



**ANNUAL INFORMATION FORM  
2004**

**FEBRUARY 20, 2004**

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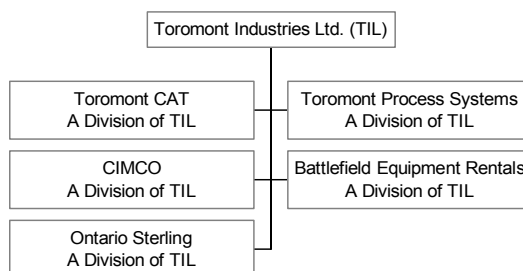
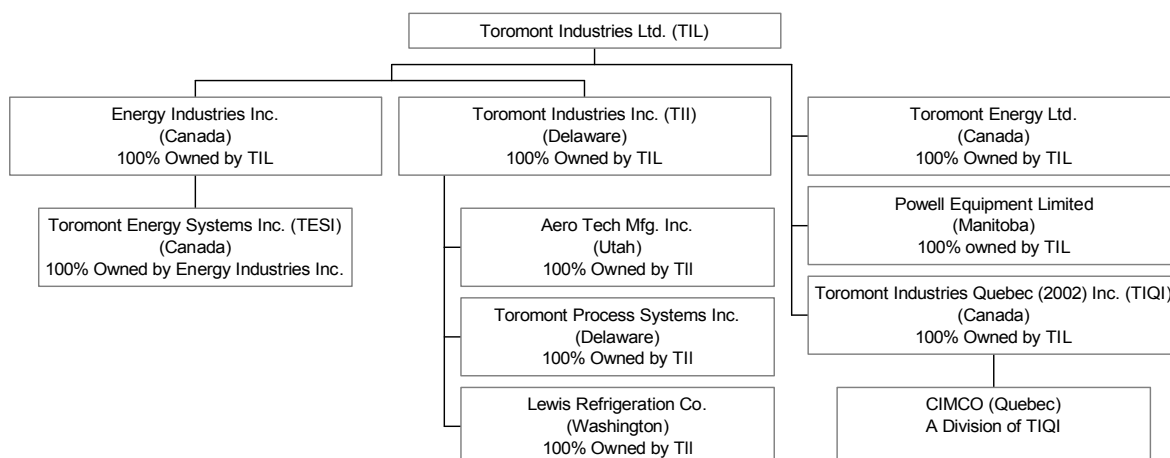
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## INTRODUCTION

Toromont Industries Ltd. is the successor corporation to Toromont Industrial Holdings Ltd., which was incorporated under the laws of Canada in 1961. Its name was changed to Toromont Industries Ltd. on April 18, 1974, and it was continued under the Canada Business Corporations Act on January 1, 1997 as a result of an amalgamation with wholly-owned subsidiaries. In this Annual Information Form, the terms “Toromont” and the “Corporation” mean Toromont Industries Ltd. together with, where the context requires, each of its subsidiaries. The address of the principal office of the Corporation is 3131 Highway 7 West, Concord, Ontario, L4K 1B7.

## SUBSIDIARIES OF THE CORPORATION

The principal subsidiaries of the Corporation, their jurisdictions of incorporation and the percentage of voting securities held by the Corporation are set out below. In addition, certain business units in Canada operate as divisions of the Corporation as outlined below.



## HISTORY

Through 1985, Toromont held investments in businesses operating in a number of industries. From 1986 through July 1993, Toromont’s focus was on two industries - Refrigeration and Gas Compression.

Since July 1993, when it acquired the operating assets of Crothers Properties Limited, Toromont has been the authorized dealer for Caterpillar equipment for most of the Province of Ontario (all but the area west of 86° W. longitude, around Thunder Bay). Also in 1993, Toromont’s ownership of Enerflex Systems Ltd. (“Enerflex”), a major gas compression company, was reduced from 51% to 30% as a result of Enerflex’s initial public offering. In February 1997, Toromont sold its remaining investment in Enerflex.

In 1996, Toromont began its equipment rental business with the acquisition of Battlefield Equipment Rentals and other equipment rental companies in various locations. The Battlefield Equipment division continued to grow through several acquisitions from 1996 through 2001, as well as through the development of several greenfield operations during the same period. During 1998 and 2000, the Corporation, through Battlefield Equipment Rentals, completed the acquisition of seven equipment rental businesses in the Province of Ontario for an aggregate consideration of \$9.9 million. As partial consideration for two of these acquisitions, the Corporation issued a total of 24,442 common shares from treasury at an aggregate issue price of \$425,000.

Also in 1996, Toromont acquired the shares of Newfoundland Tractor and Equipment Company Limited (“Newfoundland Tractor”), the authorized Caterpillar dealer for all of Newfoundland and Labrador (other than the portion of Labrador lying west of 64° W. longitude and south of 56° N. latitude) and the French islands of St. Pierre and Miquelon located off the south shore of Newfoundland. On January 1, 2002, the operations, assets and liabilities of Newfoundland Tractor were transferred to Toromont and the business continued to operate as part of the Toromont CAT division.

In 1997, Toromont Energy Ltd. (“Toromont Energy”), a wholly owned subsidiary of Toromont, was created to combine the power generation and co-generation expertise it has developed over the years within the Power Systems group of the Ontario Caterpillar dealership, and to capitalize on opportunities in Ontario’s electricity markets. Toromont Energy provides a full range of services for power generation projects, including, in unique circumstances, participation in project ownership.

In 1998, Toromont sold its Commercial refrigeration business in the Western United States to focus on the expansion and development of its Industrial and Process refrigeration operations, which were more consistent with the Corporation’s strategic direction.

During 2001, the Corporation completed a number of business acquisitions for a total cash consideration of \$84.8 million. Effective July 1, 2001, 100% of the shares of Powell Equipment Limited (“Powell”) were acquired for a price, inclusive of Powell debt assumed, of \$70.5 million. Powell is the dealer for Caterpillar and other equipment in the province of Manitoba, northwestern Ontario and in the territory of Nunavut. The results of Powell have been included in the consolidated financial statements from July 1, 2001. Four additional businesses were purchased for a total cash consideration of \$14.3 million, including a franchise for Sterling trucks, an equipment rental business, and two businesses engaged in the maintenance, remanufacturing, retrofit and rental of natural gas compression equipment.

In June 2001, the Corporation completed a public offering of 3 million common shares at \$23.50 per share for net proceeds of \$68.5 million.

In 2003, the Corporation completed three business acquisitions for a total cash consideration of \$60.9 million. Effective January 1, 2003, 100% of the shares of Energy Industries Inc. (“Energy Industries”) were purchased for \$60 million. Effective April 1, 2003, certain operating assets of Diesel Distribution Inc. were purchased for \$769,000. The Corporation also acquired the remaining 50% interest in certain power generation assets effective August 29, 2003.

## **BUSINESS AND OPERATIONS**

Toromont operates in two segments, the Equipment Group and the Compression Group.

### **Equipment Group**

The Equipment Group is comprised of the following businesses:

- Toromont CAT
- Battlefield Equipment
- Toromont Energy
- Ontario Sterling

Toromont CAT is one of the world's largest Caterpillar dealerships by revenue and geographic territory, with a network of branches in Ontario, Manitoba, Nunavut and Newfoundland and Labrador, providing a broad range of equipment supply and customer service capabilities. The Caterpillar dealerships represent a broad range of Caterpillar products, including earthmoving and construction equipment, paving machines, forestry and mining equipment, diesel engines for trucks, industrial and marine applications, and power generation. In addition to the sales and service of equipment, operations include the distribution of replacement parts for Caterpillar products and other equipment lines, and the remanufacture and repair of engines and engine components. The Caterpillar dealerships operate a total of 28 branch locations across Ontario, Manitoba, Newfoundland, Labrador and the territory of Nunavut. Its headquarters are located in Concord, Ontario.

Battlefield Equipment Rentals is a one-stop source for more than 300 brand name products, with a network of branches across Ontario, Manitoba and Newfoundland and Labrador providing rental equipment to construction contractors and specialized rental equipment to plant maintenance contractors. Battlefield rents, sells and services Caterpillar compact construction equipment, a range of construction and industrial equipment and tools to contractors, as well as concrete related building materials and tools, new and used construction equipment and propane. Battlefield Equipment Rentals has 29 locations in Ontario, Manitoba and Newfoundland and Labrador, including its head office facility in Stoney Creek, Ontario.

Toromont Energy develops distributed generation and combined heat and power projects of less than 50 MW. A subsidiary of Toromont, its core business is the supply, construction and operation of high efficiency power plants, using Caterpillar's power generation technologies. In addition to providing a full range of services for power generation projects, Toromont Energy on a selective basis may participate in the project ownership. Toromont Energy is based in Concord, Ontario, and operates 5 plants throughout Ontario that supply energy to hospitals, district energy systems and industrial processes. Despite increasing concerns as to availability and stability of supply of electricity in the Province of Ontario, current market conditions have not been favourable for our natural gas fired co-generation plants. The combination of lower electricity prices and high natural gas prices resulted in modest operating losses for some of our projects. Given the unsettled state of electrical markets in Ontario, we have some confidence that the Province will ultimately establish a long-term policy and regulatory framework to stimulate and support investment in increased power generation capacity. We continue to closely monitor the Province's position with respect to independent power generation in Ontario.

Ontario Sterling is the leading Sterling Truck franchise in the Greater Toronto Area, selling and servicing medium and heavy duty Class 5 and Class 8 trucks, many of which are powered by Caterpillar engines. The Sterling franchise, acquired in April 2001, is headquartered in Mississauga and operates as a stand-alone division of the Corporation. The Corporation has entered into franchise agreements with Sterling, a subsidiary of Freightliner Corporation, granting it the Sterling Truck territory for Mississauga, Ontario.

The Corporation has dealership and distributor agreements with various equipment manufacturers, the most significant of which are with Caterpillar. The principal agreements common to arrangements such as this, can be terminated on 90 days' notice. Other agreements can be terminated on four to six months' notice. In the event of termination of an agreement by Caterpillar, Caterpillar will purchase

substantially all related inventories of new equipment and new parts stock from Toromont at cost. Toromont has an excellent relationship with Caterpillar, and management of the Corporation is not aware of any matter which could result in termination of the dealership agreements with Caterpillar. As the majority of the Caterpillar dealerships' sales and product support activities involve Caterpillar products, the dealerships' success is dependent upon the continued market acceptance of Caterpillar products.

## **Compression Group**

The Compression Group is comprised of the following businesses:

- Toromont Process Systems
- Toromont Energy Systems Inc.
- CIMCO Refrigeration
- Aero Tech Manufacturing

Toromont Process Systems is a global provider of compression systems including process and refrigeration applications to the petrochemical, natural gas and co-generation industries. Toromont Process Systems has 13 locations in Alberta, British Columbia, the United States and the United Kingdom, including its recently expanded head office and manufacturing facility in Calgary, Alberta.

Energy Industries Inc. (recently renamed Toromont Energy Systems Inc.), operating from 5 locations in Alberta, is an established leader in the design and fabrication of reciprocating natural gas compression packages ranging from 100 to 5,000 horsepower.

CIMCO Refrigeration is Canada's largest supplier of industrial and recreational compression equipment, providing full-service capabilities including design, engineering, installation and after-market service. Industrial refrigeration services the food, dairy, cold storage and beverage segments. Recreational refrigeration services provide artificial ice surfaces for hockey, curling, skating and other unusual ice surfaces. CIMCO is the "Preferred Ice Rink Equipment Supplier" for the National Hockey League. Headquarter in Toronto, Ontario, CIMCO operates through 25 locations across Canada and the United States. CIMCO also has established its first overseas office in Beijing, China.

Aero Tech Manufacturing is U.S. based provider of precision sheet metal fabrication and assembly services for North America's gaming, water filtration, medical equipment, electronics industries and ceiling panel systems for commercial and industrial settings. Aero Tech has over 30 years of experience and a strong reputation for providing quality products, competitive prices and on-time delivery. Its goal is to expand its close, long-term relationship with customers by offering one-stop solutions that encompass fabrication, as well as prototyping, total quality inspection, painting and finishing. Aero Tech operates out of one facility in Utah.

## **Financial Performance**

Consolidated operating results and the Corporation's financial position have progressively strengthened over the years. Revenues and earnings have increased as a result of internal growth and acquisitions. Return on shareholders' equity has averaged 16% and 26% in the latest five and ten year periods respectively (14% and 22%, respectively, excluding capital gains on sale of investments).

Revenues from the Equipment Group for 2003 contributed 64% (2002 - 71%) of Toromont's consolidated revenues.

Compression Group revenues for 2003 represented 36% (2002 - 29%) of the consolidated revenues. Approximately 79% of compression revenues originated from the Canadian operations; the balance came from the U.S. business units. The locations of customers vary from year-to-year; in 2003 approximately 31% of compression revenues were destined for customers outside of Canada. Export destinations in recent years have included Australia, China, Croatia, Egypt, Germany, India, Malaysia, Oman, Pakistan, Russia, South Korea, Trinidad, and Yugoslavia.

## **Head Office**

Day-to-day operations are managed at the Corporation's business unit level. However, Toromont's head office provides overall strategic direction and control as well as centralized treasury functions.

## **COMPETITION**

Toromont competes with regional and local distributors of competing equipment product lines. Toromont's competitive strengths consist of distribution of high quality products, and continued emphasis on product support services from locations in proximity to our customers. The company has strong financial position allowing for increased leverage and growth. The Equipment Group offers mobile maintenance, rebuild capability, oil analysis, fuel injection rebuild laboratories, financing options through CAT Finance, online parts access and other E-commerce services. The Compression Group has internationally recognized engineering capabilities, preferred status with leading suppliers, provides single source capabilities, and is a leader in using environmentally friendly refrigerants.

Caterpillar, Toromont's largest supplier, manufactures a wide range of equipment and also distributes products manufactured for it and sold under the Caterpillar brand name. Caterpillar's competitors offer a more limited range of products, which are specific to particular applications and industries. Toromont's share of industry-wide sales, in the regions it serves, varies significantly across product lines and industries.

## **EMPLOYEES**

At December 31, 2003, Toromont employed 3,564 people; 3,279 employees are located in Canada and the balance mainly in the United States. Approximately 28% of employees are covered by collective bargaining agreements.

## **LOCATIONS**

Toromont operates from 111 facilities throughout Canada, the United States and the United Kingdom, 54 of which are leased. The majority of Toromont's properties are sales and service outlets. In addition to the facilities referenced below, Toromont owns land for future development in Ottawa Ontario, Halton Hills Ontario, King City Ontario, Argentia Newfoundland and Goose Bay Labrador.

Location	Equipment Group	Compression Group	Total Facilities	Total Square Footage
Canada:				
British Columbia		3	3	9,400
Alberta		14	14	417,200
Saskatchewan		1	1	2,400
Manitoba	9	1	10	198,600
Ontario	47	6	53	1,071,600
Quebec		4	4	20,400
Maritimes		2	2	7,500
Newfoundland / Labrador	9	1	10	109,500
Nunavut	2		2	7,700
United States:				
Arizona		3	3	6,100
Connecticut		1	1	2,000
New Jersey		1	1	200
New York		1	1	500
Texas		3	3	52,300
Utah		1	1	74,000
United Kingdom		1	1	700
China		1	1	600
<b>Total Facilities</b>	<b>67</b>	<b>44</b>	<b>111</b>	<b>1,980,700</b>

## OTHER

### *Sources and Availability of Raw Materials*

Raw materials and components used by the compression operations are generally available from a variety of sources. Toromont has not experienced significant problems in obtaining supply of materials to date and management does not expect significant problems in the foreseeable future. The majority of the Caterpillar dealerships' products are purchased from Caterpillar U.S. From time-to-time, during periods of intense product demand or during any disruption in the production of Caterpillar equipment, Caterpillar U.S. may find it necessary to allocate its supply of particular products among its dealers. Any such allocation of supply has not historically proven to be a significant impediment to the conduct of the Caterpillar dealership business.

### *Seasonality of Business*

The Corporation's interim period revenues and earnings historically reflect some seasonality in both the Compression and Equipment Groups. The first quarter is typically the weakest due to winter shutdowns in the construction industry. The fourth quarter has historically been the strongest due to the completion of projects in the Compression Group, in addition to the period of highest conversions of equipment on rent with a purchase option. The second and the third quarter impacts of seasonality are relatively neutral.

### *Research and Development*

Projects undertaken for the supply of new equipment typically involve considerable custom engineering that may include unique applications requiring efforts of a research and development nature. Expenditures related to these activities are not charged to research and development, but directly to project costs.

## *Environmental Matters*

Toromont's operations are subject to a variety of federal, provincial, state and local environmental laws and regulations in Canada and the United States. Such laws and regulations relate to, among other things, the discharge of contaminants into water and air and onto land, the disposal of waste, the handling, storage and transportation of hazardous materials and the storage of materials in underground and above ground tanks.

Toromont is committed to the responsible management of the environment. A variety of programs are conducted throughout its operations to support this commitment, including information sessions and training for employees, and the implementation of response mechanisms and reporting procedures to ensure that appropriate parties are informed about environmental risks and hazards and of specific problems, if and when they occur. Management believes that Toromont is currently in compliance with applicable environmental laws in Canada and the United States in all material respects.

The Compression segment's activities involve the use of ammonia and alternative refrigerants, which must be stored and handled in accordance with applicable environmental regulations. Concern over potential ozone depletion and greenhouse gas emissions has led to increased regulation of refrigerants, including CFCs, HCFCs, and HFCs. The "Montreal Protocol" signed by more than 46 countries, including Canada and the United States, and related federal, provincial and state regulations, has resulted in the phasing out of CFC production and the limiting of the production and handling of HCFCs. Regulations now prohibit the release of CFCs and HCFCs used as refrigerants into the environment, and require persons who repair and service equipment that use these refrigerants to be certified by the appropriate regulatory authority. Current environmental regulations do not have a material adverse impact on compression operations, and to the extent such regulations are enacted Toromont intends to continue to address them in a proactive manner.

Canada ratified the Kyoto Accord in December 2002. The Kyoto Accord calls for a reduction in greenhouse gas emissions to 6% below 1990 levels by 2010. This represents a reduction of 30% from today's levels. The gas in question is predominately carbon dioxide, a byproduct of combustion. It is too early to assess what impact the Kyoto accord will have on customers, particularly those of the Compression Group.

Toromont's current costs of complying with applicable environmental laws and regulations are not material. The Corporation does not anticipate that any significant expenditures will be necessary to ensure future compliance with applicable environmental laws and regulations.

## **MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Reference is made to "Management Discussion and Analysis" for the year ended December 31, 2003, contained in the Corporation's 2003 Annual Report, which is incorporated herein by reference.

## **TRANSFER AGENT**

CIBC Mellon Trust, with offices in major cities coast to coast, serves as transfer agent and registrar for common shares. Shareholders are encouraged to contact Toromont's Transfer Agent and Registrar for information regarding their security holdings. They can be reached at:

CIBC Mellon Trust  
320 Bay Street  
Toronto, Ontario M5H 4A6  
Toll-free North America – 1-800-387-0825  
Email: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)

## MARKET FOR SHARES OF TOROMONT

The Corporation's common shares are listed and posted for trading on The Toronto Stock Exchange (TSX). The Price ranges and volume traded on the TSX in 2003 was as follows:

	High	Low	Average Daily Volume
Jan-03	21.92	19.76	39,922
Feb-03	22.00	19.90	23,450
Mar-03	21.85	20.00	27,509
Apr-03	23.25	20.10	25,219
May-03	25.00	22.75	36,985
Jun-03	24.70	22.81	34,347
Jul-03	27.49	23.95	41,909
Aug-03	29.00	26.25	40,205
Sep-03	28.50	27.50	23,671
Oct-03	30.00	26.55	26,513
Nov-03	30.05	28.97	39,740
Dec-03	33.45	30.01	69,881

## DIVIDEND RECORD

Toromont has a policy of paying quarterly dividends on its outstanding common shares, targeting over the longer term, a payout of approximately 30% of trailing earnings from operations. This policy is reviewed from time-to-time, based upon and subject to the Corporation's earnings, financial requirements and general economic circumstances. Certain of Toromont's credit facilities contain provisions which could limit the payment of dividends if certain financial ratios are not met.

Dividends on common shares were \$13.3 million or 42 cents per share in 2003, compared with \$11.5 million or 36 cents per share in 2002. On February 18, 2004, the Board of Directors approved an 18% increase in the regular quarterly dividend to 13 cents per common share, effective with the dividend to be paid on April 1, 2004 to shareholders of record on March 10, 2004.

The Corporation has declared and paid the following dividends, on the dates and at the rates shown, since January 1, 2002.

Declaration Date	Date Paid	Rate per Share
October 31, 2000	January 2, 2001	\$0.08
February 20, 2001	April 2, 2001	\$0.085
April 11, 2001	July 3, 2001	\$0.085
August 14, 2001	September 17, 2001	\$0.085
October 29, 2001	January 2, 2002	\$0.085
February 20, 2002	April 2, 2002	\$0.09
April 11, 2002	July 2, 2002	\$0.09
August 14, 2002	October 1, 2002	\$0.09
October 29, 2002	January 2, 2003	\$0.09
February 19, 2003	April 1, 2004	\$0.10
April 16, 2003	July 2, 2003	\$0.10
August 13, 2003	October 1, 2003	\$0.11
October 28, 2003	January 2, 2004	\$0.11

## DIRECTORS AND OFFICERS

The names and municipalities of residence of the directors and officers of Toromont, the offices held by them in Toromont, their principal occupations and the year each first became a director / officer are as follows:

Name and Municipality of Residence	Year First Became Director /Officer (4)	Office Held	Principal Occupation
Robert M. Franklin <sup>(2,3)</sup> Toronto, Ontario	1994	Director	Chairman, Placer Dome Inc. (an international gold mining company)
Ronald G. Gage, FCA <sup>(1,2)</sup> Toronto, Ontario	2000	Director	Corporate Director
David A. Galloway <sup>(1,3)</sup> Toronto, Ontario	2002	Director	Corporate Director
Wayne S. Hill Toronto, Ontario	1988	Director, Executive Vice President, Chief Financial Officer and Corporate Secretary	Executive Vice President and Chief Financial Officer, Toromont Industries Ltd.
H. Stanley Marshall <sup>(3)</sup> Topsail, Newfoundland	1998	Director	President and Chief Executive Officer, Fortis Inc. (an international electric utility holding company)
John S. McCallum <sup>(1,2)</sup> Winnipeg, Manitoba	1985	Director	Professor, Faculty of Management, University of Manitoba
Robert M. Ogilvie Caledon, Ontario	1986	Executive Chairman	Executive Chairman; prior to January 2002, Chairman and Chief Executive Officer of Toromont Industries Ltd.
Hugo T. Sørensen Caledon, Ontario	1998	Director, President and Chief Executive Officer	President and Chief Executive Office; prior to January 2002, President and Chief Operating Officer of Toromont Industries Ltd.
William E. Martin Thornhill, Ontario	2003	Officer, Vice President Finance	Vice President Finance, Toromont Industries Ltd.
<ol style="list-style-type: none"> <li>1. Member of Corporate Governance Committee</li> <li>2. Member of Audit Committee</li> <li>3. Member of Human Resources and Compensation Committee</li> <li>4. All dates represent year in which the noted person became a director, except for W.E. Martin, which is the year he became an officer.</li> </ol>			

During the past five years, all of the directors and officers of Toromont have been engaged in their principal occupations or in executive capacities with the corporations or entities in which they currently hold positions, with the following exceptions: Ronald G. Gage, who from 1993 to 1999 was Chairman and Chief Executive Officer of Ernst & Young LLP Canada; David A. Galloway was President and Chief Executive Officer of Torstar Corporation from 1988 until his retirement in May 2002, and William E. Martin was Partner of Ernst & Young LLP Canada from 1989 to February 2003.

The directors and officers of Toromont as a group beneficially own, directly or indirectly, or exercise control or direction over, 7.1% of the outstanding common shares of the Corporation. The term of office of each director will expire at the next Annual Meeting of Shareholders of the Corporation.

## **ADDITIONAL INFORMATION**

When the securities of the Corporation are in the course of a distribution pursuant to a short form prospectus, or a preliminary short form prospectus has been filed in respect of a distribution of its securities, the Corporation shall provide any person, upon request to the Secretary of the Corporation:

1. One copy of the current Annual Information Form of the Corporation, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in that Annual Information Form.
2. One copy of the comparative financial statements of the Corporation for its most recently completed financial year for which financial statements have been filed, together with the accompanying report of the auditor and one copy of the most recent interim financial statements of the Corporation that have been filed subsequent to the financial statements for its most recently completed financial year.
3. One copy of the Information Circular of the Corporation in respect of its most recent annual meeting of shareholders or one copy of any annual filing prepared in lieu of that Information Circular, as appropriate.
4. One copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (1) to (3) above.

At any other time, the Corporation will provide upon request one copy of any of the documents referred to in (1), (2), (3) and (4) above, provided the Corporation may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Corporation.

Additional information relating to directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, and other information is set out in the Corporation's Management Information Circular dated February 19, 2004, prepared in connection with its Annual and Special Meeting of Shareholders to be held on April 14, 2004. Additional financial information is provided in the Corporation's consolidated financial statements and Management's Discussion and Analysis for the most recently completed financial year. A copy of these documents may be obtained upon request from the Secretary of the Corporation.

Additional information relating to the Corporation may also be found on SEDAR at [www.sedar.com](http://www.sedar.com).