



Third Quarter 2018

November 5, 2018

**TOROMONT ANNOUNCES RESULTS FOR THE THIRD QUARTER OF 2018
AND QUARTERLY DIVIDEND**

Toromont Industries Ltd. (TSX: TIH) reported financial results for the third quarter ended September 30, 2018.

<i>millions, except per share amounts</i>	Three months ended September 30			Nine months ended September 30		
	2018	2017	% change	2018	2017	% change
Revenues	\$ 900.1	\$ 584.2	54%	\$ 2,538.2	\$ 1,527.4	66%
Operating income	\$ 99.8	\$ 68.6	45%	\$ 247.9	\$ 163.0	52%
Net earnings	\$ 68.7	\$ 49.4	39%	\$ 167.1	\$ 116.8	43%
Basic earnings per share ("EPS")	\$ 0.84	\$ 0.63	33%	\$ 2.06	\$ 1.49	38%

These results include the operations of the significant acquisition completed by the Company on October 27, 2017. This transaction expanded Toromont's operations to include the Caterpillar dealerships for Quebec, the Maritime Provinces and Western Labrador and the MCFA lift truck dealership for Quebec and Ontario, in addition to other distribution rights. The acquired operations are collectively referenced as "Toromont QM or TQM" throughout this report.

The Company has considerable work to complete to unlock the significant value of the TQM acquisition, but remain pleased with the integration and transition progress and with the earnings accretion over the relatively short timeline since the transaction closing. The team has embraced the sharing of best practices including key operational and financial disciplines, to further strengthen Toromont's position as a world class dealership. Overall, the Company delivered good results in the third quarter on solid execution in the legacy Equipment Group together with the incremental contribution from the acquired businesses.

Highlights:

- Consolidated results
 - Net earnings increased \$19.3 million or 39% in the quarter versus a year ago to \$68.7 million or \$0.84 EPS. The following table identifies the components of contributions to the third quarter results versus a year ago:

<i>millions, except per share amounts</i>	Three months ended September 30					
	Net earnings			Basic EPS ^(a)		
	2018	2017	% change	2018	2017	% change
Legacy Toromont ^(b)	54.1	\$ 50.7	7%	0.68	\$ 0.65	5%
Toromont QM ^(c)	18.8	-	-	0.24	-	-
Acquisition-related interest expense and integration-related costs ^(e)	(4.2)	(1.3)	nm	(0.05)	(0.02)	nm
Dilutive impact of acquisition shares ^(d)	-	-	-	(0.03)	-	-
As reported	\$ 68.7	\$ 49.4	39%	\$ 0.84	\$ 0.63	33%

(a) Separately identifies impact of shares issued at acquisition for year-over-year comparability

(b) Defined as all businesses continuing from prior to the acquisition

(c) Defined as all businesses acquired October 27, 2017

(d) EPS impact of 2.2 million shares issued on acquisition to total net earnings

(e) Expenses shown net of taxes

- Earnings in the legacy Toromont businesses (“Legacy Toromont”) increased 7% in the quarter versus a year ago on solid growth in the Equipment Group, partially offset by weaker results at CIMCO. Toromont QM contributed \$18.8 million and achieved improved profitability versus a year ago in the predecessor organization. Integration-related costs included severance and other one-time-only costs and combined with interest expense on the acquisition financing were \$4.2 million in the quarter versus \$1.3 million a year ago. Due to increases in Toromont’s share price, significant increases in the mark-to-market adjustments related to Deferred Share Units (“DSUs”) were experienced in all periods. These increased expenses by \$3.6 million in the third quarter and \$4.4 million for the first nine months of 2018, and \$4.0 million and \$6.1 million for the comparable periods of 2017.
- On a year-to-date basis, net earnings increased \$50.3 million or 43% to \$167.1 million or \$2.06 EPS. The following table identifies the components of contributions to year-to-date results versus a year ago:

<i>millions, except per share amounts</i>	Nine months ended September 30					
	Net earnings			Basic EPS ^(a)		
	2018	2017	% change	2018	2017	% change
Legacy Toromont ^(b)	139.6	\$ 118.7	18%	1.77	\$ 1.51	17%
Toromont QM ^(c)	42.5	-	-	0.54	-	-
Acquisition-related interest expense and integration-related costs ^(e)	(15.0)	(1.9)	nm	(0.19)	(0.02)	nm
Dilutive impact of acquisition shares ^(d)	-	-	-	(0.06)	-	-
As reported	\$ 167.1	\$ 116.8	43%	\$ 2.06	\$ 1.49	38%

(a) Separately identifies impact of shares issued at acquisition for year-over-year comparability

(b) Defined as all businesses continuing from prior to the acquisition

(c) Defined as all businesses acquired October 27, 2017

(d) EPS impact of 2.2 million shares issued on acquisition to total net earnings

(e) Expenses shown net of taxes

- Legacy Toromont earnings increased 18% with EPS closely tracking the increase at 17%.

- Equipment Group

- Revenues of \$800.1 million in the quarter increased \$312.1 million or 64% versus last year. Legacy Toromont revenues were down 2% in the quarter as higher rentals and product support were more than offset by lower equipment sales. Toromont QM contributed \$322.5 million in the quarter, reflecting an increase of 20% from revenues achieved at the predecessor organization in the third quarter last year, with growth across most lines of business.
- Revenues were up \$981.3 million or 75% to \$2.3 billion year-to-date. Legacy Toromont reported a 5% growth versus last year. Toromont QM contributed \$912.6 million in revenues year-to-date, an increase of 19% from revenues reported under the predecessor organization for the comparable period.
- Operating income was up \$34.1 million or 57% in the quarter. Legacy Toromont increased \$9.6 million or 16% on higher margins. Toromont QM contributed \$24.5 million in the quarter, net of integration-related costs.
- Operating income was up \$88.8 million or 61% year-to-date. Legacy Toromont increased \$33.5 million or 23% while Toromont QM contributed \$55.3 million, net of integration related costs.
- Bookings increased \$136.0 million in the quarter and \$429.0 million year-to-date. At Legacy Toromont, bookings increased 19% in the quarter and were relatively unchanged on a year-to-date basis. Toromont QM reported good activity in the quarter (\$101.1 million) and year-to-date (\$427.7 million) across most market segments. Backlogs were \$366.0 million at the end of September 30, 2018, including \$132.5 million at Toromont QM. Approximately two-thirds of the orders in backlog are expected to be delivered over the remainder of this year.

- CIMCO

- Revenues increased 4% to \$100.0 million in the quarter, largely on product support growth. Operating income decreased 32% to \$6.3 million, reflecting lower margins on package sales, partially offset by a lower expense ratio.
- Revenues were up 13% year-to-date to \$251.0 million. Package sales grew 22% with increases in both Canada (up 25%) and the US (up 10%). Product support was up 3% on growth in Canada, while the US was relatively unchanged. The lower operating income margin (5.9% versus 8.4% last year) was attributable to problems encountered on one US-based project.
- Bookings were down in the quarter (64%) and year-to-date (29%) against record levels set last year. In Canada, both industrial and recreational orders were lower for the quarter and year-to-date. In the US, recreational activity was strong in the quarter but lower year-to-date, while industrial activity was lower for both the quarter and year-to-date. Backlogs of \$126.0 million were down \$50.0 million compared to the record set last year but still significantly higher than the previous five-year average. Approximately half of the backlog is expected to be delivered over the remainder of this year.

- Financial position remains strong

- Toromont's share price of \$66.77 at the end of September 2018 translated to a market capitalization of \$5.4 billion and a total enterprise value of \$5.9 billion.
- Toromont maintained a very strong financial position. Leverage as represented by the net debt to total capitalization ratio at September 30, 2018 was 25% versus 28% at June 30, 2018, 33% at March 31, 2018 and 40% at December 31, 2017.
- The Board of Directors announced a quarterly dividend of 23 cents per common share, payable January 3, 2019 to shareholders of record on December 7, 2018. The quarterly dividend was previously increased 21% to 23 cents per share effective with the dividend paid April 2, 2018.

Infrastructure projects and broader construction activity, continue to present opportunities for Toromont's Equipment Group. Opportunities exist for equipment supply into the mining sector, for new mines planned and in support of the replacement and expansion requirements at existing mine sites. The Company is now one year into the ownership of TQM and the senior leadership team remains focused on the integration and expansion of the exciting opportunity. Success presents a substantial long-term growth opportunity for Toromont, so appropriately, the Company is taking a methodical approach to each element of the integration. CIMCO continues to grow its revenue base, reflecting its strong presence and solid reputation as a leader in the key markets it serves. The tariff increases and global trade disputes seen this year have not had a direct material impact on Toromont's business.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three and nine months ended September 30, 2018, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2018, the annual MD&A contained in the 2017 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2017.

The unaudited condensed interim consolidated financial statements reported herein have been prepared in accordance International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*, and are reported in Canadian dollars. The information in this MD&A is current to November 5, 2018.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2017 Annual Report and 2018 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

Advisory

Information in this MD&A that is not a historical fact is "forward-looking information". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "likely", "should", "could", "will", "may" and similar expressions are intended to identify statements containing forward-looking information. Forward-looking information in this MD&A reflect current estimates, beliefs, and assumptions, which are based on Toromont's perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Toromont's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Toromont can give no assurance that such estimates, beliefs and assumptions will prove to be correct. This MD&A also contains forward-looking statements about the recently acquired businesses.

Numerous risks and uncertainties could cause the actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: business cycles, including general economic conditions in the countries in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; changes in foreign exchange rates, including the Cdn\$/US\$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability of financing; potential environmental liabilities of the acquired businesses and changes to environmental regulation; failure to attract and retain key employees; damage to the reputation of Caterpillar, product quality and product safety risks which could expose Toromont to product liability claims and negative publicity; new, or changes to current, federal and provincial laws, rules and regulations including changes in infrastructure spending; and any requirement of Toromont to make contributions to the registered funded defined benefit pension plans, postemployment benefits plan or the multi-employer pension plan obligations in which it participates in and acquired in excess of those currently contemplated. Risks and uncertainties related to the 2017 significant acquisition could also cause the actual results to differ materially from the estimates beliefs and assumptions expressed or implied in the forward-looking statements, including but not limited to: changes in consumer and business confidence as a result of the change in ownership; the potential for liabilities assumed in the acquisition to exceed our estimates or for material

undiscovered liabilities in the 2017 acquisition; the potential for third parties to terminate or alter their agreements or relationships with Toromont as a result of the acquisition; and risks related to integration of the acquired operations with those of Toromont including cost of integration and ability to achieve the expected benefits. Readers are cautioned that the foregoing list of factors is not exhaustive.

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

Readers are cautioned not to place undue reliance on statements containing forward-looking information, which reflect Toromont's expectations only as of the date of this MD&A, and not to use such information for anything other than their intended purpose. Toromont disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

CORPORATE RECAP

2017 Acquisition

As a consequence of an acquisition completed on October 27, 2017, Toromont became the authorized Caterpillar dealer for the province of Québec, Western Labrador and the Maritimes, as well as the Caterpillar lift truck dealer for Québec and most of Ontario, in addition to the MaK engine dealer for Québec, the Maritimes and the Eastern seaboard of the United States, from Maine to Virginia. Additional distribution rights were also acquired. Collectively, these acquired businesses are referenced as Toromont QM in the balance of this report.

This important transaction delivers a substantial growth opportunity and strengthens the Company's expertise and operations in the mining, construction, power systems, product support and expanded product lines.

For further information on the accounting for the acquisition, refer to note 3 of the notes to the 2017 audited consolidated financial statements, as filed with Canadian securities regulators at www.sedar.com or at our website www.toromont.com.

CONSOLIDATED RESULTS OF OPERATIONS

(\$ thousands, except per share amounts)	Three months ended September 30				Nine months ended September 30			
	2018	2017	Change		2018	2017	Change	
			\$	%			\$	%
REVENUES	\$ 900,094	\$ 584,158	\$ 315,936	54%	\$ 2,538,189	\$ 1,527,396	\$ 1,010,793	66%
Cost of goods sold	671,798	442,871	228,927	52%	1,918,253	1,163,561	754,692	65%
Gross profit ⁽¹⁾	228,296	141,287	87,009	62%	619,936	363,835	256,101	70%
Selling and administrative expenses	128,545	72,702	55,843	77%	371,990	200,834	171,156	85%
OPERATING INCOME ⁽¹⁾	99,751	68,585	31,166	45%	247,946	163,001	84,945	52%
Interest expense	7,479	1,818	5,661	311%	24,093	5,489	18,604	339%
Interest and investment income	(2,199)	(914)	(1,285)	141%	(6,429)	(3,022)	(3,407)	113%
Income before income taxes	94,471	67,681	26,790	40%	230,282	160,534	69,748	43%
Income taxes	25,774	18,326	7,448	41%	63,196	43,700	19,496	45%
NET EARNINGS	68,697	49,355	19,342	39%	167,086	116,834	50,252	43%
BASIC EARNINGS PER SHARE	\$ 0.84	\$ 0.63	\$ 0.21	33%	\$ 2.06	\$ 1.49	\$ 0.57	38%
KEY RATIOS:								
Gross profit margin ⁽¹⁾	25.4%	24.2%			24.4%	23.8%		
Selling and administrative expenses as a % of revenues	14.3%	12.4%			14.7%	13.1%		
Operating income margin ⁽¹⁾	11.1%	11.7%			9.8%	10.7%		
Income taxes as a % of income before income taxes	27.3%	27.1%			27.4%	27.2%		

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

The Company delivered increased revenues and net earnings in the third quarter of 2018 versus those seen a year ago.

The Legacy Equipment Group revenues were down 2% in the quarter principally due a large mining package which was delivered a year ago, but increased 5% year-to-date. Toromont QM contributed revenues of \$322.5 million in the quarter and \$912.6 million year-to-date, up 20% and 19%, respectively, from those generated a year ago at the predecessor organization on higher new equipment sales, rentals and product support. CIMCO's revenues were up 4% in the quarter and 13% year-to-date with higher package sales and product support revenues.

Gross profit margins increased 120 basis points ("bps") in the quarter to 25.4% and were up 60 bps to 24.4% year-to-date. The legacy Equipment Group reported higher margins across most revenue streams on improved equipment margins and higher rental fleet utilization, partially offset by lower package margins at CIMCO. Historically, Toromont QM's businesses achieved lower average margins than Toromont's legacy operations and consequently, the continued gap had a dilutive effect for the quarter and year-to-date.

Selling and administrative expenses increased \$55.8 million in the quarter and \$171.2 million year-to-date, largely reflecting the incremental expenses at Toromont QM and integration-related costs. At Legacy Toromont, expenses increased \$1.8 million in the quarter and \$9.8 million year-to-date. Higher compensation and customer support costs contributed to the increase, while most other operating expense categories were relatively unchanged or lower. The allowances for doubtful accounts were higher in both the quarter (up \$1.8 million) and year-to-date (up \$0.4 million). Mark-to-market adjustments on Deferred Share Units ("DSUs") were significant in both the third quarters of 2018 (\$3.6 million) and last year (\$4.0 million) as a consequence of the increased share price experienced in both periods. As a percentage of revenues, Legacy Toromont expenses were 50 bps higher in the quarter (12.9% versus 12.4% last year) and 10 bps lower year-to-date (13.0% versus 13.1% last year).

Operating income increased \$31.2 million in the quarter and \$84.9 million year-to-date. Toromont QM contributed \$24.5 million in the quarter and \$55.3 million year-to-date, net of integration-related costs.

Operating income at Legacy Toromont increased \$6.7 million or 10% in the quarter and \$29.6 million or 18% year-to-date, mainly reflecting the higher margins in the Legacy Equipment Group offset by lower margins at CIMCO.

Interest expense increased in the quarter and year-to-date reflecting acquisition-related financing. The Company repaid the remaining \$100 million owing on the term credit facility. As a result \$0.3 million of deferred financing costs were also expensed in the quarter. In total, \$0.8 million of deferred financing costs were expensed year-to-date relating to the full repayment of the \$250.0 million term facility drawn as part of the financing for the 2017 acquisition.

Interest income increased both in the quarter and year-to-date on higher investment income on higher average cash balances and higher conversions of equipment on rent with a purchase option (“RPO”).

The effective income tax rate was 27.3% in the quarter and 27.4% year-to-date. The increase versus comparable periods is substantially due to the higher proportion of income earned in the higher tax jurisdictions, although this is expected to be mitigated in coming years as Quebec continues to phase in reductions in the corporate tax rates.

Net earnings increased \$19.3 million or 39% to \$68.7 million in the quarter, while basic earnings per share (“EPS”) increased \$0.21 or 33% to \$0.84. On a year-to-date basis, net earnings increased \$50.3 million or 43% to \$167.1 million, while EPS increased \$0.57 or 38% to \$2.06.

Third Quarter Net Earnings

<i>millions, except per share amounts</i>	Three months ended September 30					
	Net earnings			Basic EPS ^(a)		
	2018	2017	% change	2018	2017	% change
Legacy Toromont ^(b)	54.1	\$ 50.7	7%	0.68	\$ 0.65	5%
Toromont QM ^(c)	18.8	-	-	0.24	-	-
Acquisition-related interest expense and integration-related costs ^(e)	(4.2)	(1.3)	nm	(0.05)	(0.02)	nm
Dilutive impact of acquisition shares ^(d)	-	-	-	(0.03)	-	-
As reported	\$ 68.7	\$ 49.4	39%	\$ 0.84	\$ 0.63	33%

(a) Separately identifies impact of shares issued at acquisition for year-over-year comparability

(b) Defined as all businesses continuing from prior to the acquisition

(c) Defined as all businesses acquired October 27, 2017

(d) EPS impact of 2.2 million shares issued on acquisition to total net earnings

(e) Expenses shown net of taxes

At Legacy Toromont, net earnings increased 7% in the quarter and 18% year-to-date, with EPS closely tracking the increase at 5% and 17%, respectively.

Year-to-Date Net Earnings

<i>millions, except per share amounts</i>	Nine months ended September 30					
	Net earnings			Basic EPS ^(a)		
	2018	2017	% change	2018	2017	% change
Legacy Toromont ^(b)	139.6	\$ 118.7	18%	1.77	\$ 1.51	17%
Toromont QM ^(c)	42.5	-	-	0.54	-	-
Acquisition-related interest expense and integration-related costs ^(e)	(15.0)	(1.9)	nm	(0.19)	(0.02)	nm
Dilutive impact of acquisition shares ^(d)	-	-	-	(0.06)	-	-
As reported	\$ 167.1	\$ 116.8	43%	\$ 2.06	\$ 1.49	38%

(a) Separately identifies impact of shares issued at acquisition for year-over-year comparability

(b) Defined as all businesses continuing from prior to the acquisition

(c) Defined as all businesses acquired October 27, 2017

(d) EPS impact of 2.2 million shares issued on acquisition to total net earnings

(e) Expenses shown net of taxes

Comprehensive income was \$84.6 million in the quarter (2017 - \$48.8 million) and \$201.1 million year-to-date (2017 - \$113.6 million), comprising mainly of net earnings and actuarial gains on post-employment obligations.

BUSINESS SEGMENT OPERATING RESULTS

The accounting policies of the segments are the same as those of the consolidated entity. Management evaluates overall business segment performance based on revenue growth and operating income relative to revenues. Corporate expenses are allocated based on each segment's revenue. Interest expense and interest and investment income are not allocated.

Equipment Group

<i>(\$ thousands)</i>	Three months ended September 30				Nine months ended September 30			
	2018	2017	Change		2018	2017	Change	
			\$	%			\$	%
Equipment sales and rentals								
New	\$ 293,992	\$ 194,922	\$ 99,070	51%	\$ 856,242	\$ 476,386	\$ 379,856	80%
Used	65,508	45,444	20,064	44%	208,608	158,075	50,533	32%
Rentals	113,862	70,474	43,388	62%	274,934	171,602	103,332	60%
Total equipment sales and rentals	473,362	310,840	162,522	52%	1,339,784	806,063	533,721	66%
Product support	324,251	174,515	149,736	86%	939,654	491,069	448,585	91%
Power generation	2,515	2,665	(150)	(6%)	7,781	8,809	(1,028)	(12%)
Total revenues	\$ 800,128	\$ 488,020	\$ 312,108	64%	\$ 2,287,219	\$ 1,305,941	\$ 981,278	75%
Operating income	\$ 93,414	\$ 59,320	\$ 34,094	57%	\$ 233,135	\$ 144,380	\$ 88,755	61%
KEY RATIOS:								
Product support revenues as a % of total revenues	40.5%	35.8%			41.1%	37.6%		
Operating income margin	11.7%	12.2%			10.2%	11.1%		
Group total revenues as a % of consolidated revenues	88.9%	83.5%			90.1%	85.5%		

The Equipment Group delivered good results on solid performance at the legacy operations combined with the contribution from Toromont QM. Legacy Toromont Equipment Group revenues were down 2% in the quarter but up 5% year-to-date with strong operating income margin increases in both the quarter

and year-to-date. Toromont QM contributed \$322.5 million in total revenues in the quarter and \$912.6 million year-to-date, representing increases of 20% and 19% from those experienced a year ago at the predecessor organization.

At the legacy businesses, total equipment sales decreased 10% in the quarter but were up 1% year-to-date. New equipment sales were down 12% in the quarter but up 5% year-to-date. Sales into construction markets were down 4% in the quarter but up 24% year-to-date. Construction activity in the quarter was good in the Greater Toronto Area and Manitoba but softer in Northern and Southwestern Ontario and Newfoundland. New mining sales, which can vary from period to period due to various factors including mine start-ups or expansions phases, were down 16% in the quarter and 9% year-to-date from the prior year, which included the delivery of a large mining package. New power systems sales were down 35% in the quarter and 21% year-to-date from record levels achieved last year, with lower demand for electric and prime power generator sets. New agriculture sales were down 6% in the quarter but up 5% for the year. Demand for combines through the first nine months of the year was good, aided by an early start to the farming season, with favourable weather conditions compared to last year. Used equipment availability remained challenged due to the influx of US buyers on the weaker Canadian dollar and were down 2% in the quarter and 12% year-to-date.

At Toromont QM, total equipment sales increased 32% in the quarter to \$143.3 million and 28% year-to-date to \$423.6 million from those recorded at the predecessor organization, driven by strong new equipment sales, partially offset by lower used equipment sales.

Rental revenues at the legacy businesses increased 14% in both the quarter and year-to-date versus last year on improved time utilization and larger fleets across all segments. Heavy equipment rentals increased 12% in the quarter and 3% year-to-date. Light equipment rentals increased 6% in the quarter and 10% year-to-date. Demand for both heavy and light equipment rentals were good across most of Ontario and Manitoba, while lower in Newfoundland, which benefitted from certain one-time projects last year. Power rentals continued its record setting year, increasing 86% in the quarter (83% year-to-date) on a larger more diverse fleet offering and good market penetration across many industries. Rental revenues from RPO increased 24% in the quarter and 14% year-to-date, benefiting from a larger average fleet versus similar periods last year. At Toromont QM, rental revenues were up 14% from those experienced at the predecessor organization to \$33.7 million in the quarter and up 16% to \$79.4 million year-to-date. Approximately two-thirds of rental revenues at Toromont QM were generated from the light equipment fleet and lift-truck rentals and the remainder from the heavy and power fleets.

The RPO fleet increased to \$79.4 million, including \$25.5 million at Toromont QM.

Product support revenues at the legacy businesses increased 2% in the quarter and were up 8% year-to-date. Parts sales grew 3% in the quarter and 9% year-to-date on a constant dollar basis, mainly reflecting good activity into mining markets. Service revenues increased 6% in the quarter and 12% year-to-date with growth across most market segments. Toromont QM contributed product support revenues of \$145.5 million in the quarter (up 12% from a year ago) and \$409.6 million in the year-to-date (up 12%).

Gross profit margins increased 170 bps in the quarter and 120 bps versus a year ago on higher product support margins and a favorable sales mix of product support revenues to total revenues. Historically, the Toromont QM business achieved lower average margins than the Legacy Toromont business and consequently, this margin gap diluted total Equipment Group margins in the quarter and year-to-date.

At Legacy Toromont, selling and administrative expenses were up 3% in the quarter and 6% year-to-date, mainly reflecting higher compensation, customer support costs, travel expenses and allowances for bad debt. As a percentage of revenues, expenses were 70 bps higher in the quarter and 10 bps higher year-to-date at Legacy Toromont. Expenses at Toromont QM are high on a relative basis (\$54.0

million in the quarter and \$161.4 million year-to-date) and, contributed to the total increases versus a year ago.

Operating income was up \$34.1 million or 57% in the quarter and \$88.8 million or 61% year-to-date. The Legacy Equipment Group operating income increased 16% in the quarter and 23% year-to-date, mainly reflecting the higher margins. As a percentage of revenues, operating income was up 230 bps in the quarter and 190 bps year-to-date at the Legacy Equipment Group. Toromont QM contributed \$24.5 million in the quarter and \$55.3 million year-to-date.

Bookings and Backlogs

(\$ millions)	2018	2017	\$ change	% change
Bookings - three months ended September 30	\$ 321	\$ 185	\$ 136	74%
Bookings - nine months ended September 30	\$ 1,114	\$ 685	\$ 429	63%
Backlogs - as at September 30	\$ 366	\$ 197	\$ 169	86%

Bookings increased \$136.0 million in the quarter. In the legacy businesses, a 19% increase over last year was driven by strong power systems (up 258%) and agriculture orders (up 27%), partially offset by lower mining (down 38%) and construction orders (down 7%). Toromont QM bookings of \$101.1 million in the quarter reflected good ordering activity across most market segments. Approximately two-thirds of the orders received at QM were construction related.

On a year-to-date basis, bookings increased \$429.0 million, largely reflecting the incremental orders at Toromont QM. In the legacy businesses, bookings were relatively unchanged as higher power systems (up 68%), construction (up 4%) and agriculture orders (up 21%) were offset by lower mining orders (down 51%) which included a large package last year.

Backlogs increased to \$366.0 million, including \$132.5 million at Toromont QM. At September 30, 2018, the total backlog of \$366.0 million related to power systems (50%), construction (28%), mining (13%), agriculture (5%) and lift trucks (4%), approximately two-thirds of which is expected to be delivered over the remainder of this year. Backlogs can vary significantly from period to period on large project activities, especially in mining and power, the timing of orders and deliveries and the availability of equipment from either inventory or suppliers.

CIMCO

(\$ thousands)	Three months ended September 30				Nine months ended September 30			
	2018	2017	Change		2018	2017	Change	
			\$	%			\$	%
Package sales	\$ 61,991	\$ 61,271	\$ 720	1%	\$ 151,436	\$ 124,570	\$ 26,866	22%
Product support	37,975	34,867	3,108	9%	99,534	96,885	2,649	3%
Total revenues	\$ 99,966	\$ 96,138	\$ 3,828	4%	\$ 250,970	\$ 221,455	\$ 29,515	13%
Operating income	\$ 6,337	\$ 9,265	\$ (2,928)	(32%)	\$ 14,811	\$ 18,621	\$ (3,810)	(20%)
KEY RATIOS:								
Product support revenues as a % of total revenues	38.0%	36.3%			39.7%	43.7%		
Operating income margin	6.3%	9.6%			5.9%	8.4%		
Group total revenues as a % of consolidated revenues	11.1%	16.5%			9.9%	14.5%		

In Canada, package revenues were up 2% in the quarter with strong sales in Quebec and Western Canada, partially offset by softer sales in Ontario and Atlantic Canada. On a year-to-date basis, package revenues were up 25% in Canada with all regions except Atlantic Canada reporting growth over last

year. On a market segment basis, higher industrial activity levels (up 9% in the quarter and 41% year-to-date) served to offset lower recreational activity (down 11% in the quarter and 8% year-to-date). In the US, package revenues were relatively unchanged in the quarter while up 10% year-to-date with similar market segment trends as in Canada. Package revenues reflect the progress of project construction applying the percentage-of-completion method for revenue recognition. This introduces a degree of variability as the timing of projects and construction schedules are largely under the control of third parties (contractors and end-customers).

Product support revenues increased 9% in the quarter and 3% year-to-date. Canadian revenues increased 10% in the quarter and 3% year-to-date, while in the US, revenues were up 3% in the quarter and relatively unchanged on a year-to-date basis. Focus remains on growing the overall technician base to address demand signals, which remain good.

Gross profit margins decreased 380 bps in the quarter and 450 bps year-to-date, largely attributable to problems encountered on one US-based project, resulting in a charge of \$2.3 million in the third quarter (\$3.3 million year-to-date).

Selling and administrative expenses were relatively unchanged in the quarter and year-to-date. Most expense categories were relatively unchanged or lower, partially offset by higher allowances for doubtful accounts. As a percentage of sales, selling and administrative expenses were down 50 bps in the quarter and 200 bps year-to-date.

Operating income decreased 32% in the quarter and 20% year-to-date, largely reflecting the lower margins, partially offset by the higher revenues and lower expense ratios.

Bookings and Backlogs

<i>(\$ millions)</i>	2018	2017	\$ change	% change
Bookings - three months ended September 30	\$ 26	\$ 72	\$ (46)	(64%)
Bookings - nine months ended September 30	\$ 148	\$ 208	\$ (60)	(29%)
Backlogs - as at September 30	\$ 126	\$ 176	\$ (50)	(29%)

Bookings were down in both the quarter and year-to-date against the records set last year. In Canada, bookings were down 66% in the quarter and 23% year-to-date with lower industrial and recreational orders for both periods. In the US, bookings were down 60% in the quarter and 47% year-to-date. While industrial activity decreased and returned to more historical levels in the US, recreational activity was significantly higher in the quarter (up 580%).

Backlogs were down \$50.0 million compared to the record set last year but still significantly higher than the previous five-year average. Approximately half of the backlog is expected to be delivered over the remainder of this year.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At September 30, 2018, the ratio of net debt to total capitalization was 25%, compared to 40% at December 31, 2017 and 2% at September 30, 2017.

Non-Cash Working Capital

The Company's investment in non-cash working capital was \$378.4 million at September 30, 2018. The major components, along with the changes from September 30 and December 31, 2017 are presented in the following table. The acquisition of Toromont QM closed October 27, 2017, impacting the comparability of September 30th balances.

(\$ thousands)	September 30		Change		December 31		Change	
	2018	2017	\$	%	2017	\$	%	
Accounts receivable	\$ 529,708	\$ 322,291	\$ 207,417	64%	\$ 528,748	\$ 960	-	
Inventories	909,095	502,125	406,970	81%	777,524	131,571	17%	
Other current assets	14,265	8,450	5,815	69%	8,386	5,879	70%	
Accounts payable and accrued liabilities	(855,731)	(238,923)	(616,808)	258%	(525,166)	(330,565)	63%	
Provisions	(22,483)	(14,321)	(8,162)	57%	(22,436)	(47)	-	
Income taxes (payable) receivable	(20,634)	(5,969)	(14,665)	246%	(204)	(20,430)	nm	
Derivative financial instruments	(1,010)	(4,030)	3,020	nm	(5,260)	4,250	nm	
Dividends payable	(18,733)	(14,931)	(3,802)	25%	(15,655)	(3,078)	20%	
Deferred revenues and contract liabilities	(156,075)	(83,091)	(72,984)	88%	(137,129)	(18,946)	14%	
Total non-cash working capital	\$ 378,402	\$ 471,601	\$ (93,199)	(20%)	\$ 608,808	\$ (230,406)	(38%)	

Accounts receivable at September 30, 2018 included \$209.8 million at Toromont QM. At the legacy businesses, accounts receivable were down 1%, tracking lower sales.

Accounts receivable at December 31, 2017 included \$42.7 million related to amounts owing to the Company stemming from the 2017 acquisition and collected in the first quarter of 2018. Excluding this, accounts receivable increased \$43.7 million or 9% mainly on higher trailing revenues (Q3 2018 revenues were 9% higher than Q4 2017 revenues).

Inventories at September 30, 2018 included \$380.7 million at Toromont QM. Legacy Toromont inventories were up \$26.3 million or 5% compared to September 30, 2017 as follows:

- Legacy Equipment Group inventories increased \$29.7 million or 6% with higher equipment (up \$11.7 million or 4%), parts (up \$12.6 million or 11%) and service work-in-process (up \$5.4 million or 19%).
- CIMCO inventories were down \$3.4 million or 13%, largely reflecting lower work-in-process levels on the timing of project advancement.

In comparison to December 31, 2017, inventories were \$131.6 million or 17% higher with increases in both Groups:

- Equipment Group inventories were \$128.8 million or 17% higher with increases in all categories. Equipment Group inventory levels are typically lowest at the end of the fiscal year due to seasonality, with inventories building during the year in advance of the busy selling period.
- CIMCO inventories were up \$2.8 million or 13% on higher work-in-process for both Canadian and US projects reflecting project construction schedules.

Accounts payable and accrued liabilities at September 30, 2018 included \$349.2 million at Toromont QM. Legacy Toromont accounts payable and accrued liabilities increased \$267.6 million or 112%. Both balances were elevated reflecting timing of payments and transitional terms from suppliers. Compared to December 31, 2017, the increase of \$330.6 million mainly reflects the timing of payments and terms related to inventory purchases, partially offset by the payout of annual performance incentive bonuses.

Provisions at September 30, 2018 increased \$8.2 million or 57%, reflecting higher warranty provisions at the legacy businesses on increased equipment and package sales together with \$6.1 million related to Toromont QM.

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

Derivative financial instruments represent the fair value of foreign exchange contracts. Management estimates that a loss of \$1.0 million (December 31, 2017 – loss of \$5.3 million; September 30, 2017 – loss of \$4.0 million) would be realized if the contracts were terminated on September 30, 2018. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized loss of \$1.8 million (December 31, 2017 – unrealized loss of \$2.3 million; September 30, 2017 – unrealized loss of \$2.9 million) has been included in other comprehensive income. These losses are not expected to affect net income as the losses will be reclassified to net income within the next fourteen months and will offset gains recorded on the underlying hedged items, namely foreign-denominated accounts payable. Certain of those forward contracts are not designated as cash flow hedges but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A gain of \$0.8 million (December 31, 2017 – loss of \$3.0 million; September 30, 2017 – loss of \$1.1 million) on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable.

Dividends payable increased compared to September 30 and December 31, 2017 reflecting the higher dividend rate and the higher number of shares outstanding. The quarterly dividend rate was increased 21% from \$0.19 per share to \$0.23 per share effective with the April 2, 2018 dividend payment.

Deferred revenues and contract liabilities represent billings to customers in excess of revenue recognized.

- In the Equipment Group, these arise on sales of equipment with residual value guarantees, extended warranty contracts and other long-term customer support agreements (“CSAs”) as well as on progress billings on long-term construction contracts. Toromont QM reported deferred revenues and contract liabilities of \$66.7 million at September 30, 2018, while the legacy Equipment Group reported an increase of \$8.5 million or 16% versus September 30, 2017, due to increased progress billings for equipment deliveries in the future and progress billings relative to work completed on long-term CSAs.
- In CIMCO, these arise on progress billings in advance of revenue recognition and were down \$2.2 million or 7% at September 30, 2018 versus September 30, 2017.

Compared to December 31, 2017, the Equipment Group reported higher deferred revenues and contract liabilities (up \$20.0 million or 19%) while these were lower at CIMCO (down \$1.1 million or 4%) for similar reasons outlined earlier.

Legal and Other Contingencies

Due to the size, complexity and nature of the Company’s operations, various legal matters are pending. Exposure to these claims is mitigated through levels of insurance coverage considered appropriate by management and by active management of these matters. In the opinion of management, none of these matters will have a material effect on the Company’s consolidated financial position or results of operations.

Outstanding Share Data

As at the date of this MD&A, the Company had 81,456,065 common shares and 2,663,340 share options outstanding.

Dividends

The Company declared and paid the following dividends to common shareholders during the last eight quarters.

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total (\$ millions)
December 9, 2016	January 3, 2017	\$0.18	\$14.1
March 10, 2017	April 3, 2017	\$0.19	\$14.9
June 9, 2017	July 4, 2017	\$0.19	\$14.9
September 8, 2017	October 2, 2017	\$0.19	\$14.9
December 8, 2017	January 3, 2018	\$0.19	\$15.4
March 9, 2018	April 2, 2018	\$0.23	\$18.6
June 8, 2018	July 3, 2018	\$0.23	\$18.7
September 7, 2018	October 2, 2018	\$0.23	\$18.7

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.

The Company maintains a \$500.0 million committed revolving bank credit facility. Debt under the facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility. The facility includes covenants, restrictions and events of default typical for credit facilities of this nature.

No amounts were drawn on the revolving bank credit facility at September 30, 2018, December 31, 2017 or September 30, 2017. Letters of credit utilized \$27.2 million of the facility (December 31, 2017 - \$26.7 million; September 30, 2017 - \$24.3 million).

During the first nine months of 2018, the Company repaid the \$250.0 million committed term credit facility. Unamortized deferred financing costs of \$0.8 million associated with this debt were expensed and recorded within interest expense on the interim condensed consolidated income statement.

The Company expects that continued cash flows from operations in 2018 together with cash on hand, and available credit facilities will be more than sufficient to fund requirements for investments in working capital and capital assets.

Principal Components of Cash Flow

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

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Cash, beginning of period	\$ 279,724	\$ 120,944	\$160,507	\$188,735
Cash, provided by (used in):				
Operating activities				
Operations	100,786	64,685	265,406	159,141
Change in non-cash working capital and other	(8,949)	(23,818)	185,956	(87,738)
Net rental fleet additions	(26,749)	(9,561)	(118,091)	(64,542)
	65,088	31,306	333,271	6,861
Investing activities	(14,071)	(10,966)	14,714	(25,957)
Financing activities	(113,714)	(12,029)	(291,676)	(40,254)
Effect of foreign exchange on cash balances	(134)	(32)	77	(162)
Increase (decrease) in cash in the period	(62,831)	8,279	56,386	(59,512)
Cash, end of period	\$ 216,893	\$ 129,223	\$ 216,893	\$ 129,223

Cash Flows from Operating Activities

Operating activities provided significant cash inflow in the third quarter and year-to-date.

The higher cash generated from operations reflect the increased cash earnings generated by both the legacy businesses and Toromont QM.

Non-cash working capital and other used significantly less cash in the quarter and provided significant cash year-to-date, mainly as a result of higher accounts payable and accrued liabilities and lower accounts receivable, partially offset by higher inventories.

Net rental fleet additions (purchases less proceeds of disposition) were higher mainly due to investments at Toromont QM to grow the fleet (\$12.9 million in the quarter and \$49.3 million year-to-date). At Legacy Toromont, net additions were higher in the quarter and year-to-date, reflecting continued focus on growing, optimizing and diversifying the fleet to address strong retail demand signals.

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

During the first quarter, the Company received \$42.7 million related to the final closing working capital adjustment of the 2017 acquisition (refer to note 3 of the notes to the 2017 audited consolidated financial statements for more information).

Investments in property, plant and equipment in the quarter amounted to \$15.9 million (2017 - \$11.1 million), which included \$3.3 million at the acquired locations.

On a year-to-date basis, investments in property, plant and equipment were \$31.3 million (2017 - \$26.9 million), including \$8.4 million at the acquired locations. Total additions included \$14.7 million for service vehicles, \$8.0 million in land and buildings for new and expanded branches and \$4.9 million for machinery and equipment.

Cash Flows from Financing Activities

The Company paid dividends of \$18.7 million or \$0.23 per share (2017 - \$14.9 million or \$0.19 per

share) during the quarter and \$52.7 million or \$0.65 per share year-to-date (2017 - \$43.9 million or \$0.56 per share).

The Company received \$5.0 million (2017 - \$3.8 million) in the quarter on the exercise of stock options and \$12.0 million year-to-date (2017 - \$5.5 million).

To partially fund the acquisition in October 2017, the Company drew \$250.0 million against its term credit facility, \$150.0 million of which was repaid in the first quarter of 2018 and the remaining \$100.0 million repaid in the third quarter. These repayments largely accounts for the significant use of cash for the quarter and year-to-date.

OUTLOOK

The expansion of our territories to include Quebec and Atlantic Canada is expected to be transformative to the long-term performance of Toromont. It provides a substantial growth platform and strengthens our Company by providing a large contiguous operating platform extending across all of Eastern and Central Canada and into the far North. Effective execution will be required to realize on this significant potential for a greater combined presence in key Canadian economic sectors such as mining, construction and power systems, combined with the growing rental services and material handling markets. Focus is currently on safety of our people, customer deliverables, business integration, operational excellence initiatives and transition to generate favorable long-term returns.

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

The long-term outlook for infrastructure projects and other construction activity remains positive across most territories.

The Company has experienced good growth in mining product support this year. Production continues at existing mine sites, generating meaningful product support opportunities and incremental equipment sales to facilitate mine expansion. The substantially increased base of installed equipment, bodes well for future product support activity.

CIMCO's increasing installed base and long-term product support levels are positive signals for future growth trends. CIMCO has a wide product offering using natural refrigerants including innovative CO₂ solutions, which remains a differentiator in recreational markets. In industrial markets, CIMCO's proven track record and strong geographical coverage provides continued growth opportunities. While recent results have been challenged by problems encountered on one US-based project, management believes that processes have been addressed and that CIMCO is refocused with its growth strategy in the US – a significant market opportunity.

Tariffs implemented this year have not had a material, direct impact to Toromont's businesses.

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

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2017 annual audited consolidated financial statements, and described in Note 1 therein, except as described in Note 1 to the unaudited interim condensed consolidated financial statements for the three and nine month periods ending September 30, 2018.

<i>(\$ thousands, except per share amounts)</i>	Q4 2017	Q1 2018	Q2 2018	Q3 2018
REVENUES				
Equipment Group	\$ 726,011	\$ 612,971	\$ 874,120	\$ 800,128
CIMCO	96,755	63,857	87,147	99,966
Total revenues	\$ 822,766	\$ 676,828	\$ 961,267	\$ 900,094
NET EARNINGS	\$ 59,136	\$ 30,779	\$ 67,610	\$ 68,697
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.73	\$ 0.38	\$ 0.83	\$ 0.84
Diluted earnings per share	\$ 0.72	\$ 0.38	\$ 0.83	\$ 0.84
Dividends paid per share	\$ 0.19	\$ 0.19	\$ 0.23	\$ 0.23
Weighted average common shares outstanding - basic (in thousands)	80,916	80,976	81,131	81,383

<i>(\$ thousands, except per share amounts)</i>	Q4 2016	Q1 2017	Q2 2017	Q3 2017
REVENUES				
Equipment Group	\$ 418,793	\$ 359,763	\$ 458,158	\$ 488,020
CIMCO	73,430	52,545	72,772	96,138
Total revenues	\$ 492,223	\$ 412,308	\$ 530,930	\$ 584,158
NET EARNINGS	\$ 45,529	\$ 27,024	\$ 40,455	\$ 49,355
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.58	\$ 0.34	\$ 0.52	\$ 0.63
Diluted earnings per share	\$ 0.58	\$ 0.34	\$ 0.51	\$ 0.62
Dividends paid per share	\$ 0.18	\$ 0.18	\$ 0.19	\$ 0.19
Weighted average common shares outstanding - basic (in thousands)	78,344	78,434	78,474	78,522

Interim period revenues and earnings historically reflect variability from quarter to quarter due to seasonality. The acquisition in the fourth quarter of 2017 also affects comparability on a year-over-year basis.

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

CIMCO has also had a distinct seasonal trend in results historically, due to timing of construction activity. Lower revenues are recorded during the first quarter on slower construction schedules due to winter

weather. Revenues increase in subsequent quarters as construction schedules ramp up. This trend can be, and has been, impacted somewhat by significant governmental funding initiatives and significant industrial projects.

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

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to risks that may potentially impact its financial results in either or both of its business segments. The Company and each operating segment employ risk management strategies with a view to mitigating these risks in a cost-effective manner. There have been no material changes to the operating and financial risk assessment and related risk management strategies as described in the Company's 2017 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Accounting Policies

The significant accounting policies used in the preparation of the accompanying unaudited interim condensed consolidated financial statements are consistent with those used in the Company's 2017 audited annual consolidated financial statements, and described in Note 1 therein, except as described in Note 1 to the unaudited interim condensed consolidated financial statements for the three and nine month periods ending September 30, 2018.

Estimates

The preparation of financial statements in conformity with IFRS requires estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. There have been no material changes to the critical accounting estimates as described in Note 2 to the Company's 2017 audited annual consolidated financial statements, contained in the Company's 2017 Annual Report.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the accompanying consolidated financial statements. The Audit Committee is also responsible for determining that management fulfills its responsibilities in the financial control of operations, including disclosure controls and procedures and internal control over financial reporting.

Disclosure Controls and Procedures

Management, under the supervision of the President and Chief Executive Officer (“CEO”) and Executive Vice President and Chief Financial Officer (“CFO”), is responsible for establishing and maintaining disclosure controls and procedures, as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings*, and have designed such disclosure controls and procedures, or have caused it to be designed under their supervision, to provide reasonable assurance that material information with respect to Toromont is made known to them.

The CEO and CFO have limited the scope of their design to exclude the disclosure controls and procedures of the businesses acquired on October 27, 2017. The design of the acquired businesses disclosure controls and procedures will be completed for the fourth quarter of fiscal 2018.

Internal Control over Financial Reporting

Management, under the supervision of the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings*, and have designed such internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS.

There have been no significant changes in the design of the Company’s internal controls over financial reporting during the three and nine month periods ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

The CEO and CFO have limited the scope of their design and evaluation of the Company’s internal control over financial reporting to exclude the internal control over financial reporting of the businesses acquired on October 27, 2017. The acquired businesses’ contribution to the overall consolidated financial statements of Toromont for the nine months ended September 30, 2018 was approximately 36% of consolidated revenues and 25% of consolidated net income.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, a projection of the evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation. Internal controls over financial reporting may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

ADDITIONAL GAAP MEASURES

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

thereto include certain additional GAAP measures where management considers such information to be useful to the understanding of the Company's results.

Gross Profit

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

Operating Income

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

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net earnings	\$ 68,697	\$ 49,355	\$ 167,086	\$ 116,834
<i>plus:</i> Interest expense	7,479	1,818	24,093	5,489
<i>less:</i> Interest and investment income	(2,199)	(914)	(6,429)	(3,022)
<i>plus:</i> Income taxes	25,774	18,326	63,196	43,700
Operating income	\$ 99,751	\$ 68,585	\$ 247,946	\$ 163,001

Net Debt to Total Capitalization and Equity

Net debt to total capitalization and equity are calculated as net debt divided by total capitalization and shareholders' equity, respectively, as defined below, and are used by management as measures of the Company's financial leverage.

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

The calculations are as follows:

(\$ thousands)	September 30 2018	December 31 2017	September 30 2017
Long-term debt	\$ 644,307	\$ 893,806	\$ 149,112
Current portion of long-term debt	2,010	1,941	1,941
<i>less:</i> Cash	216,893	160,507	129,223
Net debt	429,424	735,240	21,830
Shareholders' equity	1,286,039	1,124,727	962,369
Total capitalization	\$ 1,715,463	\$ 1,859,967	\$ 984,199
Net debt to total capitalization	25%	40%	2%
Net debt to equity	0.33:1	0.65:1	0.02:1

NON-GAAP MEASURES

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

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

Working Capital

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

<i>(\$ thousands)</i>	September 30 2018	December 31 2017	September 30 2017
Total current assets	\$ 1,669,961	\$ 1,475,165	\$ 962,089
<i>less:</i> Total current liabilities	1,076,676	707,791	363,206
Working capital	\$ 593,285	\$ 767,374	\$ 598,883

Non-Cash Working Capital

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

<i>(\$ thousands)</i>	September 30 2018	December 31 2017	September 30 2017
Total current assets	\$ 1,669,961	\$ 1,475,165	\$ 962,089
<i>less:</i> Cash	216,893	160,507	129,223
	1,453,068	1,314,658	832,866
Total current liabilities	1,076,676	707,791	363,206
<i>less:</i> Current portion of long-term debt	2,010	1,941	1,941
	1,074,666	705,850	361,265
Non-cash working capital	\$ 378,402	\$ 608,808	\$ 471,601

Market Capitalization & Total Enterprise Value

Market capitalization represents the total market value of the Company's equity. It is calculated by multiplying the market price of the Company's share by the total outstanding shares.

Total enterprise value represents the total value of the Company and is often used as a more comprehensive alternative to market capitalization. It is calculated by adding net debt (defined above) to market capitalization.

The calculations are as follows:

<i>(\$ thousands, except for share price)</i>	September 30 2018	December 31 2017	September 30 2017
Outstanding common shares	81,456	80,950	78,647
x Ending share price	\$ 66.77	\$ 55.10	\$ 57.22
Market capitalization	\$ 5,438,821	\$ 4,460,335	\$ 4,500,156
Long-term debt	\$ 644,307	\$ 893,806	\$ 149,112
Current portion of long-term debt	2,010	1,941	1,941
less: Cash	216,893	160,507	129,223
Net debt	\$ 429,424	\$ 735,240	\$ 21,830
Total enterprise value	\$ 5,868,245	\$ 5,195,575	\$ 4,521,986

Key Performance Indicators (“KPIs”)

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

Gross Profit Margin

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

Operating Income Margin

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

Order Bookings and Backlogs

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

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

(\$ thousands)	Note	September 30 2018	December 31 2017	September 30 2017
Assets				
Current assets				
Cash		\$ 216,893	\$ 160,507	\$ 129,223
Accounts receivable		529,708	528,748	322,291
Inventories		909,095	777,524	502,125
Other current assets		14,265	8,386	8,450
Total current assets		1,669,961	1,475,165	962,089
Property, plant and equipment	2	411,684	412,535	191,230
Rental equipment	2	527,218	469,342	309,417
Other assets		16,172	17,206	14,929
Deferred tax assets		-	411	9,544
Goodwill and intangible assets		488,006	491,750	27,479
Total assets		\$ 3,113,041	\$ 2,866,409	\$ 1,514,688
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 874,464	\$ 540,821	\$ 253,854
Provisions		22,483	22,436	14,321
Deferred revenues and contract liabilities		156,075	137,129	83,091
Current portion of long-term debt	3	2,010	1,941	1,941
Derivative financial instruments	5	1,010	5,260	4,030
Income taxes payable		20,634	204	5,969
Total current liabilities		1,076,676	707,791	363,206
Deferred revenues		18,270	18,750	18,433
Long-term debt	3	644,307	893,806	149,112
Post-employment obligations		78,351	121,335	21,568
Deferred tax liabilities		9,398	-	-
Shareholders' equity				
Share capital		458,872	444,427	321,674
Contributed surplus		11,847	10,290	9,637
Retained earnings		814,477	669,813	631,338
Accumulated other comprehensive income		843	197	(280)
Shareholders' equity		1,286,039	1,124,727	962,369
Total liabilities and shareholders' equity		\$ 3,113,041	\$ 2,866,409	\$ 1,514,688

See accompanying notes

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

	Note	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
(\$ thousands, except share amounts)					
Revenues	11	\$ 900,094	\$ 584,158	\$ 2,538,189	\$ 1,527,396
Cost of goods sold		671,798	442,871	1,918,253	1,163,561
Gross profit		228,296	141,287	619,936	363,835
Selling and administrative expenses		128,545	72,702	371,990	200,834
Operating income		99,751	68,585	247,946	163,001
Interest expense	6	7,479	1,818	24,093	5,489
Interest and investment income	6	(2,199)	(914)	(6,429)	(3,022)
Income before income taxes		94,471	67,681	230,282	160,534
Income taxes		25,774	18,326	63,196	43,700
Net earnings		\$ 68,697	\$ 49,355	\$ 167,086	\$ 116,834
Earnings per share					
Basic	7	\$ 0.84	\$ 0.63	\$ 2.06	\$ 1.49
Diluted	7	\$ 0.84	\$ 0.62	\$ 2.04	\$ 1.47
Weighted average number of shares outstanding					
Basic	7	81,383,350	78,522,123	81,165,183	78,475,990
Diluted	7	82,233,892	79,373,016	81,913,066	79,252,736

See accompanying notes

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

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net earnings	\$ 68,697	\$ 49,355	\$ 167,086	\$ 116,834
Other comprehensive income (loss), net of income taxes:				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	(173)	(420)	287	(770)
Unrealized (losses) gains on derivatives designated as cash flow hedges	(4,416)	(2,423)	1,510	(5,813)
Income tax recovery (expense)	1,155	632	(392)	1,513
Unrealized (losses) gains on cash flow hedges, net of income taxes	(3,261)	(1,791)	1,118	(4,300)
Realized losses (gains) on derivatives designated as cash flow hedges	468	2,271	(1,024)	2,507
Income tax (recovery) expense	(124)	(591)	265	(653)
Realized (gains) losses on cash flow hedges, net of income taxes	344	1,680	(759)	1,854
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Actuarial gains and other	25,674	-	45,200	-
Income tax expense	(6,700)	-	(11,843)	-
Actuarial gains and other, net of income taxes	18,974	-	33,357	-
Other comprehensive income (loss)	15,884	(531)	34,003	(3,216)
Total comprehensive income	\$ 84,581	\$ 48,824	\$ 201,089	\$ 113,618

See accompanying notes

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

(\$ thousands)	Note	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
Operating activities					
Net earnings		\$ 68,697	\$ 49,355	\$ 167,086	\$ 116,834
Items not requiring cash:					
Depreciation and amortization		35,149	20,546	104,490	59,063
Stock-based compensation		1,275	861	4,024	2,583
Post-employment obligations		1,371	(73)	2,215	(1,002)
Deferred income taxes		(2,690)	(2,092)	(2,161)	(3,074)
Interest accretion on repayment of term bank debt	3	310	-	821	-
Gain on sale of rental equipment and property, plant and equipment		(3,326)	(3,912)	(11,069)	(15,263)
		100,786	64,685	265,406	159,141
Net change in non-cash working capital and other	10	(8,949)	(23,818)	185,956	(87,738)
Additions to rental equipment	2	(31,954)	(16,316)	(137,279)	(91,451)
Proceeds on disposal of rental equipment		5,205	6,755	19,188	26,909
Cash provided by operating activities		65,088	31,306	333,271	6,861
Investing activities					
Additions to property, plant and equipment	2	(15,862)	(11,129)	(31,308)	(26,923)
Proceeds on disposal of property, plant and equipment		1,845	274	3,498	1,183
(Increase) decrease in other assets		(54)	(111)	42,524	(217)
Cash (used in) provided by investing activities		(14,071)	(10,966)	14,714	(25,957)
Financing activities					
Repayment of term bank debt	3	(100,000)	-	(250,000)	-
Repayment of senior debentures		-	(921)	(953)	(1,811)
Dividends	4	(18,686)	(14,909)	(52,701)	(43,927)
Cash received on exercise of stock options		4,972	3,801	11,978	5,484
Cash used in financing activities		(113,714)	(12,029)	(291,676)	(40,254)
Effect of currency translation on cash balances		(134)	(32)	77	(162)
(Decrease) increase in cash		(62,831)	8,279	56,386	(59,512)
Cash, at beginning of period		279,724	120,944	160,507	188,735
Cash, at end of period		\$ 216,893	\$ 129,223	\$ 216,893	\$ 129,223

Supplemental cash flow information (note 10)

See accompanying notes

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

	Share Capital		Accumulated other comprehensive income					
	Number	Amount	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Cash flow hedges	Total	Total
(\$ thousands)								
At January 1, 2018	80,949,819	\$ 444,427	\$ 10,290	\$ 669,813	\$ 1,911	\$ (1,714)	\$ 197	\$ 1,124,727
Net earnings	-	-	-	167,086	-	-	-	167,086
Other comprehensive income	-	-	-	33,357	287	359	646	34,003
Total comprehensive income	-	-	-	200,443	287	359	646	201,089
Exercise of stock options	506,246	14,445	-	-	-	-	-	14,445
Stock-based compensation expense	-	-	4,024	-	-	-	-	4,024
Stock options exercised	-	-	(2,467)	-	-	-	-	(2,467)
Effect of stock compensation plans	506,246	14,445	1,557	-	-	-	-	16,002
Dividends	-	-	-	(55,779)	-	-	-	(55,779)
At September 30, 2018	81,456,065	\$ 458,872	\$ 11,847	\$ 814,477	\$ 2,198	\$ (1,355)	\$ 843	\$ 1,286,039

	Share Capital		Accumulated other comprehensive income					
	Number	Amount	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Cash flow hedges	Total	Total
(\$ thousands)								
At January 1, 2017	78,398,456	\$ 315,078	\$ 8,166	\$ 559,252	\$ 2,627	\$ 309	\$ 2,936	\$ 885,432
Net earnings	-	-	-	116,834	-	-	-	116,834
Other comprehensive loss	-	-	-	-	(770)	(2,446)	(3,216)	(3,216)
Total comprehensive income	-	-	-	116,834	(770)	(2,446)	(3,216)	113,616
Exercise of stock options	248,095	6,596	-	-	-	-	-	6,596
Stock-based compensation expense	-	-	2,583	-	-	-	-	2,583
Stock options exercised	-	-	(1,112)	-	-	-	-	(1,112)
Effect of stock compensation plans	248,095	6,596	1,471	-	-	-	-	8,067
Dividends	-	-	-	(44,748)	-	-	-	(44,748)
At September 30, 2017	78,646,551	\$ 321,674	\$ 9,637	\$ 631,338	\$ 1,857	\$ (2,137)	\$ (280)	\$ 962,369

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for three and nine months ended September 30, 2018
(Unaudited)

(\$ thousands, except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

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

Toromont operates through two reportable segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations and an expanding agricultural equipment business. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities. Toromont employs over 6,200 people in almost 150 locations.

Basis of Preparation

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard (“IAS”) 34 - *Interim Financial Reporting*. Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2017.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements were the same as those that applied to the Company’s consolidated financial statements as at and for the year ended December 31, 2017.

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

These interim condensed consolidated financial statements were authorized for issue by the Audit Committee of the Board of the Directors on November 5, 2018.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended December 31, 2017, except as noted below.

Amendments to Standards Adopted in 2018

Certain amendments to standards that were adopted on January 1, 2018 are noted below.

a) Revenue Recognition

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

As of January 1, 2018, the Company has adopted IFRS 15. The transition to the new standard had no material impact on the measurement or recognition of revenue of prior periods, however, required additional disclosures have been added. The Company elected to apply the standard on a full retrospective basis, whereby the cumulative effect of adoption is applied to the earliest comparative period presented. For the Company, the earliest period presented is the comparative period beginning January 1, 2017. The Company applied certain practical expedients, as permitted by the standard in determining the impact on transition.

The Company’s accounting policy for revenue recognition is described below and was determined to be in compliance with the requirements of IFRS 15.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company principally generates revenue from the sale of equipment, rentals, product support and power generation.

Products and Services	Nature, timing and satisfaction of performance obligations and significant payment terms
Sale of Equipment	Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment and acceptance by the customer. The transaction price is documented on the sales invoice and agreed to by the customer. Payment is generally due at the time of delivery, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due.
Sale of Equipment with a Guaranteed Residual Value or Repurchase Commitment	The sale of equipment for which the Company has provided a guarantee to repurchase the equipment at a predetermined residual value is assessed to determine whether the customer has a significant economic incentive to exercise the put option. If there is no significant economic incentive, the sale is recorded as a sale with a right of return. If the customer is determined to have a significant economic incentive, the sale is recorded as an operating lease in accordance with IAS 17 – <i>Leases</i> .
Sale of Power Systems and Refrigeration Packages	The sale of power systems and refrigeration packages involve the design, manufacture, installation and commissioning of longer-term projects under the customer’s control and can span from three months to one-year. Revenue is recognized over time, using an input method of costs incurred to date as a percentage of total costs

	to measure progress towards complete satisfaction of the contract. Payment terms are usually based on set milestones outlined in the contract. Periodically, (i) amounts are received in advance of the associated contract work being performed - these amounts are recorded as contract liabilities; and (ii) revenue is recognized without issuing an invoice – this entitlement to consideration is recognized as unbilled receivables. Any foreseeable losses on such projects are recognized immediately in profit or loss as identified.
Equipment Rentals	Revenue is accounted for in accordance with IAS 17 – <i>Leases</i> . Revenue is recognized on a straight-line basis over the term of the agreement. Payment terms are generally 30 days from invoicing.
Product Support	Revenue from product support services includes the sale of parts and performance of service work on equipment. For the sale of parts, revenue is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the part(s). For the servicing of equipment, revenue is recognized at a point in time, when the service is complete and accepted by the customer.
Long-term Maintenance Contracts	Long-term maintenance contracts typically range from one to five years and are customer-specific. These contracts are sold either separately or bundled together with the sale of equipment to a customer. These arrangements cover a range of services from regular maintenance to major repairs. Under IFRS 15, if the sale of equipment and a long term maintenance contract are considered to be bundled, the Company has concluded that there are two separate performance obligations as each of the promises to transfer equipment and provide services is capable of being distinct and separately identifiable. If the sales are bundled, the Company allocates a portion of the transaction price based on the relative stand-alone selling price to each performance obligation. Revenue from maintenance services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service.
Extended Warranty	The Company generally provides warranties for general repairs of defects that existed at the time of sale. As such, most warranties are assurance-type warranties under IFRS 15, which the Company accounts for under IAS 37 - <i>Provisions, Contingent Liabilities and Contingent Assets</i> . Extended warranty may be purchased by a customer at time of purchase of a machine to provide additional warranty coverage beyond the initial one year standard warranty covered by the supplier. Extended warranty generally covers specified components for a term from 3 to 5 years. Under IFRS 15, such warranties are accounted for as service-type warranties and, therefore, are accounted for as separate performance obligations to which the Company allocates a portion of the transaction price based on the relative stand-alone selling price. Revenue is subsequently recognised over time based on the time elapsed.
Power Generation	The Company owns and/or operates power generation plants that sell electricity and thermal power. Revenue is recognized monthly based on set rates as power is consumed. Payment is due within 30 days of invoicing.

The disaggregation of the Company's revenues for each reportable segment is disclosed in Note 11.

b) Share-based Payment

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

The amendments were effective for annual periods beginning on or after January 1, 2018. Adoption of these amendments had no impact on the Company's financial position or net earnings.

c) Financial Instruments

IFRS 9 - *Financial Instruments* ("IFRS 9") replaces IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39") for annual periods beginning on or after January 1, 2018. IFRS 9 includes classification and measurement of financial assets and financial liabilities, a forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018. As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures or note disclosures. Any adjustments to the carrying amounts of financial assets and liabilities at the transition date are to be recognized in the opening retained earnings of the current period, however, the Company assessed that no adjustments to the carrying amounts of financial assets and liabilities were required upon adoption of IFRS 9.

The adoption of IFRS 9 has resulted in changes in the Company's accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

Trade receivables

Trade receivables are carried at amounts due, net of impairment for estimated expected credit loss ("ECL").

Financial assets and liabilities

Financial assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value.

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through profit or loss ("FVTPL"). Financial liabilities are classified as FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as FVTPL.

For financial liabilities that are designated as FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income ("OCI"), unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in the consolidated statements of income. The remaining amount of change in the fair value of liability is recognized in the consolidated income statements. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to the consolidated income statements; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as FVTPL, are subsequently measured at amortized cost using the effective interest method.

Classification and subsequent measurement

Appropriate classification of financial assets and financial liabilities is determined at the time of initial recognition or when reclassified on the consolidated statements of financial position. From January 1, 2018, the Company has applied IFRS 9 and classifies its financial assets and liabilities in the following measurement categories:

- (i) Amortized cost;
- (ii) Fair value through other comprehensive income ("FVTOCI"); or
- (iii) FVTPL.

Impairment

IFRS 9 requires a forward looking ECL model as opposed to an incurred credit loss model under IAS 39. The amount of ECL is updated at each reporting period to reflect changes in credit risk of the respective financial instrument.

In applying the ECL model, one of the following three approaches can be used:

- (i) General approach, which would be applied to most loans and debt securities;
- (ii) Simplified approach, which will be applied to most trade receivables; or
- (iii) Purchased or originated credit-impaired approach.

As the Company's financial assets are substantially made up of trade receivables, the Company has opted to use the simplified approach for measuring the loss allowance at an amount equal to lifetime ECL. The simplified approach does not require the tracking of changes in credit risk, but instead requires the recognition of lifetime ECLs at all times. Lifetime ECL represents the ECL that would result from all possible default events over the expected life of a financial instrument.

The Company considers the following as constituting an event of a default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- (i) when there is a breach of financial covenants by the customer; or
- (ii) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (i) significant financial difficulty of the customer;
- (ii) a breach of contract, such as a default discussed above; or
- (iii) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Derivatives and Hedges

Derivative financial arrangements are used to hedge exposure to fluctuations in exchange rates. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At inception, the Company designates and documents the hedge relationship, including identification of the transaction and the risk management objectives and strategy for undertaking the hedge. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The Company has designated certain derivatives as cash flow hedges. These are hedges of firm commitments and highly probable forecast transactions. The effective portion of changes in the fair value of derivatives that are designated as a cash flow hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statements. Additionally:

- If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset, the associated gains or losses that were recognized in other comprehensive income are included in the initial cost or other carrying amount of the asset;
- For cash flow hedges other than those identified above, amounts accumulated in other comprehensive income are recycled to the consolidated income statements in the period when the hedged item will affect earnings (for instance, when the forecast sale that is hedged takes place);
- When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in other comprehensive income remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in the consolidated income statements; and
- When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately recognized in the consolidated income statements.

d) Foreign Currency Transactions and Advance Consideration

IFRIC 22 - *Foreign Currency Transactions and Advance Consideration*, clarifies the appropriate exchange rate to use on initial recognition of an asset, expense or income when advance consideration is paid or received in a foreign currency.

The new interpretation was effective for annual periods beginning on or after January 1, 2018. Management has determined that the new standard does not have a material impact on the Company's financial position.

Standards Issued But Not Effective

A number of new standards and amendments to standards have been issued but are not effective for the financial year ended December 31, 2018, and accordingly, have not been applied in preparing these interim condensed consolidated financial statements.

a) Leases

IFRS 16 – *Leases*, introduces new requirements for the classification and measurement of lessees. For lessors, there is little change to the existing accounting in IAS 17 - *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019.

Management expects to recognize higher non-current assets and non-current liabilities recorded on the consolidated statements of financial position. As a result, management expects to recognize an increase in depreciation, lower selling, general, and administrative expenses and higher finance costs under this

new standard as operating lease expenses are replaced by higher depreciation expense and higher interest expense and a reduction in selling and administrative expenses.

Leasing activities accounted for as operating leases primarily relate to service vehicles and branch facilities. Toromont expects to adopt IFRS 16 using the modified retrospective approach, using practical expedients, which does not require the restatement of prior period financial information. The cumulative financial effect of the adoption will be recognized as an adjustment to opening retained earnings, with the standard applied prospectively.

The Company's implementation team is in process of compiling a lease database and implementing a third-party accounting software. As work and analysis is not yet complete, it is not possible to make a reliable estimate of the impact of the new standard at this time.

b) Uncertainty over Income Tax Treatments

IFRIC 23 - *Uncertainty over Income Tax Treatments*, provides guidance when there is uncertainty over income tax treatments including (but not limited to) whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances.

The new interpretation is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of the new interpretation on its consolidated financial statements.

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Additions				
Rental equipment	\$ 31,954	\$ 16,316	\$ 137,279	\$ 91,451
Property, plant and equipment	15,862	11,129	31,308	26,923
Total Additions	\$ 47,816	\$ 27,445	\$ 168,587	\$ 118,374
Disposals - NBV				
Rental equipment	\$ 2,562	\$ 3,104	\$ 9,365	\$ 12,613
Property, plant and equipment	1,162	14	2,252	216
Total Disposals - NBV	\$ 3,724	\$ 3,118	\$ 11,617	\$ 12,829
Depreciation				
Cost of goods sold	\$ 28,326	\$ 18,492	\$ 83,061	\$ 53,339
Selling and administrative expenses	5,838	1,935	16,983	5,366
Total Depreciation	\$ 34,164	\$ 20,427	\$ 100,044	\$ 58,705

Property, plant and equipment at September 30, 2018 included \$4.3 million related to a property that is available for sale.

3. LONG-TERM DEBT

	September 30 2018	December 31 2017	September 30 2017
7.06%, \$15.0 million, due March 29, 2019 ⁽¹⁾	\$ 2,010	\$ 2,963	\$ 2,963
3.71%, \$150.0 million, due September 30, 2025 ⁽²⁾	150,000	150,000	150,000
3.84%, \$500.0 million, due October 27, 2027 ⁽²⁾	500,000	500,000	-
Senior debentures	652,010	652,963	152,963
\$250.0 million term credit facility	-	250,000	-
	652,010	902,963	152,963
Debt issuance costs, net of amortization	(5,693)	(7,216)	(1,910)
Total long-term debt	646,317	895,747	151,053
Less: current portion of long-term debt	(2,010)	(1,941)	(1,941)
Non-current portion of long-term debt	\$ 644,307	\$ 893,806	\$ 149,112

⁽¹⁾ Blended principal and interest payments payable semi-annually through to maturity.

⁽²⁾ Interest payable semi-annually, principal due on maturity.

All debt is unsecured.

The Company maintains a \$500.0 million committed revolving credit facility which matures in October 2022. Debt under the facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

No amounts were drawn on the revolving credit facility at September 30, 2018, December 31, 2017 or September 30, 2017. Letters of credit utilized \$27.2 million of the facility at September 30, 2018 (December 31, 2017 - \$26.7 million and September 30, 2017 - \$24.3 million).

During the first nine months of 2018, the Company repaid \$250.0 million on its committed term credit facility. Unamortized deferred financing costs of \$0.8 million associated with this debt were expensed and recorded within interest expense in the interim condensed consolidated income statement.

4. SHARE CAPITAL

Normal Course Issuer Bid ("NCIB")

In August 2018, the Company announced a NCIB to purchase up to approximately 7.0 million of its common shares in the 12 month period ending August 30, 2019, representing 10% of common shares in the public float as estimated at the time of renewal. The actual number of shares purchased and the timing of any such purchases will be determined by the Company. All shares purchased under the bid will be cancelled. The Company's NCIB announced in 2017 expired in August 2018.

No shares were purchased under the NCIB program during the three and nine months ended September 30, 2018 and 2017.

Dividends

The Company paid dividends of \$18.7 million or \$0.23 per share during the three months ended September 30, 2018 (2017 - \$14.9 million or \$0.19 per share) and \$52.7 million or \$0.65 per share during the nine months ended September 30, 2018 (2017 - \$43.9 million or \$0.56 per share).

The quarterly dividend was increased on February 22, 2018, to \$0.23 per share effective with the dividend paid on April 2, 2018.

5. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities – Classification and Measurement

The following table highlights the carrying amounts and classifications of certain financial assets and liabilities:

	September 30 2018	December 31 2017	September 30 2017
Other financial liabilities:			
Current portion of long-term debt	\$ 2,010	\$ 1,941	\$ 1,941
Long-term debt	644,307	893,806	149,112
Derivative instruments - cash flow hedges:			
Foreign exchange forward contracts liabilities	\$ 1,010	\$ 5,260	\$ 4,030

Fair Value of Financial Instruments

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

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

	September 30 2018	December 31 2017	September 30 2017
Long-term debt			
Fair value	\$ 653,045	\$ 917,583	\$ 152,284
Carrying value	\$ 652,010	\$ 902,963	\$ 152,963

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

During the nine month period ended September 30, 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. As at September 30, 2018, the Company was committed to USD purchase contracts with a notional amount of \$554.9 million at an average exchange rate of \$1.2919, maturing between October 2018 and November 2019. As at September 30, 2018, the Company was also committed to USD sell contracts

with a notional amount of \$46.3 million at an average exchange rate of \$1.2950, maturing between October 2018 and June 2019.

Management estimates that a loss of \$1.0 million (December 31, 2017 – loss of \$5.3 million; September 30, 2017 – loss of \$4.0 million) would be realized if the contracts were terminated on September 30, 2018. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized loss of \$1.8 million (December 31, 2017 – unrealized loss of \$2.3 million; September 30, 2017 – unrealized loss of \$2.9 million) has been included in other comprehensive income. These losses are not expected to affect net income as the losses will be reclassified to net income within the next fourteen months and will offset gains recorded on the underlying hedged items, namely foreign-denominated accounts payable. Certain of those forward contracts are not designated as cash flow hedges but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A gain of \$0.8 million (December 31, 2017 – loss of \$3.0 million; September 30, 2017 – loss of \$1.1 million) on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable.

6. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Term loan facility	\$ 803	\$ 247	\$ 4,381	\$ 783
Senior debentures	6,366	1,571	18,891	4,706
Interest accretion on repayment of term bank debt	310	-	821	-
	\$ 7,479	\$ 1,818	\$ 24,093	\$ 5,489

The components of interest and investment income were as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Rental conversions	\$ 445	\$ 378	\$ 2,108	\$ 1,276
Other	1,754	536	4,321	1,746
	\$ 2,199	\$ 914	\$ 6,429	\$ 3,022

7. EARNINGS PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net earnings available to common shareholders	\$ 68,697	\$ 49,355	\$ 167,086	\$ 116,834
Weighted average common shares outstanding	81,383,350	78,522,123	81,165,183	78,475,990
Dilutive effect of stock option conversion	850,542	850,893	747,883	776,746
Diluted weighted average common shares outstanding	82,233,892	79,373,016	81,913,066	79,252,736
Earnings per share:				
Basic	\$ 0.84	\$ 0.63	\$ 2.06	\$ 1.49
Diluted	\$ 0.84	\$ 0.62	\$ 2.04	\$ 1.47

For the three months ended September 30, 2018, 589,750 outstanding share options (2017 – 514,550) with an exercise price of \$66.22 (2017 - \$53.88) were considered anti-dilutive (exercise price in excess of average market price) and were excluded from the calculation. For the nine months ended September

30, 2018, 589,750 outstanding share options (2017 – 514,550) with a weighted average exercise price of \$66.22 (2017 - \$53.88) were considered anti-dilutive.

8. STOCK BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, January 1	2,628,036	\$ 34.85	2,430,871	\$ 29.25
Granted	589,750	66.22	514,550	\$ 53.88
Exercised ⁽¹⁾	(506,246)	23.66	(248,095)	22.10
Forfeited	(48,200)	42.86	(15,500)	31.63
Options outstanding, September 30	2,663,340	\$ 43.77	2,681,826	\$ 34.62
Options exercisable, September 30	1,101,750	\$ 31.83	1,175,266	\$ 26.04

⁽¹⁾ The weighted average share price at date of exercise for the nine months ended September 30, 2018 was \$60.54 (2017 - \$50.73).

The following table summarizes stock options outstanding and exercisable as at September 30, 2018.

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	Weighted Average Exercise Price
\$17.10 - \$23.40	320,860	3.2	\$ 22.29	320,860	\$ 22.29	\$ 22.29
\$23.41 - \$26.79	377,530	5.8	\$ 26.52	287,010	\$ 26.52	\$ 26.52
\$36.65	420,120	6.8	\$ 36.65	228,840	\$ 36.65	\$ 36.65
\$39.79	460,730	7.8	\$ 39.79	167,930	\$ 39.79	\$ 39.79
\$53.88	494,350	8.9	\$ 53.88	97,110	\$ 53.88	\$ 53.88
\$66.22	589,750	9.8	\$ 66.22	-	\$ -	\$ -
	2,663,340	7.5	\$ 43.77	1,101,750	\$ 31.83	\$ 31.83

Deferred Share Unit Plan

A reconciliation of the DSU plan was as follows:

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, January 1	426,279	\$ 23,417	407,731	\$ 17,265
Units taken or taken in lieu and dividends	22,830	1,307	29,349	1,354
Redemptions	(96,861)	(5,716)	(17,389)	(778)
Fair market value adjustment	-	4,433	-	6,104
Outstanding, September 30	352,248	\$ 23,441	419,691	\$ 23,945

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

9. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense included the following components:

	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
Defined benefit plans	\$ 4,471	\$ 493	\$ 13,301	\$ 1,475
Defined contribution plans	3,297	3,037	9,813	8,929
401(k) matched savings plans	80	71	234	211
	\$ 7,848	\$ 3,601	\$ 23,348	\$ 10,615

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
Net change in non-cash working capital and other				
Accounts receivable	\$ (19,456)	\$ (33,555)	\$ (43,638)	\$ (68,528)
Inventories	(46,978)	21,390	(131,571)	(66,368)
Accounts payable and accrued liabilities	48,792	(19,123)	330,565	14,107
Provisions	(633)	147	47	(1,774)
Deferred revenues	(18,236)	4,087	18,466	31,054
Income taxes	15,808	8,065	20,430	4,707
Other	11,754	(4,829)	(8,343)	(936)
	\$ (8,949)	\$ (23,818)	\$ 185,956	\$ (87,738)
Cash paid during the period for:				
Interest	\$ 672	\$ 314	\$ 15,968	\$ 3,634
Income taxes	\$ 14,940	\$ 14,027	\$ 46,883	\$ 43,760
Cash received during the period for:				
Interest	\$ 2,079	\$ 813	\$ 5,858	\$ 2,665
Income taxes	\$ 2,551	\$ 1,687	\$ 2,551	\$ 1,687

11. SEGMENTED INFORMATION

The Company has two reportable segments: the Equipment Group and CIMCO as described above in note 1, each supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. The corporate office provides finance, treasury, legal, human resources and other administrative support to the segments and does not meet the definition of a reportable operating segment as defined in IFRS 8 – *Operating Segments*, as it does not earn revenue.

The accounting policies of each of the reportable segments are the same as the significant accounting policies described in the most recent annual audited consolidated financial statements.

Segment performance is assessed based on operating income, which is measured differently than income from operations in the consolidated financial statements. Corporate overheads are allocated to the segments based on revenue. Income taxes, interest expense, interest and investment income are managed at a consolidated level and are not allocated to the reportable operating segments. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to the segments as they are also managed on a consolidated level.

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

No reportable segment is reliant on any single external customer.

The following tables set forth information by segment for the three and nine month periods ended September 30, 2018 and 2017:

Three months ended September 30	Equipment Group		CIMCO		Consolidated	
	2018	2017	2018	2017	2018	2017
Equipment/package sales	\$ 359,500	\$ 240,366	\$ 61,991	\$ 61,271	\$ 421,491	\$ 301,637
Rentals	113,862	70,474	-	-	113,862	70,474
Product support	324,251	174,515	37,975	34,867	362,226	209,382
Power generation	2,515	2,665	-	-	2,515	2,665
Total revenues	\$ 800,128	\$ 488,020	\$ 99,966	\$ 96,138	\$ 900,094	\$ 584,158
Operating income	\$ 93,414	\$ 59,320	\$ 6,337	\$ 9,265	\$ 99,751	\$ 68,585
Interest expense					7,479	1,818
Interest and investment income					(2,199)	(914)
Income taxes					25,774	18,326
Net earnings					\$ 68,697	\$ 49,355

Nine months ended September 30	Equipment Group		CIMCO		Consolidated	
	2018	2017	2018	2017	2018	2017
Equipment/package sales	\$ 1,064,850	\$ 634,461	\$ 151,436	\$ 124,570	\$ 1,216,286	\$ 759,031
Rentals	274,934	171,602	-	-	274,934	171,602
Product support	939,654	491,069	99,534	96,885	1,039,188	587,954
Power generation	7,781	8,809	-	-	7,781	8,809
Total revenues	\$ 2,287,219	\$ 1,305,941	\$ 250,970	\$ 221,455	\$ 2,538,189	\$ 1,527,396
Operating income	\$ 233,135	\$ 144,380	\$ 14,811	\$ 18,621	\$ 247,946	\$ 163,001
Interest expense					24,093	5,489
Interest and investment income					(6,429)	(3,022)
Income taxes					63,196	43,700
Net earnings					\$ 167,086	\$ 116,834

Operating income from rental operations was \$20.5 million for the three months ended September 30, 2018 (2017 -\$14.3 million) and \$31.2 million for the nine months ended September 30, 2018 (2017 - \$19.7 million).

12. BUSINESS ACQUISITION IN 2017

On October 27, 2017, the Company acquired the businesses and net operating assets of the Hewitt Group of Companies and became the approved Caterpillar dealer for the province of Québec, Western Labrador and the Maritimes, as well as the Caterpillar lift truck dealer for Quebec and most of Ontario and the MaK engine dealer for Québec, the Maritimes and the Eastern seaboard of the United States from Maine to Virginia. Additional distribution rights were also acquired in this transaction. The acquisition expands the Company's Eastern operations into a contiguous territory covering all of Eastern and Central Canada extending into the far North and provides a platform for long-term growth opportunities and diversification into new markets.

The Company acquired the businesses and net operating assets of Hewitt in exchange for consideration of \$902.9 million cash (net of a final closing working capital adjustment) plus the issuance of 2.25 million Toromont common shares (\$121.2 million) for a total consideration of \$1.02 billion. Toromont funded the cash portion of the acquisition through cash on hand, the issuance of long-term senior debentures and drawings on an unsecured term credit facility.

The acquisition has been accounted for using the purchase method of accounting.

The final allocation of the purchase price is as follows:

Accounts receivable	\$	159,539
Inventories		288,535
Property, plant and equipment		216,112
Rental equipment		169,993
Deferred tax asset		2,617
Intangible assets with an indefinite life:		
Distribution network		357,882
Intangible assets with a finite life:		
ERP system		5,000
Customer relationships		15,137
Other		8,691
Accounts payable and accrued liabilities		(130,624)
Provisions		(6,045)
Deferred revenues		(51,503)
Post-employment benefit obligations		(91,555)
Net identifiable assets		943,779
Residual purchase price allocated to goodwill		80,330
Total	\$	1,024,109

13. SEASONALITY OF BUSINESS

Interim period revenues and earnings historically reflect seasonality. For the Equipment Group, the first quarter is typically the weakest due to winter shutdowns in the construction industry while the fourth quarter has consistently been the strongest quarter due to higher conversions at the Caterpillar dealership of equipment on rent with a purchase option. For CIMCO, the fourth quarter tends to be the strongest due to higher activity in recreational markets in advance of the winter recreational season.