 20	12%
Backlogs - as at March 31	\$ 126	\$ 140	\$ (14)	(10%)

Equipment bookings of \$184.0 million were 12% higher than last year, lifted somewhat by the impact of the weaker Canadian dollar period-over-period. For the quarter, higher construction orders were partially offset by lower agriculture, power systems and mining orders.

Backlogs of \$126.0 million were down 10% from this time last year. At March 31, 2016, the backlog related to construction (61%), power systems (23%), agriculture (10%) and mining (5%), substantially all 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 inventory.

CIMCO

(\$ thousands)	Three months ended March 31			
	2016	2015	\$ change	% change
Package sales	\$ 22,955	\$ 20,434	\$ 2,521	12%
Product support	27,117	23,092	4,025	17%
Total revenues	\$ 50,072	\$ 43,526	\$ 6,546	15%
Operating income	\$ 1,602	\$ 162	\$ 1,440	889%
KEY RATIOS:				
Product support revenues as a % of total revenues	54.2%	53.1%		
Operating income margin	3.2%	0.4%		
Group total revenues as a % of consolidated revenues	13.3%	12.8%		

CIMCO delivered good results for a first quarter on revenue growth in both the US and Canada and improved gross profit margins. Translation of US operations with the weaker Canadian dollar in the first quarter of 2016 versus 2015 accounted for approximately \$1.0 million of the increase in revenues.

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 down as higher recreational activity was more than offset by lower industrial. In the US, package revenues were up in US\$ mainly on strong recreational activity partially offset by slightly lower industrial.

Product support revenues increased 17% in the quarter with growth in both Canada and the US. In Canada, all regions except Quebec reported significant growth. In the US, growth was also reported across most regions. Focus remains on continued expansion into the very active US markets.

Gross profit margins increased 1.1 percentage points with improvements in product support margins and a favorable sales mix of product support revenues to total revenues partially offsetting lower package margins. Product support margins improved on execution experience.

Selling and administrative expenses increased \$0.5 million or 6% in the quarter compared to last year but were 1.7 percentage points lower as a percentage of revenues (19.7% vs. 21.4% last year). Accounting for the increase were higher compensation costs (up \$0.8 million) and an unfavorable foreign exchange impact on translation of US operations at a weaker Canadian dollar (up \$0.2 million).

Operating income margin increased to 3.2% in the quarter on higher revenues, improved gross margins and a relatively lower expense ratio.

Bookings and Backlogs

<i>(\$ millions)</i>	2016	2015	\$ change	% change
Bookings - three months ended March 31	\$ 46	\$ 34	\$ 12	35%
Backlogs - as at March 31	\$ 112	\$ 83	\$ 29	35%

Bookings increased to \$46.0 million on higher industrial and recreational activity. The US accounted for approximately 60% of the total increase in bookings with significantly higher industrial and recreational activity. In Canada, industrial activity levels were also higher while recreational was relatively flat. Booking comparators can vary substantially from period to period due to relative activity levels.

Backlogs increased to \$112.0 million on higher recreational and industrial levels. In Canada, both industrial and recreational were up, while in the US, only recreational was up in US\$. Backlogs are at record levels for the end of any first quarter with most expected to be delivered over the remainder of the year.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At March 31, 2016, the ratio of net debt to total capitalization was 11%, compared to 10% at December 31, 2015 and 11% at March 31, 2015.

Non-Cash Working Capital

The Company's investment in non-cash working capital was \$425.8 million at March 31, 2016. The major components, along with the changes from March 31 and December 31, 2015 are identified in the following table.

<i>(\$ thousands)</i>	March 31 2016	March 31 2015	Change		December 31 2015	Change	
			\$	%		\$	%
Accounts receivable	\$ 214,844	\$ 234,769	\$ (19,925)	(8%)	\$ 262,523	\$ (47,679)	(18%)
Inventories	495,646	444,761	50,885	11%	463,210	32,436	7%
Other current assets	5,499	4,949	550	11%	4,278	1,221	29%
Accounts payable, accrued liabilities and provisions	(225,120)	(276,709)	51,589	(19%)	(240,202)	15,082	(6%)
Income taxes receivable (payable)	4,874	3,965	909	23%	(3,052)	7,926	nm
Derivative financial instruments	(7,313)	7,517	(14,830)	nm	2,445	(9,758)	nm
Dividends payable	(14,014)	(13,187)	(827)	6%	(13,254)	(760)	6%
Deferred revenues	(48,663)	(43,138)	(5,525)	13%	(54,645)	5,982	(11%)
Total non-cash working capital	\$ 425,753	\$ 362,927	\$ 62,826	17%	\$ 421,303	\$ 4,450	1%

Accounts receivable decreased 8% compared to March 31, 2015, on improved collection efforts. Days sales outstanding ("DSO") decreased 12 days to 41 at March 31, 2016 compared to 53 at March 31, 2015 with improvements in both the Equipment Group (down 11 days) and CIMCO (down 24 days).

In comparison to December 31, 2015, accounts receivable decreased 18% on lower trailing revenues (Q1 2016 revenues were 20% lower than Q4 2015 revenues; a normal seasonal trend) and lower DSO. DSO was 45 at December 31, 2015.

Inventories at March 31, 2016 were 11% higher compared to March 31, 2015 with increases in both Groups.

- Equipment Group inventories were 10% or \$44.5 million higher than last year, with increases in equipment (up \$25.0 million) and parts (up \$19.7 million). The higher inventory levels were a result of the following factors:
 - The impact of the weaker Canadian dollar on equipment and parts inventories sourced from the US. This is estimated to have increased inventories by approximately \$22.0 million.
 - Certain inventory held in advance of customer-specified delivery dates later in the year; and
 - Higher parts inventory levels required at remote mine sites (\$9.1 million) to support higher activity levels and location specific shipping schedules.
- CIMCO inventories were 43% or \$6.4 million higher than this time last year mainly due to higher work-in-process (up \$6.1 million) levels on the timing or advancement of projects.

Inventories at March 31, 2016 were 7% higher compared to December 31, 2015 also with increases in both Groups.

- Equipment Group inventories were 6% higher with increases in all categories. In addition to the factors identified for the quarter, 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 28% higher mainly on higher work-in-process for both Canadian and US projects, principally due to seasonal factors.

Accounts payable, accrued liabilities and provisions at March 31, 2016 were 19% lower than at March 31, 2015 on timing of payments related to inventory purchases and other supplies. Compared to December 31, 2015, accounts payable, accrued liabilities and provisions also decreased (down 6%) largely on timing of payments related to inventory purchases and other supplies and the payout of annual performance incentive bonuses.

Income taxes receivable reflects amounts due to the Company as installments made exceeded 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 loss of \$7.3 million as at March 31, 2016. This is not expected to affect net income, as the unrealized losses will offset future gains on the related hedged items.

Dividends payable increased compared to March 31 and December 31, 2015 reflecting the higher dividend rate. The 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 77,964,517 common shares and 2,359,230 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

Normal Course Issuer Bid ("NCIB")

During 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) under its NCIB program (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 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, 2016, December 31, 2015 or March 31, 2015. Letters of credit utilized \$21.1 million of the facility (December 31, 2015 - \$21.9 million, March 31, 2015 - \$22.2 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 March 31	
	2016	2015
Cash, beginning of period	\$ 66,680	\$ 85,962
Cash, provided by (used in):		
Operating activities		
Operations	37,610	32,088
Change in non-cash working capital and other	(9,746)	(27,817)
Net rental fleet additions	(16,295)	(37,370)
	11,569	(33,099)
Investing activities	(3,732)	(3,776)
Financing activities	(13,995)	(6,968)
Effect of foreign exchange on cash balances	(139)	158
Decrease in cash in the period	(6,297)	(43,685)
Cash, end of period	\$ 60,383	\$ 42,277

Cash Flows from Operating Activities

Operating activities provided \$11.6 million in the quarter compared to \$33.1 million used last year.

Net earnings adjusted for items not requiring cash were 17% higher than last year on higher net earnings, and other non-cash items such as depreciation and amortization.

Non-cash working capital and other used \$9.7 million compared to \$27.8 million in 2015 mainly due to relatively lower inventory and accounts receivable partially offset by lower accounts payable, accrued liabilities and provisions and deferred revenues.

Net rental fleet additions (purchases less proceeds of disposition) totalled \$16.3 million in the quarter (2015 - \$37.4 million).

The components and changes in working capital are discussed in more detail in this MD&A under the heading "Consolidated Financial Condition."

Cash Flows from Investing Activities

Investing activities used \$3.7 million in the quarter compared to \$3.8 million last year.

Investments in property, plant and equipment in the quarter totalled \$3.9 million compared to \$5.3 million last year.

Additions in the current quarter included:

- \$1.5 million for service vehicles (2015 - \$1.9 million);

- \$1.0 million for machinery and equipment (2015 - \$1.0 million);
- \$0.9 million in land and buildings for new and expanded branches (2015 - \$1.7 million); and
- \$0.4 million for upgrades to information technology infrastructure (2015 - \$0.6 million).

Cash Flows from Financing Activities

Financing activities used \$14.0 million in the quarter compared to \$7.0 million last year.

Significant sources and uses of cash in the quarter included:

- Dividends paid to common shareholders of \$13.3 million or \$0.17 per share (2015 - \$11.6 million or \$0.15 per share);
- Cash received on exercise of share options of \$2.7 million (2015 - \$5.4 million);
- Normal course purchase and cancellation of common shares of \$2.6 million (89,244 common shares at an average cost of \$28.84, including transaction costs) (2015 - \$nil); and
- Repayment of senior debentures of \$0.8 million (2015 - \$0.8 million).

OUTLOOK

In the Equipment Group, the parts and service business has provided momentum driven by the larger installed base of equipment working in the field. This provides a measure of stability in a variable business environment. Service shops remain busy and the Company continues to hire technicians to address the anticipated increase in demand including the opportunity for increased equipment rebuilds. Broader product lines, investment in rental, the expanded agricultural businesses and developing product support technologies supporting remote diagnostics and telematics are expected to contribute to longer-term growth. In the near-term, variability is introduced due to market conditions.

The Federal government's commitment to increasing infrastructure spending in our territories, as highlighted by the recently announced Budget, bodes well for long-term prospects, however, the timing of any such projects is unclear at this time. The Company will continue to build its rental fleets to address market demand.

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 newly formed AgWest business unit expands the Company's reach into the important agricultural equipment market. Business integration efforts are now largely complete. 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.

CIMCO reflects general economic prosperity, governmental investment levels and focus. 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 is 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>	Q2 2015	Q3 2015	Q4 2015	Q1 2016
REVENUES				
Equipment Group	\$ 427,565	\$ 439,305	\$ 405,960	\$ 327,644
CIMCO	56,968	66,248	65,991	50,072
Total revenues	\$ 484,533	\$ 505,553	\$ 471,951	\$ 377,716
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

<i>(\$ thousands, except per share amounts)</i>	Q2 2014	Q3 2014	Q4 2014	Q1 2015
REVENUES				
Equipment Group	\$ 368,650	\$ 411,077	\$ 405,194	\$ 296,670
CIMCO	46,909	56,355	60,457	43,526
Total revenues	\$ 415,559	\$ 467,432	\$ 465,651	\$ 340,196
NET EARNINGS	\$ 28,859	\$ 40,038	\$ 45,670	\$ 20,137
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.37	\$ 0.52	\$ 0.59	\$ 0.26
Diluted earnings per share	0.37	0.51	0.59	0.26
Dividends paid per share	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15
Weighted average common shares outstanding - basic (in thousands)	77,032	77,117	77,195	77,422

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.

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

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to risks that may potentially impact its financial results in either or both of its business segments. The Company and each operating segment employ risk management strategies with a view to mitigating these risks 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 month period ended March 31, 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.

(\$ thousands)	Three months ended March 31	
	2016	2015
Net earnings	\$ 24,170	\$ 20,137
<i>plus:</i> Interest expense	1,834	2,115
<i>less:</i> Interest and investment income	(1,573)	(936)
<i>plus:</i> Income taxes	9,045	7,478
Operating income	\$ 33,476	\$ 28,794

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
	2016	2015	2015
Long-term debt	\$ 151,303	\$ 152,079	\$ 4,255
Current portion of long-term debt	1,749	1,690	126,632
<i>less:</i> Cash	60,383	66,680	42,277
Net debt	92,669	87,089	88,610
Shareholders' equity	781,931	775,281	684,902
Total capitalization	\$ 874,600	\$ 862,370	\$ 773,512
Net debt to total capitalization	11%	10%	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 2016	December 31 2015	March 31 2015
Total current assets	\$ 781,246	\$ 799,136	\$ 738,238
less: Total current liabilities	296,859	312,843	459,666
Working capital	\$ 484,387	\$ 486,293	\$ 278,572

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 2016	December 31 2015	March 31 2015
Total current assets	\$ 781,246	\$ 799,136	\$ 738,238
less: Cash	60,383	66,680	42,277
	720,863	732,456	695,961
Total current liabilities	296,859	312,843	459,666
less: Current portion of long-term debt	1,749	1,690	126,632
	295,110	311,153	333,034
Non-cash working capital	\$ 425,753	\$ 421,303	\$ 362,927

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 2016	December 31 2015	March 31 2015
Assets				
Current assets				
Cash		\$ 60,383	\$ 66,680	\$ 42,277
Accounts receivable		214,844	262,523	234,769
Inventories		495,646	463,210	444,761
Income taxes receivables		4,874	-	3,965
Derivative financial instruments	7	-	2,445	7,517
Other current assets		5,499	4,278	4,949
Total current assets		781,246	799,136	738,238
Property, plant and equipment	2	181,760	184,154	175,826
Rental equipment	2	255,005	245,670	225,268
Other assets	3	10,447	11,484	3,592
Deferred tax assets		9,768	8,102	7,674
Goodwill and intangible assets		27,523	27,531	27,965
Total assets		\$ 1,265,749	\$ 1,276,077	\$ 1,178,563
Liabilities				
Current liabilities				
Accounts payable, accrued liabilities and provisions	4	\$ 239,134	\$ 253,456	\$ 289,896
Deferred revenues		48,663	54,645	43,138
Current portion of long-term debt	5	1,749	1,690	126,632
Derivative financial instruments	7	7,313	-	-
Income taxes payable		-	3,052	-
Total current liabilities		296,859	312,843	459,666
Deferred revenues		14,550	14,779	6,781
Long-term debt	5	151,303	152,079	4,255
Accrued pension liability		21,106	21,095	22,959
Shareholders' equity				
Share capital		304,275	301,413	293,565
Contributed surplus		7,530	7,236	6,689
Retained earnings		471,121	463,194	378,731
Accumulated other comprehensive (loss) income		(995)	3,438	5,917
Shareholders' equity		781,931	775,281	684,902
Total liabilities and shareholders' equity		\$ 1,265,749	\$ 1,276,077	\$ 1,178,563

See accompanying notes

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

(\$ thousands, except share amounts)	Note	Three months ended March 31	
		2016	2015
Revenues	13	\$ 377,716	\$ 340,196
Cost of goods sold		286,019	254,092
Gross profit		91,697	86,104
Selling and administrative expenses		58,221	57,310
Operating income		33,476	28,794
Interest expense	8	1,834	2,115
Interest and investment income	8	(1,573)	(936)
Income before income taxes		33,215	27,615
Income taxes		9,045	7,478
Net earnings		\$ 24,170	\$ 20,137
Earnings per share			
Basic	9	\$ 0.31	\$ 0.26
Diluted	9	\$ 0.31	\$ 0.26
Weighted average number of shares outstanding			
Basic	9	77,897,536	77,421,511
Diluted	9	78,422,700	78,132,037

See accompanying notes

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

(\$ thousands)	Three months ended March 31	
	2016	2015
Net earnings	\$ 24,170	\$ 20,137
Other comprehensive income (loss), net of income tax:		
<i>Items that may be reclassified subsequently to net earnings:</i>		
Foreign currency translation adjustments	(614)	666
Unrealized (losses) gains on derivatives designated as cash flow hedges	(4,933)	7,804
Income tax recovery (expense)	1,286	(2,032)
Unrealized (losses) gains on cash flow hedges, net of income tax	(3,647)	5,772
Realized gains on derivatives designated as cash flow hedges	(232)	(3,515)
Income tax expense	60	914
Realized gains on cash flow hedges, net of income tax	(172)	(2,601)
Other comprehensive (loss) income	(4,433)	3,837
Total comprehensive income	\$ 19,737	\$ 23,974

See accompanying notes

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

(\$ thousands)	Note	Three months ended March 31	
		2016	2015
Operating activities			
Net earnings		\$ 24,170	\$ 20,137
Items not requiring cash:			
Depreciation and amortization		18,291	16,516
Stock-based compensation		838	651
Accrued pension liability		10	2,169
Deferred income taxes		(317)	(3,011)
Gain on sale of rental equipment and property, plant and equipment		(5,382)	(4,374)
		37,610	32,088
Net change in non-cash working capital and other	12	(9,746)	(27,817)
Additions to rental equipment	2	(26,978)	(45,341)
Proceeds on disposal of rental equipment	2	10,683	7,971
Cash provided by (used in) operating activities		11,569	(33,099)
Investing activities			
Additions to property, plant and equipment	2	(3,901)	(5,328)
Proceeds on disposal of property, plant and equipment	2	223	1,610
Increase in other assets		(54)	(58)
Cash used in investing activities		(3,732)	(3,776)
Financing activities			
Repayment of senior debentures		(830)	(774)
Dividends	6	(13,253)	(11,584)
Shares purchased for cancellation		(2,574)	-
Cash received on exercise of stock options		2,662	5,390
Cash used in financing activities		(13,995)	(6,968)
Effect of currency translation on cash balances		(139)	158
Decrease in cash		(6,297)	(43,685)
Cash, at beginning of period		66,680	85,962
Cash, at end of period		\$ 60,383	\$ 42,277

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, 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
Issue on exercise of stock options	136,940	3,206	-	-	-	-	-	3,206
Stock-based compensation expense, net of forfeitures	-	-	838	-	-	-	-	838
Value of compensation cost associated with exercised options	-	-	(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 on common shares	-	-	-	(14,013)	-	-	-	(14,013)
At March 31, 2016	77,953,517	\$ 304,275	\$ 7,530	\$ 471,121	\$ 2,290	\$ (3,285)	\$ (995)	\$ 781,931

	Share Capital		Contributed surplus	Retained earnings	Accumulated other comprehensive income			Total
	Number	Amount			Foreign currency translation adjustments	Cash flow hedges	Total	
(\$ thousands)								
At January 1, 2015	77,259,396	\$ 287,002	\$ 7,212	\$ 371,781	\$ 1,433	\$ 647	\$ 2,080	\$ 668,075
Net earnings	-	-	-	20,137	-	-	-	20,137
Other comprehensive income	-	-	-	-	666	3,171	3,837	3,837
Total comprehensive income	-	-	-	20,137	666	3,171	3,837	23,974
Issue on exercise of stock options	316,435	6,563	-	-	-	-	-	6,563
Stock-based compensation expense, net of forfeitures	-	-	651	-	-	-	-	651
Value of compensation cost associated with exercised options	-	-	(1,174)	-	-	-	-	(1,174)
Effect of stock compensation plans	316,435	6,563	(523)	-	-	-	-	6,040
Dividends on common shares	-	-	-	(13,187)	-	-	-	(13,187)
At March 31, 2015	77,575,831	\$ 293,565	\$ 6,689	\$ 378,731	\$ 2,099	\$ 3,818	\$ 5,917	\$ 684,902

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three months ended March 31, 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 3,500 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 April 26, 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 three months ended March 31, 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 three months ended March 31, 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 three months ended March 31, 2016, there was no impact on the financial performance or disclosures of the Company upon adoption.

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

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

	Three months ended March 31	
	2016	2015
Additions		
Rental equipment	\$ 26,978	\$ 45,341
Property, plant and equipment	3,901	5,328
Total Additions	\$ 30,879	\$ 50,669
Disposals - NBV		
Rental equipment	\$ 5,346	\$ 4,244
Property, plant and equipment	178	963
Total Disposals - NBV	\$ 5,524	\$ 5,207
Net gain on disposal	\$ 5,382	\$ 4,374
Depreciation		
Cost of goods sold	\$ 16,582	\$ 14,987
Selling and administrative expenses	1,588	1,378
Total Depreciation	\$ 18,170	\$ 16,365

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 certain rental assets so as to accurately reflect current assets 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 months ended March 31, 2016, depreciation expense was lower by \$0.9 million.

3. OTHER ASSETS

	March 31 2016	December 31 2015	March 31 2015
Equipment sold with guaranteed residual values	\$ 8,367	\$ 9,459	\$ 1,876
Other	2,080	2,025	1,716
	\$ 10,447	\$ 11,484	\$ 3,592

4. PAYABLES, ACCRUALS AND PROVISIONS

	March 31 2016	December 31 2015	March 31 2015
Accounts payable and accrued liabilities	\$ 207,998	\$ 223,381	\$ 263,323
Dividends payable	14,013	13,253	13,187
Provisions	17,123	16,822	13,386
	\$ 239,134	\$ 253,456	\$ 289,896

5. LONG-TERM DEBT

	March 31 2016	December 31 2015	March 31 2015
3.71%, \$150.0 million, due September 30, 2025 ⁽¹⁾	\$ 150,000	\$ 150,000	\$ -
7.06%, \$15.0 million, due March 29, 2019 ⁽²⁾	5,634	6,464	7,266
4.92%, \$125.0 million, due October 13, 2015 ⁽¹⁾	-	-	125,000
Senior debentures	155,634	156,464	132,266
Debt issuance costs, net of amortization	(2,582)	(2,695)	(1,379)
Total long-term debt	\$ 153,052	\$ 153,769	\$ 130,887
Less: current portion of long-term debt	(1,749)	(1,690)	(126,632)
Non-current portion of long-term debt	\$ 151,303	\$ 152,079	\$ 4,255

⁽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, 2016, December 31, 2015 or March 31, 2015. Letters of credit utilized \$21.1 million of the facility (December 31, 2015 - \$21.9 million, March 31, 2015 - \$22.2 million).

6. SHARE CAPITAL

Normal Course Issuer Bid (“NCIB”)

During 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) under its NCIB program (2015 – nil).

Dividends

The Company paid dividends of \$13.3 million or \$0.17 per share, for the three months ended March 31, 2016 (2015 – \$11.6 million or \$0.15 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:

	March 31 2016	December 31 2015	March 31 2015
Other financial liabilities:			
Current portion of long-term debt	\$ (1,749)	\$ (1,690)	\$ (126,632)
Long-term debt	(151,303)	(152,079)	(4,255)
Derivative instruments - cash flow hedges:			
Foreign exchange forward contracts	\$ (7,313)	\$ 2,445	\$ 7,517

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	March 31 2016	December 31 2015	March 31 2015
Fair value	\$ 159,497	\$ 158,123	\$ 135,358
Carrying value	155,634	156,464	132,265

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 period ended March 31, 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 March 31, 2016, the Company was committed to USD purchase contracts with a notional amount of \$115.4 million at an average exchange rate of \$1.3622, maturing between April 2016 and March 2017.

Management estimates that a loss of \$7,313 (December 31, 2015 – gain of \$2,445; March 31, 2015 – gain of \$7,517) would be realized if the contracts were terminated on March 31, 2016. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized loss of \$4,447 (December 31, 2015 – gain of \$719; March 31, 2015 – gain of \$5,163) has been included in other comprehensive income. These losses are not expected to affect net income as the losses will be reclassified to net income within the next twelve months and will offset gains recorded on the underlying hedged items, namely foreign-denominated accounts payable. 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 loss of \$2,866 (December 31, 2015 – gain of \$1,726; March 31, 2015 – gain of \$2,354) on forward contracts not designated as hedges is included in net income which offsets gains 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	
	2016	2015
Term loan facility	\$ 212	\$ 470
Senior debentures	1,622	1,645
	\$ 1,834	\$ 2,115

The components of interest and investment income were as follows:

	Three months ended March 31	
	2016	2015
Interest income on rental conversions	\$ 1,342	\$ 668
Other	231	268
	\$ 1,573	\$ 936

9. EARNINGS PER SHARE

	Three months ended March 31	
	2016	2015
Net earnings available to common shareholders	\$ 24,170	\$ 20,137
Weighted average common shares outstanding	77,897,536	77,421,511
Dilutive effect of stock option conversion	525,164	710,526
Diluted weighted average common shares outstanding	78,422,700	78,132,037
Earnings per share:		
Basic	\$ 0.31	\$ 0.26
Diluted	\$ 0.31	\$ 0.26

For the three months ended March 31, 2016, 520,700 outstanding share options (2015 – nil) with an exercise price of \$36.65 were considered anti-dilutive (exercise price in excess of market price) 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, 2016		Three months ended March 31, 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
Exercised ⁽¹⁾	(136,940)	19.44	(316,435)	17.03
Forfeited	(5,080)	20.12	-	-
Options outstanding, end of period	2,370,230	\$ 25.23	2,399,440	\$ 20.96
Options exercisable, end of period	861,270	\$ 20.41	938,455	\$ 17.82

⁽¹⁾ The weighted average share price at date of exercise for three-month period ended March 31, 2016 was \$32.17 (2015 - \$29.25).

The following table summarizes stock options outstanding and exercisable as at March 31, 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	1,349,550	4.1	\$ 20.35	759,690	\$ 19.59	
\$23.41 - \$26.79	499,980	8.3	\$ 26.52	101,580	\$ 26.52	
\$26.80 - \$36.65	520,700	9.3	\$ 36.65	-	\$ -	
Total	2,370,230	6.2	\$ 25.23	861,270	\$ 20.41	

Deferred Share Unit Plan

A reconciliation of the DSU plan was as follows:

	Three months ended March 31, 2016		Three months ended March 31, 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	20,717	632	17,485	514
Fair market value adjustment	-	675	-	1,357
Outstanding, end of period	398,028	\$ 13,307	352,194	\$ 11,398

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	
	2016	2015
Defined benefit plans	\$ 465	\$ 417
Defined contribution plans	2,658	2,506
401(k) matched savings plans	61	43
Net pension expense	\$ 3,184	\$ 2,966

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31	
	2016	2015
Net change in non-cash working capital and other		
Accounts receivables	\$ 47,679	\$ 5,003
Inventories	(32,436)	(77,568)
Accounts payable, accrued liabilities and provisions	(15,082)	49,523
Deferred revenues	(6,211)	5,157
Income taxes receivable	(7,926)	(7,851)
Other	4,230	(2,081)
	\$ (9,746)	\$ (27,817)
Cash paid during the period for:		
Interest	\$ 3,068	\$ 717
Income taxes	\$ 17,312	\$ 18,295
Cash received during the period for:		
Interest	\$ 1,465	\$ 849

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 month periods ended March 31, 2016 and 2015:

Three months ended March 31	Equipment Group		CIMCO		Consolidated	
	2016	2015	2016	2015	2016	2015
Equipment/package sales	\$ 150,133	\$ 126,379	\$ 22,955	\$ 20,434	\$ 173,088	\$ 146,813
Rentals	38,364	41,721	-	-	38,364	41,721
Product support	136,214	125,835	27,117	23,092	163,331	148,927
Power generation	2,933	2,735	-	-	2,933	2,735
Total revenues	\$ 327,644	\$ 296,670	\$ 50,072	\$ 43,526	\$ 377,716	\$ 340,196
Operating income	\$ 31,874	\$ 28,632	\$ 1,602	\$ 162	\$ 33,476	\$ 28,794
Interest expense					1,834	2,115
Interest and investment income					(1,573)	(936)
Income taxes					9,045	7,478
Net earnings					\$ 24,170	\$ 20,137

For the three months ended March 31, 2016, operating loss from rental operations was \$1.7 million (2015 –\$0.3 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.

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