TOROMONT

First Quarter 2019 **May 2, 2019**

TOROMONT ANNOUNCES RESULTS FOR THE FIRST QUARTER OF 2019 AND QUARTERLY DIVIDEND

Toromont Industries Ltd. (TSX: TIH) reported financial results for the first quarter ended March 31, 2019.

	Three months ended March 31		
millions, except per share amounts	**2019**	2018	**% change**
Revenues	**$ 700.0**	$ 676.8	**3%**
Operating income	**$ 58.8**	$ 49.2	**19%**
Net earnings	**$ 39.3**	$ 30.8	**28%**
Basic earnings per share ("EPS")	**$ 0.48**	$ 0.38	**27%**

The Company delivered good results in the first quarter through operational improvements in the Equipment Group as it continued to align disciplines and achieve efficiencies. The growing proportion of product support and rental revenues contributed positively to growth.

Highlights:

Consolidated results

- Net earnings increased $8.5 million or 28% in the quarter versus a year ago to $39.3 million or $0.48 EPS.

- Net earnings and EPS, excluding a non-recurring curtailment gain of $3.7 million ($0.04 per share) as described in note 9 of the notes to the unaudited interim condensed consolidated financial statements, increased 16%.

Equipment Group

- Revenues were up $20.9 million or 3% to $633.9 million for the quarter on strong product support and rental growth. Total new and used equipment sales into mining markets were lower against a tough prior year comparator which included large deliveries to support expansion plans at certain mine sites, while sales into construction markets were down slightly. Total industry activity softened versus last year's strong start.

- Operating income was up $6.9 million or 15%, excluding the non-recurring item, largely reflecting higher revenues and margins and lower expenses.

- Bookings in the first quarter of $293.1 million were 21% lower. Mining and power systems orders were lower while construction orders increased compared to the comparable period last year. Backlogs of $395.1 million at the end of March 2019 were down $41.4 million or 9% from the end of March 2018. Substantially all of the backlog is expected to be delivered this year.

CIMCO

- Revenues of $66.1 million increased $2.2 million or 4% compared to the first quarter last year. Record product support revenue growth for a first quarter served to offset the impact of lower package sales into both recreational and industrial markets in Canada and the US.

- Operating income was down $2.3 million or 68%, due to lower package and product support margins, partially offset by reduced expenses.

- Bookings were up $9.3 million or 15% to $69.7 million. In Canada, recreational orders were higher while industrial orders were lower. In the US, industrial orders were higher while recreational orders were lower. Backlogs of $149.8 million were down $6.9 million from the record level at the end of March last year. Substantially all of the backlog is expected to be realized as revenue this year.

Financial Position

- Toromont's share price of $68.25 at the end of March 2019, translated to a market capitalization of $5.6 billion and a total enterprise value of $6.0 billion.

- The Company maintained a very strong financial position. Leverage as represented by the net debt to total capitalization ratio was 26% at the end March 2019, compared to 18% at the end of December 2018 and 33% at the end of March 2018.

- The Board of Directors announced a quarterly dividend of 27 cents per common share, payable on July 3, 2019 to shareholders on record on June 7, 2019. The quarterly dividend was previously increased 17% to 27 cents per share effective with the dividend paid April 3, 2019.

Despite a relatively slower start to the year in certain segments, infrastructure projects and broader construction activity in the territory continue to present opportunities for the Equipment Group. Opportunities also exist for equipment supply into the mining sector over the longer-term. CIMCO continues to grow its product support, reflecting its strong presence and solid reputation as a leader in the key markets it serves. The diversity of our geographical landscape and markets served, extensive product and service offerings and financial strength together with a disciplined operating culture, position the Company well for the near and short term.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three months ended March 31, 2019, compared to the preceding year. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes for the three months ended March 31, 2019, the annual MD&A contained in the 2018 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2018.

The unaudited interim condensed consolidated financial statements reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The information in this MD&A is current to May 2, 2019.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2018 Annual Report and the 2019 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 reflects 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 herein. 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.

CONSOLIDATED OPERATING RESULTS

	Three months ended March 31			
($ thousands, except per share amounts)	**2019**	2018	$ change	% change
REVENUES	**$ 699,974**	$ 676,828	$ 23,146	3%
Cost of goods sold	**529,313**	510,054	19,259	4%
Gross profit (1)	**170,661**	166,774	3,887	2%
Selling and administrative expenses	**111,878**	117,559	(5,681)	(5%)
OPERATING INCOME (1)	**58,783**	49,215	9,568	19%
Interest expense	**6,919**	8,895	(1,976)	(22%)
Interest and investment income	**(2,572)**	(2,179)	(393)	18%
Income before income taxes	**54,436**	42,499	11,937	28%
Income taxes	**15,175**	11,720	3,455	29%
NET EARNINGS	**39,261**	30,779	8,482	28%
BASIC EARNINGS PER SHARE	**$ 0.48**	$ 0.38	$ 0.10	27%
KEY RATIOS:				
Gross profit margin (1)	**24.4%**	24.6%		
Selling and administrative expenses as a % of revenues	**16.0%**	17.4%		
Operating income margin (1)	**8.4%**	7.3%		
Income taxes as a % of income before income taxes	**27.9%**	27.6%		

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

Revenues increased $23.1 million 3% on growth in both the Equipment Group and CIMCO. Product support was strong in both groups and served to offset the impact of softer equipment and package sales. Higher utilization of the rental fleets in the Equipment Group also contributed positively to revenue growth.

Gross profit margin decreased 20 basis points ("bps") to 24.4% versus the first quarter last year. Increased Equipment Group margins (up 30 bps) were more than offset by declines at CIMCO (down

520 bps). In the Equipment Group, equipment margins were lower on a tight pricing environment, while product support margins were higher. At CIMCO, both package and product support margins were lower, principally due to pricing pressures and execution challenges. Both Groups benefited from a favorable sales mix of product support revenues to total revenues.

Selling and administrative expenses decreased $5.7 million or 5%. Adjusted to exclude a non-recurring curtailment gain described in note 9 of the notes to the unaudited interim condensed consolidated financial statements, expenses decreased $0.7 million or 1% and were 70 bps lower as a percentage of revenues (16.7% versus 17.4%). Allowances for doubtful accounts and customer support costs were lower, while compensation and information technology related costs were higher.

Operating income increased $9.6 million or 19% in the quarter. Adjusted operating income was up $4.6 million or 9% to $53.8 million and was 40 bps higher as a percentage of revenues (7.7% versus 7.3% last year).

Interest expense decreased $2.0 million in the quarter on the lower average debt balances.

Interest income increased $0.4 million in the quarter on higher average cash balances held through the quarter.

The effective income tax rate for the quarter was 27.9% compared to 27.6% in the first quarter last year. The increase is substantially due to increased earnings in 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 for the quarter were up $8.5 million or 28% to $39.3 million with basic earnings per share (“EPS”) tracking the increase. Adjusted net earnings and EPS were up 16%.

Comprehensive income in the quarter was $22.1 million (2018 – $39.1 million), comprised of the higher net earnings, partially offset by the other comprehensive loss resulting from actuarial losses on post-employment benefit plans and an unfavorable change in the fair value of cash flow hedges. The actuarial losses on post-employment benefit plans were attributable to a lower weighted-average discount rate (3.9% at December 31, 2018 versus 3.3% at March 31, 2019).

BUSINESS SEGMENT OPERATING RESULTS

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

Equipment Group

($ thousands)	Three months ended March 31 **2019**	2018	$ change	% change
Equipment sales and rentals				
New	**$ 185,237**	$ 203,244	$ (18,007)	(9%)
Used	**53,472**	54,060	(588)	(1%)
Rentals	**81,082**	70,874	10,208	14%
Total equipment sales and rentals	**319,791**	328,178	(8,387)	(3%)
Product support	**311,560**	282,197	29,363	10%
Power generation	**2,524**	2,596	(72)	(3%)
Total revenues	**$ 633,875**	$ 612,971	$ 20,904	3%
Operating income	**$ 57,673**	$ 45,795	$ 11,878	26%
KEY RATIOS:				
Product support revenues as a % of total revenues	**49.2%**	46.0%		
Operating income margin	**9.1%**	7.5%		
Group total revenues as a % of consolidated revenues	**90.6%**	90.6%		

Total equipment sales (new and used) decreased $18.6 million or 7%. Sales into mining markets across the Group were down $19.0 million or 47% against a tough prior year comparator, which included large deliveries to support expansion phases at remote mine sites. Construction sales were down slightly ($1.2 million or 1%), tracking softer industry activity overall. Good growth was realized in Quebec, the Maritimes and Northern Ontario, offset by lower sales in Southwestern Ontario and Manitoba. Central Ontario construction customers appeared to have exercised caution, awaiting clarity of infrastructure investment levels for the coming season. Power System sales increased $4.1 million or 13% on higher electric and prime power activity, partially offset by lower sales into industrial and marine segments. Material handling equipment sales decreased $1.7 million or 14% with only Quebec reporting growth. Sales into agricultural markets were down $0.8 million or 9%.

Rental revenues were up $10.2 million or 14% with increases across most segments. Heavy equipment rentals were up 18%, with strong activity levels in Ontario, especially in the North, offsetting lower activity in Atlantic Canada. Light equipment rentals increased 16%, with good growth across the Group benefitting from a rebalanced fleet, particularly in Quebec and the Atlantic Canada. Power rentals were up 6%, reflecting good market penetration in Quebec and Atlantic Canada while activity was relatively in line with the record levels achieved in Ontario last year. Material handling equipment rentals were relatively unchanged. Rental revenues from equipment on rent with a purchase option (“RPO”) were up 21% on a larger average fleet over the period. At March 31, 2019, the RPO fleet was $76.9 million versus $70.9 million at this time last year.

Product support revenues grew $29.4 million or 10% on higher parts (up 11%) and service revenues (up 10%). Growth across the Group was good, especially in construction and power systems markets. Mining was lower versus last year which included good rebuild activity.

Gross profit margins increased 30 bps in the quarter versus last year. Higher product support margins (up 40 bps) and a favorable sales mix of product support revenues to total revenues (up 60 bps) were partially offset by lower equipment (down 40 bps) and rental margins (down 30 bps). Equipment and rental margins reflect a tight pricing environment. Product support margins reflect increased efficiencies and cost recoveries. Product support revenues were 49.2% as a percentage of total revenues compared to 46.0% in the first quarter last year.

Selling and administrative expenses were down $0.1 million, adjusted to exclude the non-recurring item. Allowances for doubtful accounts and customer support costs were lower, while compensation, information technology related costs and travel expenses were higher in support of growth and transition and integration efforts. Adjusted selling and administrative expenses were 60 basis points lower as a percentage of revenues (16.7% versus 17.3% last year).

Operating income increased $11.9 million (26%) to $57.7 million. Adjusted operating income increased $6.9 million or 15% and was 80 bps higher as a percentage of revenues (8.3% versus 7.5% last year), reflecting the higher revenues and margins together with the lower expense ratio.

Bookings and Backlogs

($ millions)	**2019**	2018	$ change	% change
Bookings - three months ended March 31	**$ 293.1**	$ 369.7	$ (76.6)	(21%)
Backlogs - as at March 31	**$ 395.1**	$ 436.5	$ (41.4)	(9%)

Bookings decreased $76.6 million or 21%. Higher construction orders (up 5%) were more than offset by lower mining (down 64%), material handling (down 67%), power systems (down 46%) and agriculture orders (down 2%).

Backlogs of $395.1 million were down $41.4 million or 9%. At March 31, 2019, the total backlog related to construction (40%), power systems (33%), mining (14%), agriculture (7%) and material handling (6%), substantially all of which is expected to be delivered this year.

Bookings and backlogs can vary significantly from period to period on large project activities, especially in mining and power systems, the timing of orders and deliveries and the availability of equipment from either inventory or suppliers.

CIMCO

	Three months ended March 31			
($ thousands)	**2019**	2018	$ change	% change
Package sales	**$ 31,527**	$ 35,619	$ (4,092)	(11%)
Product support	**34,572**	28,238	6,334	22%
Total revenues	**$ 66,099**	$ 63,857	$ 2,242	4%
Operating income	**$ 1,110**	$ 3,420	$ (2,310)	(68%)
KEY RATIOS:				
Product support revenues as a % of total revenues	**52.3%**	44.2%		
Operating income margin	**1.7%**	5.4%		
Group total revenues as a % of consolidated revenues	**9.4%**	9.4%		

In Canada, package revenues were down $1.9 million or 6% with lower sales into both recreational (down 19%) and industrial markets (down 3%). The decline was experienced in Ontario, which recorded record results in the first quarter last year, with all other regions reporting growth. In the US, package revenues decreased $2.2 million or 36%, on lower sales into both recreational (down 63%) and industrial markets (down 3%). 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 were at record levels for a first quarter, increasing $6.3 million or 22% on growth in both Canada (up 25%) and the US (up 14%). The increased technician base contributed positively to the growth and recruitment remains a focus to further address strong product support demand signals in both Canada and the US.

Gross profit margins decreased 520 bps in the quarter versus last year. Lower package (down 410 bps) and product support margins (down 270 bps) were partially offset by a favorable sales mix of product support revenues to total revenues (up 160 bps). CIMCO is experiencing increasingly competitive market conditions, in part due to its own growth trajectory in recent years. This has led to tighter average quoted margins. In addition, activity levels and growth have led to increased execution challenges. These factors combined with reduced engineering recoveries on lower sales, in what is perennially the weakest quarter, to cause the larger than usual decline in gross margins for package sales. The decline in product support gross margins is largely attributable to the good pickups realized on project close-outs in the first quarter of 2018. The 2019 margins are considered normal for a first quarter and in-line with expectations. The growing proportion of product support revenues to total revenues (52.3% versus 44.2% last year) continues to mitigate the impact of margin pressures.

Selling and administrative expenses were down $0.6 million or 5%, principally due to lower allowances for doubtful accounts on improved aging. As a percentage of revenues, selling and administrative expenses were lower by 160 bps (16.9% versus 18.5% last year).

Operating income was down $2.3 million or 68% versus last year, largely reflecting the margin compression.

Bookings and Backlogs

($ millions)	**2019**	2018	$ change	% change
Bookings - three months ended March 31	**$ 69.7**	$ 60.4	$ 9.3	15%
Backlogs - as at March 31	**$ 149.8**	$ 156.7	$ (6.9)	(4%)

Bookings were up $9.3 million or 15% to $69.7 million. Recreational orders (up 46%) were higher in Canada and lower in the US, while industrial orders (down 5%) were up in the US and lower in Canada.

Backlogs of $149.8 million were down $6.9 million or 4% from the record level at the end of March last year. Industrial backlogs (down 29%) were lower in both Canada and the US, while recreational backlogs (up 53%) were higher in both countries. Substantially all of the backlog is expected to be realized as revenue this year.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At March 31, 2019, the ratio of net debt to total capitalization was 26%, compared to 18% at December 31, 2018 and 33% at March 31, 2018.

Non-cash Working Capital

The Company's investment in non-cash working capital was $464.1 million at March 31, 2019. The major components, along with the changes from March 31 and December 31, 2018, are identified in the following table.

($ thousands)	March 31 2019	March 31 2018	Change $	Change %	December 31 2018	Change $	Change %
Accounts receivable	**$ 466,219**	$ 437,913	$ 28,306	6%	$ 522,462	$ (56,243)	(11%)
Inventories	**1,014,915**	862,870	152,045	18%	873,507	141,408	16%
Other current assets	**13,521**	10,072	3,449	34%	9,932	3,589	36%
Accounts payable and accrued liabilities	**(851,791)**	(657,848)	(193,943)	29%	(916,300)	64,509	(7%)
Provisions	**(24,087)**	(22,837)	(1,250)	5%	(24,382)	295	(1%)
Income taxes receivable (payable)	**9,678**	5,165	4,513	87%	(28,368)	38,046	nm
Derivative financial instruments	**7,054**	9,252	(2,198)	(24%)	27,624	(20,570)	(74%)
Dividends payable	**(21,998)**	(18,633)	(3,365)	18%	(18,737)	(3,261)	17%
Deferred revenues and contract liabilities	**(149,442)**	(161,506)	12,064	(7%)	(136,244)	(13,198)	10%
Total non-cash working capital	**$ 464,069**	$ 464,448	$ (379)	-	$ 309,494	$ 154,575	50%

Accounts receivable increased 6% compared to March 31, 2018, mainly reflecting the 3% increase in revenues in the quarter. Days sales outstanding ("DSOs") decreased 1 day to 53 days, mainly due to an improvement at CIMCO (down 18 days), while the Equipment Group was relatively unchanged.

In comparison to December 31, 2018, accounts receivable decreased 11% on lower trailing revenues (Q1 revenues were 28% lower than Q4 2018 revenues; a normal seasonal trend), partially offset by slower collections. DSOs were 43 days at December 31, 2018.

Inventories at March 31, 2019 were 18% higher compared to March 31, 2018:

- Equipment Group inventories were up $158.6 million or 18%, with higher equipment (up $113.8 million or 21%) and parts (up $45.0 million or 22%) while service work-in-process was down slightly by $0.2 million. The higher equipment and parts inventory levels were mainly attributable to improved availability from suppliers, together with certain inventory held in advance of customer specified delivery dates later in the year, especially at remote mine sites. The lower service work-in-process levels reflect good momentum in technician recruitment and a focus on improving invoicing cycles.
- CIMCO inventories were down $6.6 million or 24%, mainly on lower work-in-process levels, reflecting project construction schedules.

Inventories at March 31, 2019 were 16% higher compared to December 31, 2018 with increases in both Groups:

- Equipment Group inventories were 17% higher with increases in all categories. Inventory levels are typically lowest at the end of a fiscal year due to seasonality, with inventories building during the year in advance of the busy selling period.
- CIMCO inventories were up 2% on higher work-in-process.

The increase in other current assets compared to March 31 and December 31, 2018, mainly related to higher prepaid expenses for property taxes and software licenses.

Accounts payable and accrued liabilities at March 31, 2019 were 29% higher than at March 31, 2018, principally due to transitional terms from suppliers related to inventory purchases. This reflected an increase in an item that would have been a factor in both periods. Additionally, the adoption of *IFRS 16 – Leases* in the current year resulted in the recognition of current lease liabilities of $6.3 million (refer to note 1 of the notes to the unaudited interim condensed consolidated financial statements).

In comparison to December 31, 2018, accounts payable and accrued liabilities were down 7%, mainly reflecting the timing of payments related to inventories and other supplies and the payout of annual performance incentive bonuses, partially offset by the current lease liabilities noted above and a higher DSU liability on the higher relative closing share price.

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

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar led to a cumulative net gain of $7.1 million as at March 31, 2019. This is not expected to affect net earnings as the unrealized gains will offset future losses on the related hedged items.

Dividends payable increased compared to March 31 and December 31, 2018, reflecting the higher dividend rate. The quarterly dividend rate was increased 17% from $0.23 per share to $0.27 per share, effective with the April 3, 2019 payment.

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

- In the Equipment Group, these arise mainly due to progress billings from the sale of power and energy systems and long-term product support maintenance contracts, as well as on sales of equipment with residual value guarantees and customer deposits for machinery to be delivered in the future. At March 31, 2019, these were up 2% versus March 31, 2018, and 8% versus December 31, 2018, largely related to progress billings and customer deposits for deliveries later in the year.
- At CIMCO, these arise on progress billings from the sale of refrigeration packages. At March 31, 2019, these were down 36% versus March 31, 2018 and up 21% versus December 31, 2018, reflecting the relative activity levels seen in Canada and the US, and customer's construction schedules.

Employee Future Benefits

The Company completed the alignment of benefit programs across the Equipment Group in the first quarter, which on the whole, led to improved benefits for most employees in the acquired businesses and to increased administrative efficiencies for the Company. This will increase certain operating costs over ensuring years, however the impact is not expected to be significant in any given year. A single component of this comprehensive alignment program led to changes in the structure and elements of certain post-employment benefit plans, which resulted in a non-recurring curtailment gain of $5.0 million ($3.7 million after-tax).

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 81,496,998 common shares and 2,354,555 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)
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
December 7, 2018	January 3, 2019	$0.23	$18.7
March 8, 2019	April 3, 2019	$0.27	$22.0

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.

Toromont's debt portfolio is unsecured, unsubordinated and ranks pari passu.

The Company maintains a $500.0 million revolving credit facility, maturing in October 2022. No amounts were drawn on the facility at March 31, 2019, December 31, 2018 or March 31, 2018. Standby letters of credit utilized $30.2 million of the facility at March 31, 2019, $29.9 million at December 31, 2018 and $24.4 million at March 31, 2018.

The Company expects that continued cash flows from operations in 2019, together with cash on hand and currently 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 Consolidated Statements of Cash Flows, are summarized in the following table:

($ thousands)	Three months ended March 31 2019	2018
Cash, beginning of period	**$ 345,434**	$ 160,507
Cash, provided by (used in):		
Operating activities		
Operations	**72,643**	64,204
Change in non-cash working capital and other	**(168,492)**	103,047
Net rental fleet additions	**(43,822)**	(27,884)
	(139,671)	139,367
Investing activities	**(6,340)**	35,619
Financing activities	**(15,347)**	(164,379)
Effect of foreign exchange on cash balances	**95**	109
Decrease (increase) in cash in the period	**(161,263)**	10,716
Cash, end of period	**$ 184,171**	$ 171,223

Cash Flows from Operating Activities

Operating activities used cash in the first quarter of 2019 versus providing cash last year.

The increased cash generated from operations were as a result of the higher net earnings. The adoption of IFRS 16 – *Leases* on January 1, 2019, results in higher cash from operating activities as lease payments are presented under financing activities (refer to note 1 of the notes to the unaudited interim condensed consolidated financial statements)

Non-cash working capital and other used cash in the first quarter, mainly as a result of lower accounts payable and accrued liabilities as amounts came due, lower deferred revenues and contract liabilities reflecting customer’s construction schedules and higher inventories.

Net rental fleet additions (purchases less proceeds of dispositions) were higher as the Company continued to invest in growing and diversifying the fleet portfolio to address retail demand signals across Eastern Canada.

The components and changes in non-cash working capital are discussed in more detail in this MD&A under the heading “Consolidated Financial Condition”.

Cash Flows from Investing Activities

Investments in property, plant and equipment, net of disposition proceeds, of $6.3 million mainly accounted for the use of cash in the first quarter of 2019.
In the first quarter of 2018, the Company received $42.7 million related to a final working capital adjustment stemming from the 2017 acquisition) and invested $7.0 million in property, plant and equipment, net of disposition proceeds.

Cash Flows from Financing Activities

During the first quarter of 2018, the Company repaid $150.0 million drawn on a term credit facility used to partially fund the 2017 acquisition. This largely accounts for the decrease in cash used in financing activities.

Significant uses and source of cash during the quarter included:

- Dividends paid to common shareholders of $18.7 million or $0.23 per share (2018 - $15.4 million or $0.19 per share);
- Cash received on exercise of share options of $6.8 million (2018 - $2.0 million); and
- Principal portion of lease liability payments resulting from the adoption of IFRS 16 – *Leases*, of $2.4 million versus $nil last year.

OUTLOOK

The expansion of our territories to include Quebec and Atlantic Canada presents a great opportunity for the long-term performance of Toromont. It provides a substantial growth platform and strengthens our Company by providing a large contiguous and diverse 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.

Increased investment in rental fleets together with the inclusion of equipment lines utilized in the weaker shoulder and winter seasons, present the opportunities to grow and to stabilize seasonality.

Overall construction activity softened in the traditionally weaker quarter compared to strong prior year deliveries in heavy and general construction. Management remains cautiously optimistic on the long-term outlook for infrastructure projects and other construction activity.

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 CO_2 solutions, which remains a differentiator in recreational markets. In industrial markets, CIMCO's proven track record and strong geographical coverage provides continued growth opportunities.

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 2018 annual audited consolidated financial statements.

($ thousands, except per share amounts)	Q2 2018	Q3 2018	Q4 2018	**Q1 2019**
REVENUES				
Equipment Group	$ 874,120	$ 800,128	$ 873,868	**$ 633,875**
CIMCO	87,147	99,966	92,179	**66,099**
Total revenues	$ 961,267	$ 900,094	$ 966,047	**$ 699,974**
NET EARNINGS	$ 67,610	$ 68,697	$ 84,898	**$ 39,261**
PER SHARE INFORMATION:				
Basic earnings per share	$ 0.83	$ 0.84	$ 1.04	**$ 0.48**
Diluted earnings per share	$ 0.83	$ 0.84	$ 1.03	**$ 0.48**
Dividends paid per share	$ 0.23	$ 0.23	$ 0.23	**$ 0.23**
Weighted average common shares outstanding - basic (in thousands)	81,131	81,383	81,427	**81,326**

($ thousands, except per share amounts)	Q2 2017	Q3 2017	Q4 2017	Q1 2018
REVENUES				
Equipment Group	$ 458,158	$ 488,020	$ 726,011	$ 612,971
CIMCO	72,772	96,138	96,755	63,857
Total revenues	$ 530,930	$ 584,158	$ 822,766	$ 676,828
NET EARNINGS	$ 40,455	$ 49,355	$ 59,136	$ 30,779
PER SHARE INFORMATION:				
Basic earnings per share	$ 0.52	$ 0.63	$ 0.73	$ 0.38
Diluted earnings per share	$ 0.51	$ 0.62	$ 0.72	$ 0.38
Dividends paid per share	$ 0.19	$ 0.19	$ 0.19	$ 0.19
Weighted average common shares outstanding - basic (in thousands)	78,474	78,522	80,916	80,976

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 had typically been the strongest due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. This pattern is impacted by the timing of significant sales to mining and other customers, resulting from the timing of mine site development and access, and construction project schedules.

CIMCO has also had a distinct seasonal trend in results historically, due to timing of construction activity. Lower revenues are recorded during the first quarter on slower construction schedules due to winter weather. Revenues increase in subsequent quarters as construction schedules ramp up. This trend can be, and has been, impacted somewhat by significant governmental funding initiatives and significant industrial projects.

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

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to risks that may potentially impact its financial results in any or all of its business segments. The Company and each operating segment employ risk management strategies with a view to mitigating these risks on a cost-effective basis. There have been no material change to the operating and financial risk assessment and related risk management strategies as described in the Company's 2018 Annual Report.

SIGNIFICANT 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 2018 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 month period ending March 31, 2019.

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 2018 audited annual consolidated financial statements, contained in the Company's 2018 Annual Report.

CONTROLS AND PROCEDURES

<u>Disclosure Controls and Procedures</u>

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 the CFO, together with other members of management, have evaluated the effectiveness of the Company's disclosure controls and procedures.

Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as at March 31, 2019.

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 changes in the design of the Company's internal control over financial reporting during the three months ended March 31, 2019, that would materially affect, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 is 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.

	Three months ended March 31	
($ thousands)	**2019**	2018
Net earnings	**$ 39,261**	$ 30,779
plus: Interest expense	**6,919**	8,895
less: Interest and investment income	**(2,572)**	(2,179)
plus: Income taxes	**15,175**	11,720
Operating income	**$ 58,783**	$ 49,215

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)	**March 31 2019**	December 31 2018	March 31 2018
Long-term debt	**$ 644,773**	$ 644,540	$ 743,507
Current portion of long-term debt	**-**	1,022	2,010
less: Cash	**184,171**	345,434	171,223
Net debt	**460,602**	300,128	574,294
Shareholders' equity	**1,336,041**	1,327,679	1,148,788
Total capitalization	**$ 1,796,643**	$ 1,627,807	$ 1,723,082
Net debt to total capitalization	**26%**	18%	33%
Net debt to equity	**0.34:1**	0.23:1	0.50:1

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.

($ thousands)	**March 31 2019**	December 31 2018	March 31 2018
Total current assets	**$ 1,695,579**	$ 1,779,100	$ 1,496,495
less: Total current liabilities	**1,047,339**	1,125,194	862,834
Working capital	**$ 648,240**	$ 653,906	$ 633,661

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).

($ thousands)	**March 31 2019**	December 31 2018	March 31 2018
Total current assets	**$ 1,695,579**	$ 1,779,100	$ 1,496,495
less: Cash	**184,171**	345,434	171,223
	1,511,408	1,433,666	1,325,272
Total current liabilities	**1,047,339**	1,125,194	862,834
less : Current portion of long-term debt	**-**	1,022	2,010
	1,047,339	1,124,172	860,824
Non-cash working capital	**$ 464,069**	$ 309,494	$ 464,448

Significant item

A curtailment gain of $5.0 million ($3.7 million after tax) as described in note 9 of the notes to the interim condensed consolidated financial statements affected the reported results of the Company for the three months ended March 31, 2019. This item was not considered to be indicative of operational and financial trends, either by nature or amount and as such, a reconciliation adjusting for the impact of this item is shown below:

Three months ended March 31, 2019 *($ thousands)*	**Reported**	Curtailment gain	**Adjusted - excluding curtailment gain**
Selling and administrative expenses	**$ 111,878**	$ (5,000)	**$ 116,878**
Operating income	**$ 58,783**	$ 5,000	**$ 53,783**
Net earnings	**$ 39,261**	$ 3,700	**$ 35,561**
Basic earnings per share	**$ 0.48**	$ 0.04	**$ 0.44**

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:

($ thousands, except for share price)		**March 31 2019**		December 31 2018		March 31 2018
Outstanding common shares		**81,484**		81,226		81,035
x Ending share price	**$**	**68.25**	$	54.26	$	55.93
Market capitalization	**$**	**5,561,259**	$	4,407,344	$	4,532,282
Long-term debt	**$**	**644,773**	$	644,540	$	743,507
Current portion of long-term debt		**-**		1,022		2,010
less: Cash		**184,171**		345,434		171,223
Net debt	**$**	**460,602**	$	300,128	$	574,294
Total enterprise value	**$**	**6,021,861**	$	4,707,472	$	5,106,576

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	**March 31 2019**	December 31 2018	March 31 2018
Assets				
Current assets				
Cash		**$ 184,171**	$ 345,434	$ 171,223
Accounts receivable		**466,219**	522,462	437,913
Inventories		**1,014,915**	873,507	862,870
Income taxes receivable		**9,678**	118	5,165
Derivative financial instruments	5	**7,075**	27,647	9,252
Other current assets		**13,521**	9,932	10,072
Total current assets		**1,695,579**	1,779,100	1,496,495
Property, plant and equipment	2	**409,420**	412,776	409,822
Rental equipment	2	**564,125**	541,530	478,624
Other assets	1	**46,152**	13,206	17,257
Deferred tax assets		**1,571**	1,610	110
Goodwill and intangible assets		**485,439**	486,309	490,252
Total assets		**$ 3,202,286**	$ 3,234,531	$ 2,892,560
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		**$ 873,789**	$ 935,037	$ 676,481
Provisions		**24,087**	24,382	22,837
Deferred revenues and contract liabilities		**149,442**	136,244	161,506
Current portion of long-term debt	3	**-**	1,022	2,010
Derivative financial instruments	5	**21**	23	-
Income taxes payable		**-**	28,486	-
Total current liabilities		**1,047,339**	1,125,194	862,834
Deferred revenues and contract liabilities		**16,867**	17,247	18,779
Long-term lease liabilities	1	**26,909**	-	-
Long-term debt	3	**644,773**	644,540	743,507
Post-employment obligations	9	**119,395**	104,342	116,101
Deferred tax liabilities		**10,962**	15,529	2,551
Shareholders' equity				
Share capital		**466,031**	457,800	446,805
Contributed surplus		**12,927**	12,879	11,240
Retained earnings		**854,257**	851,049	687,156
Accumulated other comprehensive income		**2,826**	5,951	3,587
Shareholders' equity		**1,336,041**	1,327,679	1,148,788
Total liabilities and shareholders' equity		**$ 3,202,286**	$ 3,234,531	$ 2,892,560

See accompanying notes

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

($ thousands, except share amounts)	Note	Three months ended March 31 2019	2018
Revenues	11	**$ 699,974**	$ 676,828
Cost of goods sold		**529,313**	510,054
Gross profit		**170,661**	166,774
Selling and administrative expenses		**111,878**	117,559
Operating income		**58,783**	49,215
Interest expense	6	**6,919**	8,895
Interest and investment income	6	**(2,572)**	(2,179)
Income before income taxes		**54,436**	42,499
Income taxes		**15,175**	11,720
Net earnings		**$ 39,261**	$ 30,779
Earnings per share			
Basic	7	**$ 0.48**	$ 0.38
Diluted	7	**$ 0.48**	$ 0.38
Weighted average number of shares outstanding			
Basic	7	**81,326,182**	80,976,397
Diluted	7	**82,001,203**	81,886,590

See accompanying notes

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

	Three months ended March 31	
($ thousands)	**2019**	2018
Net earnings	**$ 39,261**	$ 30,779
Other comprehensive income (loss), net of income taxes:		
Items that may be reclassified subsequently to net earnings:		
Foreign currency translation adjustments	**(189)**	284
Unrealized (losses) gains on derivatives designated as cash flow hedges	(4,729)	4,077
Income tax recovery (expense)	1,229	(1,062)
Unrealized (losses) gains on cash flow hedges, net of income taxes	**(3,500)**	3,015
Realized losses on derivatives designated as cash flow hedges	762	121
Income tax recovery	(198)	(30)
Realized losses on cash flow hedges, net of income taxes	**564**	91
Items that will not be reclassified subsequently to net earnings:		
Actuarial and other (losses) gains	(19,122)	6,655
Income tax recovery (expense)	5,067	(1,732)
Actuarial and other (losses) gains, net of income taxes	**(14,055)**	4,923
Other comprehensive (loss) income	**(17,180)**	8,313
Total comprehensive income	**$ 22,081**	$ 39,092

See accompanying notes

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

($ thousands)	Note	Three months ended March 31 2019	2018
Operating activities			
Net earnings		**$ 39,261**	$ 30,779
Items not requiring cash:			
Depreciation and amortization		**39,268**	33,679
Stock-based compensation		**1,458**	1,375
Post-employment obligations		**(4,069)**	1,422
Deferred income taxes		**1,570**	27
Interest accretion on repayment of term credit facility		**-**	511
Gain on sale of rental equipment and property, plant and equipment		**(4,845)**	(3,589)
		72,643	64,204
Net change in non-cash working capital and other	10	**(168,492)**	103,047
Additions to rental equipment	2	**(60,111)**	(34,828)
Proceeds on disposal of rental equipment		**16,289**	6,944
Cash (used in) provided by operating activities		**(139,671)**	139,367
Investing activities			
Additions to property, plant and equipment	2	**(6,487)**	(7,114)
Proceeds on disposal of property, plant and equipment		**195**	156
Increase (decrease) in other assets		**(48)**	42,577
Cash (used in) provided by investing activities		**(6,340)**	35,619
Financing activities			
Repayment of term credit facility		**-**	(150,000)
Repayment of senior debentures		**(1,022)**	(953)
Dividends	4	**(18,737)**	(15,379)
Cash received on exercise of stock options		**6,821**	1,953
Payment of lease liabilities	1	**(2,409)**	-
Cash used in financing activities		**(15,347)**	(164,379)
Effect of currency translation on cash balances		**95**	109
(Decrease) increase in cash		**(161,263)**	10,716
Cash, at beginning of period		**345,434**	160,507
Cash, at end of period		**$ 184,171**	$ 171,223

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			
($ thousands, except share numbers)	Number	Amount	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Cash flow hedges	Total	Total
At January 1, 2019	**81,226,383**	**$ 457,800**	**$ 12,879**	**$ 851,049**	**$ 2,700**	**$ 3,251**	**$ 5,951**	**$ 1,327,679**
Net earnings	-	-	-	39,261	-	-	-	39,261
Other comprehensive loss	-	-	-	(14,055)	(189)	(2,936)	(3,125)	(17,180)
Total comprehensive income	-	-	-	25,206	(189)	(2,936)	(3,125)	22,081
Exercise of stock options	257,265	8,231	-	-	-	-	-	8,231
Stock-based compensation expense	-	-	1,458	-	-	-	-	1,458
Stock options exercised	-	-	(1,410)	-	-	-	-	(1,410)
Effect of stock compensation plans	257,265	8,231	48	-	-	-	-	8,279
Dividends	-	-	-	(21,998)	-	-	-	(21,998)
At March 31, 2019	**81,483,648**	**$ 466,031**	**$ 12,927**	**$ 854,257**	**$ 2,511**	**$ 315**	**$ 2,826**	**$ 1,336,041**
At January 1, 2018	80,949,819	$ 444,427	$ 10,290	$ 669,813	$ 1,911	$ (1,714)	$ 197	$ 1,124,727
Net earnings	-	-	-	30,779	-	-	-	30,779
Other comprehensive income	-	-	-	4,923	284	3,106	3,390	8,313
Total comprehensive income	-	-	-	35,702	284	3,106	3,390	39,092
Exercise of stock options	85,075	2,378	-	-	-	-	-	2,378
Stock-based compensation expense	-	-	1,375	-	-	-	-	1,375
Stock options exercised	-	-	(425)	-	-	-	-	(425)
Effect of stock compensation plans	85,075	2,378	950	-	-	-	-	3,328
Dividends	-	-	-	(18,359)	-	-	-	(18,359)
At March 31, 2018	81,034,894	$ 446,805	$ 11,240	$ 687,156	$ 2,195	$ 1,392	$ 3,587	$ 1,148,788

See accompanying notes

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 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 6,000 people in more than 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, 2018.

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, 2018.

These 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 May 2, 2019.

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, 2018, except for the adoption of new standards effective as of January 1, 2019. The Company has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

This is the first set of Toromont’s financial statements in which IFRS 16 - *Leases* has been applied. As required by IAS 34, the nature and effect of these changes are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements.

a) IFRS 16 - *Leases*

IFRS 16 – *Leases* supersedes IAS 17 – *Leases*, IFRIC 4 – *Determining whether an Arrangement contains a Lease*, SIC 15 – *Operating Leases - Incentives* and SIC 27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on–balance sheet model.

Lessor accounting is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where Toromont is the lessor.

Toromont applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated. The lease liabilities were recorded as the present value of the remaining lease payments discounted at the Company's incremental borrowing rate as at the date of application. The right-of-use assets were recorded at an amount equal to the lease liabilities, adjusted for any prepaid or accrued lease payments (nil).

Toromont elected to use the practical expedient on transition allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4 at the date of initial application. Toromont also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Impact on the financial statements on transition

On transition to IFRS 16 at January 1, 2019, Toromont recognized additional right-of-use assets and additional lease liabilities of $33.8 million, respectively. There was no impact on retained earnings.

Lease liabilities for leases that were classified as operating leases were discounted using the incremental borrowing rate at January 1, 2019. The weighted average rate applied was 2.9%.

Summary of new accounting policies

Set out below are the new accounting policies upon adoption of IFRS 16, which have been applied from the date of initial application:

- *Right-of-use assets*

Toromont recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless Toromont is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- *Lease liabilities*

At the commencement date of the lease, Toromont recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The interest rate implicit in the lease is used, if readily determinable, to calculate the present value of lease payments. If not readily determinable, Toromont's incremental borrowing rate at the lease commencement date is used in the present value calculation. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term leases and leases of low-value assets*

Toromont applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases that are considered of low-value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

- *Significant judgement in determining the lease term of contracts with renewal options*

Toromont determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Toromont applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. All relevant factors that create an economic incentive for it to exercise the renewal are considered. After the commencement date, Toromont reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Amounts recognized in the statement of financial position and profit or loss

Activity within right-of-use assets and lease liabilities during the period were as follows:

	Right-of-use assets			Lease
	Properties	**Vehicles**	**Total**	**liabilities**
January 1, 2019	**$ 18,025**	**$ 15,740**	**$ 33,765**	**$ 33,765**
Additions	902	941	1,843	1,843
Depreciation expense	(1,127)	(1,413)	(2,540)	-
Payments	-	-	-	(2,409)
March 31, 2019	**$ 17,800**	**$ 15,268**	**$ 33,068**	**$ 33,199**

Right-of-use assets are included in other assets on the statement of financial position. The current portion of lease liabilities at March 31, 2019 of $6.3 million are included in accounts payable and accrued liabilities on the statement of financial position.

b) IFRIC 23 - *Uncertainty over Income Tax Treatment*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 - *Income Taxes*, specifically:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The adoption of this interpretation did not have an impact on the consolidated financial statements.

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

Activity within property, plant and equipment and rental equipment during the period included:

	Three months ended March 31	
	2019	2018
Additions		
Rental equipment	$ 60,111	$ 34,828
Property, plant and equipment	6,487	7,114
Total Additions	**$ 66,598**	$ 41,942
Disposals - NBV		
Rental equipment	$ 11,459	$ 3,462
Property, plant and equipment	180	49
Total Disposals - NBV	**$ 11,639**	$ 3,511
Depreciation included in:		
Cost of goods sold	$ 30,183	$ 26,553
Selling and administrative expenses	5,442	5,416
Total Depreciation	**$ 35,625**	$ 31,969

3. LONG-TERM DEBT

	March 31 2019	December 31 2018	March 31 2018
7.06%, $15.0 million, due March 29, 2019 [1]	**$ -**	$ 1,022	$ 2,010
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	500,000
Senior debentures	**650,000**	651,022	652,010
$250.0 million term credit facility	**-**	-	100,000
	650,000	651,022	752,010
Debt issuance costs, net of amortization	**(5,227)**	(5,460)	(6,493)
Total long-term debt	**$ 644,773**	$ 645,562	$ 745,517
Less: Current portion of long-term debt	**-**	(1,022)	(2,010)
Non-current portion of long-term debt	**$ 644,773**	$ 644,540	$ 743,507

[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 March 31, 2019, December 31, 2018 or March 31, 2018. Letters of credit utilized $30.2 million of the facility at March 31, 2019 (December 31, 2018 - $29.9 million and March 31, 2018 - $24.4 million).

4. SHARE CAPITAL

Normal Course Issuer Bid ("NCIB")

No shares were purchased and cancelled under the NCIB program during the three months ended March 31, 2019 and 2018.

Dividends

The Company paid dividends of $18.7 million or $0.23 per share during the three months ended March 31, 2019 (2018 - $15.4 million or $0.19 per share).

The quarterly dividend was increased on February 14, 2019, to $0.27 per share effective with the dividend paid on April 3, 2019.

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:

		March 31 2019		December 31 2018		March 31 2018
Other financial liabilities:						
Current portion of long-term debt	**$**	**-**	$	1,022	$	2,010
Long-term debt	**$**	**644,773**	$	644,540	$	743,507
Derivative financial instruments assets (net):						
Foreign exchange forward contracts	**$**	**7,054**	$	27,624	$	9,252

Fair Value of Financial Instruments

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

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

Long-term debt		**March 31 2019**		December 31 2018		March 31 2018
Fair value	**$**	**683,167**	$	655,575	$	758,180
Carrying value	**$**	**650,000**	$	651,022	$	752,010

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

During the three month period ended March 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. As at March 31, 2019, the Company was committed to USD purchase contracts with a notional amount of $589.6 million at an average exchange rate of $1.3199, maturing between April 2019 and August 2020. The Company was also committed to USD sell contracts with a notional amount of $38.8 million at an average exchange rate of $1.3187, maturing between April 2019 and April 2020.

Management estimates that a gain of $7.1 million (December 31, 2018 – $27.6 million; March 31, 2018 – $9.3 million) would be realized if the contracts were terminated on March 31, 2019. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of $0.4 million (December 31, 2018 – $4.4 million; March 31, 2018 – $1.9 million) has been included in other comprehensive income. These gains are not expected to affect net income as the amounts will be reclassified to net income within the next seventeen months and will offset losses recorded on the underlying hedged items, namely foreign-denominated accounts payable. Certain of those forward contracts are not designated as cash flow hedges but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A gain of $6.7 million (December 31, 2018 – $23.2 million; March 31, 2018 – $7.4 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 March 31	
	2019	2018
Credit facilities	**$ 416**	$ 486
Senior debentures	**6,258**	7,898
Interest accretion on repayment of term credit facility	**-**	511
Interest on lease liabilities	**245**	-
	$ 6,919	$ 8,895

The components of interest and investment income were as follows:

	Three months ended March 31	
	2019	2018
Interest on conversion of rental equipment	**$ 937**	$ 1,005
Other	**1,635**	1,174
	$ 2,572	$ 2,179

7. EARNINGS PER SHARE

	Three months ended March 31	
	2019	2018
Net earnings available to common shareholders	**$ 39,261**	$ 30,779
Weighted average common shares outstanding	**81,326,182**	80,976,397
Dilutive effect of stock option conversions	**675,021**	910,193
Diluted weighted average common shares outstanding	**82,001,203**	81,886,590
Earnings per share:		
Basic	**$ 0.48**	$ 0.38
Diluted	**$ 0.48**	$ 0.38

For the three months ended March 31, 2019, 580,250 outstanding share options with an exercise price of $66.22 were considered anti-dilutive (exercise price in excess of average market price) and were excluded from the calculation. There were no anti-dilutive options in the three month period ended March 31, 2018.

8. STOCK BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	2019		2018	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Options outstanding, January 1	**2,636,070**	**$ 43.78**	2,628,036	$ 34.85
Exercised [(1)]	**(257,265)**	**26.51**	(85,075)	22.95
Forfeited	**(8,900)**	**51.33**	-	-
Options outstanding, March 31	**2,369,905**	**$ 45.62**	2,542,961	$ 35.24
Options exercisable, March 31	**841,215**	**$ 33.60**	1,038,161	$ 26.41

[(1)] The weighted average share price at date of exercise for the three months ended March 31, 2019 was $68.61 (2018 - $56.25).

The following table summarizes stock options outstanding and exercisable as at March 31, 2019.

	Options Outstanding			**Options Exercisable**	
Range of Exercise Prices	**Number**	**Weighted Average Remaining Life (years)**	**Weighted Average Exercise Price**	**Number**	**Weighted Average Exercise Price**
$20.76	35,500	0.3	$ 20.76	35,500	$ 20.76
$23.40 - $26.79	443,480	5.0	$ 25.62	354,860	$ 25.40
$36.65 - $39.79	835,750	6.8	$ 38.30	363,170	$ 37.97
$53.88 - $66.22	1,055,175	8.9	$ 60.67	87,685	$ 53.88
	2,369,905	**7.3**	**$ 45.62**	**841,215**	**$ 33.60**

Deferred Share Unit Plan

A reconciliation of the DSU plan was as follows:

	2019			2018		
	Number of DSUs		Value	Number of DSUs		Value
Outstanding, January 1	**358,151**	**$**	**19,005**	426,279	$	23,417
Units taken or taken in lieu and dividends	**11,892**		**792**	11,993		661
Redemptions	**-**		**-**	(4,478)		(243)
Fair market value adjustment	**-**		**5,138**	-		183
Outstanding, March 31	**370,043**	**$**	**24,935**	433,794	$	24,018

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 March 31			
		2019		2018
Defined benefit plans	**$**	**3,815**	$	4,420
Curtailment gain		**(5,000)**		-
Defined contribution plans		**3,711**		3,358
401(k) matched savings plans		**65**		79
	$	**2,591**	$	7,857

The Company completed the alignment of benefit programs across the Equipment Group in the first quarter, which on the whole, led to improved benefits for most employees in the acquired businesses and to increased administrative efficiencies for the Company. A single component of this comprehensive alignment led to changes in the structure and elements of certain post-employment benefit plans, which resulted in a non-recurring curtailment gain of $5.0 million ($3.7 million after-tax).

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31	
	2019	2018
Net change in non-cash working capital and other		
Accounts receivable	**$ 56,243**	$ 48,157
Inventories	**(141,408)**	(85,346)
Accounts payable and accrued liabilities	**(70,799)**	130,660
Provisions	**(295)**	5,401
Deferred revenues and contract liabilities	**12,818**	24,406
Income taxes	**(38,046)**	(5,369)
Derivative financial instruments	**16,603**	(10,314)
Other	**(3,608)**	(4,548)
	$ (168,492)	$ 103,047
Cash paid during the period for:		
Interest	**$ 649**	$ 1,832
Income taxes	**$ 51,751**	$ 17,033
Cash received during the period for:		
Interest	**$ 2,516**	$ 1,913

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 months ended March 31, 2019 and 2018:

	Equipment Group		CIMCO		Consolidated	
Three months ended March 31	**2019**	2018	**2019**	2018	**2019**	2018
Equipment/package sales	**$ 238,709**	$ 257,304	**$ 31,527**	$ 35,619	**$ 270,236**	$ 292,923
Rentals	**81,082**	70,874	**-**	-	**81,082**	70,874
Product support	**311,560**	282,197	**34,572**	28,238	**346,132**	310,435
Power generation	**2,524**	2,596	**-**	-	**2,524**	2,596
Total revenues	**$ 633,875**	$ 612,971	**$ 66,099**	$ 63,857	**$ 699,974**	$ 676,828
Operating income	**$ 57,673**	$ 45,795	**$ 1,110**	$ 3,420	**$ 58,783**	$ 49,215
Interest expense					**6,919**	8,895
Interest and investment income					**(2,572)**	(2,179)
Income taxes					**15,175**	11,720
Net earnings					**$ 39,261**	$ 30,779

Operating income from rental operations was $2.6 million for the three months ended March 31, 2019 (2018 – operating loss of $0.9 million).

12. SEASONALITY OF BUSINESS

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

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