

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, 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 months ended March 31, 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 with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The information in this MD&A is current to April 25, 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

On October 27, 2017, Toromont completed the acquisition of the businesses and net operating assets of the Hewitt Group of Companies.

As a consequence of this transaction, 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.

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

Three months ended March 31

<i>(\$ thousands, except per share amounts)</i>	2018	2017	\$ change	% change
REVENUES	\$ 676,828	\$ 412,308	\$ 264,520	64%
Cost of goods sold	510,054	311,903	198,151	64%
Gross profit ⁽¹⁾	166,774	100,405	66,369	66%
Selling and administrative expenses	117,559	62,511	55,048	88%
OPERATING INCOME ⁽¹⁾	49,215	37,894	11,321	30%
Interest expense	8,895	1,832	7,063	386%
Interest and investment income	(2,179)	(1,112)	(1,067)	96%
Income before income taxes	42,499	37,174	5,325	14%
Income taxes	11,720	10,150	1,570	15%
NET EARNINGS	30,779	27,024	3,755	14%
BASIC EARNINGS PER SHARE	\$ 0.38	\$ 0.34	\$ 0.04	12%
KEY RATIOS:				
Gross profit margin ⁽¹⁾	24.6%	24.4%		
Selling and administrative expenses as a % of revenues	17.4%	15.2%		
Operating income margin ⁽¹⁾	7.3%	9.2%		
Income taxes as a % of income before income taxes	27.6%	27.3%		

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

The Company delivered good results in the first quarter on growth in the Legacy Toromont businesses, together with incremental contributions from the acquired businesses ("Toromont QM"), offset by increased interest expense and integration-related costs.

The Legacy Equipment Group reported revenue growth of 3% on increased product support and rentals, which served to offset lower total equipment sales. Toromont QM generated revenues of \$241.4 million for its first full quarter of operations, up 18% from revenues generated in the first quarter of 2017 at the predecessor organization on growth in new equipment and product support. CIMCO reported a 22% increase in revenues with strong package sales offsetting a slight contraction in product support revenues. On a year-over-year comparable basis, revenues grew \$23.2 million or 6%.

Gross profit margins increased 20 basis points ("bps") to 24.6%. Higher margins reported at the Legacy Equipment Group (up 140 bps) were partially offset by lower margins at CIMCO versus a year ago (down 60 bps). Lower average margins experienced at Toromont QM also reduced the total by 60 bps.

Selling and administrative expenses increased \$55.0 million largely reflecting the incremental expenses at Toromont QM (\$51.4 million) and integration-related costs (\$1.7 million). Additionally, at Legacy Toromont, compensation costs were up \$2.4 million on increased headcount, regular annual increases, and an increased profit sharing accrual on the higher earnings. Certain other expense categories such as travel and customer concessions also increased, partially offset by lower mark-to-market adjustments on Deferred Share Units, down \$1.3 million versus a year ago. Legacy Toromont expenses were 40 bps lower as a percentage of revenues (14.8% versus 15.2% last year).

Operating income increased \$11.3 million in the quarter, including \$5.7 million contributed by Toromont QM, net of integration-related costs. Operating income at Legacy Toromont increased \$5.6 million or 15% in the quarter, and was 80 bps higher as a percentage of revenues (10.0% versus 9.2% last year).

Interest expense increased due to acquisition-related financing. During the quarter, the Company repaid \$150.0 million of the initial \$250.0 million drawn against the term credit facility, resulting in \$0.5

million in unamortized deferred financing costs expensed in the period.

Interest income increased on higher conversions of equipment on rent with a purchase option (“RPO”) and higher investment income on higher average cash balances.

The effective income tax rate was 27.6% compared to 27.3% last year. The increase 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 \$3.8 million or 14% to \$30.8 million while basic earnings per share (“EPS”) increased \$0.04 or 12% to \$0.38.

Excluding the impact of Toromont QM, integration-related costs and acquisition-related interest expense, net earnings and increased 19% as identified in the table below.

<i>millions, except per share amounts</i>	Net earnings			Basic EPS ^(a)		
	Q1 '18	Q1 '17	% change	Q1 '18	Q1 '17	% change
Legacy Toromont ^(b)	32.1	\$ 27.0	19%	0.41	\$ 0.34	19%
Toromont QM ^(c)	5.0	-	-	0.06	-	-
Acquisition-related interest expense ^(e)	(5.1)	-	-	(0.06)	-	-
Integration-related costs ^(e)	(1.2)	-	-	(0.02)	-	-
Dilutive impact of acquisition shares ^(d)	-	-	-	(0.01)	-	-
As reported	\$ 30.8	\$ 27.0	14%	\$ 0.38	\$ 0.34	12%

(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 business 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 in the quarter was \$39.1 million (2017 - \$26.8 million), comprising of net earnings, actuarial gains on post-employment obligations and unrealized gains on cash flow hedges due to fluctuations in the Canadian dollar.

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

(\$ thousands)	Three months ended March 31			
	2018	2017	\$ change	% change
Equipment sales and rentals				
New	\$ 204,744	\$ 106,818	\$ 97,926	92%
Used	54,060	52,906	1,154	2%
Rentals	69,374	45,434	23,940	53%
Total equipment sales and rentals	328,178	205,158	123,020	60%
Power generation	2,596	3,130	(534)	(17%)
Product support	282,197	151,476	130,721	86%
Total revenues	\$ 612,971	\$ 359,764	\$ 253,207	70%
Operating income	\$ 45,795	\$ 35,076	\$ 10,719	31%
KEY RATIOS:				
Product support revenues as a % of total revenues	46.0%	42.1%		
Operating income margin	7.5%	9.7%		
Group total revenues as a % of consolidated revenues	90.6%	87.3%		

The Equipment Group results reflect good execution amidst challenges across the broader supply chain. Legacy Toromont Equipment Group revenues increased 3% from the first quarter of 2017. Toromont QM contributed \$241.4 million in total revenues in the quarter, which increased 18% from revenues generated in the first quarter of 2017 at the predecessor organization.

New equipment sales in the legacy businesses increased 15% versus last year with strong demand in the construction sector across all of our territories (up 50%), partially offset by decreases in power systems (down 27%), mining (down 5%) and agriculture sales (down 30%). Used equipment sales were down 36% due in part to challenges in sourcing used iron to address the demand together with reduced dispositions of the rental fleet as equipment was retained to support the increased rental demand. Total equipment sales in the legacy businesses were down 2%. Total equipment sales at Toromont QM were \$102.1 million, up 21% from those realized a year ago at the predecessor organization led by increased new equipment sales. More than half of Toromont QM sales went into construction markets, almost a third into mining and power systems markets and the remainder into lift-truck markets.

Rental revenues at the legacy businesses increased 12% versus last year. Momentum in power rentals continued with revenues increasing 100% on heightened demand for uninterrupted power supply/generators, pumps and temperature control units across a wide customer base. Light equipment rentals were up 15% with increases across all regions except Newfoundland, which was impacted by the unexpected shutdown of a major project during the winter months. Both heavy rentals (down 21%) and rental revenues from RPO (down 13%) decreased against a tough prior year comparator that benefited from significant activity in Newfoundland. At Toromont QM, rental revenues were \$18.6 million, which increased 7% from a year ago. Approximately two-thirds of rental revenues at Toromont QM were generated from the light equipment fleet and lift-truck rentals.

The RPO fleet increased to \$66.5 million, including \$14.8 million at Toromont QM.

Product support revenues at the legacy businesses increased 7% in the quarter largely due to good rebuild activity levels, particularly in mining. At Toromont QM, product support, which comprised 50% of total revenues in the quarter, increased 17% versus a year ago.

Gross profit margins increased 90 bps in the quarter versus a year ago. Toromont Legacy margins improved across all revenue streams and a favorable sales mix of product support revenues, to total revenues, further contributed. The average margins at Toromont QM continue to be lower than Toromont legacy, which somewhat offset this growth.

Selling and administrative expenses increased \$55.2 million mainly due to the incremental expenses at Toromont QM (\$51.4 million) and integration-related costs (\$1.7 million). At Legacy Toromont, compensation costs increased \$0.8 million on higher staffing levels to support growth and annual compensation increases. As a percentage of revenues, expenses were 10 bps higher (14.2% versus 14.1% last year), after excluding Toromont QM and integration-related costs.

Operating income was up \$10.7 million or 31% in the quarter, including a contribution of \$5.7 million, net of integration-related costs from Toromont QM. Legacy Toromont operating income increased \$5.0 million or 14% in the quarter and was 10.8% as a percentage of revenues versus 9.7% last year.

Bookings and Backlogs

<i>(\$ millions)</i>	2018	2017	\$ change	% change
Bookings - three months ended March 31	\$ 370	\$ 188	\$ 182	97%
Backlogs - as at March 31	\$ 437	\$ 176	\$ 261	148%

Bookings increased \$182.0 million. In the legacy businesses bookings grew \$25.0 million in the quarter on strong mining (up 36%) and construction orders (up 26%), partially offset by lower power systems orders (down 33%). Toromont QM bookings of \$157.0 million in the quarter reflected good ordering activity across all market segments, almost half of which related to construction and approximately one-third relating to mining and power systems.

Backlogs increased to \$437.0 million, including \$184.0 million at Toromont QM. At March 31, 2018, the total backlog of \$437.0 million related to construction (42%), power systems (24%), mining (21%), agriculture (7%) and lift trucks (6%), most of which is expected to be delivered 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 March 31			
	2018	2017	\$ change	% change
Package sales	\$ 35,619	\$ 23,315	\$ 12,304	53%
Product support	28,238	29,229	(991)	(3%)
Total revenues	\$ 63,857	\$ 52,544	\$ 11,313	22%
Operating income	\$ 3,420	\$ 2,818	\$ 602	21%
KEY RATIOS:				
Product support revenues as a % of total revenues	44.2%	55.6%		
Operating income margin	5.4%	5.4%		
Group total revenues as a % of consolidated revenues	9.4%	12.7%		

CIMCO reported good results in the Canadian operations, while US results were softer. Currency translation of US operations did not have a significant impact on trends.

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). In Canada, package revenues were up 66% on higher industrial (up 56%) and recreational activity (up 117%). All regions reported strong growth. In the US, package revenues increased 11% with higher industrial activity offsetting lower recreational levels.

Product support revenues decreased by 3%. In Canada, product support revenues were down 5%, partially attributable to the inclement weather conditions. In the US, product support revenues were relatively unchanged.

Gross profit margins decreased 430 basis points in the quarter. Higher product support margins (up 80 bps) were more than offset by lower package margins (down 430 bps) and the impact of an unfavorable sales mix of product support revenues to total revenues (down 80 bps). Package margins in the first quarter of 2017 benefitted from good project closeouts and favorable one-time adjustments, not repeated.

Selling and administrative expenses decreased \$0.1 million or 1% in the quarter and were 420 bps lower (18.5% versus 22.7% last year) as a percentage of revenues.

Operating income was up 21% to \$3.4 million, reflecting the higher revenues and lower selling and administrative expense ratio, partially offset by the lower gross margins. Operating income margin was relatively unchanged versus a year ago.

Bookings and Backlogs

(\$ millions)	2018	2017	\$ change	% change
Bookings - three months ended March 31	\$ 60	\$ 63	\$ (3)	(5%)
Backlogs - as at March 31	\$ 157	\$ 138	\$ 19	14%

Bookings in the quarter were down 5%. In Canada, strong industrial orders (up 64%) were partially offset by lower recreational orders (down 30%). In the US, both market segments decreased against record levels last year which included the securing of several large projects.

Backlogs increased \$19.0 million or 14% to \$157.0 million, surpassing the previous first quarter record set last year. In both Canada and the US, industrial backlogs were up with the opposite for recreational. Most of the backlog is expected to be delivered this year.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At March 31, 2018, the ratio of net debt to total capitalization was 33%, compared to 40% at December 31, 2017 and 0% at March 31, 2017 (cash exceeded total debt).

Non-Cash Working Capital

The Company's investment in non-cash working capital was \$470.4 million at March 31, 2018. The major components, along with the changes from March 31 and December 31, 2017 are presented in the following table.

(\$ thousands)	March 31	March 31	Change		December 31	Change	
	2018	2017	\$	%	2017	\$	%
Accounts receivable	\$ 437,913	\$ 261,793	\$ 176,120	67%	\$ 528,748	\$ (90,835)	(17%)
Inventories	865,370	485,575	379,795	78%	780,024	85,346	11%
Other current assets	10,072	6,497	3,575	55%	8,386	1,686	20%
Accounts payable and accrued liabilities	(654,348)	(239,631)	(414,717)	173%	(521,666)	(132,682)	25%
Provisions	(22,837)	(14,453)	(8,384)	58%	(17,436)	(5,401)	31%
Income taxes receivable (payable)	5,165	3,532	1,633	46%	(204)	5,369	nm
Derivative financial instruments	9,252	389	8,863	nm	-5,260	14,512	nm
Dividends payable	(18,633)	(14,907)	(3,726)	25%	(15,655)	(2,978)	19%
Deferred revenues and contract liabilities	(161,506)	(62,754)	(98,752)	157%	(137,129)	(24,377)	18%
Total non-cash working capital	\$ 470,448	\$ 426,041	\$ 44,407	10%	\$ 619,808	\$(149,360)	(24%)

Accounts receivable at March 31, 2018 included \$168.9 million at Toromont QM. Accounts receivable were up \$7.2 million or 3% at the legacy businesses.

Accounts receivable at December 31, 2017 included \$42.7 million related to amounts owing to the Company as part of the 2017 acquisition which was collected in the first quarter of 2018. The remaining decrease of \$48.1 million or 9%, was partly due to lower trailing revenues (Q1 2018 revenues were 18% lower than Q4 2017 revenues; a normal seasonal trend) and slower collections.

Inventories at March 31, 2018 included \$326.5 million at Toromont QM. Excluding these, inventories were \$53.3 million or 11% higher compared to March 31, 2017 at the legacy businesses with increases in both Groups:

- Equipment Group inventories increased \$47.2 million or 10% with higher equipment (up \$32.0 million or 9%), service work-in-process (up \$10.7 million or 50%) and parts (up \$4.5 million or 4%).
- CIMCO inventories were up \$6.1 million or 28%, largely reflecting higher work-in-process levels on the timing of project advancement.

In comparison to December 31, 2017, inventories were \$85.3 million or 11% higher with increases in both Groups:

- Equipment Group inventories were \$77.9 million or 10% 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 \$7.4 million or 36% on higher work-in-process for both Canadian and US projects reflecting project construction schedules.

Accounts payable and accrued liabilities at March 31, 2018 included \$225.0 million at Toromont QM. Excluding this, accounts payable and accrued liabilities increased \$189.7 million or 79% reflecting timing of payments and certain favourable transitional terms from suppliers. In addition, the DSU

liability increased on the higher average share price. Compared to December 31, 2017, the increase of \$132.7 million or 25% mainly reflects the timing of payment and terms related to inventory purchases and other supplies, partially offset by the payout of annual performance incentive bonuses.

Provisions at March 31, 2018 increased \$8.4 million or 58%, reflecting higher warranty provisions at the legacy businesses on increased equipment and package sales together with \$6.1 million which related to Toromont QM.

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 have led to a cumulative net gain of \$9.3 million as at March 31, 2018. This is not expected to affect net income, as the unrealized gains will offset future losses on the related hedged items.

Dividends payable increased compared to March 31 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. Excluding \$60.0 million at Toromont QM at March 31, 2018, deferred revenues and contract liabilities in the legacy Equipment Group increased \$20.6 million or 48% versus March 31, 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 up \$18.2 million or 90% at March 31, 2018 versus March 31, 2017, reflecting the strong backlog levels. Compared to December 31, 2017, both the Equipment Group (up \$15.2 million or 14%) and CIMCO (up \$9.2 million or 31%) reported higher deferred revenues and contract liabilities 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 81,034,894 common shares and 2,538,961 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 10, 2016	July 4, 2016	\$0.18	\$14.1
September 9, 2016	October 3, 2016	\$0.18	\$14.1
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

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 March 31, 2018, December 31, 2017 or March 31, 2017. Letters of credit utilized \$24.4 million of the facility (December 31, 2017 - \$26.7; March 31, 2017 - \$22.9).

In March 2018, the Company repaid \$150 million on its committed term bank credit facility, bringing the balance drawn to \$100 million. Unamortized deferred financing costs of \$0.5 million associated with this portion of the term credit facility were expensed during the three month period ending March 31, 2018.

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 March 31	
	2018	2017
Cash, beginning of period	\$ 160,507	\$ 188,735
Cash, provided by (used in):		
Operating activities		
Operations	64,204	39,367
Change in non-cash working capital and other	103,047	(39,117)
Net rental fleet additions	(27,884)	(16,240)
	139,367	(15,990)
Investing activities	35,619	(3,567)
Financing activities	(164,379)	(13,565)
Effect of foreign exchange on cash balances	109	(29)
Increase (decrease) in cash in the period	10,716	(33,151)
Cash, end of period	\$ 171,223	\$ 155,584

Cash Flows from Operating Activities

Operating activities provided significant cash inflow in the first quarter of 2018 compared to a use of cash in the first quarter of 2017. The higher cash generated from operations reflect the increased cash earnings generated by both the legacy businesses and Toromont QM together. The significant cash inflow from non-cash working capital was mainly due to higher accounts payable and accrued liabilities, and lower accounts receivables, partially offset by higher inventories. Net rental fleet additions (purchases less proceeds of disposition) were higher due to more disposals last year on fleet optimization and relative aging. Additionally, \$2.6 million was spent on growing the Toromont QM fleet.

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 \$7.1 million (2017 - \$4.2 million), which included \$3.3 million at the acquired locations.

Cash Flows from Financing Activities

To partially fund the acquisition in 2017, the Company drew \$250.0 million against its term credit facility. In the first quarter of 2018, the Company repaid \$150.0 million which largely accounts for the significant use of cash versus the first quarter of last year.

Other uses and source of cash in the quarter were:

- Dividends paid of \$15.4 million or \$0.19 per share (2017 - \$14.1 million or \$0.18 per share);
- Repayment of other long-term debt of \$1.0 million (2017 - \$0.9 million); and
- Cash received of \$2.0 million on the exercise of stock options (2017 – \$1.4 million).

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 which will allow for a greater combined presence in key Canadian economic sectors such as mining, construction and power systems. Focus is currently on safety of our people, customer deliverables, business integration 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, expanding the agricultural business and developing product support technologies supporting remote diagnostics and telematics are expected to contribute to longer-term growth.

The long-term outlook for infrastructure spending continues to be positive across most territories.

Increased activity in the mining space has translated to increased bookings and sales this year and we are cautiously optimistic that there is the opportunity for continued growth. In the meantime, production continues at existing mine sites, generating product support opportunities and incremental equipment to support the operations and expansion. With the substantially increased base of installed equipment, product support activity should continue to grow so long as mines remain active.

CIMCO's strong bookings activity and current backlog levels bode well for future prospects. Increasing long-term product support levels is also a positive signal for future trends. CIMCO has a wide product offering using natural refrigerants including innovative CO₂ solutions, which are expected to contribute to growth. In addition, CIMCO is focused on its growth strategy in the US, which represents a significant market opportunity.

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.

<i>(\$ thousands, except per share amounts)</i>	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

<i>(\$ thousands, except per share amounts)</i>	Q2 2016	Q3 2016	Q4 2016	Q1 2017
REVENUES				
Equipment Group	\$ 453,145	\$ 421,862	\$ 418,793	\$ 359,763
CIMCO	68,979	87,912	73,430	52,545
Total revenues	\$ 522,124	\$ 509,774	\$ 492,223	\$ 412,308
NET EARNINGS	\$ 38,406	\$ 47,643	\$ 45,529	\$ 27,024
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.49	\$ 0.61	\$ 0.58	\$ 0.34
Diluted earnings per share	0.49	0.60	0.58	0.34
Dividends paid per share	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Weighted average common shares outstanding - basic (in thousands)	78,056	78,211	78,344	78,434

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 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 month period ending March 31, 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 month period ended March 31, 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 three months ended March 31, 2018 was approximately 36% of consolidated revenues and 16% 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 March 31	
	2018	2017
Net earnings	\$ 30,779	\$ 27,024
<i>plus:</i> Interest expense	8,895	1,832
<i>less:</i> Interest and investment income	(2,179)	(1,112)
<i>plus:</i> Income taxes	11,720	10,150
Operating income	\$ 49,215	\$ 37,894

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 2018	December 31 2017	March 31 2017
Long-term debt	\$ 743,507	\$ 893,806	\$ 149,875
Current portion of long-term debt	2,010	1,941	1,875
<i>less:</i> Cash	171,223	160,507	155,584
Net debt	574,294	735,240	(3,834)
Shareholders' equity	1,148,788	1,124,727	899,618
Total capitalization	\$ 1,723,082	\$ 1,859,967	\$ 895,784
Net debt to total capitalization	33%	40%	0%
Net debt to equity	0.50:1	0.65:1	0.00:1

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>	March 31 2018	December 31 2017	March 31 2017
Total current assets	\$ 1,498,995	\$ 1,477,665	\$ 913,370
less: Total current liabilities	859,334	699,291	333,620
Working capital	\$ 639,661	\$ 778,374	\$ 579,750

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>	March 31 2018	December 31 2017	March 31 2017
Total current assets	\$ 1,498,995	\$ 1,477,665	\$ 913,370
less: Cash	171,223	160,507	155,584
	1,327,772	1,317,158	757,786
Total current liabilities	859,334	699,291	333,620
less: Current portion of long-term debt	2,010	1,941	1,875
	857,324	697,350	331,745
Non-cash working capital	\$ 470,448	\$ 619,808	\$ 426,041

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>	March 31 2018	December 31 2017	March 31 2017
Outstanding common shares	81,035	80,950	78,470
x Ending share price	\$ 55.93	\$ 55.10	\$ 46.53
Market capitalization	\$ 4,532,282	\$ 4,460,335	\$ 3,651,213
Long-term debt	\$ 743,507	\$ 893,806	\$ 149,875
Current portion of long-term debt	2,010	1,941	1,875
less: Cash	171,223	160,507	155,584
Net debt	\$ 574,294	\$ 735,240	\$ (3,834)
Total enterprise value	\$ 5,106,576	\$ 5,195,575	\$ 3,647,379

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.