TOROMONT

Second Quarter 2007 Results **July 24, 2007**

TOROMONT ANNOUNCES FINANCIAL RESULTS FOR THE SECOND QUARTER OF 2007

Toromont Industries Ltd. reported financial results for the second quarter of 2007. Net earnings were $38.1 million or $0.59 per share, up 53% from $24.9 million or $0.39 per share reported in the second quarter of 2006. For the first six months of 2007, net earnings were $52.3 million or $0.81 per share, up 43% from the comparable period in 2006.

	Three months ended June 30			Six months ended June 30		
$ millions, except per share amounts	**2007**	2006	**% change**	**2007**	2006	**% change**
Revenues	**$ 469.4**	$ 443.6	**6%**	**$ 859.5**	$ 813.0	**6%**
Operating income	**$ 43.2**	$ 42.2	**2%**	**$ 68.2**	$ 63.4	**8%**
Net earnings	**$ 38.1**	$ 24.9	**53%**	**$ 52.3**	$ 36.6	**43%**
Earnings per share - basic	**$ 0.59**	$ 0.39	**51%**	**$ 0.81**	$ 0.57	**42%**

Results for the second quarter of 2007 included an after-tax gain of $12.9 million, $0.20 basic earnings per share, recorded on the sale of land. Excluding this item, net earnings were up 1% in the second quarter and 8% through June, compared to the prior year. Revenue growth in both Groups in the second quarter was largely offset by lower gross margins in both Groups.

Booking activity was brisk through the first half of the year and backlogs ended the quarter at record levels. The Canadian dollar rose by 8% in the quarter relative to the United States dollar, continuing a long trend which has had and will continue to have a dampening effect on revenues and margins. The Equipment Group reported solid revenue growth in a competitive market, with strong increases in the mining, construction, infrastructure and marine segments. Strong results in the Compression Group reflect the strength of our operations in the U.S., which compensated for the soft results coming from the Canadian natural gas market.

Developments in the Quarter:

- Equipment Group revenues were up 2% versus the second quarter of 2006 on higher sales of new equipment, rentals and product support activities. Operating income for the quarter decreased 2% from that reported in the same period of the prior year.

- Second quarter bookings at the Caterpillar dealership were at record levels for this time of year, on continued demand for new equipment, particularly for the larger models used in the mining and infrastructure markets. Backlogs ended the quarter at record levels.

- Revenues in the Compression Group were up 11% in the quarter over the comparable period on increases in process and natural gas compression systems and recreational and U.S. industrial refrigeration packages. Product support revenues were 13% higher. Operating income in the Compression Group for the second quarter was 9% higher than that reported in the prior year.

- Compression Group bookings were lower in the second quarter compared to the prior year, however after a very strong first quarter, were comparable to 2006 on a year-to-date basis. Booking activity reflects continuing strength in serving diverse aspects of the U.S. natural gas markets. Backlogs ended the quarter near record levels.

- During the second quarter, a 60-acre parcel of land in the Region of Halton was sold for net proceeds of $17.6 million, resulting in a gain of $12.9 million after tax, or $0.20 per share. The site was acquired in 1996 with plans for ultimate usage as a Toromont CAT Dealership location, but as a result of the subsequent pattern of urban growth and the development of the Highway 407 corridor, was no longer required.

Infrastructure spending, mine development and other sectors should continue to be strong for the Equipment Group. Activity within the U.S. natural gas market, particularly for larger horsepower units, continues to be robust and has largely offset the declines experienced in Canada. Assuming that market conditions in Canada do not improve this year, results in the Compression Group for the second half of 2007 are not likely to reach the record highs reported last year. Our overall outlook for Toromont's business continues to be positive.

MANAGEMENT'S DISCUSSION AND ANALYSIS
of financial results for the three and six months ended June 30, 2007

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 six months ended June 30, 2007, compared to the preceding year. It also discusses factors that could affect future performance. This MD&A should be read in conjunction with the attached unaudited interim consolidated financial statements and related notes for the three and six months ended June 30, 2007, the annual MD&A contained in the 2006 Annual Report and the audited annual consolidated financial statements of the Company for the year ended December 31, 2006.

The unaudited interim consolidated financial statements reported herein have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. The information in this MD&A is current to July 23, 2007.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2006 Annual Report and 2007 Annual Information Form. These are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

Responsibility of Management and the Board of Directors

Management is responsible for the information disclosed in this MD&A and the accompanying unaudited interim consolidated financial statements and has in place the 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 have reviewed and approved this MD&A and the accompanying unaudited interim consolidated financial statements.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

The Chairman & Chief Executive Officer and the Chief Financial Officer, together with other members of management, have designed the Company's disclosure controls and procedures 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 and the preparation of financial reporting in accordance with GAAP. There has been no change in the design of the Company's internal controls over financial reporting during the quarter ended June 30, 2007, that would materially affect, or is 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 controls over financial reporting, they expect that these 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.

Forward Looking Statements

Certain statements contained herein, constitute "forward-looking statements". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "should" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on current expectations and are influenced by management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. These statements entail various risks and uncertainties as more fully described in the "Risks and Uncertainties" and the "Outlook" sections of this MD&A when read in conjunction with the annual MD&A. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether the result of new information, future events or otherwise.

Non-GAAP Financial Measures

The success of the Company and business unit strategies is measured using a number of key performance indicators, which are outlined below. These measures are also used by management in its assessment of relative investments in operations. These key performance indicators are not measurements in accordance with Canadian GAAP. It is possible that these measures will not be comparable to similar measures prescribed by other companies. They should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP.

Operating Income and Operating Margin

Each business segment assumes responsibility for its operating results as measured by, amongst other factors, operating income, which is defined as income before income taxes, interest income and interest expense. 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 our business segments. Consolidated and segmented operating income is reconciled to net earnings in tables where used in this MD&A.

Operating income margin is calculated by dividing operating income by total revenue.

Working Capital and Non-Cash Working Capital

Working capital is defined as current assets less current liabilities. Non-cash working capital is defined as working capital less cash and equivalents.

Consolidated Results of Operations

$ thousands, except per share amounts	Three months ended June 30 **2007**	2006	% change	Six months ended June 30 **2007**	2006	% change
Revenues	**$ 469,388**	$ 443,603	6%	**$ 859,543**	$ 813,031	6%
Cost of goods sold	**367,779**	344,617	7%	**675,422**	639,044	6%
Gross profit	**101,609**	98,986	3%	**184,121**	173,987	6%
Selling and administrative expenses	**58,420**	56,792	3%	**115,899**	110,543	5%
Operating income	**43,189**	42,194	2%	**68,222**	63,444	8%
Interest expense	**3,363**	3,719	(10%)	**7,192**	7,350	(2%)
Interest and investment income	**(506)**	(794)	(36%)	**(1,712)**	(1,689)	1%
Gain on sale of property	**15,990**	-	-	**15,990**	-	-
Income before income taxes	**56,322**	39,269	43%	**78,732**	57,783	36%
Income taxes	**18,252**	14,359	27%	**26,411**	21,151	25%
Net earnings	**$ 38,070**	$ 24,910	53%	**$ 52,321**	$ 36,632	43%
Earnings per share - Basic	**$ 0.59**	$ 0.39	51%	**$ 0.81**	$ 0.57	42%
Key ratios:						
Gross profit as a % of revenues	**21.6%**	22.3%		**21.4%**	21.4%	
Selling and administrative expenses as a % of revenues	**12.4%**	12.8%		**13.5%**	13.6%	
Operating income as a % of revenues	**9.2%**	9.5%		**7.9%**	7.8%	
Income taxes as a % of income before income taxes	**32.4%**	36.6%		**33.5%**	36.6%	

Consolidated revenues increased 6% to $469.4 million in the quarter versus the same period of the prior year. Equipment Group revenues were up 2% on higher new machine sales, rental revenues and product support activities. Compression Group revenues were up 11% in the quarter on higher package sales and product support revenues.

For the first six months of the year, consolidated revenues were up 6% to $859.5 million compared to the same period of 2006. Equipment Group revenues were up 11% on strong new machine sales. Compression Group revenues through June 2007 were the same as those reported in the prior year as higher product support revenues offset declines in package sales.

Consolidated gross profit increased 3% in the quarter over the comparable period in the prior year on the 6% increase in revenues. Gross profit margin decreased to 21.6% in the quarter from 22.3% in the same quarter of the prior year. Gross profit margins in Compression were lower in the quarter as productivity improvements within the U.S. process facilities were more than offset by lower margins in the Canadian process operations resulting from lower volumes. Equipment Group gross profit margins were lower in 2007 on declines in product support margins resulting from lower volumes in certain areas and a shortage of skilled workers in others.

For the first six months of 2007, consolidated gross profit increased 6% over the comparable period in 2006 in line with the 6% increase in revenues. Gross profit margin was 21.4% through June 2007, the same as that reported in the prior year. Equipment Group gross profit margins were lower in 2007 on a change in sales mix (increased contribution from equipment sales relative to product support business). Gross profit margins in Compression were marginally improved for the first six months as gross margins in the U.S. benefited from productivity gains on the higher volumes as well as strong results in the first quarter of 2007, which saw an improved proportion of higher specification projects and improved project execution.

Selling and administrative expenses increased $1.6 million or 3% in the second quarter versus the comparable period of 2006. Increased selling and administrative expenses reflect the higher revenues.

Selling and administrative expenses increased $5.4 million or 5% in the first six months of 2007 versus the comparable period of 2006. Increased selling and administrative expenses reflect higher

compensation costs of $2.8 million related to increases generally implemented at the beginning of the year. Higher selling costs, such as freight, have also increased in line with the higher revenue. Selling and administrative expenses as a percentage of revenues was 13.5% through June 2007, marginally lower than the 13.6% reported in the comparable period of the prior year.

Operating income in the second quarter of $43.2 million was 2% higher than 2006 on higher volumes partially offset by lower gross margins. Operating margin for the quarter was 9.2%, down from 9.5% in the similar period of 2006 on lower gross profit margins.

Operating income in the first six months of 2007 was $68.2 million, up 8% from the prior year on higher volumes and slightly lower relative selling and administrative expenses. Operating margin for the first six months was 7.9%, up slightly from 7.8% reported in the similar period of 2006.

Interest expense for the second quarter and first six months of 2007 was lower than in the same periods last year on lower borrowing levels. Interest income was substantially the same as that reported in the prior years for both periods.

During the second quarter, a 60-acre parcel of land in the Region of Halton was sold for net proceeds of $17.6 million. The resulting gain was $16.0 million, $12.9 million after tax, or $0.20 basic earnings per share. The site was acquired in 1996 with plans for ultimate usage as a Toromont CAT Dealership location, but as a result of the subsequent pattern of urban growth and the development of the Highway 407 corridor, was no longer required.

The effective income tax rate for the second quarter was 32.4% compared to 36.6% in 2006. The effective income tax rate through June 2007 was 33.5% compared to 36.6% in the prior year. The 2007 rate is lower due to the reduced rate on the capital gain arising from the property sale. Excluding this item, the effective income tax rate for the second quarter and first six months of 2007 was 37.7% and 37.2% respectively.

Net earnings in the quarter were $38.1 million, up 53% from $24.9 million reported in the comparable period a year ago. Earnings per share for the quarter were $0.59, up 51% from $0.39 reported in the comparable period last year. Excluding the gain on sale of property, net earnings in the quarter were $25.1 million, $0.39 per share.

Net earnings for the first six months were $52.3 million, up 43% from $36.6 million reported in 2006. Earnings per share for the period were $0.81, up 42% from $0.57 reported in the comparable period last year. Excluding the gain on sale of property, net earnings in the period were $39.4 million, $0.61 per share.

Since early 2003, there has been a dramatic strengthening in the Canadian dollar versus its U.S. counterpart. This trend was particularly significant in the most recent quarter as the dollar strengthened by 8.3% over the three-month period to June 30, 2007. Although Toromont Industries Ltd. is not principally a Canadian manufacturer; and thus not particularly exposed to the currency movements, there are a number of areas in which this strengthening has impacted our business. These include:

- The majority of heavy equipment, major components and spare parts are sourced in U.S. dollars and Toromont's pricing to its customers generally reflects movements in the exchange rate. Equipment purchased to satisfy a specific customer order, is hedged at the time of order. The Company also puts in place short-term hedges for U.S. dollar liabilities recorded upon the delivery of stock machine inventory from Caterpillar, and for anticipated purchases of spare parts. The intent of these contracts is to mitigate exposure and customer volatility related to pricing adjustments. Given the sharp movement in the recent quarter, these practices have led

to a cumulative opportunity cost of approximately $10 million as at June 30, 2007 as disclosed in note 14. This is not expected to affect net income as the unrealized losses will offset future gains on hedged items. Toromont maintains active and conservative policies and practices to identify and manage foreign currency exposures.

- Toromont serves a broad and diverse customer base. Some of its customers have been adversely impacted by the currency trend. For example, industrial customers located in South-Western Ontario have been particularly hit hard. The strength of the Canadian dollar has also been one of the factors identified behind the weakness in Canadian natural gas market as the product has become more expensive for customers in the U.S.

Comprehensive income for the quarter was $30.6 million, comprised of net earnings of $38.1 million and other comprehensive loss of $7.5 million. The latter arises on an unrecognized loss on translation of self-sustaining foreign operations and a decline in fair value of cash flow hedges. The Company does not enter into foreign exchange forward contracts for speculative purposes. The gains and losses on the foreign exchange forward contracts are intended to offset the translation gains and losses on the hedged foreign currency transactions. The reader is referred to Changes in Accounting Policies below as well as Note 2 in the accompanying unaudited interim consolidated financial statements for the period ended June 30, 2007 for further details.

Results of Operations in the Equipment Group

	Three months ended June 30			Six months ended June 30		
$ thousands	**2007**	2006	% change	**2007**	2006	% change
Equipment sales and rentals						
New	**$ 120,997**	$ 118,530	2%	**$ 223,488**	$ 181,709	23%
Used	**38,693**	38,145	1%	**65,015**	62,027	5%
Rental	**34,527**	32,372	7%	**60,465**	56,942	6%
Total equipment sales and rentals	**194,217**	189,047	3%	**348,968**	300,678	16%
Power generation	**2,486**	3,636	(32%)	**6,822**	7,832	(13%)
Product support	**71,729**	69,375	3%	**140,948**	140,736	0%
Total revenues	**$ 268,432**	$ 262,058	2%	**$ 496,738**	$ 449,246	11%
Operating income	**$ 26,162**	$ 26,612	(2%)	**$ 40,731**	$ 39,076	4%
Key ratios:						
Product support revenues as a % of total revenues	**26.7%**	26.5%		**28.4%**	31.3%	
Group total revenues as a % of consolidated revenues	**57.2%**	59.1%		**57.8%**	55.3%	
Operating income as a % of revenues	**9.7%**	10.2%		**8.2%**	8.7%	

New machine sales were up 2% in the quarter and 23% for the first six months compared to the similar periods in 2006. Increases were driven by higher unit sales in the tractor and industrial sectors. Growth was driven largely by the mining, construction and industrial markets.

Used equipment sales were up 1% in the quarter and 5% for the first six months compared to the similar periods last year. Sales of used equipment vary depending on customer buying preferences, exchange rate considerations and general product availability.

Rental revenues were up 7% in the quarter and 6% for the first half compared to the same periods last year, largely due to increased same store revenues generated from a larger rental fleet. The 2006 opening of a new Battlefield – The CAT Rental Store branch in Barrie, Ontario together with the recent acquisition in Timmins, Ontario also contributed to this growth.

Revenues from power generation declined 32% in the quarter and 13% in the year-to-date versus last year. During the quarter, the Company disposed of power generation assets located near Trenton, Ontario, recognizing a net gain of $0.2 million before taxes.

Product support revenues increased 3% in the quarter and were at approximately the same level for the first six months as compared to the same periods of last year. Product support revenue growth varies in light of local market conditions. In Southern Ontario, product support revenues have been lower through 2007 on slower conditions in certain markets resulting in customer deferrals of maintenance and a slowdown in cross-border transportation activity leading to declines in truck parts and service. In Nunavut and Northern Ontario, product support revenues increased on strong mining activity. However, the increase was somewhat limited by difficulty in recruiting service technicians to support the available service business. Work-in-progress at June 30, 2007 was 14% higher than at the same time last year.

Operating income for the quarter was down 2% from that reported in the same period last year on lower gross margins in product support. Selling and administrative expenses were also up slightly more than the increase in volume.

Operating income for the first half of 2007 was up 4% from the previous year on higher volumes, partially offset by lower gross margins and higher volume-related expenses. Lower gross margins for the first half reflect an unfavourable sales mix, with a lower proportion of product support business to total. Operating income as a percentage of revenues was 8.2% for the first half of 2007 versus 8.7% in the comparable period of 2006.

Second quarter bookings, new equipment ordered by customers during the period, were at record levels on continued demand for new equipment, particularly for the larger models used in the mining and infrastructure markets. Backlogs, new equipment ordered by customers but not yet delivered or recognized in revenue, ended the quarter at record levels.

Results of Operations in the Compression Group

	Three months ended June 30			Six months ended June 30		
$ thousands	**2007**	2006	% change	**2007**	2006	% change
Package sales and rentals						
Package sales	**$ 146,028**	$ 132,041	11%	**$ 262,127**	$ 273,686	(4%)
Rentals	**4,887**	5,291	(8%)	**9,586**	9,964	(4%)
Total package sales and rentals	**150,916**	137,332	10%	**271,713**	283,650	(4%)
Product support	**50,041**	44,213	13%	**91,092**	80,135	14%
Total revenues	**$ 200,956**	$ 181,545	11%	**$ 362,805**	$ 363,785	(0%)
Operating income	**$ 17,027**	$ 15,582	9%	**$ 27,491**	$ 24,368	13%
Key ratios:						
Product support revenues as a % of total revenues	**24.9%**	24.4%		**25.1%**	22.0%	
Group total revenues as a % of consolidated revenues	**42.8%**	40.9%		**42.2%**	44.7%	
Operating income as a % of revenues	**8.5%**	8.6%		**7.6%**	6.7%	

Demand from Canadian gas producers has been weak since mid 2006 due to unfavourable market conditions, caused by such factors as higher gas storage levels, lower natural gas prices and warmer weather. Conditions within the U.S. market continue to be favourable. U.S. gas production continues to be higher year-over-year, due in part to a lower cost structure. Revenues from the U.S. natural gas market exceeded revenues from the Canadian natural gas market and made up approximately one third of total package sales of the Group.

Package sales revenues were 11% higher in the second quarter on higher process system compression and recreational refrigeration activity. Both the Canadian and U.S. markets reported increases in process systems, which do not have a seasonal nature but vary with customer schedules and activities. Recreational refrigeration revenues were higher in all markets, Canada, U.S. and International. Revenues from natural gas compression packages, which comprised approximately 55% of total Compression Group package revenues, were up 3% as higher revenues in the U.S. were largely offset by declines in Canada.

Through the first six months, package sales revenues were 4% lower than the prior year on lower natural gas package revenues, partially offset by higher recreational refrigeration and process systems packages. Higher revenues generated from the buoyant U.S. natural gas market through the Company's expanded U.S. operations were more than offset by declines in the Canadian natural gas market.

Rental revenues were 8% lower in the second quarter and 4% lower in the first half of 2007 compared to 2006 on lower fleet utilization. Rental activity, primarily in the Canadian market, has been lower due to the softness in the Canadian natural gas market.

Product support revenues were up 13% in the quarter and 14% in the first half versus the comparable periods of 2006. Continued focus on U.S. product support activities in both natural gas and recreational refrigeration markets resulted in approximately 40% increases in revenues in both the quarter and year-to-date. Canadian product support activities were up 6% in the quarter and 5% for the first half.

Operating income in the quarter was 9% higher than that reported in the same period of 2006, largely due to improvements within the industrial and recreational refrigeration market. Operating income from process operations was even with the prior year as productivity improvements within the U.S. process facilities were largely offset by lower margins in the Canadian process operations resulting from lower volumes.

Operating income for the first half was 13% higher than in the same period of 2006, on improved results in both process and refrigeration operations. The process operations benefited from productivity gains in the U.S. on the higher volumes as well as strong results in the first quarter of 2007, which saw an improved proportion of higher specification projects and improved project execution. The recreational and industrial refrigeration operations have seen improvements year-over-year in Canada on higher volumes and an increased focus on cost control. Operating income as a percentage of revenues was 7.6% for the first half of 2007 versus 6.7% in the comparable period of 2006.

Bookings were approximately 30% lower in the second quarter than for the same period last year. Bookings in the second quarter of 2006 included a record $100 million order for the Rockies Express Pipeline. Excluding this order, bookings were approximately 13% higher than 2006 on strength in process compression systems and U.S. and international industrial refrigeration, offset by a decline in natural gas compression in Canada. Backlogs remain near record levels.

Consolidated Financial Position

The Company has maintained a strong financial position. At June 30, 2007, the ratio of total debt to equity was 0.40:1 compared to 0.47:1 at December 31, 2006. Total assets were $1.3 billion at June 30, 2007, comparable to that reported at the end of 2006.

The Company's investment in non-cash working capital was $414.7 million at June 30, 2007. The major components, along with the changes from December 31, 2006 and June 30, 2006, are identified in the following table.

	June 30 2007	December 31 2006	Increase (Decrease)	June 30 2006	Increase (Decrease)
Accounts receivable	$ 312,974	$ 341,470	$ (28,496)	$ 323,733	$ (10,759)
Inventories	498,897	461,672	37,225	459,210	39,687
Other current assets	23,066	7,753	15,313	10,236	12,830
Accounts payable and accrued liabilities	(268,830)	(301,131)	32,301	(295,170)	26,340
Deferred revenue	(138,159)	(90,596)	(47,563)	(108,222)	(29,937)
Derivative financial instruments	(9,857)	-	(9,857)	-	(9,857)
All other	(3,355)	(7,544)	4,189	958	(4,313)
Total non-cash working capital	$ 414,736	$ 411,624	$ 3,112	$ 390,745	$ 23,991

Accounts receivable were 8% lower at June 30, 2007 compared to December 2006. Both the Equipment and Compression Groups reported a decrease in accounts receivable due to seasonal sales patterns (fourth quarter 2006 revenues were 6% higher than second quarter 2007). Accounts receivable were 3% lower than this time last year, despite a 6% increase in quarterly revenues year-over-year, in part due to a continued focus on progress or interim billings on long-term contracts within the Compression Group.

Inventories were 8% higher at June 30, 2007 compared to December 2006 and 9% higher than at June 30, 2006 on higher levels in both Groups. Equipment Group machine inventory levels were higher compared to both periods as a result of continued product availability issues and extended delivery-time constraints from certain suppliers. Seasonal sales trends drive Inventory levels higher in June than at December as higher inventories are held in preparation of the busy summer selling season. Compression Group inventory levels increased over both periods on advance purchasing to secure supply of certain major components for longer lead-time projects and in light of certain supply conditions. Inventory also includes gas compression units produced for stock.

Other current assets represent deposits and prepaid expenses. The increase in other current assets compared to both December 2006 and June 2007 relate to deposits made for equipment ordered relating to a significant project and scheduled for delivery through 2008.

Accounts payable and accrued liabilities were 11% lower than December 2006 and 9% lower than June 2006. Approximately 55% of the decrease is due to reduced key supplier payment terms.

Deferred revenues have increased 53% from December 2006 and 28% from June 2006. The Compression group uses progress billings as a method of funding working capital requirement of long-term contracts.

As at the date of this MD&A, the Company had 64,664,767 common shares and 2,026,089 share options outstanding.

Liquidity and Capital Resources

Toromont obtains short-term financing through a combination of cash from operating activities and committed long-term credit facilities. Combined unsecured credit facilities amounted to $246 million at June 30, 2007, of which $183 million was unutilized.

Management expects that the Company's available credit facilities, together with cash flows from operations, are more than sufficient to fund its cash flow requirements including operations, debt-servicing obligations, capital expenditures and dividends to its shareholders.

	Three months ended June 30			Six months ended June 30		
($ thousands)	**2007**	2006	$ Variance	**2007**	2006	$ Variance
Cash provided by operating activities	**$ 66,308**	$ 65,057	$ 1,251	**$ 33,773**	$ 54,200	$ (20,427)
Cash used in investing activities	**(6,750)**	(19,577)	12,827	**(22,931)**	(46,922)	23,991
Cash used in financing activities	**(26,150)**	(3,393)	(22,757)	**(35,448)**	(10,076)	(25,372)
Change in cash and cash equivalents	**$ 33,408**	$ 42,087	$ (8,679)	**$ (24,606)**	$ (2,798)	$ (21,808)

Operating activities provided $66.3 million in the quarter compared to $65.1 million in the same period last year. Cash from operations and cash used by non-cash working capital were similar in both periods.

For the first six months, operating activities provided $33.8 million, down from $54.2 million provided in the same period last year. The decrease in cash provided was due to a higher level of investment in non-cash working capital in 2007. Non-cash working capital has increased from December 2006 levels on higher inventories held in advance of the summer selling season and higher income taxes receivable resulting from timing of installment taxes, partially offset by lower accounts receivable.

Investing activities in the second quarter of 2007 included net proceeds of $17.6 million on the sale of property. Excluding this item, investing activities used $24.4 million in the quarter, $4.8 million higher than in the comparable period of 2006 on higher net capital expenditures. Gross investment in property, plant and equipment was $7.9 million, directed mainly at building expansion in the U.S. ($2.5 million), vehicles to support business growth ($2.5 million), land for a new Toromont CAT facility in Cambridge, Ontario ($1.1 million) and information technology equipment and systems ($0.7 million). Net investment in rental equipment was $16.6 million, $3.6 million higher than that reported in the same period last year on the timing of fleet investments in the Equipment Group.

For the first six months of 2007 investing activities used $22.9 million. Excluding the proceeds on sale of the surplus property in 2007, investing activities used $40.5 million compared to $46.9 million in the same period last year. Net investment in rental equipment was $23.7 million, down $5.1 million from the $28.8 million invested in the same period last year. Additions to the rental fleet in the Equipment Group are lower in 2007 than in 2006 following two years of significant investment. Gross investment in property, plant and equipment was $14.3 million, directed mainly at building expansion in the U.S. ($5 million), vehicles to support business growth ($5 million), information technology equipment and systems ($1.5 million) and land in Cambridge, Ontario ($1.1 million).

Financing activities used $26.2 million in the second quarter of 2007 versus $3.4 million in the comparable period of 2006. The Company paid dividends of $7.7 million in the quarter, up 21% from the same period in 2006, reflecting the higher dividend rate per share. Bank and other long-term debt was reduced by a net $20.1 million in the quarter on the positive cash flows of the Company.

For the first half of 2007, financing activities used $35.4 million compared to $10.1 million in the comparable period of 2006. The Company paid dividends of $14.2 million, up 24% from the same period in 2006 on the higher dividend rate per share. Bank and other long-term debt was reduced by a net $24.8 million from the positive cash flows of the Company.

Outlook

The overall outlook for Toromont's business continues to be positive. The balance in the Company's products and markets, combined with after-market support activity, provides a strong operating foundation.

Infrastructure spending, mine development and other sectors should continue to be strong for the Equipment Group and should offset weakness in other segments, including agriculture, forestry and, to a lesser extent, housing. Growth is expected in the parts and service business, given the larger installed base of equipment in our territories. The Equipment Group will also benefit from broader market participation as additional lines are added to Caterpillar's product offerings.

Activity within the U.S. natural gas market, particularly for larger horsepower units, continues to be robust. Backlogs in the Compression Group remained near record levels through June 2007, and deliveries on two large orders, the Rockies Express Pipeline and the Midcontinent Express Pipeline, are scheduled over the next 12 to 18 months. The process compression sector and product support services continue to grow and provide a degree of balance.

The Canadian natural gas compression market has slowed down significantly from the hyperactive market conditions seen in 2005 and the first half of 2006. Factors contributing to the depressed conditions include; high natural gas storage levels, the strengthened Canadian dollar, changes to the taxation of income trusts, costs of extraction in Canada relative to the U.S. and alternative investment opportunities in oil sands projects for the major natural gas producers.

Assuming that market conditions in Canada do not improve this year, results in the Compression Group for the second half of 2007 are not likely to reach the record highs reported last year. Toromont will continue to pursue opportunities to improve efficiencies during the slowdown period and will continue to pursue growth opportunities in the U.S. Management believes that the fundamentals for Toromont's Compression business are sound and that the long-term prospects are positive.

Risks and risk management

In the normal course of business, Toromont is exposed to operating and financial risks that may potentially impact its operating 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 on a cost-effective basis. There have been no material changes to the operating and financial risk assessment and related risk management strategies as described in the Company's 2006 Annual Report and 2007 Annual Information Form.

Critical accounting policies and estimates

The accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are consistent with those used in the Company's 2006 audited annual consolidated financial statements, and described in Note 1 therein, except for the changes in accounting policies described in the following section.

The preparation of financial statements in conformity with Canadian GAAP requires estimates and assumptions that affect the results of operation 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. There have been no material changes to the critical accounting estimates as described in the Company's 2006 Annual Report.

Changes in accounting policies

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530 *Comprehensive Income*, Section 3855 *Financial Instruments – Recognition and Measurement* and Section 3865 *Hedges*. The adoption of these new standards resulted in changes in the accounting for financial instruments and hedges, as well as the recognition of certain transition adjustments. As provided under the standards, the comparative consolidated financial statements have not been restated, except for the presentation of translation gains or losses on self-sustaining foreign operations.

The adoption of these Sections is done retroactively without restatement of the consolidated financial statements of prior periods. As a January 1, 2007, the impact on the consolidated balance sheet of measuring derivatives at fair value as at January 1, 2007 was an increase in: accounts receivable $27,000; derivative financial instrument assets $6,143,000; current future income tax assets $300,000; accounts payable and accrued liabilities $3,753,000; long-term future income tax liabilities $846,000; derivative financial instrument liabilities $857,000 and opening accumulated other comprehensive income $1,014,000.

The effect of these changes in accounting policies on net income for the three and six month periods ending June 30, 2007 is not significant.

Effective January 1, 2007, the Company adopted the revised Section 1506 *Accounting Changes,* relating to changes in accounting policies, changes in accounting estimates, and errors. Adoption of these recommendations had no effect on the consolidated financial statements for the three month and six month periods ending June 30, 2007, except for the disclosure of accounting changes that have been issued by the CICA but have not yet been adopted by the Company because they are not effective until a future date (refer to Future Accounting Standards below).

The reader is referred to Note 2 in the accompanying unaudited interim consolidated financial statements for the quarter ended June 30, 2007 for further details regarding the adoption of these standards.

Future accounting standards

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures; Handbook Section 3862 *Financial Instruments - Disclosures*; and Handbook Section 3863 *Financial Instruments - Presentation*. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In March 2007, the CICA approved Handbook Section 3031 *Inventories*, which replaces the existing Section 3030 *Inventories*. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, with earlier application encouraged. The standard provides more guidance on the measurement and disclosure requirements for inventories.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

Selected quarterly information

$ thousands, except per share amounts	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2
Revenues									
Equipment Group	$ 239,897	$ 231,086	$ 266,015	$ 187,188	$ 262,057	$ 247,898	$ 290,725	$ 228,306	$ 268,432
Compression Group	150,230	196,802	209,473	182,240	181,546	208,061	205,118	161,849	200,956
Total revenues	$ 390,127	$ 427,888	$ 475,488	$ 369,428	$ 443,603	$ 455,959	$ 495,843	$ 390,155	$ 469,388
Net earnings (loss)									
from continuing operations	$ 18,903	$ 23,943	$ 27,296	$ 11,722	$ 24,910	$ 25,898	$ 36,891	$ 14,251	$ 38,070
from discontinued operations	(99)	742	-	-	-	-	-	-	-
Total net earnings	$ 18,804	$ 24,685	$ 27,296	$ 11,722	$ 24,910	$ 25,898	$ 36,891	$ 14,251	$ 38,070
Basic earnings (loss) per share									
from continuing operations	$ 0.30	$ 0.38	$ 0.43	$ 0.18	$ 0.39	$ 0.41	$ 0.58	$ 0.22	$ 0.59
from discontinued operations	-	0.01	-	-	-	-	-	-	-
Total basic EPS	$ 0.30	$ 0.39	$ 0.43	$ 0.18	$ 0.39	$ 0.41	$ 0.58	$ 0.22	$ 0.59
Diluted earnings (loss) per share									
from continuing operations	$ 0.29	$ 0.37	$ 0.43	$ 0.18	$ 0.38	$ 0.40	$ 0.58	$ 0.22	$ 0.58
from discontinued operations	-	0.01	-	-	-	-	-	-	-
Total diluted EPS	$ 0.29	$ 0.38	$ 0.43	$ 0.18	$ 0.38	$ 0.40	$ 0.58	$ 0.22	$ 0.58
Dividends per share	$ 0.08	$ 0.08	$ 0.08	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.12	$ 0.12

Interim period revenues and earnings historically reflect seasonality in both the Equipment and Compression Groups. Within the Equipment Group, the first quarter is typically the softest 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. Within the Compression Group, the fourth quarter tends to be the strongest due to higher activity levels resulting from well-site access and drilling patterns. The second and third quarter impacts of seasonality in both Groups are relatively neutral.

TOROMONT INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEETS
(unaudited)

($ thousands)	**June 30 2007**	December 31 2006	June 30 2006
Assets			
Current assets			
Cash and cash equivalents	**$ 33,408**	$ 58,014	$ 47,918
Accounts receivable	**312,974**	341,470	323,733
Inventories	**498,897**	461,672	459,210
Income taxes receivable	**6,377**	-	2,947
Future income taxes	**23,651**	24,305	23,317
Other current assets (note 7)	**23,066**	7,753	10,236
Total current assets	**898,373**	893,214	867,361
Property, plant and equipment	**183,412**	185,290	175,226
Rental equipment	**155,902**	138,214	137,007
Goodwill	**34,800**	34,800	34,800
Future income taxes	**2,839**	-	275
Other assets (note 7)	**31,761**	48,474	28,044
Total assets	**$ 1,307,087**	$ 1,299,992	$ 1,242,713
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 8)	**$ 414,750**	$ 398,158	$ 409,783
Current portion of long-term debt (note 9)	**25,622**	25,194	18,915
Income taxes payable	**-**	224	-
Derivative financial instruments (note 14)	**9,857**	-	-
Total current liabilities	**450,229**	423,576	428,698
Deferred revenues	**40,157**	66,419	66,401
Derivative financial instruments (note 14)	**551**	-	-
Long-term debt (note 9)	**213,290**	238,468	233,187
Accrued pension liability	**4,552**	5,483	5,781
Future income taxes	**-**	490	-
Shareholders' equity			
Share capital (note 10)	**120,816**	116,848	111,483
Contributed surplus (note 11)	**7,031**	6,543	7,188
Retained earnings	**484,638**	447,820	397,857
Accumulated other comprehensive income (note 12)	**(14,177)**	(5,655)	(7,882)
Total shareholders' equity	**598,308**	565,556	508,646
Total liabilities and shareholders' equity	**$ 1,307,087**	$ 1,299,992	$ 1,242,713

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)

$ thousands, except per share amounts		**Three months ended June 30**			**Six months ended June 30**
		2007	2006	**2007**	2006
Revenues		**$ 469,388**	$ 443,603	**$ 859,543**	$ 813,031
Cost of goods sold		**367,779**	344,617	**675,422**	639,044
Gross profit		**101,609**	98,986	**184,121**	173,987
Selling and administrative expenses		**58,420**	56,792	**115,899**	110,543
Operating income		**43,189**	42,194	**68,222**	63,444
Interest expense		**3,363**	3,719	**7,192**	7,350
Interest and investment income		**(506)**	(794)	**(1,712)**	(1,689)
Gain on sale of property		**15,990**	-	**15,990**	-
Income before income taxes		**56,322**	39,269	**78,732**	57,783
Income taxes		**18,252**	14,359	**26,411**	21,151
Net earnings		**$ 38,070**	$ 24,910	**$ 52,321**	$ 36,632
Earnings per share (note 4)					
Basic		**$ 0.59**	$ 0.39	**$ 0.81**	$ 0.57
Diluted		**$ 0.58**	$ 0.38	**$ 0.80**	$ 0.56
Weighted average number of shares outstanding		**64,595,005**	63,829,376	**64,534,086**	63,751,590
End of period number of shares outstanding (note 10)		**64,662,207**	63,917,799	**64,662,207**	63,917,799

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)

($ thousands)	**Three months ended June 30**		**Six months ended June 30**	
	2007	2006	**2007**	2006
Retained earnings, beginning of period	**$ 454,328**	$ 379,339	**$ 447,820**	$ 373,993
Net earnings	**38,070**	24,910	**52,321**	36,632
Dividends	**(7,760)**	(6,392)	**(15,503)**	(12,768)
Retained earnings, end of period	**$ 484,638**	**$ 397,857**	**$ 484,638**	**$ 397,857**

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

($ thousands)	Three months ended June 30 **2007**	2006	Six months ended June 30 **2007**	2006
Net earnings	**$ 38,070**	$ 24,910	**$ 52,321**	$ 36,632
Other comprehensive (loss) income:				
Change in fair value of derivatives designated as cash flow hedges, net of income taxes ($2,600, $2,948)	**(4,836)**	-	**(5,470)**	-
Losses on derivatives designated as cash flow hedges transferred to net income in the current period, net of income taxes ($758, $317)	**1,406**	-	**588**	-
Unrealized loss on translation of financial statements of self-sustaining foreign operations	**(4,031)**	(1,666)	**(4,654)**	(1,661)
Other comprehensive (loss) income	**(7,461)**	(1,666)	**(9,536)**	(1,661)
Comprehensive income	**$ 30,609**	$ 23,244	**$ 42,785**	$ 34,971

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ thousands)	Three months ended June 30 **2007**	2006	Six months ended June 30 **2007**	2006
Operating activities				
Net earnings	**$ 38,070**	$ 24,910	**$ 52,321**	$ 36,632
Items not requiring cash and cash equivalents				
Depreciation	**13,428**	12,487	**23,846**	22,270
Stock-based compensation	**491**	625	**982**	1,250
Accrued pension liability	**(454)**	(194)	**(931)**	(236)
Future income taxes	**26**	(1,698)	**(594)**	(3,965)
Gain on sale of rental equipment and property, plant, and equipment	**(17,614)**	(2,162)	**(19,603)**	(4,367)
	33,947	33,968	**56,021**	51,584
Net change in non-cash working capital and other	**32,361**	31,089	**(22,248)**	2,616
Cash provided by operating activities	**66,308**	65,057	**33,773**	54,200
Investing activities				
Additions to:				
Rental equipment	**(24,883)**	(20,671)	**(38,815)**	(44,512)
Property, plant and equipment	**(7,945)**	(6,595)	**(14,308)**	(12,879)
Proceeds on disposal of:				
Rental equipment	**8,247**	7,680	**15,136**	15,701
Property, plant and equipment	**17,847**	148	**18,050**	308
Business acquisition (note 3)	**-**	-	**(3,124)**	(5,481)
(Increase) decrease in other assets	**(16)**	(139)	**130**	(59)
Cash used in investing activities	**(6,750)**	(19,577)	**(22,931)**	(46,922)
Financing activities				
Decrease in term credit facility debt	**(20,071)**	(3,423)	**(13,686)**	-
Issue of other long-term debt	**1,587**	4,769	**1,587**	4,769
Repayment of other long-term debt	**(1,597)**	(629)	**(12,651)**	(6,760)
Dividends	**(7,742)**	(6,376)	**(14,173)**	(11,466)
Shares issued on exercise of options	**1,673**	2,266	**3,475**	3,381
Cash used in financing activities	**(26,150)**	(3,393)	**(35,448)**	(10,076)
Increase (decrease) in cash and cash equivalents	**33,408**	42,087	**(24,606)**	(2,798)
Cash and cash equivalents at beginning of period	**-**	5,831	**58,014**	50,716
Cash and cash equivalents at end of period	**$ 33,408**	$ 47,918	**$ 33,408**	$ 47,918

Supplemental cash flow information (note 13)

See accompanying notes

(1) Significant accounting policies

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the preparation of interim financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with those used in the Company's 2006 audited annual consolidated financial statements, except for the changes in accounting policies described in Note 2. These unaudited interim consolidated financial statements do not include all disclosures required by GAAP for annual financial statements, and accordingly should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2006.

(2) Changes in accounting policies

Financial Instruments

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530 *Comprehensive Income*, Section 3855 *Financial Instruments – Recognition and Measurement* and Section 3865 *Hedges*. The adoption of these new standards resulted in changes in the accounting for financial instruments and hedges, as well as the recognition of certain transition adjustments. As provided under the standards, the comparative interim consolidated financial statements have not been restated, except for the presentation of translation gains or losses on self-sustaining foreign operations. The principal changes in the accounting for financial instruments and hedges due to the adoption of these accounting standards are described below.

(a) Sections 1530 *Comprehensive Income*
This Section describes the reporting and disclosure standards with respect to comprehensive income and its components. Comprehensive income is composed of net income and other comprehensive income. The Company's other comprehensive income includes unrealized gains and losses on translation of self-sustaining foreign operations and changes in the fair value of derivative instruments designated as cash flow hedges, net of income taxes. The components of comprehensive income are disclosed in the consolidated statement of comprehensive income.

(b) Section 3855 *Financial Instruments – Recognition and Measurement*
This Section sets out the standards for the recognition and measurements of financial assets and financial liabilities. Depending on their balance sheet classification, fair value or cost-based measures are used. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in either net income or other comprehensive income.

The Company has made the following classifications:

- Cash and cash equivalents are classified as "assets held for trading" and are measured at fair value. Gains and losses resulting from the periodic revaluation are recorded in net income.

- Accounts receivable are classified as "loans and receivables" and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities and long-term debt are classified as "other financial liabilities" and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

(c) Section 3865 *Hedges*
This Section sets out the standards on the use of hedge accounting. This standard offers different reporting options other than those set out in Section 3855 *Financial Instruments – Recognition and Measurement*, to qualifying transactions designated as hedges for accounting purposes.

The Company elected to apply hedge accounting for its interest rate swap and foreign exchange forward contracts. The interest rate swap is designated as a cash flow hedge. It is measured at fair value at the end of each period and the effective portion of the gain or loss resulting from remeasurement is recognized in other comprehensive income. The ineffective portion is recognized in net income in the period. Foreign exchange forward contracts are designated as either cash flow or fair value hedges, depending on the facts of the transaction. These derivatives are measured at fair value at the end of each period. The resulting gain or loss is recognized in other comprehensive income for cash flow hedges and in net income for fair value hedges.

The adoption of these Sections is done retroactively without restatement of the consolidated financial statements of prior periods. As at January 1, 2007, the impact on the consolidated balance sheet of measuring derivatives at fair value was an increase in: accounts receivable $27, derivative financial instrument assets $6,143, current future income tax assets $300, accounts payable and accrued liabilities $3,753, long-term future income tax liabilities $846, derivative financial instrument liabilities $857 and opening accumulated other comprehensive income $1,014.

The effect of these changes in accounting policies on net income for the three month and six month periods ending June 30, 2007 is not significant.

Accounting changes

Effective January 1, 2007, the Company adopted the revised Section 1506 *Accounting Changes,* relating to changes in accounting policies, changes in accounting estimates, and errors. Adoption of these recommendations had no effect on the consolidated financial statements for the three month and six month periods ending June 30, 2007, except for the disclosure of accounting changes that have been issued by the CICA but have not yet been adopted by the Company because they are not effective until a future date (refer to Future Accounting Standards below).

Future accounting standards

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures; Handbook Section 3862 *Financial Instruments – Disclosures*; and Handbook Section 3863 *Financial Instruments – Presentation*. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments — Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In March 2007, the CICA approved Handbook Section 3031 *Inventories*, which replaces the existing Section 3030 *Inventories*. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, with earlier application encouraged. The standard provides more guidance on the measurement and disclosure requirements for inventories.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

(3) Business acquisitions

Effective March 6, 2007, certain assets of Sunrise Rentals Corporation, a privately owned rental operation in Timmins, Ontario, were purchased. In 2006, land, plant and equipment in Casper, Wyoming were purchased.

The acquisitions were recorded using the purchase method. The fair values of net assets acquired were as follows:

	2007	2006
Non-cash working capital	$ 1,048	$ 135
Property, plant and equipment	188	5,346
Rental equipment	1,888	-
Purchase price	$ 3,124	$ 5,481

(4) Earnings per share

Basic earnings per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share is calculated to reflect the effect of exercising outstanding stock options applying the treasury stock method.

	Three months ended June 30		**Six months ended June 30**	
	2007	2006	**2007**	2006
Net earnings available to common shareholders	**$ 38,070**	$ 24,910	**$ 52,321**	$ 36,632
Weighted average common shares outstanding	**64,595,005**	63,829,376	**64,534,086**	63,751,590
Dilutive effect of stock option conversion	**779,802**	1,176,999	**653,595**	1,090,878
Diluted weighted average common shares outstanding	**65,374,807**	65,006,375	**65,187,681**	64,842,468
Basic earnings per share	**$ 0.59**	$ 0.39	**$ 0.81**	$ 0.57
Diluted earnings per share	**$ 0.58**	$ 0.38	**$ 0.80**	$ 0.56

(5) Stock based compensation

The Company maintains a stock option program for certain employees. Under the plan, up to 6,096,000 options may be granted for subsequent exercise in exchange for common shares. Stock options have a seven-year term, vest 20% per year on each anniversary date of the grant and are exercisable at the designated common share price, which is fixed at prevailing market prices of the common shares at the date the option is granted.

The following table is a reconciliation of outstanding options:

	Six months ended June 30					
	2007			2006		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Options outstanding, beginning of period	**2,091,379**	**$**	**14.67**	2,689,795	$	12.72
Granted	**288,900**		**25.68**	370,380		24.58
Exercised	**(351,630)**		**9.59**	(292,863)		11.53
Forfeited	**-**		**-**	(5,830)		17.58
Options outstanding, end of period	**2,028,649**	**$**	**17.12**	2,761,482	$	14.43
Options exercisable, end of period	**1,067,455**	**$**	**13.07**	1,483,026	$	10.83

The following table summarizes stock options outstanding and exercisable as at June 30, 2007:

	Options Outstanding				**Options Exercisable**		
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Life (years)**		**Weighted Average Exercise Price**	**Number Outstanding**		**Weighted Average Exercise Price**
$8.04 - $10.71	813,820	1.8	$	10.05	720,180	$	9.97
$16.59 - $22.78	658,249	4.1		19.07	293,339		18.57
$24.58 - $25.68	556,580	6.1		25.15	53,936		24.58
Total	2,028,649	3.7	$	17.12	1,067,455	$	13.07

The Company determines the cost of stock options granted using the fair value method. The cost is amortized over the vesting periods.

The fair value of options granted during the period was determined at the time of grant using the following:

		2007		2006
Weighted average fair value price per option	$	6.57	$	6.51
Expected life of options (years)		5.82		5.78
Expected stock price volatility		25.0%		25.0%
Expected dividend yield		1.9%		1.6%
Risk-free interest rate		4.0%		4.1%

The Company offers a deferred share unit (DSU) plan to non-employee directors. A DSU is a notional unit that reflects the market value of a single common share of Toromont. Each director may elect to take all or a portion of his board retainer and meeting fees in DSUs. Each DSU fully vests upon award. The DSUs will be redeemed for cash upon a director leaving the board. The redemption amount will be based upon the average of the high and low trading prices of the common shares on the TSX for the five trading days preceding the redemption date. The program commenced in 2006 and as at June 30, 2007, the total DSUs held by participating directors was 6,053.

(6) Employee future benefits

The Company sponsors pension arrangements for substantially all of its employees, primarily through defined contribution plans in Canada and a 401(k) matched savings plan in the United States. Certain unionized employees do not participate in company-sponsored plans, and contributions are made to these retirement programs in accordance with respective collective bargaining agreements. In the case of defined contribution plans, regular contributions are made to the individual employee accounts, which are administered by a plan trustee in accordance with the plan document. The cost of pension benefits for defined contribution plans are expensed as the contributions are paid.

Approximately 7% of participating employees are included in defined benefit plans. Pension benefit obligations under the defined benefit plans are determined periodically by independent actuaries and are accounted for using the accrued benefit method using a measurement date of December 31.

The net pension expense recorded for the periods are presented below.

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Defined benefit plans	$ 249	$ 656	$ 467	$ 1,110
Defined contribution plans	1,945	2,027	4,012	4,232
401(k) matched savings plans	208	161	470	318
Net pension expense	$ 2,402	$ 2,844	$ 4,949	$ 5,660

(7) Other assets

	June 30 2007	December 31 2006	June 30 2006
Equipment sold with guaranteed residual values	**$ 23,624**	$ 25,521	$ 27,360
Equipment deposits	**24,118**	22,413	-
Other	**7,085**	8,293	10,920
Total other assets	**54,827**	56,227	38,280
Less current portion	**23,066**	7,753	10,236
	$ 31,761	$ 48,474	$ 28,044

In accordance with GAAP, equipment sold directly to customers or to third-party lessors for which the Company has provided a guarantee to repurchase at a predetermined residual value and dates are accounted for as operating leases wherein revenue is recognized over the period extending to the date of the residual guarantee.

Equipment deposits represent payments made for equipment on order relating to a significant project with deliveries scheduled through to the latter half of 2008.

(8) Accounts payable and accrued liabilities

	June 30 2007	December 31 2006	June 30 2006
Accounts payable and accrued liabilities	$ 268,830	$ 301,131	$ 295,170
Dividends payable	7,761	6,431	6,391
Deferred revenues	138,159	90,596	108,222
Total accounts payable and accrued liabilities	$ 414,750	$ 398,158	$ 409,783

Deferred revenue represents unearned income associated with warranty and service agreements, contract advances, and any other situations where payments are received in advance of revenue recognition.

(9) Long-term debt

	June 30 2007	December 31 2006	June 30 2006
Drawn on bank term facility	**$ 30,000**	$ 43,686	$ 30,000
Senior debentures	**191,864**	199,673	202,989
Notes payable	**17,048**	20,303	19,113
Total long-term debt	**238,912**	263,662	252,102
Less current portion	**25,622**	25,194	18,915
	$ 213,290	$ 238,468	$ 233,187

The committed bank term facilities are unsecured. These facilities permit drawings of up to $246 million, with $21 million maturing in 2009 and the balance of $225 million maturing in 2011.

(10) Share capital

The changes in the common shares issued and outstanding during the period were as follows:

	Three months ended June 30, 2007		Six months ended June 30, 2007	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
Balance, beginning of period	**64,526,857**	**$ 118,794**	64,310,577	$ 116,848
Exercise of stock options	**135,350**	**2,022**	351,630	3,969
Balance, end of period	**64,662,207**	**$ 120,816**	64,662,207	$ 120,817

(11) Contributed surplus

The changes in contributed surplus were as follows:

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Contributed surplus, beginning of period	**$ 6,890**	$ 7,233	**$ 6,543**	$ 6,692
Stock-based compensation	**491**	625	**982**	1,250
Value of compensation cost associated with exercised options	**(350)**	(670)	**(494)**	(754)
Contributed surplus, end of period	**$ 7,031**	$ 7,188	**$ 7,031**	$ 7,188

(12) Accumulated Other Comprehensive Income

	Three months ended June 30		Six months ended June 30	
	2007	2006	**2007**	2006
Balance, beginning of period, as previously reported	**$ -**	$ -	**$ -**	$ -
Unrealized losses on translation of financial statements of self-sustaining operations	**(6,716)**	(6,216)	**(5,655)**	(6,221)
Cumulative impact of accounting changes relating to financial instruments (note 2)	**-**	-	**1,014**	-
Restated balance, beginning of period	**(6,716)**	(6,216)	**(4,641)**	(6,221)
Other comprehensive loss	**(7,461)**	(1,666)	**(9,536)**	(1,661)
Balance, end of period	**$ (14,177)**	$ (7,882)	**$ (14,177)**	$ (7,882)

As at June 30, 2007, losses on foreign currency derivatives designated as cash flow hedges of $3,605 net of income taxes of $1,941, are reported in Accumulated Other Comprehensive Income. These losses are not expected to affect net income as the losses will be reclassified to net income within the next twelve months and will offset gains recorded on the underlying hedged items, namely foreign denominated accounts payable and accounts receivable. Management intends to hold these foreign currency contracts to maturity.

The Company does not enter into foreign exchange forward contracts for speculative purposes. The gains and losses on the foreign exchange forward contracts are intended to offset the transaction gains and losses on the foreign currency transactions.

The interest rate swap is designated as a cash flow hedge. The loss on this contract as at June 30, 2007 is $262, net of income taxes of $141. This loss is not expected to affect net income as management intends to hold the interest rate swap contract to maturity.

(13) Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2007	2006	**2007**	2006
Net change in non-cash working capital and other				
Accounts receivable	**$ 3,434**	$ (32,611)	**$ 29,374**	$ 13,648
Inventories	**3,987**	(34,539)	**(37,055)**	(79,233)
Accounts payable and accrued liabilities	**51,635**	62,827	**19,721**	50,744
Other	**(26,695)**	35,412	**(34,288)**	17,457
	$ 32,361	$ 31,089	**$ (22,248)**	$ 2,616
Cash paid during the period for:				
Interest	**$ 4,045**	$ 4,029	**$ 7,580**	$ 7,743
Income taxes	**$ 19,196**	$ 16,117	**$ 33,853**	$ 41,368

(14) Financial instruments

	June 30 2007	December 31 2006	June 30 2006
Foreign exchange contracts	**$ 10,006**	$ -	$ -
Interest rate swap contract	**402**	-	-
Total derivative financial instruments	**10,408**	-	-
Less current portion	**9,857**	-	-
	$ 551	$ -	$ -

Foreign Exchange Contracts

In the normal course of business, 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. The following table summarizes the Company's commitments to buy and sell foreign currencies as at June 30, 2007.

		Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	USD	171,719	$ 1.1235	July 2007 to June 2008
	EUR	7,853	$ 1.5271	August 2007 to August 2008
	GBP	10	$ 2.2200	January 2008
Sales contracts	USD	14,953	$ 1.1101	July to December 2007
	EUR	155	$ 1.5209	July 2007

Management estimates that a loss of $10,006 would be realized if the contracts were terminated on June 30, 2007. Certain of these forward contracts are designated as hedges, in accordance with the new standards, and accordingly, a loss of $5,546 has been included in other comprehensive income. These losses are not expected to affect net income as the losses will be reclassified to net income within the next twelve months and will offset gains recorded on the underlying hedged items, namely foreign denominated accounts payable and accounts receivable. A loss of $4,460 on forward contracts not designated as hedges is included in net income which offsets gains recorded on the underlying hedged item, namely foreign denominated accounts payable and accounts receivable.

Interest Rate Swap Contract

An interest rate swap is held which converts $30,000 (June 30, 2006 - $30,000) of floating rate debt into fixed rate debt at 5.88%. This transaction is with a Canadian chartered bank and matures September 1, 2008. This swap partially offsets exposure to Canadian floating interest rates.

Management estimates that a loss of $402 would be realized if the contract was terminated on June 30, 2007. This contract is designated as a hedge, in accordance with the new standards, and therefore this loss has been included in other comprehensive income. This loss is not expected to affect net income as management intends to hold the interest rate swap contract to maturity.

(15) Segmented financial information

The Company has two reportable operating segments, each supported by the corporate office. The Equipment Group includes one of the world's largest Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. The Compression Group is a North American leader specializing in the design, engineering, fabrication, and installation of compression systems for natural gas, coal bed methane, fuel gas and carbon dioxide in addition to process systems and industrial and recreational refrigeration systems. Both groups offer comprehensive product support capabilities. The corporate office provides finance, treasury, legal, human resources and other administrative support to the business segments. Corporate overheads are allocated to the business segments based on operating income.

The accounting policies of the reportable operating segments are the same as those described in Note 1 – Significant Accounting Policies.

	Equipment Group		Compression Group		Consolidated	
Three months ended June 30	2007	2006	2007	2006	2007	2006
Equipment /package sales	$ 159,690	$ 156,675	$ 146,028	$ 132,041	$ 305,718	$ 288,716
Rentals	34,527	32,372	4,887	5,291	39,414	37,663
Product support	71,729	69,375	50,041	44,213	121,770	113,588
Power Generation	2,486	3,636	-	-	2,486	3,636
Revenues	$ 268,432	$ 262,058	$ 200,956	$ 181,545	$ 469,388	$ 443,603
Operating Income	$ 26,162	$ 26,612	$ 17,027	$ 15,582	$ 43,189	$ 42,194
Operating income as a % of revenues	9.7%	10.2%	8.5%	8.6%	9.2%	9.5%

	Equipment Group		Compression Group		Consolidated	
Six months ended June 30	2007	2006	2007	2006	2007	2006
Equipment /package sales	$ 288,503	$ 243,736	$ 262,127	$ 273,686	$ 550,630	$ 517,422
Rentals	60,465	56,942	9,586	9,964	70,051	66,906
Product support	140,948	140,736	91,092	80,135	232,040	220,871
Power Generation	6,822	7,832	-	-	6,822	7,832
Revenues	$ 496,738	$ 449,246	$ 362,805	$ 363,785	$ 859,543	$ 813,031
Operating Income	$ 40,731	$ 39,076	$ 27,491	$ 24,368	$ 68,222	$ 63,444
Operating income as a % of revenues	8.2%	8.7%	7.6%	6.7%	7.9%	7.8%

Selected balance sheet information:

	Equipment Group			Compression Group			Consolidated		
	June 30 2007	December 31 2006	June 30 2006	June 30 2007	December 31 2006	June 30 2006	June 30 2007	December 31 2006	June 30 2006
Goodwill	$ 13,000	$ 13,000	$ 13,000	$ 21,800	$ 21,800	$ 21,800	$ 34,800	$ 34,800	$ 34,800
Identifiable assets	$ 730,598	$ 702,455	$ 701,668	$ 516,957	$ 519,144	$ 470,418	$ 1,247,555	$ 1,221,599	$ 1,172,086
Corporate assets							59,532	78,393	70,627
Total assets							$ 1,307,087	$ 1,299,992	$ 1,242,713

Operating income from rental operations for the quarter ended June 30, 2007 was $6.3 million (2006 - $6.1 million). For the six months ended June 30, 2007, operating income from rental operations was $10.0 million (2006 - $8.6 million).

(16) Seasonality of business

Interim period revenues and earnings historically reflect seasonality in both the Equipment and Compression Groups. Within 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. Within the Compression Group, the fourth quarter tends to be the strongest due to higher activity levels resulting from well-site access and drilling patterns. The second and third quarter impacts of seasonality in both Groups are relatively neutral.

(17) Comparative amounts

Certain comparative figures have been restated to conform with the current year’s presentation.

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