Toromont Announces Record Revenues and Net Income in the First Quarter of 2009

TORONTO, ONTARIO, Apr 22, 2009 (Marketwire via COMTEX News Network) -- Toromont Industries Ltd. (TSX:TIH) today reported record financial results for the three months ended March 31, 2009. Revenues in the quarter increased 15% and operating income increased 56% versus the comparable period of 2008. Net earnings were $23.7 million or $0.37 per share, 44% higher than that reported in the first quarter of 2008.

	Three months ended March 31		
$ millions, except per share amounts	2009	2008	% change
Revenues	$ 457.7	$ 397.1	15%
Operating income	$ 36.6	$ 23.4	56%
Net earnings	$ 23.7	$ 16.5	44%
Earnings per share - basic	$ 0.37	$ 0.25	48%

lights:

- Compression Group revenues were up 36% in the quarter compared to the same period last year on growth in U.S. natural gas compression package sales. Operating income for the quarter was up on the higher revenues.

- Compression Group booking activity for the quarter was 56% lower compared to the first quarter of 2008, on lower demand for natural gas compression in the U.S. and Canada. Backlogs were down 11% from December 31, 2008.

- Equipment Group revenues were down 5% in the first quarter of 2009 versus the same period of 2008 on lower new and used machine sales, partially offset by higher product support revenues. Operating income increased over the same period last year on higher gross margins largely due to gains realized during a period of rapid devaluation of the Canadian dollar.

- Equipment Group bookings were 44% lower than the first quarter of 2008. Generally, order rates have slowed in most regions and for most products. Backlogs at March 31, 2009 were 8% lower than at December 31, 2008.

- The Company maintained a strong financial position and ended the quarter with $67 million of cash and cash equivalents and a net debt to shareholders' equity ratio at a very conservative 0.14:1.

- In February 2009, the Board of Directors approved a 7% increase in the regular quarterly cash dividend. This represented the twentieth consecutive annual increase. The quarterly dividend now stands at 15 cents per common share.

- During the quarter, 43,400 shares were purchased and cancelled under the normal course issuer bid. Total cash outlay was $0.9 million and average cost was $19.77 per share.

"We are on the down side of the natural gas cycle and this has impacted booking levels in the first quarter," stated Robert M. Ogilvie, Chairman and Chief Executive Officer of Toromont Industries Ltd. "Our Equipment Group is also experiencing reduced bookings due to the general economic slowdown. We expect that recently announced infrastructure programs will have some positive impact beginning later this year. I am very pleased with the actions taken by our managers and believe that we are well positioned to ride out this recession."

The Company will hold its Annual and Special Meeting of Shareholders tomorrow, April 23rd, in Toronto, Ontario at 10 a.m. (EDT). The meeting will also be available via live webcast of audio and slides 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 22, 2009 at 4:30 p.m. (EDT). The call may be accessed by telephone at 1-877-240-9772 (toll free) or 416-340-8527 (Toronto area). A replay of the conference call will be available until Monday, May 6, 2009 by calling 1-800-408-3053 or 416-695-5800 and quoting passcode 7260104.

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 120 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 three months ended March 31, 2009, 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 three months ended March 31, 2009, the annual MD&A contained in the 2008 Annual Report and the audited annual consolidated financial statements of the Company for the year ended December 31, 2008.

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, 2009.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2008 Annual Report and 2009 Annual Information Form. These are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

CONSOLIDATED RESULTS OF OPERATIONS

	Three months ended March 31		
$ thousands, except per share amounts	2009	2008	% change
Revenues	$ 457,659	$ 397,059	15%
Cost of goods sold	363,182	316,001	15%
Gross profit	94,477	81,058	17%
Selling and administrative expenses	57,857	57,633	0%
Operating income	36,620	23,425	56%
Interest expense	2,181	3,138	(30%)
Interest and investment income	(880)	(4,235)	(79%)
Income before income taxes	35,319	24,522	44%
Income taxes	11,601	8,105	43%
Earnings from continuing operations	23,718	16,417	44%
Earnings from discontinued operations	-	77	-
Net earnings	$ 23,718	$ 16,494	44%
Basic earnings per share	$ 0.37	$ 0.25	48%

Key ratios:		
Gross profit as a % of revenues	20.6%	20.4%
Selling and administrative expenses as a % of revenues	12.6%	14.5%
Operating income as a % of revenues	8.0%	5.9%
Income taxes as a % of income before income taxes	32.8%	33.1%

Revenues of $457.7 million were 15% higher than the comparable quarter of 2008, representing a new record for the first quarter. Compression revenues were 36% higher on increases in U.S. natural gas compression. Equipment Group revenues were down 5% on lower new and used equipment revenues, partially offset by increased product support activity.

The Canadian/U.S. dollar exchange rate impacts reported revenues on the translation of the financial statements of the Compression Group's growing U.S. operations. The Canadian dollar was 19% weaker on average for the three months ended March 31, 2009 compared to the similar period last year. The impact in 2009 was to increase revenues by $25 million and net income by $1.5 million. In addition, the exchange rate impacts revenues in the Canadian operations of both the Equipment and Compression Groups, as pricing to customers typically reflects movements in the exchange rate on U.S. sourced equipment, components and spare parts.

Gross profit increased 17% in the quarter compared to the same period of 2008 on the 15% increase in revenues. Gross profit margin in the quarter was 20.6%, up slightly from 20.4% in the similar period of the prior year. Higher margins in the Equipment Group were largely offset by lower margins in the Compression Group.

Selling and administrative expenses of $57.9 million were largely unchanged from the first quarter of 2008. Selling and administrative expenses as a percentage of revenues were 12.6% for 2009 compared to 14.5% in the same period of 2008. Given current market conditions, there has been an increased focus on controlling or reducing discretionary spending. Foreign exchange translation on U.S. operations increased expenses in 2009 by $0.9 million.

Operating income in the quarter was $36.6 million, up $13.2 million or 56% from the prior year on higher revenues, higher gross margins and administrative expense control. Operating income as a percentage of revenues was 8.0% in the quarter, up from 5.9% in similar period of 2008.

Interest expense in 2009 was 30% lower in the quarter compared to the similar period last year. Average debt balances and interest rates in 2009 were lower than those reported in 2008.

Interest and investment income in 2008 included gains realized on sale of marketable securities of $2.4 million. Excluding this, interest income was down 53% on lower interest rates.

The effective income tax rate for the quarter was 32.8% compared to 33.1% for 2008. The lower rate reflects reductions in Canadian federal income tax rates.

Net earnings for the first quarter of 2009 were $23.7 million, up 44% from 2008. Basic earnings per share were $0.37, compared with $0.25 in 2008, an increase of 48%.

Comprehensive income for the quarter was $27.1 million, comprised of net earnings of $23.7 million and other comprehensive income of $3.4 million. The other comprehensive income resulted largely from an unrealized gain on translation of financial statements of self-sustaining foreign operations of $5.1 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.

The shares of Aero Tech Manufacturing were sold to its management effective June 30, 2008. The Aero Tech operations were previously included with those of the Compression Group. The accompanying consolidated financial statements have been restated to reflect Aero Tech as a discontinued operation. This discussion and analysis has been prepared on a continuing operations basis. Additional disclosure has been provided in Note 3 to the unaudited interim consolidated financial statements.

Results of Operations in the Equipment Group

$ thousands	Three months ended March 31 2009	2008	% change
Equipment sales and rentals			
New	$ 64,684	$ 77,218	(16%)
Used	24,485	26,480	(8%)
Rental	27,668	27,354	1%
Total equipment sales and rentals	116,837	131,052	(11%)
Power generation	2,365	2,288	3%
Product support	72,491	68,683	6%
Total revenues	$ 191,693	$ 202,023	(5%)
Operating income	$ 18,986	$ 10,565	80%
Key ratios:			
Product support revenues as a % of total revenues	37.8%	34.0%	
Group total revenues as a % of consolidated revenues	41.9%	50.9%	
Operating income as a % of revenues	9.9%	5.2%	

Revenues for the quarter were down 5% compared to the first quarter last year on lower new and used equipment unit sales, partially offset by increased product support activities.

New and used equipment sales were down 16% and 8% respectively. Mining and industrial power systems applications, including prime and backup power systems, recorded good deliveries in the quarter. Other market segments, most notably heavy and general construction, were lower.

Rental revenues were up 1% in the quarter on a new location in Sault Ste. Marie, Ontario. First quarter rental revenues were supported by seasonal equipment contracts and strength in Manitoba and Newfoundland. Rental activity in Ontario has declined on lower demand from steel, auto and construction markets.

Power generation revenues from Toromont-owned plants increased 3% in the quarter on increased operating hours.

Product support revenues were 6% higher in the quarter compared to the first quarter of the prior year. Product support revenues in 2009 benefited from higher parts pricing due to the weaker Canadian dollar and standard price increases implemented at the beginning of the year. Product support revenues in 2008 were lower due to a labour strike in Newfoundland. Excluding these two factors, product support revenues were down in the first quarter of 2009 on lower market activity in most markets.

Operating income in the quarter was $19.0 million, up $8.4 million or 80% over the prior year. Gross margins in the quarter were up 6.1 percentage points from the similar period last year. The gross margin increase was largely due to lagging costs associated with foreign currency hedges and inventories during a period of rapid devaluation of the Canadian dollar. Sales mix changes also increased gross margin, with a higher percentage of product support revenues to total. Selling and administrative expenses increased 3%. Operating income was 9.9% of revenues compared with 5.2% in the prior year, reflecting the higher gross margins.

Booking activity was down 44% in the quarter compared to the similar period in 2008. There were no significant order cancellations in the quarter. Booking activity declined in most markets. Backlogs at March 31, 2009 were down 43% from this time last year and 8% from December 31, 2008.

Results of Operations in the Compression Group

$ thousands	Three months ended March 31 2009	2008	% change
Package sales and rentals			
Package sales	$ 212,093	$ 146,943	44%
Rentals	4,290	5,335	(20%)
Total package sales and rentals	216,383	152,278	42%
Product support	49,583	42,758	16%
Total revenues	$ 265,966	$ 195,036	36%
Operating income	$ 17,634	$ 12,860	37%
Key ratios:			
Product support revenues as a % of total revenues	18.6%	21.9%	
Group total revenues as a % of consolidated revenues	58.1%	49.1%	
Operating income as a % of revenues	6.6%	6.6%	

Package sales revenues were $65 million or 44% higher compared to the first quarter of 2008 on the following factors:

- The weaker Canadian dollar in 2009 resulted in an increase in package revenues on translation of foreign operations of $22 million, approximately one-third of the increase.

- The Company's U.S. operations have benefited from increased participation in the natural gas compression market, flowing from significant investment in facilities and people over the past several years. Natural gas compression revenues in the U.S. were up 30% on a constant dollar basis.

- Revenues from the sale of Canadian natural gas compression equipment were 18% lower period-over-period on continued market softness.

- Process compression revenues were more than double those reported in the similar quarter last year on project timing and increased activity. Process bookings were up 66% through March and backlog was 19% higher than at this time last year.

- Package revenues from refrigeration systems were 23% lower compared to the first quarter of 2008, with lower activity within the industrial markets.

Rental revenues were down 20% in the quarter compared to last year on lower rental fleet utilization in Canada and the U.S. Poor natural gas market fundamentals and tighter financial markets have reduced demand for rental equipment.

Product support revenues were up 16% in the quarter over the similar period in 2008, although half of this increase is due to translation of revenues generated in the U.S. Net of this factor, natural gas product support activities increased 7% while refrigeration increased 8%.

Operating income for the Compression Group increased 37% in the quarter, in line with the growth in revenue. Gross margins were 3.4 percentage points lower than in the similar period last year on lower gross margins in Canada partially offset by improved gross margins in the U.S. Gross margins in Canada were lower due to certain cost over-runs on U.S. sourced direct materials and labour inefficiencies related to recent shop rationalization moves in Calgary. Selling and administrative expenses decreased 3% in the quarter on focused efforts on cost containment in light of current market conditions. Operating income was 6.6% of revenues in the quarter, unchanged from the similar period last year.

Compression booking activity for the quarter was down 56% compared to the similar period of 2008. Natural gas bookings were 75% lower than the prior year on declines in both Canada and the U.S. Global economic conditions and weak natural gas market fundamentals have served to reduce demand for compression equipment. Order cancellations in the quarter represented less than 2% of opening backlog. Overall, backlogs at March 31, 2009 were up 3% from this time last year but down 11% from December 31, 2008, although backlogs benefited from the weaker Canadian dollar. Excluding foreign exchange impact, backlogs were down 12% from March 31, 2008 and down 21% from December 31, 2008.

CONSOLIDATED FINANCIAL CONDITION

The Company has maintained a strong financial position. At March 31, 2009, the ratio of total debt, net of cash, to equity was 0.14:1. Total assets were $1.5 billion.

Working Capital

The Company's investment in non-cash working capital was $475.5 million at March 31, 2009. The major components, along with the changes from March 31 and December 31, 2008 are identified in the following table. Working capital investment generally 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, although this may be different in periods of changing demand and/or supply conditions. In total, the Company's investment in non-cash working capital has increased significantly versus both year-end and March 31, 2008, as discussed below.

$ thousands	March 31 2009	December 31 2008	Change $	%	March 31 2008	Change $	%
Accounts receivable	$ 313,064	$ 375,059	$ (61,995)	-17%	$ 302,220	$ 10,844	4%
Inventories	545,695	499,360	46,335	9%	462,288	83,407	18%
Future income tax assets	39,416	34,934	4,482	13%	23,539	15,877	67%
Derivative financial instruments	6,527	11,246	(4,719)	-42%	2,597	3,930	n/m
Other current assets	12,860	11,381	1,479	13%	60,690	(47,830)	-79%
Accounts payable and accrued liabilities	(266,528)	(337,073)	70,545	-21%	(224,382)	(42,146)	19%
Dividends payable	(9,702)	(9,045)	(657)	7%	(9,113)	(589)	6%
Deferred revenue	(152,524)	(194,261)	41,737	-21%	(173,909)	21,385	-12%
Current portion of long-term debt	(15,584)	(15,363)	(221)	1%	(20,851)	5,267	-25%
Income taxes payable (receivable), net	2,265	(4,236)	6,501	n/m	9,218	(6,953)	-75%
Total non-cash working capital	$ 475,489	$ 372,002	$ 103,487	28%	$ 432,297	43,192	10%

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Accounts receivable were 17% lower than at December 31, 2008 reflecting seasonality of revenues in both operating segments, with lower revenues in the first quarter compared to the fourth quarter. Accounts receivable were 4% higher than at March 31, 2008. Equipment Group receivables were lower than at this time last year on lower revenues and improved collections. Compression Group receivables were higher than at this time last year on foreign exchange translation of U.S. subsidiaries' balances and higher revenues. Days sales outstanding (DSO) improved year-over-year in both Groups.

Inventories were 9% higher than at December 2008, driven by a 13% increase in the Equipment Group and a 5% increase in the Compression Group. Inventories in the Equipment Group reflect some building of inventory in advance of the typically busier summer season as well as higher new machine inventory cost (reflecting the weaker Canadian dollar and supplier price increases). Approximately 40% of the increase in Compression Group inventories relates to the foreign exchange translation of U.S. subsidiaries, while the remaining increases reflect higher activity levels in the U.S. Compared to this time last year, inventories were 18% higher. Compression Group inventories increased 13% on foreign exchange translation of balances at foreign subsidiaries and in support of higher volumes. Equipment Group inventories were up 23% on higher machine inventory cost related to the weaker Canadian dollar and weaker demand in the first quarter of 2009.

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

Derivative financial instruments represent fair market valuations of foreign exchange contracts. Given the recent volatility in the Canadian/U.S. dollar exchange rate, the Company's hedging practices have led to a cumulative opportunity gain of $6.5 million as at March 31, 2009. 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.

Other current assets at March 31, 2008 included deposits made for equipment ordered for a significant project, which was completed and delivered later in the year.

Accounts payable and accrued liabilities were 21% lower than at December 31, 2008 and 19% higher than at March 31, 2008 on timing of payments for key suppliers and year-end bonuses.

Dividends payable were 7% and 6% higher than at December 31 and March 31, 2008 reflecting the higher dividend rate of $0.15 per share compared to $0.14 per share in the prior year.

Deferred revenues in the Compression Group represent payments received from customers in advance of revenue recognition and are used as a method of funding working capital requirements. Compression Group deferred revenues comprise approximately 80% of the total and have decreased 8% compared to March 2008 and 16% compared to December 2008, as a result of lower new order activity. Deferred revenues in the Equipment Group represent payments received in advance of revenue recognition on sales with residual value guarantees, long-term construction contracts, extended warranty and other long-term customer support agreements. Equipment Group deferred revenues decreased compared to March 2008 and December 2008 on completion of several long-term industrial projects.

Current portion of long-term debt reflects scheduled principal repayments due in the subsequent twelve-month period. This amount is lower in 2009 as a result of the maturity of senior debentures in September 2008.

Income taxes payable (receivable) reflect amounts owing for corporate income taxes less installments made to date. The amount payable increased in 2009 on higher income in the current period.

Legal and Other Contingencies

Typical of entities with the size, complexity and nature of the Company's operations, various legal matters are pending. Exposure to these claims is mitigated through 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.

Normal Course Issuer Bid

The Company purchased and cancelled 43,400 shares for $0.9 million (average cost of $19.77 per share) in the first quarter of

2009. The shares were purchased for an amount higher than their weighted average book value per share ($1.97 per share) resulting in a reduction of retained earnings of $0.8 million.

Approximately 4 million shares remain available for purchase and cancellation under the current normal course issuer bid that expires August 30, 2009.

Outstanding Share Data

As at the date of this MD&A, the Company had 64,691,437 common shares and 2,278,839 share options outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Toromont's liquidity requirements are 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 $250 million at March 31, 2009, comprised of $225 million in Canada and US $20 million in the United States ($25 million Canadian equivalent). Of these combined credit facilities, $25 million matures in 2010 and the balance matures in 2011. At quarter-end, US $10.5 million ($13 million Canadian equivalent) was drawn against these facilities. Standby letters of credit utilized $64 million, leaving $173 million of the credit facilities unutilized.

The Company expects that cash flows from operations in 2009, 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:

	Three months ended March 31	
$ thousands	2009	2008
Cash, beginning of period	$ 137,274	$ 103,514
Cash, provided by (used in):		
Operations	31,911	23,473
Change in non-cash working capital and other	(85,947)	(28,218)
Operating activities	(54,036)	(4,745)
Investing activities	(14,484)	(13,616)
Financing activities	(1,593)	(18,317)
Decrease in cash in the period	(70,113)	(36,678)
Effect of foreign exchange on cash balances	-	388
Cash, end of period	$ 67,161	$ 67,224

Cash Flows from Operating Activities

Operating activities used $54.0 million in the quarter compared to $4.7 million in 2008. Cash provided by operations (calculated as net earnings, adjusted for items not requiring cash) was 36% higher reflecting growth in continuing operations. Non-cash working capital and other used $85.9 million in 2009 compared to $28.2 million in 2008. 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 $14.5 million in the quarter, up modestly from $13.6 million for the similar quarter last year.

In 2009, the there was a net disposition to the rental fleet as proceeds on disposal exceeded additions. Lower rental fleet additions reflect current economic conditions.

Gross investment in property, plant and equipment was $8.3 million for the first quarter of 2009. Capital investments were related to completion of the plant expansion in Casper, Wyoming.

Cash Flows from Financing Activities

Financing activities used $1.6 million in the quarter. The significant financing activities were as follows:

- Increase in term credit facility debt of $13 million to support growth of the Company's U.S. operations.

- Dividends paid to common shareholders in 2009 of $9.0 million, an increase of 16% over 2008 reflecting the higher dividend rate.

- Scheduled debt repayments of $6.3 million.

- Cash received on exercise of share options totalled $1.3 million.

OUTLOOK

We are currently in the down part of the natural gas cycle, exacerbated by tight credit conditions, and this impacted bookings levels in the first quarter. Fortunately, we entered the year with significant backlogs that will cushion the impact.

For the longer term, market fundamentals for natural gas in both Canada and the U.S. are positive. Process and international markets also provide opportunity. Industrial refrigeration markets are expected to be weaker in 2009 given general economic conditions, however, governmental spending stimulus is expected to be positive for recreational refrigeration markets.

Our Equipment Group is also experiencing reduced bookings related to the general economic slowdown. Some mining customers have significantly reduced activity and deferred new projects. We expect that recently announced infrastructure programs will have some positive impact beginning later this year.

Product support is a strong component of each of Toromont's business units and we believe this will continue to contribute to profitable performance.

Our empowered management teams have been adjusting to these new conditions since last fall. Our staffing levels are declining (down 6% in the first quarter), discretionary spending has been curtailed and normal compensation increases at the beginning of this year were deferred.

Toromont's financial position is strong, with a net debt to equity ratio of 0.14 to 1 at March 31, 2009. There are no significant debt maturities in the near term. Toromont has a history of performance at a high level for all stakeholders, resulting from consistent application of long-term strategies, a proven business model and a focus on asset management and progressive, profitable improvement. Toromont is well positioned in each of its diverse markets and both business segments have good growth prospects over the longer term.

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 2008 annual audited consolidated financial statements.

		2007	
$ thousands, except per share amounts	Q2	Q3	Q4
Revenues			
Equipment Group	$ 268,432	$ 284,928	$ 316,670
Compression Group	197,116	214,338	219,560

Total revenues	$ 465,548	$ 499,266	$ 536,230
Net earnings			
Continuing operations	$ 38,094	$ 30,597	$ 38,984
Discontinued operations	(24)	64	314
	$ 38,070	$ 30,661	$ 39,298
Per share information:			
Basic earnings per share			
Continuing operations	$ 0.59	$ 0.47	$ 0.61
Discontinued operations	-	-	-
	$ 0.59	$ 0.47	$ 0.61
Diluted earnings per share			
Continuing operations	$ 0.58	$ 0.47	$ 0.61
Discontinued operations	-	-	-
	$ 0.58	$ 0.47	$ 0.61
Dividends per share	$ 0.12	$ 0.12	$ 0.12

$ thousands, except per share amounts	2008 Q1	Q2	Q3	Q4
Revenues				
Equipment Group	$ 202,023	$ 285,845	$ 307,441	$ 303,904
Compression Group	195,036	250,632	270,528	305,800
Total revenues	$ 397,059	$ 536,477	$ 577,969	$ 609,704
Net earnings				
Continuing operations	$ 16,417	$ 38,222	$ 37,104	$ 49,110
Discontinued operations	77	(406)	-	-
	$ 16,494	$ 37,816	$ 37,104	$ 49,110
Per share information:				
Basic earnings per share				
Continuing operations	$ 0.25	$ 0.59	$ 0.57	$ 0.76
Discontinued operations	-	(0.01)	-	-

	$ 0.25	$ 0.58	$ 0.57	$ 0.76
Diluted earnings per share				
Continuing operations	$ 0.25	$ 0.59	$ 0.56	$ 0.76
Discontinued operations	-	(0.01)	-	-
	$ 0.25	$ 0.58	$ 0.56	$ 0.76
Dividends per share	$ 0.14	$ 0.14	$ 0.14	$ 0.14

$ thousands, except per share amounts	2009 Q1
Revenues	
Equipment Group	$ 191,693
Compression Group	265,966
Total revenues	$ 457,659
Net earnings	
Continuing operations	$ 23,718
Discontinued operations	-
	$ 23,718
Per share information:	
Basic earnings per share	
Continuing operations	$ 0.37
Discontinued operations	-
	$ 0.37
Diluted earnings per share	
Continuing operations	$ 0.37
Discontinued operations	-
	$ 0.37
Dividends per share	$ 0.15

Interim period revenues and earnings historically reflect some seasonality.

The Equipment Group has a distinct seasonal trend in activity levels. Lower revenues are typically 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.

Management anticipates that the seasonality historically experienced will continue in the future, although it may be somewhat altered by continued product and geographic diversification. Variations from this trend may also occur when market fundamentals are either improving or deteriorating.

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 2008 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 2008 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 2008 Annual Report.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064 Goodwill and Intangible Assets, which replaced previous guidance. The standard establishes guidelines for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to initial recognition. The standard had no impact on the Company's consolidated financial statements.

Effective January 1, 2009, the Company adopted CICA EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. Adoption of this guidance had no impact on the Company's consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. The Company will be required to report using IFRS beginning January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. Due to anticipated changes in Canadian GAAP and IFRS prior to the Company's transition to IFRS, the full impact of adopting IFRS on the Company's future financial position and results of operations cannot be reasonably determined at this time.

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

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

We have initiated the design and planning phase that will involve establishing issue-specific work teams to focus on quantification of impact, generating options and making recommendations in the identified risk areas. During this phase, we will establish a staff communications plan, begin to develop our staff training programs, and evaluate the impacts of the IFRS transition on other business activities.

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 and 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 others within those entities.

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

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

There has been no change in the design of the Company's internal controls over financial reporting during the quarter ended March 31, 2009, 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.

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.

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.

TOROMONT INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEETS

(unaudited)

($ thousands)	March 31 2009	December 31 2008	March 31 2008
Assets			
Current assets			
Cash and cash equivalents	$ 67,161	$ 137,274	$ 67,224
Accounts receivable	313,064	375,059	302,220
Inventories (note 4)	545,695	499,360	462,288
Income taxes receivable	10,534	2,068	13,633
Future income taxes	39,416	34,934	25,115
Derivative financial instruments	7,022	13,212	2,962
Other current assets	12,860	11,381	60,690
Total current assets	995,752	1,073,288	934,132
Property, plant and equipment	203,111	199,370	179,697
Rental equipment	196,460	203,277	163,303
Derivative financial instruments	296	1,403	474
Other assets	26,954	21,312	18,552
Goodwill	34,800	34,800	34,800
Total assets	$ 1,457,373	$ 1,533,450	$1,330,958
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 5)	$ 276,230	$ 346,118	$ 233,495
Deferred revenues	152,524	194,261	173,909
Current portion of long-term debt (note 6)	15,584	15,363	20,851
Income taxes payable	8,269	6,304	4,415
Future income taxes	-	-	1,576
Derivative financial instruments	495	1,966	365
Total current liabilities	453,102	564,012	434,611
Deferred revenues	33,994	25,480	19,650
Long-term debt (note 6)	164,875	158,112	197,141
Accrued pension liability	2,385	2,322	3,315
Future income taxes	5,426	4,421	1,806

Shareholders' equity			
Share capital (note 7)	129,441	127,704	126,566
Contributed surplus (note 8)	9,075	8,978	7,626
Retained earnings	644,766	631,522	546,420
Accumulated other comprehensive income (loss) (note 9)	14,309	10,899	(6,177)
Total shareholders' equity	797,591	779,103	674,435
Total liabilities and shareholders' equity	$ 1,457,373	$ 1,533,450	$1,330,958

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited)

$ thousands, except per share amounts	Three months ended March 31 2009	2008
		(restated - note 3)
Revenues	$ 457,659	$ 397,059
Cost of goods sold	363,182	316,001
Gross profit	94,477	81,058
Selling and administrative expenses	57,857	57,633
Operating income	36,620	23,425
Interest expense	2,181	3,138
Interest and investment income	(880)	(4,235)
Income before income taxes	35,319	24,522
Income taxes	11,601	8,105
Earnings from continuing operations	23,718	16,417
Earnings from discontinued operations, net of tax (note 3)	-	77
Net earnings	$ 23,718	$ 16,494
Earnings per share (note 11)		
Basic and Diluted	$ 0.37	$ 0.25
Weighted average number of shares outstanding		
Basic	64,678,273	64,989,829
Diluted	64,865,128	65,515,470

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited)

($ thousands)	Three months ended March 31 2009	2008
Retained earnings, beginning of period	$ 631,522	$ 539,039
Net earnings	23,718	16,494
Dividends	(9,702)	(9,113)
Shares purchased for cancellation (note 7)	(772)	-
Retained earnings, end of period	$ 644,766	$ 546,420

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

($ thousands)	Three months ended March 31 2009	2008
Net earnings	$ 23,718	$ 16,494
Other comprehensive income (loss):		
Change in fair value of derivatives designated as cash flow hedges, net of income taxes (2009 - ($156); 2008 - $1,543)	(290)	2,870
Gains on derivatives designated as cash flow hedges transferred to net income in the current period, net of income taxes (2009 - ($862); 2008 - ($123))	(1,601)	(228)
Unrealized gain on translation of financial statements of self-sustaining foreign operations	5,053	2,373
Unrealized gain on financial assets designated as available-for-sale, net of income taxes (2009 - $49; 2008 - $1,035)	248	4,948
Other comprehensive income	3,410	9,963
Comprehensive income	$ 27,128	$ 26,457

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

($ thousands)	Three months ended March 31 2009	2008
Operating activities		
Net earnings	$ 23,718	$ 16,494
Items not requiring cash and cash equivalents		
Depreciation	12,137	10,818
Stock-based compensation	595	579
Accrued pension liability	63	(268)
Future income taxes	(2,508)	(25)
Gain on sale of:		
Rental equipment, property, plant and equipment	(2,094)	(1,763)
Investments	-	(2,362)
	31,911	23,473
Net change in non-cash working capital and other (note 15)	(85,947)	(28,218)
Cash used in operating activities	(54,036)	(4,745)
Investing activities		
Additions to:		
Rental equipment	(5,827)	(13,579)
Property, plant and equipment	(8,318)	(2,966)
Proceeds on disposal of:		
Rental equipment	8,642	6,468
Property, plant and equipment	563	122
Increase in other assets	(9,544)	(3,661)
Cash used in investing activities	(14,484)	(13,616)
Financing activities		
Increase in term credit facility debt	13,291	-
Repayment of other long-term debt	(6,307)	(12,307)
Dividends	(9,045)	(7,792)
Shares purchased for cancellation	(858)	-
Cash received on exercise of stock options	1,326	1,782
Cash used in financing activities	(1,593)	(18,317)
Effect of exchange rate changes on cash denominated in foreign currency	-	388
Decrease in cash and cash equivalents	(70,113)	(36,678)
Cash and cash equivalents at beginning of period	137,274	103,514

Cash and cash equivalents at end of period	$ 67,161	$ 67,224

Supplemental cash flow information (note 15)

See accompanying notes

TOROMONT INDUSTRIES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009

(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 2008 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, 2008.

(2) Changes in accounting policies

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064 Goodwill and Intangible Assets, which replaced previous guidance. The standard establishes guidelines for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to initial recognition. The standard had no impact on the Company's consolidated financial statements.

Credit Risk and the Fair Value of Financial Instruments

Effective January 1, 2009, the Company adopted CICA EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. Adoption of this guidance had no impact on the Company's consolidated financial statements.

(3) Discontinued operations

Effective June 30, 2008, the shares of Aero Tech Manufacturing Inc. were sold to its local management.

The results of discontinued operations in the first quarter of 2008 included revenues of $3,554 and income before income taxes of $122, and these results had previously been included in the Compression Group.

(4) Inventories

	March 31 2009	December 31 2008	March 31 2008
Equipment	$ 282,994	$ 232,879	$ 253,713

Repair and distribution parts	89,628	80,261	80,554
Direct materials	92,114	72,041	65,174
Work-in-process	80,959	114,179	62,847
	$ 545,695	$ 499,360	$ 462,288

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 2009 was $160 million (2008 - $175 million). The amount recovered to the income statement and included in cost of goods sold for the reversal of inventory valuation issues during the first quarter of 2009 was ($1.1 million) (2008 - $2.4 million).

(6) Accounts payable and accrued liabilities

	March 31 2009	December 31 2008	March 31 2008
Accounts payable and accrued liabilities	$ 266,528	$ 337,073	$ 224,382
Dividends payable	9,702	9,045	9,113
Total accounts payable and accrued liabilities	$ 276,230	$ 346,118	$ 233,495

(7) Long-term debt

	March 31 2009	December 31 2008	March 31 2008
Drawn on bank term facility	$ 13,291	$ -	$ 30,000
Senior debentures	161,678	166,659	175,368
Notes payable	5,490	6,816	12,624
Total long-term debt	180,459	173,475	217,992
Less current portion	15,584	15,363	20,851
	$ 164,875	$ 158,112	$ 197,141

All debt is unsecured.

The Company maintains $225 million in bank credit in Canada and US$20 million in bank credit in the United States, provided through committed credit facilities. Of this, US$20 million matures in July 2010 and $225 million matures in 2011. The amount drawn on the US facility at March 31, 2009 was US$10.5 million (December 31, 2008 - $nil; March 31, 2008 - $nil) and bears interest at prime. The US prime rate was 3.25% at March 31, 2009. The amount drawn on the Canadian facility at March 31, 2009 was $nil (December 31, 2008 - $nil; March 31, 2008 - $30 million).

(8) Share capital

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

	Three months ended March 31, 2009		Three months ended March 31, 2008	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Balance, beginning of period	64,620,677	$ 127,704	64,943,497	$ 124,124
Exercise of stock options	114,160	1,823	149,760	2,442
Purchase of shares for cancellation	(43,400)	(86)	-	-
Balance, end of period	64,691,437	$ 129,441	65,093,257	$ 126,566

Normal Course Issuer Bid

The Company purchased and cancelled 43,400 shares for $858 (average cost of $19.77 per share) in the first quarter of 2009. The shares were purchased for an amount higher than their weighted average book value per share ($1.97 per share) resulting in a reduction of retained earnings of $772. The Company did not purchase any shares under the normal course issuer bid in the first quarter of 2008.

Approximately 4 million shares remain available for purchase and cancellation under the current normal course issuer bid that expires August 30, 2009.

(9) Contributed surplus

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

	Three months ended March 31	
	2009	2008
Contributed surplus, beginning of period	$ 8,978	$ 7,707
Stock-based compensation	595	579
Value of compensation cost associated with exercised options	(498)	(660)
Contributed surplus, end of period	$ 9,075	$ 7,626

(10) Accumulated other comprehensive Income

The changes in accumulated other comprehensive income were as follows:

	Three months ended March 31	
	2009	2008

Balance, beginning of period	$ 10,899	$ (16,140)
Other comprehensive income	3,410	9,963
Balance, end of period	$ 14,309	$ (6,177)

Accumulated other comprehensive income was comprised of the following amounts.

	March 31 2009	December 31 2008	March 31 2008
Unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	$ 12,408	$ 7,355	$ (12,434)
Unrealized gain on financial assets designated as available-for-sale, net of income tax ($49; $0; $1,059)	248	-	4,992
Gains on foreign exchange derivatives designated as cash flow hedges, net of income tax ($891; $1,909; $809)	1,653	3,544	1,503
Loss on interest rate derivative designated as a cash flow hedge, net of income tax ($0; $0; -$127)	-	-	(238)
	$ 14,309	$ 10,899	$ (6,177)

(11) 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 2009	December 31 2008	March 31 2008
Held for trading (1)	$ 67,161	$ 137,274	$ 67,224
Loans and receivables (2)	$ 323,598	$ 377,127	$ 315,853
Available for sales assets (3)	$ 8,887	$ -	$ 33,347
Other financial liabilities (4)	$ 464,958	$ 525,897	$ 455,902
Derivatives designated as effective hedges (5) - gain	$ 2,545	$ 5,453	$ 1,948
Derivatives designated as held for trading (6) - gain	$ 4,278	$ 7,196	$ 1,123

(1) Comprised of cash and cash equivalents. All held for trading assets were designated as such upon initial recognition.
(2) Comprised of accounts receivable and income taxes receivables.
(3) Comprised of investments, reported in other assets.
(4) Comprised of accounts payable and accrued liabilities, income taxes payable and long-term debt.
(5) Comprised of the Company's foreign exchange forward contracts designated as hedges and the interest rate swap, all of which are effective hedges.
(6) Comprised of 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, income taxes receivable/payable, 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 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, 2009 were $152,181 and $161,678 respectively (December 31, 2008 - $155,640 and $166,659, 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, 2009.

		Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	USD	107,825	$ 1.1899	April 2009 to March 2010
	EUR	11,286	$ 1.5503	May 2009 to June 2010
	GBP	16	$ 1.7964	April 2009
Sales contracts	USD	15,912	$ 1.1494	April 2009 to December 2009
	EUR	3,734	$ 1.5725	April 2009 to November 2009

Management estimates that a gain of $6,823 would be realized if the contracts were terminated on March 31, 2009. Certain of these forward contracts are designated as cash flow hedges, and accordingly, a gain of $2,545 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 $4,278 on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable and accounts receivable.

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

Risks arising from financial instruments and risk management

In the normal course of business, Toromont is exposed to financial risks that may potentially impact its operating results in 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, 2009 of approximately +/- $1.1 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. No asset-backed commercial paper products were held. The Company has deposited the cash equivalents with highly rated 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 production and transportation, 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, 2009, $24.0 million, or 8.8% of trade 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 was as follows:

	Three months ended March 31 2009	2008
Balance, beginning of period	$ 9,774	$ 6,501
Change in foreign exchange rates	113	55
Provisions and revisions, net	1,435	1,418

Balance, end of period	$ 11,322	$ 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, $18.7 million or 10% of the Company's total debt portfolio is subject to movements in floating interest rates. A +/- 2.75% 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 may 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, 2009, the Company was holding cash and cash equivalents of $67,161 and had unutilized lines of credit of $173 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, 2008.

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

The Company expects that continued cash flows from operations in 2009, 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, which assumes that all outstanding stock option grants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period.

	Three months ended March 31	
	2009	2008
Net earnings available to common shareholders	$ 23,718	$ 16,494
Weighted average common shares outstanding	64,678,273	64,989,829
Dilutive effect of stock option conversion	186,855	525,641
Diluted weighted average common shares outstanding	64,865,128	65,515,470

Earnings per share Basic and Diluted	$ 0.37	$ 0.25

Earnings per share from discontinued operations were $nil in both periods.

Excluded from the calculations for the quarter ended March 31, 2009 are 1,752,750 (2008 - nil) outstanding stock options with an exercise price range of $21.84 to $28.84 as they were anti-dilutive for the period presented.

(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			
	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	1,917,599	$ 21.62	1,843,359	$ 18.78
Granted	498,000	22.02	379,400	28.84
Exercised	(114,160)	11.47	(149,760)	11.69
Forfeited	(22,600)	23.55	(5,000)	22.93
Options outstanding, end of period	2,278,839	$ 22.19	2,067,999	$ 21.13
Options exercisable, end of period	1,084,877	$ 19.44	997,003	$ 16.26

The following table summarizes stock options outstanding and exercisable as at March 31, 2009:

		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	223,280	0.8	$ 10.69	223,280	$ 10.69
$16.59 - $22.88	1,077,919	4.5	20.49	509,689	18.77

$24.58 - $28.84	977,640	5.0	26.70	351,908	25.97
Total	2,278,839	4.4	$ 22.19	1,084,877	$ 19.44

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

	Three Months ended March 31 2009	2008
Weighted average fair value price per option	$ 4.55	$ 6.90
Expected life of options (years)	5.80	5.84
Expected stock price volatility	25.0%	25.0%
Expected dividend yield	2.2%	1.9%
Risk-free interest rate	2.1%	3.3%

Deferred Share Unit Plan

The Company offers a deferred share unit (DSU) plan for executives and non-employee directors, whereby they may elect on an annual basis to receive all or a portion of their management incentive award or fees, respectively, in deferred share units. In addition, the Board may grant discretionary DSUs to executives. As at March 31, 2009, 109,910 units were outstanding at a value of $2,570 (December 31, 2008 - 79,476 units at a value of $1,671; March 31, 2008 - 70,594 units at a value of $2,084). 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 5% of participating employees are included in defined benefit plans. Pension benefit obligations under the defined benefit plans are determined periodically by independent actuaries and are accounted for using the accrued benefit method using a measurement date of December 31.

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

	Three months ended March 31 2009	2008
Defined benefit plans	$ 565	$ 260
Defined contribution plans	2,428	2,224
401(k) matched savings plans	388	301
Net pension expense	$ 3,381	$ 2,785

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

The capital management criteria can be illustrated as follows:

	March 31 2009	December 31 2008	March 31 2008
Shareholder's equity excluding accumulated other comprehensive income	$ 783,282	$ 768,204	$ 680,612
Long-term debt	180,459	173,475	217,992
Cash and cash equivalents	(67,161)	(137,274)	(67,224)
Capital under management	$ 896,580	$ 804,405	$ 831,380
Net debt as a % of capital under management	13%	5%	18%
Net debt to equity ratio	0.14:1	0.05:1	0.22:1

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

(16) Supplemental cash flow information

	Three months ended March 31 2009	2008
Net change in non-cash working capital and other		
Accounts receivable	$ 61,995	$ 37,161
Inventories	(46,335)	(17,430)
Accounts payable and accrued liabilities	(109,364)	(32,967)
Other	7,757	(14,982)
	$ (85,947)	$ (28,218)
Cash paid during the period for:		
Interest	$ 1,642	$ 2,796
Income taxes	$ 20,245	$ 22,386

(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.

Three months ended March 31	Equipment Group 2009	Equipment Group 2008	Compression Group 2009	Compression Group 2008	Consolidated 2009	Consolidated 2008
Equipment / package sales	$ 89,169	$ 103,698	$ 212,093	$ 146,943	$ 301,262	$ 250,641
Rentals	27,668	27,354	4,290	5,335	31,958	32,689
Product support	72,491	68,683	49,583	42,758	122,074	111,441
Power Generation	2,365	2,288	-	-	2,365	2,288
Revenues	$191,693	$ 202,023	$ 265,966	$ 195,036	$ 457,659	$ 397,059
Operating Income	$ 18,986	$ 10,565	$ 17,634	$ 12,860	$ 36,620	$ 23,425
Operating income as a % of revenues	9.9%	5.2%	6.6%	6.6%	8.0%	5.9%

Selected balance sheet information:

	Equipment Group March 31 2009	Equipment Group December 31 2008	Equipment Group March 31 2008	Compression Group March 31 2009	Compression Group December 31 2008	Compression Group March 31 2008
Goodwill	$ 13,000	$ 13,000	$ 13,000	$ 21,800	$ 21,800	$ 21,800
Identifiable assets	$710,530	$731,553	$674,389	$637,017	$633,940	$520,461

	Consolidated March 31 2009	Consolidated December 31 2008	Consolidated March 31 2008

Goodwill	$ 34,800	$ 34,800	$ 34,800
Identifiable assets	$1,347,547	$1,365,493	$1,194,850
Corporate assets	109,826	167,957	136,108
Total assets	$1,457,373	$1,533,450	$1,330,958

Operating income from rental operations for the quarter ended March 31, 2009 was $3.1 million (2008 - $4.5 million).

(18) 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.

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