

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three and nine months ended September 30, 2017, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited condensed interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2017, the annual MD&A contained in the 2016 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2016.

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 November 7, 2017.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2016 Annual Report and 2017 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 subsequent acquisition of the businesses of Hewitt.

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 subsequently 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 plans in which it participates or will participate upon assuming Hewitt's obligations thereunder in excess of those currently contemplated. Risks and uncertainties related to the acquisition of the Hewitt operations 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 Hewitt business; 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 Hewitt 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 or interim MD&A, as filed with Canadian securities regulators at www.sedar.com or at 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 DEVELOPMENT

Acquisition of the Hewitt Group of companies ("Hewitt")

On October 27, 2017, Toromont completed the acquisition of the businesses and net operating assets of Hewitt for total purchase price of \$1.07 billion, comprising cash consideration of \$945.6 million (including preliminary working capital adjustments) plus the issuance of approximately 2.25 million Toromont shares.

Hewitt Equipment Limited is 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 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.

This important transaction delivers a substantial growth opportunity, and strengthens the Company's expertise and operations in the mining, construction, power systems and forestry sectors.

The cash consideration of the purchase price along with transaction costs were funded with cash on hand, the issuance of unsecured notes, and drawings against an amended credit facility. Refer to note 15 to the unaudited condensed consolidated financial statements for more information on these credit arrangements.

This acquisition will be accounted for as a business combination using the acquisition method of accounting. The Company is in the process of finalizing the estimated fair values of assets acquired and liabilities assumed at the date of acquisition, including goodwill and identifiable intangible assets.

Except as otherwise disclosed, the information presented herein excludes Hewitt as the acquisition was completed subsequent to September 30, 2017.

CONSOLIDATED RESULTS OF OPERATIONS

	Three months ended September 30				Nine months ended September 30			
			Change				Change	
(\$ thousands, except per share amounts)	2017	2016	\$	%	2017	2016	\$	%
REVENUES	\$ 584,158	\$ 509,774	\$ 74,384	15%	\$ 1,527,396	\$ 1,419,817	\$ 107,579	8%
Cost of goods sold	442,871	383,542	59,329	15%	1,163,561	1,081,112	82,449	8%
Gross profit ⁽¹⁾	141,287	126,232	15,055	12%	363,835	338,705	25,130	7%
Selling and administrative expenses	72,702	65,133	7,569	12%	200,834	189,969	10,865	6%
Gain on sale of internally-developed software	-	(4,939)	4,939	nm	-	(4,939)	4,939	nm
OPERATING INCOME ⁽¹⁾	68,585	66,038	2,547	4%	163,001	153,675	9,326	6%
Interest expense	1,818	1,796	22	1%	5,489	5,389	100	2%
Interest and investment income	(914)	(422)	(492)	117%	(3,022)	(2,629)	(393)	15%
Income before income taxes	67,681	64,664	3,017	5%	160,534	150,915	9,619	6%
Income taxes	18,326	17,021	1,305	8%	43,700	40,696	3,004	7%
NET EARNINGS	\$ 49,355	\$ 47,643	\$ 1,712	4%	\$ 116,834	\$ 110,219	\$ 6,615	6%
BASIC EARNINGS PER SHARE	\$ 0.63	\$ 0.61	\$ 0.02	3%	\$ 1.49	\$ 1.41	\$ 0.08	6%
KEY RATIOS:								
Gross profit margin ⁽¹⁾	24.2%	24.8%			23.8%	23.9%		
Selling and administrative expenses as a % of revenues	12.4%	12.8%			13.1%	13.4%		
Operating income margin ⁽¹⁾	11.7%	13.0%			10.7%	10.8%		
Income taxes as a % of income before income taxes	27.1%	26.3%			27.2%	27.0%		

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

Revenues increased 15% in the quarter and 8% year-to-date (records for both periods) with good growth in both Groups. Equipment Group benefited from strong mining equipment deliveries, higher rentals and product support revenues while CIMCO reported record package sales and product support revenues on strong Canadian activity levels.

Gross profit margin decreased 60 basis points ("bps") in the quarter and 10 bps year-to-date. CIMCO reported higher margins for both the quarter and year-to-date on good project execution and lower warranty costs. Equipment Group reported lower margins for the quarter and year-to-date largely due to an unfavorable sales mix with the increase in equipment revenues.

Selling and administrative expenses increased \$7.6 million or 12% in the quarter and \$10.9 million or 6% year-to-date. The Company incurred \$1.8 million in direct acquisition-related expenses (legal, accounting and other advisory) in the quarter and \$2.6 million year-to-date. Mark-to-market adjustments on Deferred Share Units ("DSUs") were \$4.1 million in the quarter and \$6.3 million for the year-to-date (\$3.2 million higher than each of the comparable periods of last year). Management attributes the increase in the quarter of \$4.1 million to be substantially related to the higher average share price following the announcement of the acquisition. Excluding the impact of these expenses incurred as a consequence of the acquisition announcement, selling and administrative expenses would have increased \$1.7 million or 3% in the quarter and \$4.2 million or 2% year-to-date.

Other compensation costs were \$1.9 million higher in the quarter and \$4.3 million year-to-date on increased headcount, regular annual increases and an increased performance incentive accrual on the higher earnings. Bad debt provisions were higher by \$0.4 million in the quarter and \$0.7 million year-to-date. As a percentage of revenues, selling and administrative expenses were 40 bps lower in the quarter and 30 bps lower year-to-date. Excluding the items noted above, selling and administrative expenses would have been 130 bps lower in the quarter and 70 bps lower year-to-date.

A gain of \$4.9 million on the sale of internally developed software was recorded in the third quarter of 2016.

Operating income increased 4% in the quarter and 6% for the year-to-date, but was 130 bps lower in the quarter and 10 bps lower year-to-date as a percentage of revenues. Excluding the expenses incurred in 2017 as a consequence of the acquisition, mark-to-market on the DSUs and the 2016 gain noted above, operating income increased 22% in the quarter and 14% year-to-date and would have been 80 bps higher as a percentage of revenues in the quarter and 60 bps higher year-to-date.

Interest expense was \$1.8 in the quarter and \$5.5 million year-to-date, largely unchanged from the prior year.

Interest income increased in the quarter with higher investment income on higher average cash balances and higher interest from conversions of equipment on rent with a purchase option ("RPO"). Year-to-date, higher investment income was partially offset by lower interest from RPO conversions. RPO interest income varies based on the length of the rental period to conversion.

The effective income tax rate was 27.1% in the quarter and 27.2% year-to-date.

Earnings per share ("EPS") increased 3% in the quarter (\$0.02 to \$0.63) and 6% year-to-date (\$0.08 to \$1.49). Excluding the impact of acquisition-related expenses, mark-to-market on DSUs and the 2016 gain noted above, EPS increased 23% in the quarter (\$0.13 to \$0.68) and 14% (\$0.19 to \$1.55) year-to-date versus similar periods last year.

Comprehensive income was \$48.8 million in the quarter (2016 - \$46.2 million) and \$113.6 million year-to-date (2016 - \$103.2 million), comprising mainly of net earnings and other comprehensive loss resulting from an unfavorable change in the fair value of cash flow hedges.

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 September 30				Nine months ended September 30			
	2017	2016	Change		2017	2016	Change	
			\$	%			\$	%
Equipment sales and rentals								
New	\$ 194,922	\$ 130,097	\$ 64,825	50%	\$ 476,386	\$ 391,712	\$ 84,674	22%
Used	45,444	56,445	(11,001)	(19%)	158,075	173,177	(15,102)	(9%)
Rentals	70,474	66,747	3,727	6%	171,602	156,715	14,887	9%
Total equipment sales and rentals	310,840	253,289	57,551	23%	806,063	721,604	84,459	12%
Power generation	2,665	3,071	(406)	(13%)	8,809	9,105	(296)	(3%)
Product support	174,515	165,502	9,013	5%	491,069	482,144	8,925	2%
Total revenues	\$ 488,020	\$ 421,862	\$ 66,158	16%	\$ 1,305,941	\$ 1,212,853	\$ 93,088	8%
Operating income	\$ 59,320	\$ 57,600	\$ 1,720	3%	\$ 144,380	\$ 139,473	\$ 4,907	4%
KEY RATIOS:								
Product support revenues as a % of total revenues	35.8%	39.2%			37.6%	39.8%		
Operating income margin	12.2%	13.7%			11.1%	11.5%		
Group total revenues as a % of consolidated revenues	83.5%	82.8%			85.5%	85.4%		

Record results in the quarter and first nine months of the year were driven by strong equipment sales and good rental and product support growth.

New equipment sales in the quarter and year-to-date increased to record highs while used equipment sales were lower following a record year in 2016. There is an interplay between new and used sales reflecting market conditions, equipment availability and relative pricing. On a combined basis, total equipment sales were up 29% in the quarter and 12% year-to-date.

Sales into mining markets increased 87% in the quarter and 78% year-to-date. Construction markets sales were up 10% in the quarter but down 5% year-to-date following a slow start to the year and continued competitive conditions. Activity levels were higher in Ontario for the quarter, mainly in the Southwest and North, but lower across all other territories both for the quarter and year-to-date. Power systems reported strong equipment sales increasing 83% in the quarter and 62% year-to-date. With high electricity prices in Ontario, demand has increased for combined heat and power (CHP) to reduce electricity costs. Agriculture equipment sales increased in the quarter (up 20%) but were relatively unchanged year-to-date.

Rental revenues were up 6% in the quarter and 9% year-to-date. Light equipment rentals increased 9% in both the quarter and year-to-date with all regions reporting growth. Power rentals increased 25% in the quarter and 23% year-to-date on a larger more balanced fleet and increased demand for generators, pumps and temperature control units. Heavy equipment rentals were relatively unchanged in the quarter but up 18% year-to-date on higher activity levels in Manitoba and Newfoundland offset by declines in Ontario. Rental revenues from RPO (equipment on rent with a purchase option) were down 5% in the quarter but up 1% year-to-date. The RPO fleet was \$53.0 million at September 30, 2017 compared to \$64.7 million at September 30, 2016.

Product support revenues were up in the quarter (5%) and year- to-date (2%) versus last year. Parts sales increased 4% in the quarter and 1% year-to-date. Most market segments were up in the quarter led by good mining activity. Year-to-date, most market segments were also up with the exception of power systems which were lower against a tough prior year comparator which included strong rebuild activity. Service revenues increased 9% in the quarter and 5% year-to-date reflecting strong mining activity. As previously reported, Caterpillar's discontinuation of the on-highway truck product line a few years ago has led to a gradual reduction in product support opportunities in this space.

Gross profit margins decreased 100 bps in the quarter and 50 bps year-to-date principally due to the higher proportion of lower margin equipment sales versus higher margin product support revenues together with lower equipment margins than a year ago. A very tight pricing environment across most markets and territories combined with reduced rental conversions, continued to exert downward pressures on equipment margins.

Selling and administrative expenses increased \$5.3 million (10%) in the quarter and \$5.9 million (4%) year-to-date. Compensation costs, including the mark-to-market on DSUs, were up \$3.8 in the quarter and \$4.0 million year-to-date. Certain expense categories, such as information technology, freight, training and travel costs were higher to support growth. As a percentage of revenues, selling and administrative expenses were down 70 bps in the quarter and 50 bps year-to-date.

Operating income margin decreased 150 bps in the quarter and 40 bps year-to-date, reflecting the impact of the lower gross profit margins, together with the impact of the allocation of the aforementioned acquisition-related expenses, mark-to-market on DSUs and software gain experience last year. Excluding these acquisition-related expenses and the software gain, operating income margin increased 70 bps in the quarter and 40 bps year-to-date, mainly reflecting the impact of the higher sales volume and lower relative expense ratio, partially offset by the lower overall gross profit margins.

Bookings and Backlogs

(\$ millions)	2017	2016	\$ change	% change
Bookings - three months ended September 30	\$ 185	\$ 181	\$ 4	2%
Bookings - nine months ended September 30	\$ 685	\$ 590	\$ 95	16%
Backlogs - as at September 30	\$ 197	\$ 121	\$ 76	63%

Equipment bookings increased 2% in the quarter on higher construction (up 23%) and agriculture orders (up 15%), partially offset by lower mining (down 38%) and power systems orders (down 19%). On a year-to-date basis, higher mining (up 98%) and power systems orders (up 43%) were partially offset by lower construction (down 1%) and agriculture orders (down 8%).

Backlogs of \$197.0 million, representing the highest level for this time of year since 2012, were up 63% with increases across all segments. At September 30, 2017, the backlog related to mining (43%), construction (34%), power systems (19%) and agriculture (4%), approximately two-thirds of which is expected to be delivered over the remainder of the 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 inventory.

CIMCO

(\$ thousands)	Three months ended September 30				Nine months ended September 30			
	2017	2016	Change		2017	2016	Change	
			\$	%			\$	%
Package sales	\$ 61,271	\$ 55,368	\$ 5,903	11%	\$ 124,570	\$ 118,462	\$ 6,108	5%
Product support	34,867	32,544	2,323	7%	96,885	88,502	8,383	9%
Total revenues	\$ 96,138	\$ 87,912	\$ 8,226	9%	\$ 221,455	\$ 206,964	\$ 14,491	7%
Operating income	\$ 9,265	\$ 8,438	\$ 827	10%	\$ 18,621	\$ 14,202	\$ 4,419	31%
KEY RATIOS:								
Product support revenues as a % of total revenues	36.3%	37.0%			43.7%	42.8%		
Operating income margin	9.6%	9.6%			8.4%	6.9%		
Group total revenues as a % of consolidated revenues	16.5%	17.2%			14.5%	14.6%		

CIMCO's record results in both the quarter and year-to-date reflect strong package sales and continued product support growth. Movements in the US/Cdn\$ exchange rate did not have a material effect on year-over-year 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 20% in the quarter and 10% year-to-date, reflecting strong recreational markets (up 95% in the quarter and 50% year-to-date), partially offset by softer industrial activity (down 4% in the quarter and 2% year-to-date). Activity levels in Quebec were lower in both the quarter and year-to-date, offset by good growth across most other regions. In the US, package revenues decreased 11% in the quarter and 8% year-to-date reflecting lower industrial sales, partially offset by higher recreational activity.

Product support growth continued, increasing 7% in the quarter and 9% year-to-date. Canadian product support revenues increased 11% in the quarter and 13% year-to-date with growth across all regions. In the US, product support revenues were down 6% in the quarter but were relatively unchanged year-to-date. Focus remains on technician recruitment to further expand and penetrate the US market.

Gross profit margins increased 140 bps in the quarter and 280 bps year-to-date mainly on higher package margins as a result of improved execution and lower warranty costs.

Selling and administrative expenses increased \$2.3 million or 22% in the quarter and \$5.0 million or 16% year-to-date. The largest factor contributing to the increase in the quarter related to changes in the allowance for doubtful accounts, which increased versus a year ago on the relative aging profile of receivables. Changes in the balance last year contributed to a recovery of \$0.4 million versus an expense of \$0.4 million this year. For the year-to-date, bad debt expenses were \$0.6 million higher versus last year. Other than bad debt expense, selling and administrative expenses increased 14% in the quarter and in the year-to-date. Higher compensation costs on annual salary increases, additional headcount to support growth and increased profit sharing accrual on the higher earnings accounted for the majority of the increase in the quarter and year-to-date. As a percentage of revenues, selling and administrative expenses were up 130 bps in the quarter and 120 bps year-to-date.

Operating income increased 10% in the quarter and 31% year-to-date largely reflecting the higher revenues and gross profit margins. Operating income margin was 9.6% in the quarter and 8.4% year-to-date.

Bookings and Backlogs

(\$ millions)	2017	2016	\$ change	% change
Bookings - three months ended September 30	\$ 72	\$ 24	\$ 48	200%
Bookings - nine months ended September 30	\$ 208	\$ 137	\$ 71	52%
Backlogs - as at September 30	\$ 176	\$ 102	\$ 74	73%

Bookings were at record levels in both the quarter and year-to-date. For the quarter, Canadian bookings more than tripled with industrial orders increasing almost five-fold, partially offset by lower recreational activity (down 34%). US bookings increased 183% with significantly higher industrial orders partially offset by lower recreational orders. On a year-to-date basis, Canadian bookings were up 56% with higher recreational (up 58%) and industrial orders (up 54%). In the US, bookings were up 40% as higher industrial orders (up 211%) were partially offset by lower recreational orders (down 14%).

Backlogs of \$176.0 million were also at record levels, reflecting increases in both Canada and the US and across both market segments. Just under half of the backlog is expected to revenue over the remainder of the year.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At September 30, 2017, the ratio of net debt to total capitalization was 2%, compared to a positive net cash position at December 31, 2016 and 5% at September 30, 2016.

Non-Cash Working Capital

The Company's investment in non-cash working capital was \$471.6 million at September 30, 2017. The major components, along with the changes from September 30 and December 31, 2016 are presented in the following table.

(\$ thousands)	September 30 2017	September 30 2016	Change		December 31 2016	Change	
			\$	%		\$	%
Accounts receivable	\$ 345,578	\$ 288,562	\$ 57,016	20%	\$ 277,050	\$ 68,528	25%
Inventories	502,125	493,292	8,833	2%	435,757	66,368	15%
Other current assets	8,450	6,434	2,016	31%	5,236	3,214	61%
Accounts payable, accrued liabilities and provisions	(276,531)	(302,094)	25,563	(8%)	(264,199)	(12,332)	5%
Income taxes payable	(5,969)	(5,640)	(329)	6%	(1,262)	(4,707)	nm
Derivative financial instruments	(4,030)	767	(4,797)	nm	1,197	(5,227)	nm
Dividends payable	(14,931)	(14,094)	(837)	6%	(14,110)	(821)	6%
Deferred revenues	(83,091)	(51,695)	(31,396)	61%	(51,211)	(31,880)	62%
Total non-cash working capital	\$ 471,601	\$ 415,532	\$ 56,069	13%	\$ 388,458	\$ 83,143	21%

Accounts receivable increased 20% compared to September 30, 2016, reflecting the 15% higher revenues in the quarter. Days sales outstanding ("DSO") increased 5 days to 50 days which is slightly higher than the historical average of 46 days. Equipment Group's DSO was 3 days higher as specific extended payment terms were offered to certain larger customers. CIMCO's DSO was 68 days, higher than this time last year, which was at an unusually lower level, however, in line with historical average of 65 days. Additionally, collection of certain large accounts were delayed and received subsequent to quarter-end, returning DSO to more normal levels.

In comparison to December 31, 2016, accounts receivable increased 25% on higher trailing revenues (Q3 2017 revenues were 19% higher than Q4 2016 revenues) and higher DSO (45 days at December 31, 2016).

Inventories at September 30, 2017 were 2% higher compared to September 30, 2016.

- Equipment Group inventories increased 1% or \$5.7 million as higher parts (up \$11.3 million) and service work-in-process (up \$7.5 million) were partially offset by lower equipment inventory (down \$13.1 million).
- CIMCO inventories were 13% or \$3.1 million higher than last year, reflecting strong work-in-process levels.

Inventories at September 30, 2017 were 15% higher compared to December 31, 2016, with increases in both Groups:

- Equipment Group inventories were 14% 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 45% with higher work-in-process levels on the timing of project advancement.

The increase in other current assets reflects deposits made on equipment on order for customers.

Accounts payable, accrued liabilities and provisions at September 30, 2017 were 8% lower than at September 30, 2016 on the timing of payments related to inventory purchases and other supplies, partially offset by a higher DSU liability and higher accrual for performance incentive bonuses on the higher income. Compared to December 31, 2016, accounts payable, accrued liabilities and provisions increased 5% on timing of payments and a higher DSU liability, partially offset by the payout of annual performance incentive bonuses and the stronger Canadian dollar.

Income taxes 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 loss of \$4.0 million as at September 30, 2017. This is not expected to affect net income, as the unrealized losses will offset future gains on the related hedged items.

Dividends payable increased compared to September 30 and December 31, 2016 reflecting the higher dividend rate. The quarterly dividend rate was increased 6% from \$0.18 per share to \$0.19 per share effective with the April 3, 2017 dividend payment.

Deferred revenues represent billings to customers in excess of revenue recognized. In the Equipment Group, deferred revenues were up 73% versus September 30, 2016 and 49% versus December 31, 2016, due to increased progress billings for equipment deliveries later in the year and progress billings relative to work completed on long-term customer support agreements. At CIMCO, deferred revenues were up 43% versus September 30, 2016 and 92% versus December 31, 2016, reflecting increased progress billings.

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 80,896,029 common shares and 2,681,826 share options outstanding.

Dividends

The Company declared and paid the following dividends to common shareholders during 2016 and 2017.

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total (\$ millions)
December 10, 2015	January 4, 2016	\$0.17	\$13.3
March 10, 2016	April 1, 2016	\$0.18	\$14.0
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

Normal Course Issuer Bid ("NCIB")

During the three and nine months ended September 30, 2017, no shares were purchased under the NCIB program.

During the three months ended September 30, 2016, no shares were purchased. During the nine months ended September 30, 2016, 89,244 common shares were purchased for \$2.6 million (average cost of \$28.84 per share, including transaction costs).

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-term and short-term borrowings and the issuance of common shares. Borrowings are obtained through a variety of sources including senior debentures, notes payable and committed long-term credit facilities.

At September 30, 2017, the Company had a \$250.0 million committed bank credit facility maturing in September 2020. Debt under the facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

No amounts were drawn on the credit facility at September 30, 2017, December 31, 2016 or September 30, 2016. Letters of credit utilized \$24.3 million of the facility at September 30, 2017 (December 31, 2016 - \$21.7 million; September 30, 2016 - \$21.5 million).

See Note 15 to the unaudited condensed interim financial statements for the period ending September 30, 2017 for a description of the acquisition-related transactions occurring subsequent to September 30, 2017, affecting the Company's debt.

Inclusive of the acquisition transaction as described in Note 15, the Company expects that continued cash flows from operations, and available credit facilities will be more than sufficient to fund requirements for investments in working capital and capital assets.

Principal Components of Cash Flow

Cash from operating, investing and financing activities, as reflected in the Interim Condensed Consolidated Statements of Cash Flows, are summarized in the following table:

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Cash, beginning of period	\$ 120,944	\$ 29,298	\$ 188,735	\$ 66,680
Cash, provided by (used in):				
Operating activities				
Operations	64,685	57,285	159,141	147,680
Change in non-cash working capital and other	(23,818)	45,240	(87,738)	4,957
Net rental fleet additions	(9,561)	(9,970)	(64,542)	(60,961)
	31,306	92,555	6,861	91,676
Investing activities	(10,966)	(13)	(25,957)	(11,680)
Financing activities	(12,029)	(11,485)	(40,254)	(36,180)
Effect of foreign exchange on cash balances	(32)	9	(162)	(132)
Increase (decrease) in cash in the period	8,279	81,066	(59,512)	43,684
Cash, end of period	\$ 129,223	\$ 110,364	\$ 129,223	\$ 110,364

Cash Flows from Operating Activities

Operating activities provided significantly less cash in the quarter and year-to-date compared to similar periods last year.

Net earnings adjusted for items not requiring cash increased 13% in the quarter and 8% year-to-date.

Non-cash working capital used funds in both the quarter and year-to-date compared to providing funds in the similar periods last year. Working capital changes can fluctuate significantly depending on timing of sales, cash receipts from customers, receipt of inventory and timing of payments to suppliers. For the quarter, higher accounts receivables and lower accounts payables, accrued liabilities and provisions were partially offset by lower inventories and higher deferred revenues. Year-to-date, higher accounts

receivables and inventories together with lower accounts payables were partially offset by higher deferred revenues.

Net rental fleet additions represent purchases less proceeds of disposition and were slightly lower in the quarter but higher year-to-date. Continued investment in the rental fleet reflects increased demand and the existing fleet age profile. Additionally, rental fleet investments generally occur in the first half of the year in advance of the busy rental period.

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

Additions in the quarter included:

- \$7.1 million in land and buildings for new and expanded branches (2016 - \$1.0 million); \$2.2 million for service vehicles (2016 - \$3.2 million);
- \$1.2 million for machinery and equipment (2016 - \$0.9 million); and
- \$0.3 million for upgrades to information technology infrastructure (2016 - \$0.3 million).

Additions year-to-date included:

- \$11.5 million for service vehicles (2016 - \$10.9 million);
- \$10.9 million in land and buildings for new and expanded branches (2016 - \$2.8 million);
- \$2.7 million for machinery and equipment (2016 - \$2.3 million); and
- \$1.2 million for upgrades to information technology infrastructure (2016 - \$1.3 million).

Cash Flows from Financing Activities

The Company paid dividends of \$14.9 million or \$0.19 per share (2016 - \$14.1 million or \$0.18 per share) during the quarter and \$43.9 million or \$0.56 per share year-to-date (2016 – \$41.3 million or \$0.53 per share).

The Company received \$3.8 million (2016 - \$3.4 million) on the exercise of stock options during the quarter and \$5.5 million (2016 – \$9.4 million) year-to-date.

There were no normal course purchases and cancellation of common shares during the third quarters of 2017 or 2016. Year-to-date there were also no purchases and cancellation of common shares compared to \$2.6 million (89,244 common shares at an average cost of \$28.84, including transaction costs) in 2016.

OUTLOOK

The acquisition of Hewitt 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, power systems and forestry.

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.

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 recent bookings activity and current backlog levels bode well for future prospects. Increasing 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 2016 annual audited consolidated financial statements.

(\$ thousands, except per share amounts)	Q4 2016		Q1 2017		Q2 2017		Q3 2017
REVENUES							
Equipment Group	\$	418,793	\$	359,763	\$	458,158	\$ 488,020
CIMCO		73,430		52,545		72,772	96,138
Total revenues	\$	492,223	\$	412,308	\$	530,930	\$ 584,158
NET EARNINGS	\$	45,529	\$	27,024	\$	40,455	\$ 49,355
PER SHARE INFORMATION:							
Basic earnings per share	\$	0.58	\$	0.34	\$	0.52	\$ 0.63
Diluted earnings per share	\$	0.58	\$	0.34	\$	0.51	\$ 0.62
Dividends paid per share	\$	0.18	\$	0.18	\$	0.19	\$ 0.19
Weighted average common shares outstanding - basic (in thousands)		78,344		78,434		78,474	78,522

(\$ thousands, except per share amounts)	Q4 2015		Q1 2016		Q2 2016		Q3 2016
REVENUES							
Equipment Group	\$	417,827	\$	337,847	\$	453,145	\$ 421,862
CIMCO		65,991		50,072		68,979	87,912
Total revenues	\$	483,818	\$	387,919	\$	522,124	\$ 509,774
NET EARNINGS	\$	44,404	\$	24,170	\$	38,406	\$ 47,643
PER SHARE INFORMATION:							
Basic earnings per share	\$	0.57	\$	0.31	\$	0.49	\$ 0.61
Diluted earnings per share		0.57		0.31		0.49	0.60
Dividends paid per share	\$	0.17	\$	0.17	\$	0.18	\$ 0.18
Weighted average common shares outstanding - basic (in thousands)		77,904		77,898		78,056	78,211

Interim period revenues and earnings historically reflect significant variability from quarter to quarter.

The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenues are recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter has typically been the strongest due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. This pattern is impacted by the timing of significant sales to mining and other customers, resulting from the timing of mine site development and access, and construction project schedules.

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

significant industrial projects.

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

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to risks that may potentially impact its financial results in either or both of its business segments. The Company and each operating segment employ risk management strategies with a view to mitigating these risks in a cost-effective manner. There have been no material changes to the operating and financial risk assessment and related risk management strategies as described in the Company's 2016 Annual Report, except as noted below.

Risks and uncertainties exist related to the acquisition of the Hewitt operations 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 Hewitt Business; 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 Hewitt operations with those of Toromont including cost of integration and ability to achieve the expected benefits.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Accounting Policies

The significant accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are consistent with those used in the Company's 2016 audited annual consolidated financial statements, and described in Note 1 therein. Certain balances in the comparative interim condensed consolidated income statement have been reclassified from statements previously presented to conform to the presentation of the 2017 interim condensed consolidated income statement.

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 2016 audited annual consolidated financial statements, contained in the Company's 2016 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 AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President & Chief Executive Officer and the Chief Financial Officer, together with other members of management, have designed the Company's disclosure controls and procedures ("DC&P") in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them and by others within those entities.

Additionally, they have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting ("ICFR") and the preparation of financial reporting in accordance with IFRS. The control framework used in the design of both DC&P and ICFR is the internal control integration framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

There have been no significant changes in the design of the Company's internal controls over financial reporting during the three and nine month periods ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

While the Officers of the Company have designed the Company's disclosure controls and procedures and internal control over financial reporting, they expect that the controls and procedures 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 and income tax jurisdictions are not synonymous, and it is believed that the allocation of income taxes distorts the historical comparability of the performance of the business segments.

	Three months ended September 30		Nine months ended September 30	
(\$ thousands)	2017	2016	2017	2016
Net earnings	\$ 49,355	\$ 47,643	\$ 116,834	\$ 110,219
plus: Interest expense	1,818	1,796	5,489	5,389
less: Interest and investment income	(914)	(422)	(3,022)	(2,629)
plus: Income taxes	18,326	17,021	43,700	40,696
Operating income	\$ 68,585	\$ 66,038	\$ 163,001	\$ 153,675

Net Debt to Total Capitalization

Net debt to total capitalization is calculated as net debt divided by total capitalization, both defined below, and is used by management as a measure 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 calculation is as follows:

	September 30 2017	December 31 2016	September 30 2016
(\$ thousands)			
Long-term debt	\$ 149,112	\$ 150,717	\$ 150,596
Current portion of long-term debt	1,941	1,811	1,811
less: Cash	129,223	188,735	110,364
Net debt	\$ 21,830	\$ (36,207)	\$ 42,043
Shareholders' equity	\$ 962,369	\$ 885,432	\$ 845,712
Total capitalization	\$ 984,199	\$ 849,225	\$ 887,755
Net debt to total capitalization	2%	-4%	5%

NON-GAAP MEASURES

Management believes that providing certain non-GAAP measures provides users of the Company's consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS measures set out below, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

The non-GAAP measures used by management do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with IFRS.

Working Capital

Working capital is defined as total current assets less total current liabilities. Management views working capital as a measure for assessing overall liquidity.

(\$ thousands)	September 30 2017	December 31 2016	September 30 2016
Total current assets	\$ 985,376	\$ 907,975	\$ 899,419
less: Total current liabilities	386,493	332,593	375,334
Working capital	\$ 598,883	\$ 575,382	\$ 524,085

Non-Cash Working Capital

Non-cash working capital is defined as total current assets (excluding cash) less total current liabilities (excluding current portion of long-term debt).

(\$ thousands)	September 30 2017	December 31 2016	September 30 2016
Total current assets	\$ 985,376	\$ 907,975	\$ 899,419
less: Cash	129,223	188,735	110,364
	\$ 856,153	\$ 719,240	\$ 789,055
Total current liabilities	\$ 386,493	\$ 332,593	\$ 375,334
less: Current portion of long-term debt	1,941	1,811	1,811
	\$ 384,552	\$ 330,782	\$ 373,523
Non-cash working capital	\$ 471,601	\$ 388,458	\$ 415,532

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 and order bookings and backlogs. 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 units ordered by customers for future deliveries. Management uses order backlogs as a measure of projecting future equipment deliveries. There are no directly comparable IFRS measures for order bookings or backlogs.