

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:

<i>(\$ thousands)</i>	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: Cash</i>	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: Total current liabilities</i>	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: Cash</i>	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: Current portion of long-term debt</i>	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
<i>less: Cash</i>	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.