

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

(\$ thousands)	Note	March 31 2018	December 31 2017	March 31 2017
Assets				
Current assets				
Cash		\$ 171,223	\$ 160,507	\$ 155,584
Accounts receivable		437,913	528,748	261,793
Inventories		865,370	780,024	485,575
Income taxes receivable		5,165	-	3,532
Derivative financial instruments	5	9,252	-	389
Other current assets		10,072	8,386	6,497
Total current assets		1,498,995	1,477,665	913,370
Property, plant and equipment				
Rental equipment	2	410,465	413,178	180,475
Other assets	2	478,624	469,342	281,696
Other assets		17,257	17,206	16,031
Deferred tax assets		-	411	5,954
Goodwill and intangible assets		483,609	480,107	27,494
Total assets		\$ 2,888,950	\$ 2,857,909	\$ 1,425,020
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 672,981	\$ 537,321	\$ 254,538
Provisions		22,837	17,436	14,453
Deferred revenues and contract liabilities		161,506	137,129	62,754
Current portion of long-term debt	3	2,010	1,941	1,875
Derivative financial instruments	5	-	5,260	-
Income taxes payable		-	204	-
Total current liabilities		859,334	699,291	333,620
Deferred revenues		18,779	18,750	19,335
Long-term debt	3	743,507	893,806	149,875
Post-employment obligations		116,101	121,335	22,572
Deferred tax liabilities		2,441	-	-
Shareholders' equity				
Share capital		446,805	444,427	316,821
Contributed surplus		11,240	10,290	8,720
Retained earnings		687,156	669,813	571,369
Accumulated other comprehensive income		3,587	197	2,708
Shareholders' equity		1,148,788	1,124,727	899,618
Total liabilities and shareholders' equity		\$ 2,888,950	\$ 2,857,909	\$ 1,425,020

See accompanying notes

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

(\$ thousands, except share amounts)	Note	Three months ended March 31	
		2018	2017
Revenues	11	\$ 676,828	\$ 412,308
Cost of goods sold		510,054	311,903
Gross profit		166,774	100,405
Selling and administrative expenses		117,559	62,511
Operating income		49,215	37,894
Interest expense	6	8,895	1,832
Interest and investment income	6	(2,179)	(1,112)
Income before income taxes		42,499	37,174
Income taxes		11,720	10,150
Net earnings		\$ 30,779	\$ 27,024
Earnings per share			
Basic	7	\$ 0.38	\$ 0.34
Diluted	7	\$ 0.38	\$ 0.34
Weighted average number of shares outstanding			
Basic	7	80,976,397	78,433,827
Diluted	7	81,886,590	79,221,266

See accompanying notes

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

(\$ thousands)	Three months ended March 31	
	2018	2017
Net earnings	\$ 30,779	\$ 27,024
Other comprehensive (loss) income, net of income taxes:		
<i>Items that may be reclassified subsequently to net earnings:</i>		
Foreign currency translation adjustments	284	(83)
Unrealized gain (loss) on derivatives designated as cash flow hedges	4,077	(961)
Income tax (expense) recovery	(1,062)	250
Unrealized gain (loss) on cash flow hedges, net of income taxes	3,015	(711)
Realized loss on derivatives designated as cash flow hedges	121	765
Income tax recovery	(30)	(199)
Realized loss on cash flow hedges, net of income taxes	91	566
<i>Items that will not be reclassified subsequently to net earnings:</i>		
Actuarial gains and other	6,655	-
Income tax expense	(1,732)	-
Actuarial gains and other, net of income taxes	4,923	-
Other comprehensive income (loss)	8,313	(228)
Total comprehensive income	\$ 39,092	\$ 26,796

See accompanying notes

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

(\$ thousands)	Note	Three months ended March 31	
		2018	2017
Operating activities			
Net earnings		\$ 30,779	\$ 27,024
Items not requiring cash:			
Depreciation and amortization		33,679	18,951
Stock-based compensation		1,375	861
Post-employment obligations		1,422	2
Deferred income taxes		27	(293)
Interest accretion on repayment of term bank debt	3	511	-
Gain on sale of rental equipment and property, plant and equipment		(3,589)	(7,178)
		64,204	39,367
Net change in non-cash working capital and other	10	103,047	(39,117)
Additions to rental equipment	2	(34,828)	(27,608)
Proceeds on disposal of rental equipment		6,944	11,368
Cash provided by (used in) operating activities		139,367	(15,990)
Investing activities			
Additions to property, plant and equipment	2	(7,114)	(4,235)
Proceeds on disposal of property, plant and equipment		156	722
Decrease (increase) in other assets		42,577	(54)
Cash used in investing activities		35,619	(3,567)
Financing activities			
Repayment of term bank debt		(150,000)	-
Repayment of senior debentures		(953)	(890)
Dividends	4	(15,379)	(14,111)
Cash received on exercise of stock options		1,953	1,436
Cash used in financing activities		(164,379)	(13,565)
Effect of currency translation on cash balances		109	(29)
Increase (decrease) in cash		10,716	(33,151)
Cash, at beginning of period		160,507	188,735
Cash, at end of period		\$ 171,223	\$ 155,584

Supplemental cash flow information (note 10)

See accompanying notes

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

(\$ thousands)	Share Capital		Accumulated other comprehensive income					
	Number	Amount	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Cash flow hedges	Total	Total
At January 1, 2018	80,949,819	\$ 444,427	\$ 10,290	\$ 669,813	\$ 1,911	\$ (1,714)	\$ 197	\$ 1,124,727
Net earnings	-	-	-	30,779	-	-	-	30,779
Other comprehensive income	-	-	-	4,923	284	3,106	3,390	8,313
Total comprehensive income	-	-	-	35,702	284	3,106	3,390	39,092
Exercise of stock options	85,075	2,378	-	-	-	-	-	2,378
Stock-based compensation expense	-	-	1,375	-	-	-	-	1,375
Stock options exercised	-	-	(425)	-	-	-	-	(425)
Effect of stock compensation plans	85,075	2,378	950	-	-	-	-	3,328
Dividends	-	-	-	(18,359)	-	-	-	(18,359)
At March 31, 2018	81,034,894	\$ 446,805	\$ 11,240	\$ 687,156	\$ 2,195	\$ 1,392	\$ 3,587	\$ 1,148,788

(\$ thousands)	Share Capital		Accumulated other comprehensive loss					
	Number	Amount	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Cash flow hedges	Total	Total
At January 1, 2017	78,398,456	\$ 315,078	\$ 8,166	\$ 559,252	\$ 2,627	\$ 309	\$ 2,936	\$ 885,432
Net earnings	-	-	-	27,024	-	-	-	27,024
Other comprehensive loss	-	-	-	-	(83)	(145)	(228)	(228)
Total comprehensive income	-	-	-	27,024	(83)	(145)	(228)	26,796
Exercise of stock options	71,625	1,743	-	-	-	-	-	1,743
Stock-based compensation expense	-	-	861	-	-	-	-	861
Stock options exercised	-	-	(307)	-	-	-	-	(307)
Effect of stock compensation plans	71,625	1,743	554	-	-	-	-	2,297
Dividends	-	-	-	(14,907)	-	-	-	(14,907)
At March 31, 2017	78,470,081	\$ 316,821	\$ 8,720	\$ 571,369	\$ 2,544	\$ 164	\$ 2,708	\$ 899,618

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the three months ended March 31, 2018
(Unaudited)

(\$ thousands, except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

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

Toromont operates through two reportable segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations and an expanding agricultural equipment business. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities. Toromont employs over 6,000 people in almost 150 locations.

Basis of Preparation

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

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

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

These interim condensed consolidated financial statements were authorized for issue by the Audit Committee of the Board of the Directors on April 25, 2018.

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

Amendments to Standards Adopted in 2018

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

a) Revenue Recognition

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

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

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

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

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

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

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

	sell electricity and thermal power. Revenue is recognized monthly based on set rates as power is consumed. Payment is due within 30 days of invoicing.
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The disaggregation of the Company's revenues for each reportable segment is disclosed in Note 11.

b) Share-based Payment

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

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

c) Financial Instruments

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

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

Trade receivables

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

Financial assets and liabilities

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

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

For financial liabilities that are designated as FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income ("OCI"), unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in the consolidated statements of income. The remaining amount of change in the fair value of liability is recognized in the consolidated income

statements. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to the consolidated income statements; instead, they are transferred to retained earnings upon derecognition of the financial liability.

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

Classification and subsequent measurement

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

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

Impairment

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

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

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

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

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

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

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

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

Derivatives and Hedges

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

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

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

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

d) Foreign Currency Transactions and Advance Consideration

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

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

Standards Issued But Not Effective

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

a) Leases

IFRS 16 – *Leases*, introduces new requirements for the classification and measurement of lessees. For lessors, there is little change to the existing accounting in IAS 17 - *Leases*.

The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements. Management expects that IFRS 16 will result in higher non-current assets and non-current liabilities recorded on the consolidated statements of financial position.

b) Uncertainty over Income Tax Treatments

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

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

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

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

	Three months ended March 31	
	2018	2017
Additions		
Rental equipment	\$ 34,828	\$ 27,608
Property, plant and equipment	7,114	4,235
Total Additions	\$ 41,942	\$ 31,843
Disposals - NBV		
Rental equipment	\$ 3,462	\$ 4,765
Property, plant and equipment	49	147
Total Disposals - NBV	\$ 3,511	\$ 4,912
Depreciation included in:		
Cost of goods sold	\$ 26,553	17,148
Selling and administrative expenses	5,416	1,684
Total Depreciation	\$ 31,969	\$ 18,832

3. LONG-TERM DEBT

	March 31 2018	December 31 2017	March 31 2017
7.06%, \$15.0 million, due March 29, 2019 ⁽¹⁾	\$ 2,010	\$ 2,963	\$ 3,884
3.71%, \$150.0 million, due September 30, 2025 ⁽²⁾	150,000	150,000	150,000
3.84%, \$500.0 million, due October 27, 2027 ⁽²⁾	500,000	500,000	-
Senior debentures	652,010	652,963	153,884
\$250.0 million term credit facility due on October 27, 2022 ⁽³⁾	100,000	250,000	-
	752,010	902,963	153,884
Debt issuance costs, net of amortization	(6,493)	(7,216)	(2,134)
Total long-term debt	\$ 745,517	\$ 895,747	\$ 151,750
Less: current portion of long-term debt	(2,010)	(1,941)	(1,875)
Non-current portion of long-term debt	\$ 743,507	\$ 893,806	\$ 149,875

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

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

⁽³⁾ Interest payable monthly, principal due on maturity.

All debt is unsecured.

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

In March 2018, the Company repaid \$150.0 million on its committed term credit facility. Unamortized deferred financing costs of \$0.5 million associated with this portion of the term credit facility were expensed in the period and recorded within interest expense on the interim condensed consolidated income statement.

No amounts were drawn on the revolving credit facility at March 31, 2018, December 31, 2017 or March 31, 2017. Letters of credit utilized \$24.4 million of the facility at March 31, 2018 (December 31, 2017 - \$26.7 million and March 31, 2017 - \$22.9 million).

4. SHARE CAPITAL

Normal Course Issuer Bid ("NCIB")

No shares were purchased under the NCIB program during the three months ended March 31, 2018 and 2017.

Dividends

The Company paid dividends of \$15.4 million or \$0.19 per share during the three months ended March 31, 2018 (2017 - \$14.1 million or \$0.18 per share).

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

5. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities – Classification and Measurement

Financial assets and financial liabilities are measured on an ongoing basis at cost, fair value or amortized cost, depending on the classification. The following table highlights the carrying amounts and classifications of certain financial assets and liabilities:

	March 31 2018	December 31 2017	March 31 2017
Other financial liabilities:			
Current portion of long-term debt	\$ 2,010	\$ 1,941	\$ 1,875
Long-term debt	743,507	893,806	149,875
Derivative instruments - cash flow hedges:			
Foreign exchange forward contracts	\$ 9,252	\$ (5,260)	\$ 389

Fair Value of Financial Instruments

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

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

	March 31 2018	December 31 2017	March 31 2017
Long-term debt			
Fair value	\$ 758,180	\$ 917,583	\$ 155,099
Carrying value	752,010	902,963	153,884

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

During the three month period ended March 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. As at March 31, 2018, the Company was committed to USD purchase contracts with a notional amount of \$482.2 million at an average exchange rate of \$1.2654, maturing between April 2018 and June 2019. As at March 31, 2018, the Company was also committed to USD sell contracts with a notional amount of \$46.1 million at an average exchange rate of \$1.2563, maturing between May 2018 and March 2019.

Management estimates that a gain of \$9.3 million (December 31, 2017 – loss of \$5.3 million; March 31, 2017 – gain of \$0.4 million) would be realized if the contracts were terminated on March 31, 2018. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of \$1.9 million (December 31, 2017 – unrealized loss of \$2.3 million; March 31, 2017 – unrealized gain of \$0.2 million) has been included in other comprehensive income. These gains are not expected to affect net income as the gains will be reclassified to net income within the next fifteen months and will offset losses recorded on the underlying hedged items, namely foreign-denominated accounts payable. Certain of those forward contracts are not designated as cash flow hedges but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A gain of \$7.4 million (December 31, 2017 – loss of \$3.0 million; March 31, 2017 – gain of \$0.2 million) on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable.

6. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended March 31	
	2018	2017
Term loan facility	\$ 486	\$ 253
Senior debentures	7,898	1,579
Interest accretion on repayment of term bank debt	511	-
	\$ 8,895	\$ 1,832

The components of interest and investment income were as follows:

	Three months ended March 31	
	2018	2017
Rental conversions	\$ 1,005	\$ 456
Other	1,174	656
	\$ 2,179	\$ 1,112

7. EARNINGS PER SHARE

	Three months ended March 31	
	2018	2017
Net earnings available to common shareholders	\$ 30,779	\$ 27,024
Weighted average common shares outstanding	80,976,397	78,433,827
Dilutive effect of stock option conversion	910,193	787,439
Diluted weighted average common shares outstanding	81,886,590	79,221,266
Earnings per share:		
Basic	\$ 0.38	\$ 0.34
Diluted	\$ 0.38	\$ 0.34

For the three months ended March 31, 2018 and March 31, 2017, no share options were considered anti-dilutive (exercise price in excess of market price).

8. STOCK BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	2018		2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, January 1	2,628,036	\$ 34.85	2,430,871	\$ 29.25
Exercised ⁽¹⁾	(85,075)	22.95	(71,625)	20.05
Forfeited	-	-	(15,500)	31.63
Options outstanding, March 31	2,542,961	\$ 35.24	2,343,746	\$ 29.51
Options exercisable, March 31	1,038,161	\$ 26.41	859,431	\$ 23.38

⁽¹⁾ The weighted average share price at date of exercise for the three months ended March 31, 2018 was \$56.25 (2017 - \$45.47).

The following table summarizes stock options outstanding and exercisable as at March 31, 2018.

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$17.10 - \$23.40	624,731	2.9	\$ 21.01	537,841	\$ 20.62
\$23.41 - \$26.79	419,500	6.3	\$ 26.52	227,660	\$ 26.52
\$36.65	482,540	7.3	\$ 36.65	179,420	\$ 36.65
\$39.79	501,640	8.3	\$ 39.79	93,240	\$ 39.79
\$53.88	514,550	9.4	\$ 53.88	-	\$ -
	2,542,961	6.7	\$ 35.24	1,038,161	\$ 26.41

Deferred Share Unit Plan

A reconciliation of the DSU plan was as follows:

	2018		2017	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, January 1	426,279	\$ 23,417	407,731	\$ 17,265
Units taken or taken in lieu and dividends	11,993	661	15,060	661
Redemptions	(4,478)	(243)	(17,389)	(778)
Fair market value adjustment	-	183	-	1,528
Outstanding, March 31	433,794	\$ 24,018	405,402	\$ 18,676

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

9. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense included the following components:

	Three months ended March 31	
	2018	2017
Defined benefit plans	\$ 4,420	\$ 495
Defined contribution plans	3,358	3,042
401(k) matched savings plans	79	71
Total employee future benefits expense	\$ 7,857	\$ 3,608

10. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
Net change in non-cash working capital and other		
Accounts receivable	\$ 48,157	\$ 1,102
Inventories	(85,346)	(49,818)
Accounts payable and accrued liabilities	130,660	5,682
Provisions	5,401	(1,641)
Deferred revenues	24,406	11,619
Income taxes receivable	(5,369)	(4,794)
Other	(14,862)	(1,267)
	\$ 103,047	\$ (39,117)
Cash paid during the period for:		
Interest	\$ 1,832	\$ 3,135
Income taxes	\$ 17,033	\$ 15,232
Cash received during the period for:		
Interest	\$ 1,913	\$ 962

11. SEGMENTED INFORMATION

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

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

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

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

No reportable segment is reliant on any single external customer.

The following tables set forth information by segment for the three months ended March 31, 2018 and 2017:

Three months ended March 31	Equipment Group		CIMCO		Consolidated	
	2018	2017	2018	2017	2018	2017
Equipment/package sales	\$ 258,804	\$ 159,724	\$ 35,619	\$ 23,315	\$ 294,423	\$ 183,039
Rentals	69,374	45,434	-	-	69,374	45,434
Product support	282,197	151,476	28,238	29,229	310,435	180,705
Power generation	2,596	3,130	-	-	2,596	3,130
Total revenues	\$ 612,971	\$ 359,764	\$ 63,857	\$ 52,544	\$ 676,828	\$ 412,308
Operating income	\$ 45,795	\$ 35,076	\$ 3,420	\$ 2,818	\$ 49,215	\$ 37,894
Interest expense					8,895	1,832
Interest and investment income					(2,179)	(1,112)
Income taxes					11,720	10,150
Net earnings					\$ 30,779	\$ 27,024

Operating loss from rental operations was \$0.2 million for the three months ended March 31, 2018 (2017 – \$1.4 million).

12. BUSINESS ACQUISITION IN 2017

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

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

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

Final valuations of certain items are not yet complete due to the inherent complexity associated with valuations of this nature and the timing of the acquisition. Therefore, the purchase price allocation remains preliminary and subject to further adjustments on completion of the valuation process. The updated preliminary purchase price allocation as at March 31, 2018 is as follows:

Accounts receivable	\$	159,539
Inventories		291,035
Property, plant and equipment		216,755
Rental equipment		169,993
Deferred tax asset		2,617
Intangible assets with an indefinite life:		
Distribution network		345,989
Intangible assets with a finite life:		
ERP system		10,000
Customer relationships		14,731
Other		4,243
Accounts payable and accrued liabilities		(127,124)
Provisions		(6,045)
Deferred revenues		(51,503)
Post-employment benefit obligations		(91,555)
Net identifiable assets		938,675
Residual purchase price allocated to goodwill		85,434
Total	\$	1,024,109

13. SEASONALITY OF BUSINESS

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