Toromont Announces Record Results for the First Quarter of 2008

TORONTO, ONTARIO, Apr 23, 2008 (Marketwire via COMTEX News Network) -- Toromont Industries Ltd. (TSX:TIH) today reported record financial results for the first quarter of 2008. Revenues and net earnings were higher compared to the same period of 2007. Net earnings for the quarter were $16.5 million or $0.25 per share, up 16% from $14.3 million or $0.22 per share reported in 2007. Higher earnings included a gain realized on the sale of investments.

	Three months ended March 31		
$ millions, except per share amounts	2008	2007	% change
Revenues	$ 400.6	$ 390.2	3%
Operating income	$ 23.5	$ 25.0	(6%)
Net earnings	$ 16.5	$ 14.3	16%
Earnings per share - basic	$ 0.25	$ 0.22	14%

"Overall, we are pleased with the results for the first quarter. While net income was up, operating income was down from the prior year, as increased activity in US Compression was offset principally by the timing of Equipment deliveries. In our seasonally slowest quarter, minor changes in volume can have a significant impact on earnings," stated Robert M. Ogilvie, Chairman and Chief Executive Officer of Toromont Industries Ltd. "Bookings are strong and backlogs are at record levels, driven by strength in mining, infrastructure and commercial. Recent strengthening of natural gas prices improves the prospects for some recovery in Canadian compression activity later this year."

Highlights:

- Equipment Group revenues were down 12% in the first quarter of 2008 versus the same period of 2007 on lower unit sales due to the timing of deliveries, the impact of a strengthened Canadian dollar, adverse weather conditions and labour disruptions in Newfoundland and Labrador. The stronger Canadian dollar, up 17% in the first quarter of 2008 compared to 2007, served to reduce reported revenues by an estimated 10 percentage points. Operating income decreased 27% over the same period last year on the lower revenues and a higher relative selling and administrative expense ratio.

- Equipment Group bookings in the first quarter were up 8% from the comparable period last year. Demand continued to be strong for new equipment, particularly for the larger models used in mining and infrastructure markets and for marine and power applications. Backlogs at March 31, 2008 were at record levels for this time of year and up 20% from both March and December 2007.

- Compression Group revenues were up 23% in the quarter compared to the same period last year on a 30% growth in package sales, driven by continued strength in US natural gas compression and North American industrial refrigeration. Operating income for the quarter was up 24% on the higher revenues.

- Compression booking activity for the quarter was down 20% compared to the record levels reported for first quarter of 2007. Backlogs were at record levels, consistent with this time last year, and up 3% from December 31, 2007.

- In the first quarter of 2008, the Company sold certain marketable securities, realizing $2.4 million in gains, or 3 cents per share after tax. Subsequent to March 31, the Company sold its remaining marketable securities realizing an additional $5.8 million dollars, or 7 cents per share after tax to be reported in the second quarter of 2008.

- In February 2008, the Board of Directors approved a 16.7% increase in Toromont's regular quarterly cash dividend. This represented the nineteenth consecutive annual increase. The quarterly dividend now stands at 14 cents per share.

- An agreement has been reached with the striking Toromont CAT hourly workers in Newfoundland and Labrador.

"Momentum for the remainder of the year continues to be good, with record backlogs in both Compression and Equipment," continued Mr. Ogilvie. "We expect that the improved North American pricing for natural gas will ultimately lead to improved demand in Canada for compression equipment. While the US economy is weak and Canadian GDP growth has slowed, prospects for the Equipment Group and the US compression operations remain favourable."

The Company will hold its Annual Meeting of Shareholders tomorrow, April 24th, in Toronto, Ontario at 10 a.m. (EDT). The meeting will also be available via live audio webcast at www.toromont.com.

Quarterly Conference Call and Webcast

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Wednesday, April 23, 2008 at 4:30 p.m. (EDT). The call may be accessed by telephone at 1-866-862-3915 (toll free) or 416-641-6133 (Toronto area). A replay of the conference call will be available until Wednesday, May 7, 2008 by calling 1-800-408-3053 or 416-695-5800 and quoting passcode 3258996.

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

About Toromont

Toromont Industries Ltd. operates through two business segments: The Equipment Group and the Compression Group. The Equipment Group includes one of the world's largest Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. The Compression Group is a North American leader specializing in the design, engineering, fabrication, and installation of compression systems for natural gas, coal-bed methane, fuel gas and carbon dioxide in addition to process systems and industrial and recreational refrigeration systems. Both Groups offer comprehensive product support capabilities. Toromont employs approximately 4,500 people in more than 130 locations and is listed on the Toronto Stock Exchange under the symbol TIH. This press release and more information about Toromont Industries can be found on the Web at www.toromont.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the quarter ended March 31, 2008, compared to the preceding year. It also discusses factors that could affect future performance. This MD&A should be read in conjunction with the attached unaudited interim consolidated financial statements and related notes for the period ended March 31, 2008, the annual MD&A contained in the 2007 Annual Report and the audited annual consolidated financial statements of the Company for the year ended December 31, 2007.

The consolidated financial statements reported herein have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. The information in this MD&A is current to April 22, 2008.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2007 Annual Report and 2008 Annual Information Form. These are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

ADVISORY

Certain statements contained herein constitute "forward-looking statements". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "should" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on current expectations and are influenced by management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. These statements entail various risks and uncertainties as more fully described in the "Risks and Risk Management" and the "Outlook" sections of this MD&A. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether the result of new information, future events or otherwise.

CONSOLIDATED RESULTS OF OPERATIONS

	Three months ended March 31		
$ thousands, except per share amounts	2008	2007	% change

Revenues	$ 400,613	$ 390,155	3%
Cost of goods sold	318,963	307,643	4%
Gross profit	81,650	82,512	(1%)
Selling and administrative expenses	58,111	57,479	1%
Operating income	23,539	25,033	(6%)
Interest expense	3,138	3,829	(18%)
Interest and investment income	(4,243)	(1,206)	252%
Income before income taxes	24,644	22,410	10%
Income taxes	8,150	8,159	(0%)
Net earnings	$ 16,494	$ 14,251	16%
Earnings per share - Basic	$ 0.25	$ 0.22	14%

Key ratios:		
Gross profit as a % of revenues	20.4%	21.1%
Selling and administrative expenses as a % of revenues	14.5%	14.7%
Operating income as a % of revenues	5.9%	6.4%
Income taxes as a % of income before income taxes	33.1%	36.4%

Revenues of $400.6 million were 3% higher than the comparable quarter of 2007, representing a new record for a first quarter. Compression revenues were 23% higher on increases in US natural gas compression and North American industrial refrigeration. Equipment Group revenues were 12% lower compared to the record revenues achieved in the comparable quarter of last year.

The stronger Canadian dollar has had a dampening impact on revenues as pricing to customers typically reflects movements in the exchange rate on US sourced equipment, components and spare parts. As well, the stronger Canadian dollar negatively impacts reported revenues on the translation of the financial statements of the Compression Group's growing US operations. The Canadian dollar was 17% stronger on average in the first quarter of 2008 compared to the similar period last year. The estimated impact of the stronger Canadian dollar was a decrease in reported revenues of $47 million, $22 million in Equipment and $25 million in Compression. The impact in Compression included an $18 million decrease in revenues due to the translation of foreign subsidiaries, which also reduced net income in the Group by approximately $1 million.

Gross profit decreased 1% despite the higher revenues. Gross profit margin in 2008 was 20.4%, compared to 21.1% reported in 2007. Gross profit margins in the Compression Group were lower in the first quarter of 2008 due to the mix of business. Certain large pipeline projects have a high proportion of costs for large components and as such generate lower percentage gross margins. Equipment Group gross profit margins were at similar levels for the quarter as a favourable change in mix (higher proportion of product support business) was offset by lower gross margins in product support due to the impact of foreign exchange on parts pricing.

Selling and administrative expenses increased $0.6 million or 1% in 2008 versus the prior year. Selling and administrative expenses as a percentage of revenues were 14.5% for 2008 compared to 14.7% in 2007.

Operating income in 2007 was down $1.5 million or 6% from the prior year on lower gross margins and higher selling and administrative expenses. Operating income as a percentage of revenues was 5.9%, down from 6.4% in 2007.

Interest expense was $0.7 million or 18% lower than the similar period last year. Average debt balances in 2008 were lower than those reported in 2007 on recent strong generation of cash from operating and investing activities.

Interest and investment income was $3.0 million higher in 2008 than in the prior year. In the first quarter of 2008, the Company sold certain marketable securities, realizing $2.4 million in investment gains, or 3 cents per share after tax.

The effective income tax rate for the year was 33.1% compared to 36.4% for 2007. The 2008 rate was lower due to the lower rate on the capital gain from the sale of investments. Excluding this item, the effective tax rate for the quarter was 34.8%, lower than in the prior year on lower Canadian income tax rates.

Net earnings for the first quarter of 2008 were $16.5 million, up 16% from 2007. Basic earnings per share were $0.25 compared with $0.22 in 2007, an increase of 14%.

Comprehensive income for the year was $26.5 million, comprised of net earnings of $16.5 million and other comprehensive income of $10.0 million. The other comprehensive income arose on revaluation of marketable securities that were designated as available-for-sale ($4.9 million), an increase in fair value of cash flow hedges ($2.9 million) and translation of self-sustaining foreign operations ($2.4 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, operating income relative to revenues and return on capital employed. Corporate expenses are allocated based on each segment's operating income. Interest expense and interest and investment income are not allocated.

Results of Operations in the Equipment Group

$ thousands	Three months ended March 31 2008	2007	% change
Equipment sales and rentals			
New	$ 77,218	$ 102,491	(25%)
Used	26,480	26,323	1%
Rental	27,354	25,938	5%
Total equipment sales and rentals	131,052	154,751	(15%)
Power generation	2,288	4,336	(47%)
Product support	68,683	69,219	(1%)
Total revenues	$ 202,023	$ 228,306	(12%)
Operating income	$ 10,565	$ 14,569	(27%)
Key ratios:			
Product support revenues as a % of total revenues	34.0%	30.3%	
Group total revenues as a % of consolidated revenues	50.4%	58.5%	
Operating income as a % of revenues	5.2%	6.4%	

The first quarter of the fiscal year is the weakest for the Equipment Group due to slower activity in the construction industry during the winter months. Generally the first quarter represents less than 20% of the full year's revenue and, given fixed costs, only 10 to 15% of operating income. As such, timing of individual sales can have a larger impact on reported results, and this was a significant factor in the first quarter of 2008. Other factors affecting revenues in the quarter included the strengthened Canadian dollar and a labour disruption in Newfoundland and Labrador.

Revenues for the first quarter of 2008 were down 12% compared to the similar quarter last year. The first quarter of 2007 was a milestone for the Equipment Group, which saw revenue growth of 22% over 2006 and was the first time revenues exceeded $200 million in the first quarter. Compared to the first quarter of 2006, revenues were up 4% on a compound annual growth rate basis.

A strike by hourly staff in Newfoundland, which commenced in August 2007, negatively impacted revenues by approximately $3 million in the first quarter of 2008. An agreement has been reached and it is anticipated that operations will return to normal during the second quarter of 2008.

New machine sales were down 25% in the quarter on lower machine unit sales. Timing of deliveries was a significant factor with new equipment sales. The first quarter of 2007 had record new equipment sales, up 49% over the same period of 2006. Product availability was a factor at the end of the quarter, leading to sales slippage into the second quarter. Other factors included the strengthened Canadian dollar and adverse weather conditions.

Booking activity in the first quarter of 2008 was up 8% from the similar period in 2007. Demand continued to be strong for new equipment, particularly for the larger models used in mining and infrastructure markets and for marine and power applications. Backlogs at March 31, 2008 were 20% higher than at both March and December of 2007.

Rental revenues were up 5% over 2007, largely due to modest market share gains and an expanded rental fleet. At Battlefield - The CAT Rental Store, an increase in same store sales together with contributions from new locations in Timmins and Concord, Ontario also contributed to the increased rental revenues.

Power generation revenues from Toromont-owned plants declined 47% in the quarter over 2007, reflecting the disposition of power generation assets located near Trenton, Ontario in mid-2007. On a comparable basis, power generation revenues were up 20% over 2007, reflecting increased operating hours and higher average prices for electricity.

Product support revenues were 1% lower than the prior year on lower prices for parts sales as a result of the stronger Canadian dollar. Without the currency change, product support revenues would have been up 8%. Product support revenues benefited from higher parts sales to mining customers while work for on-highway truck engines has continued to decline due to softness in the transportation sector.

Operating income decreased 27% over the prior year on the 12% decrease in revenues. Gross margins were modestly higher than 2007 on a higher relative proportion of product support activities. Selling and administrative expenses were slightly lower in 2008 than in the prior year. Operating income was 5.2% of revenues compared with 6.4% in the prior year, reflecting the impact of the lower revenues.

Results of Operations in the Compression Group

$ thousands	Three months ended March 31 2008	2007	% change
Package sales and rentals			
Package sales	$ 150,496	$ 116,099	30%
Rentals	5,335	4,699	14%
Total package sales and rentals	155,831	120,798	29%
Product support	42,759	41,051	4%
Total revenues	$ 198,590	$ 161,849	23%
Operating income	$ 12,974	$ 10,464	24%

Key ratios:	2008	2007
Product support revenues as a % of total revenues	21.5%	25.4%
Group total revenues as a % of consolidated revenues	49.6%	41.5%

Operating income as a % of revenues	6.5%	6.5%

Package sales revenue was up 30% in the first quarter of 2008 compared to the similar period of 2007 on substantial growth in US natural gas compression and North American industrial refrigeration. This was partially offset by further declines in Canadian natural gas activity as well as process compression systems.

Conditions within the US natural gas compression market continued to be favourable and the Company's participation in this market has increased through investment in facilities and people. Natural gas package revenues doubled from that reported in the comparable period last year.

The Canadian natural gas compression industry continued to be slow due to unfavourable market conditions for natural gas producers, resulting in lower demand for equipment. Revenues from natural gas packages in Canada were 20% lower than in the comparable period last year with lower demand for the larger packages.

Package revenues from refrigeration systems reached record levels for a first quarter with strong activity within the industrial markets in Canada and the US.

Rental revenues were up 14% in the quarter over last year. The increase was due to investment in a larger rental fleet in the US compared to this time last year.

Product support revenues were up 4% in the quarter, with a 5% increase in the natural gas sector and a 3% increase in industrial refrigeration. Growth was driven largely from new service branches and the growing installed base in US natural gas compression.

Operating income for the Compression Group increased 24% in the year on the 23% increase in revenues. Gross margins were down slightly over the prior year on a higher proportion of equipment revenues. Gross margins on US compression packages were lower than in the comparable period due to the nature and mix of equipment. General and administrative expenses were modestly higher than in 2007, on a larger base of operations in the US. Operating income was 6.5% of revenues for the quarter, the same level as the similar period of 2007.

Compression booking activity for the quarter was down 20% compared to the record bookings in the first quarter of 2007. Backlogs were at record levels at March 31, 2008, consistent with March 31, 2007 and up 3% from December 31, 2007.

CONSOLIDATED FINANCIAL CONDITION

The Company has maintained a strong financial position. At March 31, 2008, the ratio of total debt, net of cash, to equity was 0.22:1. Total assets were $1.3 billion.

Working Capital

The Company's investment in non-cash working capital was $432.3 million at March 31, 2008. The major components, along with the changes from March 31 and December 31, 2007 are identified in the following table. Working capital investment follows the seasonality of the business, with increases in working capital in the first half of the year in preparation for the busier summer season.

	March 31 2008	December 31 2007	Change	March 31 2007	Change
Accounts receivable	$ 302,220	$ 339,381	$ (37,161)	$ 316,408	$ (14,188)
Inventories	462,288	444,858	17,430	502,884	(40,596)
Other current assets	60,690	27,607	33,083	8,239	52,451
Accounts payable and accrued liabilities	(224,382)	(267,999)	43,617	(255,647)	31,265
Deferred					

revenue	(173,909)	(160,678)	(13,231)	(103,965)	(69,944)
Dividends payable	(9,113)	(7,792)	(1,321)	(7,742)	(1,371)
Derivative financial instruments	2,597	(3,575)	6,172	(178)	2,775
Other	11,906	(8,457)	20,363	2,475	9,431
Total non-cash working capital	$ 432,297	$ 363,345	$ 68,952	$ 462,474	$ (30,177)

Accounts receivable reflect seasonality of revenues in the Equipment Group, with lower revenues in the first quarter compared to the fourth quarter. Accounts receivable management continues to be a focus; improved collection efforts have reduced days sales outstanding to 54 days in 2008, compared to 59 days at this time last year.

Inventories were 4% higher than at December 2007 on modest increases in both Groups. Inventories reflect seasonality of revenues in the Equipment Group, with inventories building through the year in preparation for the busy summer and reducing at year-end. Inventories were 8% lower than at this time last year on lower Equipment Group inventories. In 2007, tight supply conditions resulted in higher than desired inventory levels held through the year.

Other current assets include investments in marketable securities. In the first quarter of 2008, the Company sold certain marketable securities, realizing $2.4 million in investment gains, or 3 cents per share after tax.

Accounts payable and accrued liabilities were 16% lower than at December 31, 2007 due to reduced key supplier payables.

Deferred revenues at March 31, 2008 have increased 8% from December 31, 2007 and 67% from March 31, 2007. The Compression Group uses progress billings as a method of funding working capital requirements on long-term contracts. Progress billings collected in 2006 on certain long-term contracts scheduled for delivery in 2008 are now classified as current.

Derivative financial instruments include fair market valuations of foreign exchange contracts and an interest rate swap. Given the recent volatility in the Canadian/US dollar exchange rate, the Company's hedging practices have led to a cumulative opportunity gain of approximately $2.6 million as at March 31, 2008. Foreign exchange contracts reduce volatility by fixing landed costs related to specific customer orders and establish a level of price stability for high volume goods such as spare parts. The Company does not enter into foreign exchange forward contracts for speculative purposes. The gains and losses on the foreign exchange forward contracts designated as cash flow hedges are intended to offset the translation losses and gains on the hedged foreign currency transactions when they occur.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

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

Combined unsecured credit facilities amounted to $245 million at March 31, 2008, with $20 million maturing in 2009 and the balance maturing in 2011. At quarter-end, $182 million of the credit facilities were unutilized.

The Company expects that continued cash flows from operations in 2008, together with cash and cash equivalents on hand and currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital, capital assets and dividend payments.

Principal Components of Cash Flow

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

($ thousands)	Three months ended March 31 2008	2007	Change
Cash used in operating activities	$ (4,357)	$ (32,535)	$ 28,178
Cash used in investing activities	(13,616)	(16,181)	2,565
Cash used in financing activities	(18,317)	(9,298)	(9,019)
Change in cash and cash equivalents	$ (36,290)	$ (58,014)	$ 21,724

Cash Flows from Operating Activities

Operating activities used $4.4 million in the quarter compared to $32.5 million in 2007. Net earnings, adjusted for items not requiring cash, were 6% higher reflecting lower net interest expense. Non-cash working capital and other used $28 million in 2008 compared to $55 million in 2007. The components and changes in working capital are discussed in more detail in this MD&A under the heading "Financial Condition".

Cash Flows from Investing Activities

Investing activities used $13.6 million in the year compared to $16.2 million in 2007.

During the quarter, $13.8 million was invested in marketable securities. The Company sold certain marketable securities, realizing $10.8 million in proceeds including a $2.4 million investment gain.

Net additions to the rental fleet (additions less proceeds on disposal) in 2008 were at the same level as in the comparable period last year. All of the investments in 2008 were attributable to the Equipment Group.

Gross investment in property, plant and equipment was $3.0 million for the quarter and was $3.4 million lower than in the prior year. Investments in 2008 were related to normal replacement and expansion of facilities and service and delivery vehicle fleet.

In 2007, a rental operation in Timmins, Ontario was purchased for net cash of $3.1 million.

Cash Flows from Financing Activities

Financing activities used $18.3 million in the first quarter of 2008. The significant financing activities are as follows:

- Dividends paid to common shareholders in 2008 totaled $7.8 million, an increase of 21% over 2007 reflecting the higher dividend rate.

- Normal scheduled debt repayments of $12.3 million.

- Cash received on exercise of share options totaled $1.8 million.

Outstanding Share Data

As at the date of this MD&A, the Company had 65,093,257 common shares and 2,067,999 share options outstanding.

OUTLOOK

The overall outlook for Toromont's business continues to be positive. The balance in the company's products and markets, combined with after-market support activity, provides a strong operating foundation.

The Equipment Group ended the first quarter of 2008 with records in order backlog. Growth in important core markets such as mining, infrastructure and power systems applications is expected to continue to counter prospects of weaker residential construction and forestry activity.

Market fundamentals for natural gas for the longer term continue to be positive given declining reservoir pressures and future supply needs. First quarter ending backlogs were at record levels, driven by increased natural gas activity in the US and strong industrial refrigeration activity. The US natural gas market is expected to continue to be strong and Toromont's participation will increase in light of the Company's expanded presence. Recent increases in price for North American natural gas have led some industry analysts to point towards the potential for increased activity in the Canadian natural gas markets. While increased activities have not yet translated to increased sales in Canada, management is cautiously optimistic. The Compression Group is well positioned to serve increased demand when market conditions improve.

While the US economy is weak and Canadian GDP growth has slowed, solid backlogs and industry and market diversification provide management with reasonable optimism for continued success for Toromont Industries Ltd. in 2008.

SELECTED QUARTERLY INFORMATION

The following table summarizes unaudited quarterly consolidated financial data for the last two years. This quarterly information is unaudited but has been prepared on the same basis as the 2007 annual audited consolidated financial statements.

$ thousands, except per share amounts	2006 Q1	2006 Q2	2006 Q3	2006 Q4
Revenues				
Equipment Group	$ 187,188	$ 262,057	$ 247,898	$ 290,726
Compression Group	182,240	181,546	208,061	205,117
Total revenues	$ 369,428	$ 443,603	$ 455,959	$ 495,843
Net earnings	$ 11,722	$ 24,910	$ 25,898	$ 36,891
Per share information:				
Basic earnings per share	$ 0.18	$ 0.39	$ 0.41	$ 0.58
Diluted earnings per share	$ 0.18	$ 0.38	$ 0.40	$ 0.58
Dividends per share	$ 0.10	$ 0.10	$ 0.10	$ 0.10

$ thousands, except per share amounts	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1
Revenues					
Equipment Group	$ 228,306	$ 268,432	$ 284,928	$ 316,670	$ 202,023
Compression Group	161,849	200,956	217,850	223,989	198,590
Total revenues	$ 390,155	$ 469,388	$ 502,778	$ 540,659	$ 400,613

Net earnings	$ 14,251	$ 38,070	$ 30,661	$ 39,298	$ 16,494
Per share information:					
Basic earnings per share	$ 0.22	$ 0.59	$ 0.47	$ 0.61	$ 0.25
Diluted earnings per share	$ 0.22	$ 0.58	$ 0.47	$ 0.61	$ 0.25
Dividends per share	$ 0.12	$ 0.12	$ 0.12	$ 0.12	$ 0.14

Interim period revenues and earnings historically reflect some seasonality.

The Equipment Group has a distinct seasonal trend in activity levels. Lower revenues are recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter has consistently been the strongest quarter due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer specific orders and conversions of equipment on rent with a purchase option.

The Compression Group also has a distinct seasonal trend in activity levels due to well-site access and drilling patterns, which are adjusted to take advantage of weather conditions. Generally, higher revenues are reported in the fourth quarter of each year. Variations from this trend usually occur when natural gas market fundamentals are either improving or deteriorating.

Management anticipates that the seasonality historically experienced will continue in the future, although it may be somewhat mitigated by continued product and geographic diversification.

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 operating and financial risks that may potentially impact its operating results in either or both of its business segments. The Company and each operating segment employ risk management strategies with a view to mitigating these risks on a cost effective basis. There have been no material changes to the operating and financial risk assessment and related risk management strategies as described in the Company's 2007 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are consistent with those used in the Company's 2007 audited annual consolidated financial statements, and described in Note 1 therein, except for the changes in accounting policies described in the following section.

The preparation of financial statements in conformity with Canadian GAAP requires estimates and assumptions that affect the results of operation and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. There have been no material changes to the critical accounting estimates as described in the Company's 2007 Annual Report.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the CICA Handbook Section 3031 Inventories. The standard provides guidance on the types of costs that can be capitalized and requires reversal of previous inventory write-downs if economic circumstances have changed to support the higher inventory values. There was no impact on the valuation of inventory as at January 1, 2008 or on net income for current or prior periods. Additional disclosure has been provided in Note 4 to the unaudited interim consolidated financial statements.

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1535 Capital Disclosures. The standard requires disclosure about the Company's capital and how it is managed, as discussed further in Note 15 to the unaudited interim consolidated financial statements. This standard has no impact on the classification or measurement of the Company's consolidated financial statements.

Effective January 1, 2008, the Company adopted CICA Handbook Sections 3862 Financial Instruments - Disclosures; and 3863 Financial Instruments - Presentation. These new standards require disclosure on financial instruments and related risks, as discussed further in Note 11 to the unaudited interim consolidated financial statements. These standards had no impact on the classification or measurement of the Company's consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

In February 2008, the CICA approved Handbook Section 3064 Goodwill and Intangible Assets, replacing previous guidance. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The Company has evaluated the new section and determined that adoption of these new requirements will have no impact on the Company's 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 unaudited interim 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 unaudited interim consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Additionally, they have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with GAAP. There has been no change in the design of the Company's internal controls over financial reporting during the quarter ended March 31, 2008, that would materially affect, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

While the Officers of the Company have designed the Company's disclosure controls and procedures and internal controls over financial reporting, they expect that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

NON-GAAP FINANCIAL MEASURES

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

Operating Income and Operating Margin

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

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

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

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

ROCE is a key performance indicator that is utilized to assess both current operating performance and prospective investments. The numerator used for the calculation is income before income taxes, interest expense and interest income (excluding interest on rental conversions). The denominator in the calculation is the monthly average capital employed, which is defined as net debt plus shareholders' equity.

Working Capital and Non-Cash Working Capital

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

TOROMONT INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEETS
(unaudited)

($ thousands)	March 31 2008	December 31 2007	March 31 2007
Assets			
Current assets			
Cash and cash equivalents	$ 67,224	$ 103,514	$ -
Accounts receivable	302,220	339,381	316,408
Inventories (note 4)	462,288	444,858	502,884
Income taxes receivable	13,633	-	5,857
Future income taxes	25,115	24,362	22,440
Derivative financial instruments (note 11)	2,597	-	-
Other current assets (note 5)	60,690	27,607	8,239
Total current assets	933,767	939,722	855,828
Property, plant and equipment	179,697	181,531	185,756
Rental equipment	163,303	159,628	144,598
Goodwill	34,800	34,800	34,800
Future income taxes	-	-	2,239
Derivative financial instruments (note 11)	474	-	-
Other assets (note 5)	18,552	41,180	47,316
Total assets	$ 1,330,593	$ 1,356,861	$ 1,270,537
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 6)	$ 233,495	$ 275,791	$ 263,389
Deferred revenues	173,909	160,678	103,965
Current portion of long-term debt (note 7)	20,851	26,874	25,822
Income taxes payable	4,415	5,945	-
Future income taxes	1,576	-	-
Derivative financial instruments (note 11)	-	3,575	178

Total current liabilities	434,246	472,863	393,354
Deferred revenues	19,650	22,062	65,002
Derivative financial instruments (note 11)	-	-	708
Long-term debt (note 7)	197,141	203,425	233,171
Accrued pension liability	3,315	3,583	5,006
Future income taxes	1,806	198	-
Shareholders' equity			
Share capital (note 8)	126,566	124,124	118,794
Contributed surplus (note 9)	7,626	7,707	6,890
Retained earnings	546,420	539,039	454,328
Accumulated other comprehensive income (note 10)	(6,177)	(16,140)	(6,716)
Total shareholders' equity	674,435	654,730	573,296
Total liabilities and shareholders' equity	$ 1,330,593	$ 1,356,861	$ 1,270,537

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)

	Three months ended March 31	
$ thousands, except per share amounts	2008	2007
Revenues	$ 400,613	$ 390,155
Cost of goods sold	318,963	307,643
Gross profit	81,650	82,512
Selling and administrative expenses	58,111	57,479
Operating income	23,539	25,033
Interest expense	3,138	3,829
Interest and investment income	(4,243)	(1,206)
Income before income taxes	24,644	22,410
Income taxes	8,150	8,159
Net earnings	$ 16,494	$ 14,251
Earnings per share (note 12)		
Basic	$ 0.25	$ 0.22
Diluted	$ 0.25	$ 0.22
Weighted average number of shares outstanding - basic	64,989,829	64,471,113
Weighted average number of shares outstanding - diluted	65,515,470	65,079,651

End of period number of shares outstanding (note 8)	65,093,257	64,526,857

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)

($ thousands)	Three months ended March 31 2008	2007
Retained earnings, beginning of period	$ 539,039	$ 447,820
Net earnings	16,494	14,251
Dividends	(9,113)	(7,743)
Retained earnings, end of period	$ 546,420	$ 454,328

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

($ thousands)	Three months ended March 31 2008	2007
Net earnings	$ 16,494	$ 14,251
Other comprehensive income (loss):		
Change in fair value of derivatives designated as cash flow hedges, net of tax of $1,543 (2007 - ($348))	2,870	(634)
Gains on derivatives designated as cash flow hedges transferred to net income in the current period, net of tax of $123 (2007 - $441)	(228)	(818)
Unrealized gain (loss) on translation of financial statements of self-sustaining foreign operations	2,373	(623)
Unrealized gain on financial assets designated as available-for-sale, net of tax of $1,035	4,948	-
Other comprehensive income (loss)	9,963	(2,075)
Comprehensive income	$ 26,457	$ 12,176

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ thousands)	Three months ended March 31 2008	2007
Operating activities		
Net earnings	$ 16,494	$ 14,251
Items not requiring cash and cash equivalents		
Depreciation	10,818	10,418
Stock-based compensation	579	491
Accrued pension liability	(268)	(477)
Future income taxes	(25)	(620)
Gain on sale of :		
Rental equipment, property, plant and equipment	(1,763)	(1,989)
Investments	(2,362)	-
	23,473	22,074
Net change in non-cash working capital and other	(27,830)	(54,609)
Cash used in operating activities	(4,357)	(32,535)
Investing activities		
Additions to:		
Rental equipment	(13,579)	(13,932)
Property, plant and equipment	(2,966)	(6,363)
Investments	(13,811)	-
Proceeds on disposal of:		
Rental equipment	6,468	6,889
Property, plant and equipment	122	203
Investments	10,779	-
(Increase) decrease in other assets	(629)	146
Business acquisitions (note 3)	-	(3,124)
Cash used in investing activities	(13,616)	(16,181)
Financing activities		
Increase in term credit facility debt	-	6,384
Repayment of other long-term debt	(12,307)	(11,053)
Dividends	(7,792)	(6,431)
Cash received on exercise of stock options	1,782	1,802
Cash used in financing activities	(18,317)	(9,298)
Decrease in cash and cash equivalents	(36,290)	(58,014)
Cash and cash equivalents at beginning of period	103,514	58,014
Cash and cash equivalents at end of period	$ 67,224	$ -

Supplemental cash flow information (note 16)

See accompanying notes

TOROMONT INDUSTRIES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008
(unaudited)
($ thousands except where otherwise indicated)

(1) Significant accounting policies

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the preparation of interim financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with those used in the Company's 2007 audited annual consolidated financial statements, except for the changes in accounting policies described in Note 2. These unaudited interim consolidated financial statements do not include all disclosures required by GAAP for annual financial statements, and accordingly should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2007.

(2) Changes in accounting policies

Inventories

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031 Inventories. The standard provides guidance on the types of costs that can be capitalized and requires reversal of previous inventory write-downs if economic circumstances have changed to support the higher inventory values. There was no impact on the valuation of inventory as at January 1, 2008 or on net income for current or prior periods. The reader is referred to Note 4.

Capital disclosures

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1535 Capital Disclosures. The standard requires disclosure about the Company's capital and how it is managed, as discussed further in Note 15. This standard has no impact on the classification or measurement of the Company's consolidated financial statements.

Financial instruments disclosures and presentations

Effective January 1, 2008, the Company adopted CICA Handbook Sections 3862 Financial Instruments - Disclosures; and 3863 Financial Instruments - Presentation. These new standards require disclosure on financial instruments and related risks, as discussed further in Note 11. These standards had no impact on the classification or measurement of the Company's consolidated financial statements.

Future accounting standards

In February 2008, the CICA approved Handbook Section 3064 Goodwill and Intangible Assets, replacing previous guidance. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to initial recognition. Standards concerning goodwill are unchanged. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The Company has evaluated the new section and determined that adoption of these new requirements will have no impact on the Company's consolidated financial statements.

(3) Business acquisitions

Effective March 6, 2007, certain assets of Sunrise Rentals Corporation, a privately owned rental operation in Timmins, Ontario, were purchased. There were no business acquisitions during the first three months of 2008.

The acquisition was recorded using the purchase method. The fair values of net assets acquired were as follows:

	2007
Non-cash working capital	$ 1,048
Property, plant and equipment	188
Rental equipment	1,888
Purchase price	$ 3,124

(4) Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost of equipment, repair and distribution parts and direct materials include purchase cost and costs in bringing each product to its present location and condition. Serialized inventory is determined on a specific item basis. Non-serialized inventory is determined based on a weighted average actual cost.

Cost of work-in-process includes cost of direct materials, labour and a proportion of manufacturing overheads, excluding borrowing costs, based on normal operating capacity.

Cost of inventories include the transfer from accumulated other comprehensive income (loss) of gains and losses on qualifying cash flow hedges in respect of the purchases of inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

	March 31 2008	December 31 2007	March 31 2007
Equipment	$ 253,713	$ 249,399	$ 304,856
Repair and distribution parts	80,554	79,630	71,272
Direct materials	65,174	60,673	62,510
Work-in-process	62,847	55,156	64,246
	$ 462,288	$ 444,858	$ 502,884

The amount of inventory recognized as an expense and included in cost of goods sold accounted for other than by the percentage-of-completion method during the first quarter of 2008 was $170.4 million (first quarter of 2007 - $190.0 million). The amount charged to the income statement and included in cost of goods sold for the write-down of inventory for valuation issues during the first quarter of 2008 was $2.1 million (first quarter of 2007 - $0.9 million).

(5) Other assets

	March 31 2008	December 31 2007	March 31 2007
Equipment sold with guaranteed residual			

values	$ 18,379	$ 19,663	$ 24,728
Equipment deposits	20,769	20,734	22,194
Investment in marketable securities	33,347	21,972	-
Other	6,748	6,418	8,633
Total other assets	79,242	68,787	55,555
Less current portion	60,690	27,607	8,239
	$ 18,552	$ 41,180	$ 47,316

(6) Accounts payable and accrued liabilities

	March 31 2008	December 31 2007	March 31 2007
Accounts payable and accrued liabilities	$ 224,382	$ 267,999	$ 255,647
Dividends payable	9,113	7,792	7,742
Total accounts payable and accrued liabilities	$ 233,495	$ 275,791	$ 263,389

(7) Long-term debt

	March 31 2008	December 31 2007	March 31 2007
Drawn on bank term facility	$ 30,000	$ 30,000	$ 50,071
Senior debentures	175,368	183,766	191,864
Notes payable	12,624	16,533	17,058
Total long-term debt	217,992	230,299	258,993
Less current portion	20,851	26,874	25,822
	$ 197,141	$ 203,425	$ 233,171

The committed bank term facilities are unsecured. These facilities permit drawings of up to $245 million, with $20 million maturing in 2009 and the balance of $225 million maturing in 2011.

(8) Share capital

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

	Three months ended	Three months ended

	March 31, 2008 Number of Common Shares	March 31, 2008 Common Share Capital	March 31, 2007 Number of Common Shares	March 31, 2007 Common Share Capital
Balance, beginning of period	64,943,497	$ 124,124	64,310,577	$ 116,848
Exercise of stock options	149,760	2,442	216,280	1,946
Balance, end of period	65,093,257	$ 126,566	64,526,857	$ 118,794

(9) Contributed surplus

The changes in contributed surplus were as follows:

	Three months ended March 31 2008	2007
Contributed surplus, beginning of period	$ 7,707	$ 6,543
Stock-based compensation	579	491
Value of compensation cost associated with exercised options	(660)	(144)
Contributed surplus, end of period	$ 7,626	$ 6,890

(10) Accumulated other comprehensive income

The changes in accumulated other comprehensive income were as follows:

	Three months ended March 31 2008	2007
Balance, beginning of period	$ (16,140)	$ (4,641)
Other comprehensive income (loss)	9,963	(2,075)
Balance, end of period	$ (6,177)	$ (6,716)

Accumulated other comprehensive income was comprised of the following amounts.

	March 31 2008	December 31 2007	March 31 2007
Unrealized losses on translation of financial statements of self sustaining foreign operations	$ (12,434)	$ (14,807)	$ (6,278)

Unrealized gain on financial assets designated as available-for sale, net of income tax ($1,059; $24)	4,992	44	-
Gains (losses) on foreign exchange derivatives designated as cash flow hedges, net of income tax ($809; - $626; $4)	1,503	(1,168)	22
Loss on interest rate derivative designated as a cash flow hedge, net of income tax ($127; $111; $248)	(238)	(209)	(460)
	$ (6,177)	$ (16,140)	$ (6,716)

Financial instruments

Categories of financial assets and liabilities

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

	March 31 2008	December 31 2007	March 31 2007
Held for trading(1)	$ 67,224	$ 103,514	$ -
Loans and receivables(2)	$ 302,220	$ 339,381	$ 316,408
Available for sales assets(3)	$ 33,347	$ 21,972	$ -
Other financial liabilities(4)	$ 451,487	$ 506,090	$ 522,382
Derivatives designated as effective hedges(5) gain (loss)	$ 1,948	$ (2,115)	$ (695)
Derivatives designated as held for trading(6) gain (loss)	$ 1,123	$ (1,460)	$ (191)

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

The estimated fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, borrowings under the bank term facility and notes payable approximate their respective carrying values. Derivative financial instruments are carried at fair value determined based on appropriate valuation methodologies. Investments in marketable securities are carried at fair value based on quoted market prices.

The fair values of the senior debentures are based on discounted cash flows using current interest rates for debt with similar terms and remaining maturities. The Company has no plans to prepay these instruments prior to maturity. The fair value and carrying amounts of the senior debentures as at March 31, 2008 were $173,526 and $175,368, respectively (December 31, 2007 - $179,726 and $183,766, respectively).

Derivative financial instruments and hedge accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. The following table summarizes the Company's commitments to buy and sell foreign currencies as at March 31, 2008.

		Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	USD	150,238	$ 1.0092	April 2008 to January 2009
	EUR	12,485	$ 1.4946	April 2008 to December 2009
	GBP	10	$ 1.9499	August 2008
Sales contracts	USD	25,798	$ 0.9996	April 2008 to December 2009

gement estimates that a gain of $3,437 would be realized if the contracts were terminated on March 31, 2008. Certain of these forward contracts are designated as cash flow hedges, and accordingly, a gain of $2,314 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 and accounts receivable. A gain of $1,123 on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable and accounts receivable.

The Company holds an interest rate swap with a Canadian chartered bank that mitigates variability on $30 million of floating rate debt. The swap, which matures September 1, 2008, converts floating rate debt into fixed rate debt at 5.88% . Management estimates that a loss of $366 would be realized if the contract was terminated on March 31, 2008. This contract is designated as a hedge and therefore this loss has been included in other comprehensive income. This loss is not expected to affect net income as management intends to hold the interest rate swap contract to maturity.

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

Risks arising from financial instruments and risk management

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

Currency risk

The Company transacts business in multiple currencies, the most significant of which are the Canadian dollar and the U.S. dollar. As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies. The types of foreign exchange risk can be categorized as follows:

Transaction exposure

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

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

The Company maintains a conservative hedging policy whereby all significant transactional currency risks are identified and hedged. As such there is not a material transaction exposure.

Translation exposure

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

Foreign currency based earnings are translated into Canadian dollars each period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income. Such exchange rate fluctuations have historically not been material year-over-year relative to the overall earnings or financial position of the Company. A fluctuation of +/- 5%, provided as an indicative range in a volatile currency environment, would, everything else being equal, have an effect on net income before tax for the quarter ended March 31, 2008 of approximately +/- $0.5 million.

Credit risk

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

The cash equivalents consist mainly of short-term investments, such as money market deposits. None of the cash equivalents were in asset-backed commercial paper products. The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

The Company has accounts receivable from clients engaged in various industries including mining, construction, natural gas producers, food and beverage, and governmental agencies that are not concentrated in any specific geographic area. These specific industries may be affected by economic factors that may impact accounts receivable. Management does not believe that any single industry or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by the Company's large client base. As at March 31, 2008, $16.8 million, or 5.4% of accounts receivable, were more than 90 days overdue, which is consistent with historical aging profiles. The movement in the Company's allowance for doubtful accounts for the first quarter of 2008 was as follows:

Balance at January 1, 2008	$ 6,501
Provisions and revisions	1,473
Balance at March 31, 2008	$ 7,974

The Company minimizes the credit risk of investments by investing in securities that meet minimum requirements for quality and liquidity as allowed under the Company's treasury policy or as specifically approved by the Company's Board of Directors.

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

Interest rate risk

In relation to its debt financing, the Company is exposed to changes in interest rates, which may impact on the Company's borrowing costs. Floating rate debt exposes the Company to fluctuations in short-term interest rates. As at March 31, 2008, $42 million or 19% of the Company's total debt portfolio is subject to movements in floating interest rates. A +/- 1.5% change in interest rates, which is indicative of the change in the prime lending rate over the preceding twelve-month period, would, all things being equal, have an insignificant impact on income before income taxes for the period.

The Company minimizes its interest rate risk by managing its portfolio of floating and fixed rate debt, as well as managing the term to maturity. The Company will also use derivative instruments such as interest rate swap agreements to manage its current and anticipated exposure to interest rates.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at March 31, 2008, the Company was holding cash and cash equivalents of $67,224 and had unutilized lines of credit of $182 million.

The contractual maturities of the Company's long-term debt were presented in the Company's audited consolidated financial statements for the year ended December 31, 2007.

The Company expects that continued cash flows from operations in 2008, together with cash and cash equivalents on hand and currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital, capital assets and dividend payments.

(12) Earnings per share

Basic earnings per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share is calculated to reflect the effect of exercising outstanding stock options applying the treasury stock method.

	Three months ended March 31 2008	2007
Net earnings available to common shareholders	$ 16,494	$ 14,251
Weighted average common shares outstanding	64,989,829	64,471,113
Dilutive effect of stock option conversion	525,641	608,538
Diluted weighted average common shares outstanding	65,515,470	65,079,651
Basic earnings per share	$ 0.25	$ 0.22
Diluted earnings per share	$ 0.25	$ 0.22

(13) Stock based compensation

The Company maintains a stock option program for certain employees. Under the plan, up to 6,096,000 options may be granted for subsequent exercise in exchange for common shares. Stock options have a seven-year term, vest 20% per year on each anniversary date of the grant and are exercisable at the designated common share price, which is fixed at prevailing market prices of the common shares at the date the option is granted.

The following table is a reconciliation of outstanding options:

	Three Months ended March 31 2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	1,843,359	$ 18.78	2,091,379	$ 14.67
Granted	379,400	28.84	288,900	25.68
Exercised	(149,760)	11.69	(216,280)	8.29
Forfeited	(5,000)	22.93	-	-
Options outstanding, end of period	2,067,999	$ 21.13	2,163,999	$ 16.78
Options exercisable, end of period	997,003	$ 16.26	1,181,565	$ 12.73

The following table summarizes stock options outstanding and exercisable as at March 31, 2008:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
$ 10.28 - $10.71	421,420	1.5	$ 10.67	421,420	$ 10.67
$ 16.59 - $22.78	625,239	3.4	19.11	419,971	18.64
$ 24.58 - $28.84	1,021,340	6.0	26.68	155,612	24.97
Total	2,067,999	4.3	$ 21.13	997,003	$ 16.26

The Company determines the cost of stock options granted using the fair value method. The cost is amortized over the vesting periods.

The fair value of options granted during the period was determined at the time of grant using the following:

	Three Months ended March 31 2008	2007
Weighted average fair value price per option	$ 6.90	$ 6.57
Expected life of options (years)	5.84	5.82
Expected stock price volatility	25.0%	25.0%
Expected dividend yield	1.9%	1.9%

Risk-free interest rate	3.3%	4.0%

Deferred Share Unit Plan

The Company offers a deferred share unit (DSU) plan for executives and non-employee directors, whereby they may elect on an annual basis to receive all or a portion of their management incentive award or fees, respectively, in deferred share units. In addition, the Board may grant discretionary DSUs to executives. A DSU is a notional unit that reflects the market value of a single common share of Toromont and generally vests immediately. The DSUs will be redeemed on termination of employment or leaving the board, as the case may be. The redemption amount will be based upon the average of the high and low trading prices of the common shares on the TSX for the five trading days preceding the redemption date. The program commenced in 2006 and as at March 31, 2008, 70,594 units were outstanding at a value of $2,084 (December 31, 2007 - 21,405 units at a value of $600; March 31, 2007 - 5,186 units at a value of $138). The Company records the cost of the DSU Plan as compensation expense. No units were redeemed or cancelled in either fiscal year.

(14) Employee future benefits

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

Approximately 6% of participating employees are included in defined benefit plans. Pension benefit obligations under the defined benefit plans are determined periodically by independent actuaries and are accounted for using the accrued benefit method using a measurement date of December 31.

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

	Three months ended March 31	
	2008	2007
Defined benefit plans	$ 260	$ 218
Defined contribution plans	2,224	2,067
401(k) matched savings plans	301	262
Net pension expense	$ 2,785	$ 2,547

(15) Capital Management

The Company defines capital as the aggregate of shareholders' equity (excluding accumulated other comprehensive income) and long-term debt less cash and cash equivalents. The Company's capital management framework is designed to maintain a flexible capital structure that allows for optimization of the cost of capital at acceptable risk while balancing the interests of both equity and debt holders.

The Company targets a net debt to equity ratio of 0.5:1, although there is a degree of variability associated with the timing of cash flows. If appropriate opportunities are identified, the Company is prepared to increase this ratio to as high as 1.2:1. This is unchanged from the previous period.

The above capital management criteria can be illustrated as follows:

	March 31 2008	December 31 2007	March 31 2007
Shareholder's equity excluding accumulated OCI	$ 680,612	$ 670,870	$ 580,012
Long-term debt	217,992	230,299	258,993
Cash and cash equivalents	(67,224)	(103,514)	-
Capital under management	$ 831,380	$ 797,655	$ 839,005
Net debt as a % of capital under management	18%	16%	31%
Net debt to equity ratio	0.2:1	0.2:1	0.4:1

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

(16) Supplemental cash flow information

	March 31 2008	2007
Net change in non-cash working capital and other		
Accounts receivable	$ 37,161	$ 25,940
Inventories	(17,430)	(41,042)
Accounts payable and accrued liabilities	(32,967)	(31,914)
Other	(14,594)	(7,593)
	$ (27,830)	$ (54,609)
Cash paid during the period for:		
Interest	$ 2,796	$ 3,535
Income taxes	$ 22,386	$ 14,657

(17) Segmented financial information

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

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

	Equipment Group	Compression Group	Consolidated
Three months			

ended March 31	2008	2007	2008	2007	2008	2007
Equipment/ package sales	$ 103,698	$ 128,813	$ 150,497	$ 116,099	$ 254,195	$ 244,912
Rentals	27,354	25,938	5,335	4,699	32,689	30,637
Product support	68,683	69,219	42,758	41,051	111,441	110,270
Power Generation	2,288	4,336	-	-	2,288	4,336
Revenues	$ 202,023	$ 228,306	$ 198,590	$ 161,849	$ 400,613	$ 390,155
Operating Income	$ 10,565	$ 14,569	$ 12,974	$ 10,464	$ 23,539	$ 25,033
Operating income as a % of revenues	5.2%	6.4%	6.5%	6.5%	5.9%	6.4%

Selected balance sheet information:

	Equipment Group			Compression Group		
	March 31 2008	December 31 2007	March 31 2007	March 31 2008	December 31 2007	March 31 2007
Goodwill	$ 13,000	$ 13,000	$ 13,000	$ 21,800	$ 21,800	$ 21,800
Identifiable assets	$ 674,389	$ 700,050	$ 737,279	$ 520,461	$ 513,701	$ 508,862

	Consolidated		
	March 31 2008	December 31 2007	March 31 2007
Goodwill	$ 34,800	$ 34,800	$ 34,800
Identifiable assets	$ 1,194,850	$ 1,213,751	$ 1,246,141
Corporate assets	135,743	143,110	24,396
Total assets	$ 1,330,593	$ 1,356,861	$ 1,270,537

Operating income from rental operations for the quarter ended March 31, 2008 was $4.5 million (2007 - $3.7 million).

(18) Subsequent Event

Subsequent to the end of the quarter, the Company sold the balance of its marketable securities realizing a gain of $5.8 million, or 7 cents per share after tax.

(19) Seasonality of business

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

SOURCE: Toromont Industries Ltd.

Toromont Industries Ltd.
Robert M. Ogilvie
Chairman and Chief Executive Officer
(416) 667-5554
Toromont Industries Ltd.
Paul R. Jewer
Vice President Finance and Chief Financial Officer
(416) 667-5638
Website: www.toromont.com