

TOROMONT

Second Quarter 2016

July 26, 2016

TOROMONT ANNOUNCES RESULTS FOR THE SECOND QUARTER OF 2016 AND QUARTERLY DIVIDEND

Toromont Industries Ltd. (TSX: TIH) reported financial results for the second quarter ended June 30, 2016.

<i>millions, except per share amounts</i>	Three months ended June 30			Six months ended June 30		
	2016	2015	% change	2016	2015	% change
Revenues	\$ 510.7	\$ 484.5	5%	\$ 888.4	\$ 824.7	8%
Operating income	\$ 54.2	\$ 51.7	5%	\$ 87.6	\$ 80.5	9%
Net earnings	\$ 38.4	\$ 36.4	6%	\$ 62.6	\$ 56.5	11%
Basic earnings per share ("EPS")	\$ 0.49	\$ 0.47	4%	\$ 0.80	\$ 0.73	10%

Toromont has continued to produce solid results in this challenging and somewhat volatile global economic environment. Consolidated revenues and earnings attained new highs through June 30, 2016 and the Company's balance sheet remains in excellent shape.

Highlights:

- Equipment Group – good results in a challenging market.
 - Revenues increased 3% to \$441.7 million in the quarter on higher product support and used equipment revenues, partially offset by lower new equipment sales. Rental markets improved from weakness in the first quarter. Operating income followed increased revenues, also increasing 3% to \$50.0 million.
 - Revenues were up 6% to \$769.3 million year-to-date. Equipment sales increased \$13.5 million or 3% due to strong used equipment sales offsetting lower new equipment sales and rentals. Product support increased \$31.1 million or 12% on strong parts sales into construction and mining markets. Operating income followed the revenue trend, also increasing 6% to \$81.9 million, although market conditions continued to pressure margins.
 - Bookings decreased 18% in the quarter to \$225.0 million and 7% year-to-date to \$408.0 million reflective of softer market activity in mining and power. Backlogs were \$125.0 million at June 30, 2016 compared to \$92.0 million at December 31, 2015 and \$180.0 million at this time last year. Substantially all of the backlog is expected to be delivered this year.
- CIMCO – record performance in both Canada and the US.
 - Revenues increased 21% to \$69.0 million in the quarter on record package sales and product support revenues. Operating income increased 34% to \$4.2 million and was 6% as a percentage of revenues.

- Revenues were up 18% to \$119.1 million year-to-date. Package sales increased 23% to \$63.1 million and product support revenues increased 13% to \$56.0 million with growth in both Canada and the US. Operating income margin was 160 basis points higher than last year at 4.8%.
- Bookings were up 148% in the quarter to \$67.0 million and 85% year-to-date to \$113.0 million with strong growth in the US and Canada. Backlogs of \$135.0 million at June 30, 2016 were up from \$88.0 million at December 31, 2015 and \$79.0 million at this time last year and are now at an all-time high. Approximately 75% of the backlog is expected to be delivered over the remainder of this year.
- Net earnings increased 6% in the quarter to \$38.4 million on the outstanding product support contribution and improved Ag results in the Equipment Group, together with the increased net earnings from CIMCO. On a year-to-date basis, net earnings increased 11% to \$62.6 million, a high for the first six months of the year on similar factors.
- EPS increased 4% or \$0.02 in the quarter to \$0.49 and 10% or \$0.07 to \$0.80 year-to-date.
- Toromont's financial position remains strong. Net debt to total capitalization was 13%. The Company's balance sheet strength supports the pursuit of growth opportunities.
- The Board of Directors announced a quarterly dividend of 18 cents per common share, payable October 3, 2016 to shareholders of record on September 9, 2016. The quarterly dividend was previously increased 6% to 18 cents per share effective with the dividend paid April 1, 2016. This represented the 27th consecutive year of dividend increases.

The Company is encouraged by the long-term outlook for infrastructure spending. At the same time, note that the Equipment Group has experienced restrained capital spending by customers, which has contributed to current softness in many of the markets served. Excess inventories industry-wide, base-metals pricing weakness and a sluggish economic backdrop pose challenges to the operating environment. Performance at CIMCO was terrific and has led to strong package sales, record bookings and backlog, and product support growth in both the US and Canada. The strong product support growth, diverse products and sound financial position provides financial and operational stability and opportunities for further growth.

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 six months ended June 30, 2016, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2016, the annual MD&A contained in the 2015 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2015.

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 July 26, 2016.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2015 Annual Report and 2016 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 is based on current objectives, strategies, expectations and assumptions which management considers appropriate and reasonable at the time including, but not limited to, general economic and industry growth rates, commodity prices, currency exchange and interest rates, competitive intensity and shareholder and regulatory approvals.

By its nature, forward-looking information is subject to risks and uncertainties which may be beyond the ability of Toromont to control or predict. The actual results, performance or achievements of Toromont could differ materially from those expressed or implied by forward-looking information. Factors that could cause actual results, performance, achievements or events to differ from current expectations include, among others, risks and uncertainties related 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; and, environmental regulation.

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this MD&A. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual Management Discussion and Analysis, as filed with Canadian securities regulators at www.sedar.com or at 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 that are included in this MD&A, which are made 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 or intention to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

CONSOLIDATED RESULTS OF OPERATIONS

(\$ thousands, except per share amounts)	Three months ended June 30				Six months ended June 30			
	2016	2015	Change		2016	2015	Change	
			\$	%			\$	%
REVENUES	\$ 510,656	\$ 484,533	\$ 26,123	5%	\$ 888,372	\$ 824,729	\$ 63,643	8%
Cost of goods sold	390,227	370,518	19,709	5%	676,246	624,610	51,636	8%
Gross profit	120,429	114,015	6,414	6%	212,126	200,119	12,007	6%
Selling and administrative expenses	66,268	62,316	3,952	6%	124,489	119,626	4,863	4%
OPERATING INCOME	54,161	51,699	2,462	5%	87,637	80,493	7,144	9%
Interest expense	1,759	1,970	(211)	(11%)	3,593	4,085	(492)	(12%)
Interest and investment income	(634)	(689)	55	(8%)	(2,207)	(1,625)	(582)	36%
Income before income taxes	53,036	50,418	2,618	5%	86,251	78,033	8,218	11%
Income taxes	14,630	14,023	607	4%	23,675	21,501	2,174	10%
NET EARNINGS	\$ 38,406	\$ 36,395	\$ 2,011	6%	\$ 62,576	\$ 56,532	\$ 6,044	11%
BASIC EARNINGS PER SHARE	\$ 0.49	\$ 0.47	\$ 0.02	4%	\$ 0.80	\$ 0.73	\$ 0.07	10%
KEY RATIOS:								
Gross profit margin ⁽¹⁾	23.6%	23.5%			23.9%	24.3%		
Selling and administrative expenses as a % of revenues	13.0%	12.9%			14.0%	14.5%		
Operating income margin ⁽¹⁾	10.6%	10.7%			9.9%	9.8%		
Income taxes as a % of income before income taxes	27.6%	27.8%			27.4%	27.6%		

(1) Described in the section titled "Description of Additional GAAP and Non-GAAP Measures".

Revenues increased 5% in the quarter and 8% year-to-date with growth in both the Equipment Group and CIMCO. The Equipment Group benefited from continued solid product support growth while equipment sales were lower. At CIMCO, package revenues set new records with strong activity levels in both Canada and the US. Both groups benefitted from strong product support contributions, which in total accounted for 89% of increase in the quarter and 59% year-to-date.

Gross profit margin increased 10 basis points in the quarter but was 40 basis points lower year-to-date. Product support and equipment margins were lower on competitive pricing, which were more than offset in the quarter and partially offset on a year-to-date basis by a favorable sales mix of product support revenues to total.

Selling and administrative expenses increased \$4.0 million or 6% in the quarter. The increase reflects higher compensation costs (up \$2.1 million) on increased headcount and regular annual increases, mark-to-market adjustments on Deferred Share Units ("DSUs") (up \$1.9 million) due to the increased share price and bad debt expenses due to increased aging (up \$1.0 million). These factors were partially offset by lower professional fees (down \$0.6 million) and certain other expense categories which were lower as the Company continues to focus on expense management to offset the margin pressures across the business. As a percentage of revenues, selling and administrative expenses were up 10 basis points (13.0% versus 12.9% last year).

Selling and administrative expenses increased \$4.9 million or 4% year-to-date. As a percentage of revenues, selling and administrative expenses were 50 basis points lower (14.0% versus 14.5% last year).

Operating income increased 5% in the quarter and 9% year-to-date. As a percentage of revenues, operating income was 10.6% in the quarter and 9.9% year-to-date.

Interest expense decreased in the quarter and year-to-date on lower average debt balances and lower effective interest rates.

Interest income decreased in the quarter mainly on lower conversions of equipment on rent with a purchase option ("RPO") following higher conversion activity levels in the first quarter which led to an overall increase of interest income on a year-to-date basis.

The effective income tax rate was 27.6% in the quarter and 27.4% year-to-date.

Earnings per share ("EPS") increased \$0.02 or 4% in the quarter to \$0.49. On a year-to-date basis, EPS increased \$0.07 or 10% to \$0.80.

Comprehensive income in the quarter was \$37.3 million (2015 - \$33.6 million), comprising net earnings of \$38.4 million (2015 - \$36.4 million) and other comprehensive loss of \$1.1 million (2015 - \$2.8 million). Other comprehensive loss included actuarial losses on defined benefit pension plans, which arose due to a decrease in the discount rate, partially offset by a positive change in the fair value of cash flow hedges.

On a year-to-date basis, comprehensive income was \$57.1 million (2015 - \$57.6 million), comprising net earnings of \$62.6 million (2015 - \$56.6 million) and other comprehensive loss of \$5.5 million (2015 - other comprehensive income of \$1.0 million). Other comprehensive loss mainly included the actuarial losses on defined benefit pension plans.

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 June 30				Six months ended June 30			
	2016	2015	Change		2016	2015	Change	
			\$	%			\$	%
Equipment sales and rentals								
New	\$ 164,122	\$ 174,901	\$ (10,779)	(6%)	\$ 258,575	\$ 264,103	\$ (5,528)	(2%)
Used	61,053	57,913	3,140	5%	116,732	95,090	21,642	23%
Rental	51,604	50,835	769	2%	89,968	92,556	(2,588)	(3%)
Total equipment sales and rentals	276,779	283,649	(6,870)	(2%)	465,275	451,749	13,526	3%
Power generation	3,100	2,814	286	10%	6,034	5,549	485	9%
Product support	161,798	141,102	20,696	15%	298,012	266,937	31,075	12%
Total revenues	\$ 441,677	\$ 427,565	\$ 14,112	3%	\$ 769,321	\$ 724,235	\$ 45,086	6%
Operating income	\$ 49,999	\$ 48,595	\$ 1,404	3%	\$ 81,873	\$ 77,227	\$ 4,646	6%
KEY RATIOS:								
Product support revenues as a % of total revenues	36.6%	33.0%			38.7%	36.9%		
Operating income margin	11.3%	11.4%			10.6%	10.7%		
Group total revenues as a % of consolidated revenues	86.5%	88.2%			86.6%	87.8%		

Equipment Group results reflect good operational execution in a softer market environment on the increased contribution from product support and good penetration into used markets offsetting lower new equipment demand.

The majority of new equipment and parts is sourced from the United States, which impacts the comparability of revenues period-over-period. A weaker Canadian dollar translates to increased unit prices and costs. The value of the Canadian dollar was lower on average by 6% in the second quarter and 8% year-to-date versus a year ago.

New equipment sales were down 6% in the quarter and 2% year-to-date. The Company estimates that new equipment retail unit sales industry-wide in the markets addressed by Toromont were down 7% in the quarter and 6% year-to-date. In addition, there were reductions in industry sales or transfers into rental fleets, although rental fleet expansion can be extremely variable in timing.

Toromont's new equipment sales into construction markets were down 5% in the quarter and 9% year-to-date as customers shifted focus to more cost effective options in used equipment and rebuilds, and deferred purchase decisions pending clarity on the timing and nature of the previously announced increased federal infrastructure investment. Sales into mining markets fluctuate based on specific project deliveries and were down 30% in the quarter but up 26% year-to-date. Power systems revenues were down 21% in the quarter and 12% year-to-date mainly on reduced activity amongst OEM customers and timing on project completions.

Used equipment sales increased to record levels for the respective periods. These were fed in part by increased rental dispositions and through increased purchasing of used by Toromont to meet customer demands. Given the increased price of new equipment on the weaker Canadian dollar, used equipment has been sought out by customers seeking a lower cost solution. For the quarter, the 5% increase was driven by strong agriculture deliveries which served to offset lower mining sales. On a year-to-date basis, all major market segments were up.

Rental revenues were up 2% in the quarter but down 3% year-to-date on increased compression of rental rates and following a slow start to the year. For the quarter and year-to-date, the heavy and power rental segments reported lower revenues, while light equipment saw

increases. The increase in light equipment rentals (up 4% in the quarter and 2% year-to-date) was partly due to the addition of two new rental stores last year with same store rental growth up 2% in the quarter and relatively in line with last year-to-date. Heavy equipment rentals were down 4% in the quarter and 14% year-to-date, while power rentals were down 8% in the quarter and 7% year-to-date. Rental revenues from RPO (equipment on rental with a purchase option) were down 3% in the quarter and 12% year-to-date on a reduced fleet size following the significant conversions realized in the first quarter. The RPO fleet decreased 22% to \$38.9 million at June 30, 2016 from \$49.8 million at June 30, 2015.

Product support revenues were strong in the quarter (up 15%) and year-to-date (up 12%). Parts sales were up 19% in the quarter and 15% year-to-date with good deliveries into construction and mining markets. Parts sales have also risen on increased pricing as a consequence of the weakened Canadian dollar. We estimate that the weaker Canadian dollar accounted for one-third of the increase in parts revenue in the quarter and half of the increase year-to-date. Service revenues increased 2% in the quarter and 1% year-to-date with higher construction and agriculture activity offsetting lower mining activity. Product support was also buoyed by increased rebuild activity in mining and construction markets.

Gross profit margins increased slightly in the quarter (up 20 basis points) but were down 40 basis points year-to-date. Margin pressures across all revenue streams continued, partially offset by a favorable sales mix of product support revenues to total. Global economic uncertainty, the weaker Canadian dollar and excess inventory levels across Canada continue to exert downward margin pressures. Increased competition in rental markets have also led to lower financial utilization on the rental fleets, partially offset by lower depreciation charges due to updated estimates of estimated useful lives and residual values, following a review. The net impact of these changes reduced depreciation by \$1.2 million in the quarter and \$2.1 million year-to-date versus applying the previous estimates.

Selling and administrative expenses increased \$2.7 million or 5% in the quarter. Bad debt expenses were \$0.8 million higher. Compensation costs were up \$1.1 million on annual salary increases and additional headcount to support growth. On a year-to-date basis, selling and administrative expenses increased \$3.0 million or 3% but was 40 basis points lower as a percentage of revenues (13.4% versus 13.8% last year).

Operating income margin decreased 10 basis points in the quarter and year-to-date.

Bookings and Backlogs

<i>(\$ millions)</i>	2016	2015	\$ change	% change
Bookings - three months ended June 30	\$ 225	\$ 274	\$ (49)	(18%)
Bookings - six months ended June 30	\$ 408	\$ 438	\$ (30)	(7%)
Backlogs - as at June 30	\$ 125	\$ 180	\$ (55)	(31%)

Equipment bookings were lower in both the quarter and year-to-date. For the quarter, decreases in mining (down 52%), construction (down 11%) and power systems (down 33%) versus a year ago were partially offset by strong agriculture orders (up 90%). On a year-to-date basis, lower mining (down 43%) and power systems orders (down 24%) were partially offset by higher construction (up 3%) and agriculture orders (up 19%).

Backlogs of \$125.0 million were down 31% from this time last year with decreases across all market segments. At June 30, 2016, the backlog related to construction (56%), power systems (22%), mining (13%) and agriculture (8%), substantially all 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 June 30				Six months ended June 30			
	2016	2015	Change		2016	2015	Change	
			\$	%			\$	%
Package sales	\$ 40,140	\$ 30,731	\$ 9,409	31%	\$ 63,094	\$ 51,165	\$ 11,929	23%
Product support	28,839	26,237	2,602	10%	55,957	49,329	6,628	13%
Total revenues	\$ 68,979	\$ 56,968	\$ 12,011	21%	\$ 119,051	\$ 100,494	\$ 18,557	18%
Operating income	\$ 4,162	\$ 3,104	\$ 1,058	34%	\$ 5,764	\$ 3,266	\$ 2,498	76%
KEY RATIOS:								
Product support revenues as a % of total revenues	41.8%	46.1%			47.0%	49.1%		
Operating income margin	6.0%	5.4%			4.8%	3.2%		
Group total revenues as a % of consolidated revenues	13.5%	11.8%			13.4%	12.2%		

Momentum continued at CIMCO with strong revenue growth in both the US and Canada. Translation of US operations with the weaker Canadian dollar accounted for approximately \$0.6 million of the increase in revenues in the quarter and \$1.6 million year-to-date versus last year.

Package revenues reflect work performed using the percentage of completion method, which reflects timing of projects and construction schedules largely under our customers' control. In Canada, package revenues increased 17% in the quarter and 8% year-to-date. Recreational markets were up 27% in the quarter and 32% year-to-date while industrial markets were up 13% in the quarter and 2% year-to-date. In the US, package revenues more than doubled in both the quarter (up 103% or 92% in US\$) and year-to-date (up 106% or 91% in US\$) on significantly higher recreational activity partially offset by lower industrial.

Product support revenues increased 10% in the quarter and 13% year-to-date with continued growth in both Canada and the US. Canadian product support revenues increased 8% in the quarter and 11% year-to-date with growth in both recreational and industrial markets. Most regions reported higher revenues, led by Ontario and Quebec. Product support revenues in the US were up 15% (9% in US\$) in the quarter and 20% (12% in US\$) year-to-date with continued focus on expansion in this market.

Gross profit margins decreased 60 basis points in the quarter versus a year ago as higher package margins were more than offset by lower product support margins and an unfavorable sales mix of product support revenues to total revenues. Year-to-date margins were relatively in line with last year as higher package margins were offset by an unfavorable sales mix. Package margins have improved mainly as a result of improved execution although market conditions remained competitive.

Selling and administrative expenses increased \$1.3 million or 13% in the quarter and \$1.8 million or 9% year-to-date. Compensation costs were up \$0.7 million in the quarter and \$1.6 million year-to-date on annual salary increases, additional headcount to support growth and an increased profit sharing accrual on the higher earnings. Certain other expense categories were higher including bad debt, travel and entertainment, occupancy, training and translation of US operations at a weaker Canadian dollar, partially offset by lower professional fees. As a percentage of the increased sales, selling and administrative expenses decreased 120 basis points in the quarter and 150 basis points year-to-date.

Operating income increased 34% in the quarter and 76% year-to-date largely reflecting the higher revenues and relatively lower expense ratios. Operating income margin was 6.0% in the quarter and 4.8% year-to-date.

Bookings and Backlogs

<i>(\$ millions)</i>	2016	2015	\$ change	% change
Bookings - three months ended June 30	\$ 67	\$ 27	\$ 40	148%
Bookings - six months ended June 30	\$ 113	\$ 61	\$ 52	85%
Backlogs - as at June 30	\$ 135	\$ 79	\$ 56	71%

Bookings were strong in both the quarter (up 148%) and year-to-date (up 85%). For the quarter, Canadian bookings were up 126% with the increased industrial orders (up 323%) partially offset by lower recreational activity (down 36%). US bookings increased almost four times in both Canadian and US dollars with significantly higher recreational and industrial activity levels. On a year-to-date basis, Canadian bookings were up 71% with higher industrial (up 187%) partially offsetting lower recreational activity (down 17%). In the US, bookings were up 142% (124% in US\$) on higher recreational (up 94% in US\$) and industrial activity (up 300% in US\$).

Backlogs increased to an all-time high of \$135 million on higher industrial and recreational levels. In Canada, higher industrial was partially offset by lower recreational with the opposite effect in the US on higher recreational and lower industrial activity. Approximately 75% of the backlog is expected to be delivered over the remainder of the year.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At June 30, 2016, the ratio of net debt to total capitalization was 13%, compared to 10% at December 31, 2015 and 17% at June 30, 2015.

Non-Cash Working Capital

The Company's investment in non-cash working capital was \$460.9 million at June 30, 2016. The major components, along with the changes from June 30 and December 31, 2015 are identified in the following table.

<i>\$ thousands</i>	June 30 2016	June 30 2015	Change		December 31 2015	Change	
			\$	%		\$	%
Accounts receivable	\$ 286,929	\$ 265,667	\$ 21,262	8%	\$ 262,523	\$ 24,406	9%
Inventories	504,654	482,933	21,721	4%	463,210	41,444	9%
Other current assets	4,252	3,941	311	8%	4,278	(26)	(1%)
Accounts payable, accrued liabilities and provisions	(266,757)	(284,819)	18,062	(6%)	(240,203)	(26,554)	11%
Income taxes receivable (payable)	2,028	(1,609)	3,637	nm	(3,052)	5,080	nm
Derivative financial instruments	665	2,929	(2,264)	(77%)	2,445	(1,780)	(73%)
Dividends payable	(14,062)	(13,206)	(856)	6%	(13,253)	(809)	6%
Deferred revenues	(56,770)	(52,660)	(4,110)	8%	(54,645)	(2,125)	4%
Total non-cash working capital	\$ 460,939	\$ 403,176	\$ 57,763	14%	\$ 421,303	\$ 39,636	9%

Accounts receivable increased 8% compared to June 30, 2015, mainly due to the 5% increase in revenues in the quarter. Days sales outstanding (“DSO”) decreased 1 day to 43 days with improvements in both the Equipment Group (down 1 day) and CIMCO (down 2 days).

In comparison to December 31, 2015, accounts receivable increased 9% on higher trailing revenues (8% higher), partially offset by lower DSO (45 days at December 31, 2015).

Inventories at June 30, 2016 were 4% higher compared to June 30, 2015 with increases in both Groups.

- Equipment Group inventories were 4% or \$19.2 million higher than last year, with increases in equipment (up \$10.1 million) and parts (up \$9.7 million) partially offset by lower service work-in-process (down \$0.6 million). The higher inventory levels were mainly a result of the following factors:
 - The impact of the weaker Canadian dollar on equipment and parts inventories sourced from the US. This is estimated to have increased inventories by approximately \$14.6 million.
 - Certain inventory held in advance of customer-specified delivery dates later in the year; and
 - Higher parts inventory levels required at remote mine sites (\$1.6 million) to support higher activity levels and location specific shipping schedules.
- CIMCO inventories were 15% or \$2.5 million higher than this time last year mainly due to higher work-in-process levels on the timing of project advancement.

Inventories at June 30, 2016 were 9% higher compared to December 31, 2015 also with increases in both Groups:

- Equipment Group inventories were 9% higher with increases in all categories except parts. In addition to the factors identified for the quarter, 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 20% higher mainly on higher work-in-process for both Canadian and US projects, principally due to seasonal factors.

Accounts payable, accrued liabilities and provisions at June 30, 2016 were 6% lower than at June 30, 2015 on timing of payments related to inventory purchases and other supplies. Compared to December 31, 2015, accounts payable, accrued liabilities and provisions increased 11% largely on timing of payments related to inventory purchases and other supplies, partially offset by the payout of annual performance incentive bonuses. The weaker Canadian dollar also contributed to increased accounts payable related to US based vendors.

Income taxes receivable (payable) reflects the difference between tax installments and current tax expense.

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar have led to a cumulative net gain of \$0.7 million as at June 30, 2016. This is not expected to affect net income, as the unrealized gains will offset future losses on the related hedged items.

Dividends payable increased compared to June 30 and December 31, 2015 reflecting the higher dividend rate. The dividend rate was increased from \$0.17 per share to \$0.18 per share effective with the April 1, 2016 dividend payment, an increase of 6%.

Deferred revenues represent billings to customers in excess of revenue recognized. In the Equipment Group, deferred revenues arise on sales of equipment with residual value

guarantees, extended warranty contracts and other long-term customer support agreements as well as on progress billings on long-term construction contracts. In CIMCO, deferred revenues arise on progress billings in advance of revenue recognition.

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 78,124,706 common shares and 2,199,041 share options outstanding.

Dividends

The Company declared and paid the following dividends to common shareholders during 2015 and 2016.

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total (\$ millions)
December 11, 2014	January 2, 2015	\$0.15	\$11.6
March 13, 2015	April 1, 2015	\$0.17	\$13.2
June 11, 2015	July 2, 2015	\$0.17	\$13.2
September 11, 2015	October 1, 2015	\$0.17	\$13.2
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

Normal Course Issuer Bid ("NCIB")

During the three months ended June 30, 2016, no shares were purchased and cancelled under the NCIB program (2015 – nil). Year-to-date, the Company purchased and cancelled 89,244 common shares for \$2.6 million (average cost of \$28.84 per share, including transaction costs) (2015 – nil).

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.

The Company maintains a \$250.0 million committed credit facility which matures 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 June 30, 2016 (December 31, 2015 - \$nil, June 30, 2015 - \$50.0 million). Letters of credit utilized \$21.4 million of the facility (December 31, 2015 - \$21.9 million, June 30, 2015 - \$22.2 million).

The Company expects that continued cash flows from operations in 2016 together with cash on hand, and available credit facilities will be more than sufficient to fund requirements for investments in working capital and capital assets.

Principal Components of Cash Flow

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

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Cash, beginning of period	\$ 60,383	\$ 42,277	\$ 66,680	\$ 85,962
Cash, provided by (used in):				
Operating activities				
Operations	52,785	46,237	90,395	78,324
Change in non-cash working capital and other	(30,537)	(44,013)	(40,283)	(71,830)
Net rental fleet additions	(34,696)	(39,392)	(50,991)	(76,762)
	(12,448)	(37,168)	(879)	(70,268)
Investing activities	(7,935)	(9,903)	(11,667)	(13,679)
Financing activities	(10,700)	38,517	(24,695)	31,549
Effect of foreign exchange on cash balances	(2)	(34)	(141)	125
Decrease in cash in the period	(31,085)	(8,588)	(37,382)	(52,273)
Cash, end of period	\$ 29,298	\$ 33,689	\$ 29,298	\$ 33,689

Cash Flows from Operating Activities

Operating activities used significantly less cash in both the second quarter and first half of 2016 compared to the respective periods of 2015. Net earnings adjusted for items not requiring cash increased 14% in the quarter and 15% year-to-date. Non-cash working capital used cash in all periods as accounts receivable and inventories increased in light of the growth in the business, exceeding the growth in accounts payable. Cash used in non-cash working capital was lower in both the quarter and first half of the year versus last year, reflecting higher relative balances entering the current year. Net rental fleet additions represent purchases less proceeds of disposition. Net rental fleet additions were lower in both the quarter and first half of 2016 as investment levels were reduced from last year's significant level.

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:

- \$6.2 million for service vehicles (2015 - \$5.9 million);
- \$0.9 million in land and buildings for new and expanded branches (2015 - \$2.0 million);
- \$0.6 million for upgrades to information technology infrastructure (2015 - \$1.1 million); and
- \$0.5 million for machinery and equipment (2015 - \$0.9 million).

Additions year-to-date included:

- \$7.7 million for service vehicles (2015 - \$7.8 million);
- \$1.8 million in land and buildings for new and expanded branches (2015 - \$3.7 million);
- \$1.4 million for machinery and equipment (2015 - \$1.9 million); and
- \$1.0 million for upgrades to information technology infrastructure (2015 - \$1.7 million).

Cash Flows from Financing Activities

Significant sources and uses of cash in the quarter included:

- Dividends paid to common shareholders of \$14.0 million or \$0.18 per share (2015 - \$13.2 million or \$0.17 per share);
- Cash received on exercise of share options of \$3.3 million (2015 - \$1.7 million); and
- \$nil increase in the term credit facility (2015 - \$50.0 million).

Significant sources and uses of cash year-to-date included:

- Dividends paid to common shareholders of \$27.3 million or \$0.35 per share (2015 - \$24.8 million or \$0.32 per share);
- Cash received on exercise of share options of \$6.0 million (2015 - \$7.1 million);
- Normal course purchase and cancellation of common shares of \$2.6 million (89,244 common shares at an average cost of \$28.84, including transaction costs) (2015 - \$nil);
- Repayment of senior debentures of \$0.8 million (2015 - \$0.8 million); and
- \$nil increase in the term credit facility (2015 - \$50.0 million).

OUTLOOK

In the Equipment Group, the parts and service business has provided momentum driven by the larger installed base of equipment working in the field. This provides a measure of stability in a variable business environment. Product support demand is healthy and the Company continues to hire technicians to address the anticipated increase in demand including the opportunity for increased equipment rebuilds. Broader product lines, investment in rental, the expanded agricultural businesses and developing product support technologies supporting remote diagnostics and telematics are expected to contribute to longer-term growth. In the near-term, variability is introduced due to national and global economic conditions, which impact resources being allocated by national and international players to Toromont's local markets.

The Federal government's commitment to increasing infrastructure spending in our territories, as highlighted by the Budget, bodes well for prospects, however it appears that any potential for increased spending may be more longer-term in nature. The Company will continue to build its rental fleets to address increased market demand.

While the mining industry remains focused on capital constraints and cost reduction initiatives, mine production continues, generating product support opportunities. Opportunities also exist for sales in support of new mine development, mine expansion and equipment replacement. Although somewhat nascent, the continued price support for precious metals appears to be generating increased enquiries.

The newly formed AgWest business unit expands our reach into the important agricultural equipment market. Business integration efforts are now largely complete. Sales coverage and operational processes will continue to be a focus in order to generate longer term financial returns. Weak end markets together with increased industry inventory levels are expected to dampen results in the near term.

Recent booking activity and current backlog indicate another good year for CIMCO. Increasing product support levels, a focus area, is 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 is a significant market opportunity.

The diversity of the businesses, expanding product offering and services, financial strength and disciplined operating culture positions 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 2015 annual audited consolidated financial statements.

<i>(\$ thousands, except per share amounts)</i>	Q3 2015	Q4 2015	Q1 2016	Q2 2016
REVENUES				
Equipment Group	\$ 439,305	\$ 405,960	\$ 327,644	\$ 441,677
CIMCO	66,248	65,991	50,072	68,979
Total revenues	\$ 505,553	\$ 471,951	\$ 377,716	\$ 510,656
NET EARNINGS	\$ 44,730	\$ 44,404	\$ 24,170	\$ 38,406
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.58	\$ 0.57	\$ 0.31	\$ 0.49
Diluted earnings per share	\$ 0.57	\$ 0.57	\$ 0.31	\$ 0.49
Dividends paid per share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.18
Weighted average common shares outstanding - basic (in thousands)	77,773	77,904	77,898	78,056

<i>(\$ thousands, except per share amounts)</i>	Q3 2014	Q4 2014	Q1 2015	Q2 2015
REVENUES				
Equipment Group	\$ 411,077	\$ 405,194	\$ 296,670	\$ 427,565
CIMCO	56,355	60,457	43,526	56,968
Total revenues	\$ 467,432	\$ 465,651	\$ 340,196	\$ 484,533
NET EARNINGS	\$ 40,038	\$ 45,670	\$ 20,137	\$ 36,395
PER SHARE INFORMATION:				
Basic earnings per share	\$ 0.52	\$ 0.59	\$ 0.26	\$ 0.47
Diluted earnings per share	0.51	0.59	0.26	0.46
Dividends paid per share	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.17
Weighted average common shares outstanding - basic (in thousands)	77,117	77,195	77,422	77,625

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 had typically been the strongest due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. This pattern is impacted by the timing of significant sales to mining and other customers, resulting from the timing of mine site development and access, and construction project schedules.

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

As a result of the historical seasonal sales trends, inventories increase through the year in order to meet the expected demand for delivery in the fourth quarter of the fiscal year, while accounts receivable are highest 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 2015 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 2015 audited annual consolidated financial statements, and described in Note 1 therein.

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 2015 audited annual consolidated financial statements, contained in the Company's 2015 Annual Report, with the exception of a change in estimate relating to estimated useful lives and residual values of certain rental assets which is described more in detail at note 2 of the notes to the interim condensed consolidated financial statements.

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 six month period ended June 30, 2016 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.

DESCRIPTION OF ADDITIONAL GAAP AND NON-GAAP MEASURES

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.

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Net earnings	\$ 38,406	\$ 36,395	\$ 62,576	\$ 56,532
<i>plus:</i> Interest expense	1,759	1,970	3,593	4,085
<i>less:</i> Interest and investment income	(634)	(689)	(2,207)	(1,625)
<i>plus:</i> Income taxes	14,630	14,023	23,675	21,501
Operating income	\$ 54,161	\$ 51,699	\$ 87,637	\$ 80,493

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:

<i>(\$ thousands)</i>	June 30 2016	December 31 2015	June 30 2015
Long-term debt	\$ 151,408	\$ 152,079	\$ 54,397
Current portion of long-term debt	1,749	1,690	126,632
less: Cash	29,298	66,680	33,689
Net debt	\$ 123,859	\$ 87,089	\$ 147,340
Shareholders' equity	\$ 809,352	\$ 775,281	\$ 707,640
Total capitalization	\$ 933,211	\$ 862,370	\$ 854,980
Net debt to total capitalization	13%	10%	17%

Non-GAAP Measures

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

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

Working Capital

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

<i>(\$ thousands)</i>	June 30 2016	December 31 2015	June 30 2015
Total current assets	\$ 827,826	\$ 799,136	\$ 789,159
less: Total current liabilities	339,338	312,843	478,926
Working capital	\$ 488,488	\$ 486,293	\$ 310,233

Non-Cash Working Capital

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

<i>(\$ thousands)</i>	June 30 2016	December 31 2015	June 30 2015
Total current assets	\$ 827,826	\$ 799,136	\$ 789,159
less: Cash	29,298	66,680	33,689
	\$ 798,528	\$ 732,456	\$ 755,470
Total current liabilities	\$ 339,338	\$ 312,843	\$ 478,926
less: Current portion of long-term debt	1,749	1,690	126,632
	\$ 337,589	\$ 311,153	\$ 352,294
Non-cash working capital	\$ 460,939	\$ 421,303	\$ 403,176

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 new equipment unit orders that management believes are firm. Backlogs are defined as the retail value of new equipment unit ordered by customers for future deliveries. Management uses order backlogs as a measure of projecting future new equipment deliveries. There are no directly comparable IFRS measures for order bookings or backlogs.

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

(\$ thousands)	Note	June 30 2016	December 31 2015	June 30 2015
Assets				
Current assets				
Cash		\$ 29,298	\$ 66,680	\$ 33,689
Accounts receivable		286,929	262,523	265,667
Inventories		504,654	463,210	482,933
Income taxes receivable		2,028	-	-
Derivative financial instruments	7	665	2,445	2,929
Other current assets		4,252	4,278	3,941
Total current assets		827,826	799,136	789,159
Property, plant and equipment	2	183,746	184,154	180,066
Rental equipment	2	280,766	245,670	257,140
Other assets	3	14,960	11,484	4,509
Deferred tax assets		11,604	8,102	12,685
Goodwill and intangible assets		27,516	27,531	27,958
Total assets		\$ 1,346,418	\$ 1,276,077	\$ 1,271,517
Liabilities				
Current liabilities				
Accounts payable, accrued liabilities and provisions	4	\$ 280,819	\$ 253,456	\$ 298,025
Deferred revenues		56,770	54,645	52,660
Current portion of long-term debt	5	1,749	1,690	126,632
Income taxes payable		-	3,052	1,609
Total current liabilities		339,338	312,843	478,926
Deferred revenues		18,754	14,779	7,556
Long-term debt	5	151,408	152,079	54,397
Accrued pension liability		27,566	21,095	22,998
Shareholders' equity				
Share capital		308,252	301,413	295,621
Contributed surplus		7,704	7,236	6,989
Retained earnings		490,718	463,194	401,919
Accumulated other comprehensive income		2,678	3,438	3,111
Shareholders' equity		809,352	775,281	707,640
Total liabilities and shareholders' equity		\$ 1,346,418	\$ 1,276,077	\$ 1,271,517

See accompanying notes

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

(\$ thousands, except share amounts)	Note	Three months ended June 30		Six months ended June 30	
		2016	2015	2016	2015
Revenues	13	\$ 510,656	\$ 484,533	\$ 888,372	\$ 824,729
Cost of goods sold		390,227	370,518	676,246	624,610
Gross profit		120,429	114,015	212,126	200,119
Selling and administrative expenses		66,268	62,316	124,489	119,626
Operating income		54,161	51,699	87,637	80,493
Interest expense	8	1,759	1,970	3,593	4,085
Interest and investment income	8	(634)	(689)	(2,207)	(1,625)
Income before income taxes		53,036	50,418	86,251	78,033
Income taxes		14,630	14,023	23,675	21,501
Net earnings		\$ 38,406	\$ 36,395	\$ 62,576	\$ 56,532
Earnings per share					
Basic	9	\$ 0.49	\$ 0.47	\$ 0.80	\$ 0.73
Diluted	9	\$ 0.49	\$ 0.46	\$ 0.80	\$ 0.72
Weighted average number of shares outstanding					
Basic	9	78,055,537	77,624,586	77,976,536	77,520,792
Diluted	9	78,704,379	78,394,101	78,541,057	78,256,921

See accompanying notes

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

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Net earnings	\$ 38,406	\$ 36,395	\$ 62,576	\$ 56,532
Other comprehensive income (loss), net of income tax:				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	14	(128)	(600)	538
Unrealized gains (losses) on derivatives designated as cash flow hedges	1,694	(2,046)	(3,239)	5,758
Income tax (expense) recovery	(441)	533	845	(1,499)
Unrealized gains (losses) on cash flow hedges, net of income tax	1,253	(1,513)	(2,394)	4,259
Realized losses (gains) on derivatives designated as cash flow hedges, transferred to net earnings	3,255	(1,577)	3,023	(5,092)
Income tax (recovery) expense	(849)	412	(789)	1,326
Realized losses (gains) on cash flow hedges, net of income tax	2,406	(1,165)	2,234	(3,766)
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Actuarial losses on pension plans	(6,459)	-	(6,459)	-
Income tax recovery	1,712	-	1,712	-
Actuarial losses on pension plans, net of income tax	(4,747)	-	(4,747)	-
Other comprehensive (loss) income	(1,074)	(2,806)	(5,507)	1,031
Total comprehensive income	\$ 37,332	\$ 33,589	\$ 57,069	\$ 57,563

See accompanying notes

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

(\$ thousands)	Note	Three months ended June 30		Six months ended June 30	
		2016	2015	2016	2015
Operating activities					
Net earnings		\$ 38,406	\$ 36,395	\$ 62,576	\$ 56,532
Items not requiring cash:					
Depreciation and amortization		19,069	17,961	37,360	34,477
Stock-based compensation		838	652	1,676	1,302
Accrued pension liability		2	39	12	2,208
Deferred income taxes		(1,417)	(4,062)	(1,734)	(7,073)
Gain on sale of rental equipment and property, plant and equipment	2	(4,113)	(4,748)	(9,495)	(9,122)
		52,785	46,237	90,395	78,324
Net change in non-cash working capital and other	12	(30,537)	(44,013)	(40,283)	(71,830)
Additions to rental equipment	2	(43,204)	(49,669)	(70,182)	(95,010)
Proceeds on disposal of rental equipment	2	8,508	10,277	19,191	18,248
Cash used in operating activities		(12,448)	(37,168)	(879)	(70,268)
Investing activities					
Additions to property, plant and equipment	2	(8,302)	(10,034)	(12,203)	(15,362)
Proceeds on disposal of property, plant and equipment	2	428	186	651	1,796
Increase in other assets		(61)	(55)	(115)	(113)
Cash used in investing activities		(7,935)	(9,903)	(11,667)	(13,679)
Financing activities					
Increase in term credit facility debt		-	50,000	-	50,000
Repayment of senior debentures		-	-	(830)	(774)
Dividends	6	(14,013)	(13,187)	(27,266)	(24,771)
Shares purchased for cancellation		-	-	(2,574)	-
Cash received on exercise of stock options		3,313	1,704	5,975	7,094
Cash (used in) provided by financing activities		(10,700)	38,517	(24,695)	31,549
Effect of currency translation on cash balances		(2)	(34)	(141)	125
Decrease in cash		(31,085)	(8,588)	(37,382)	(52,273)
Cash, at beginning of period		60,383	42,277	66,680	85,962
Cash, at end of period		\$ 29,298	\$ 33,689	\$ 29,298	\$ 33,689

Supplemental cash flow information (note 12)

See accompanying notes

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

(\$ thousands)	Share Capital		Contributed surplus	Retained earnings	Accumulated other comprehensive income			Total
	Number	Amount			Foreign currency translation adjustments	Cash flow hedges	Total	
At January 1, 2016	77,905,821	\$ 301,413	\$ 7,236	\$ 463,194	\$ 2,904	\$ 534	\$ 3,438	\$ 775,281
Net earnings	-	-	-	62,576	-	-	-	62,576
Other comprehensive loss	-	-	-	(4,747)	(600)	(160)	(760)	(5,507)
Total comprehensive income	-	-	-	57,829	(600)	(160)	(760)	57,069
Issue on exercise of stock options	308,129	7,183	-	-	-	-	-	7,183
Stock-based compensation expense, net of forfeitures	-	-	1,676	-	-	-	-	1,676
Value of compensation cost associated with exercised options	-	-	(1,208)	-	-	-	-	(1,208)
Effect of stock compensation plans	308,129	7,183	468	-	-	-	-	7,651
Shares purchased for cancellation	(89,244)	(344)	-	(2,230)	-	-	-	(2,574)
Dividends on common shares	-	-	-	(28,075)	-	-	-	(28,075)
At June 30, 2016	78,124,706	\$ 308,252	\$ 7,704	\$ 490,718	\$ 2,304	\$ 374	\$ 2,678	\$ 809,352

(\$ thousands)	Share Capital		Contributed surplus	Retained earnings	Accumulated other comprehensive income			Total
	Number	Amount			Foreign currency translation adjustments	Cash flow hedges	Total	
At January 1, 2015	77,259,396	\$ 287,002	\$ 7,212	\$ 371,781	\$ 1,433	\$ 647	\$ 2,080	\$ 668,075
Net earnings	-	-	-	56,532	-	-	-	56,532
Other comprehensive income	-	-	-	-	538	493	1,031	1,031
Total comprehensive income	-	-	-	56,532	538	493	1,031	57,563
Issue on exercise of stock options	421,885	8,619	-	-	-	-	-	8,619
Stock-based compensation expense, net of forfeitures	-	-	1,301	-	-	-	-	1,301
Value of compensation cost associated with exercised options	-	-	(1,524)	-	-	-	-	(1,524)
Effect of stock compensation plans	421,885	8,619	(223)	-	-	-	-	8,396
Dividends on common shares	-	-	-	(26,394)	-	-	-	(26,394)
At June 30, 2015	77,681,281	\$ 295,621	\$ 6,989	\$ 401,919	\$ 1,971	\$ 1,140	\$ 3,111	\$ 707,640

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the six months ended June 30, 2016
(Unaudited)

(\$ thousands, except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

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

Toromont operates through two reportable segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory, industry-leading rental operations and an expanding agricultural dealership in Manitoba. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities. Toromont employs over 3,600 people in more than 100 locations.

Basis of Preparation

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard (“IAS”) 34 - *Interim Financial Reporting*. Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2015.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements were the same as those that applied to the Company’s consolidated financial statements as at and for the year ended December 31, 2015 except for a change in estimate relating to the estimated useful lives and residual values of certain rental assets (see note 2).

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

These interim condensed consolidated financial statements were authorized for issue by the Audit Committee of the Board of the Directors on July 26, 2016.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended December 31, 2015, except the following amendments that were adopted, as required, on January 1, 2016:

a) Presentation of Financial Statements

The amendments to IAS 1 – *Presentation of Financial Statements*, give some guidance on how to apply the concept on materiality in practice. For the six months ended June 30, 2016, there was no impact on the financial performance or disclosures of the Company upon adoption.

b) Interim Financial Reporting

The amendment to IAS 34 – *Interim Financial Reporting*, requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the Management Discussion & Analysis). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment must be applied retrospectively. For the six months ended June 30, 2016, there was no impact on the disclosures of the Company upon adoption.

c) Employee Benefits

The amendment to IAS 19 – *Employee Benefits*, requires an entity to recognise a post-employment benefit obligation for its defined benefit plans. This obligation must be discounted using market rates on high quality corporate bonds or using government bond rates if a deep market for high quality corporate bonds does not exist. The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively. For the six months ended June 30, 2016, there was no impact on the financial performance or disclosures of the Company upon adoption.

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Additions				
Rental equipment	\$ 43,204	\$ 49,669	\$ 70,182	\$ 95,010
Property, plant and equipment	8,302	10,034	12,203	15,362
Total Additions	\$ 51,506	\$ 59,703	\$ 82,385	\$ 110,372
Disposals - NBV				
Rental equipment	\$ 4,603	\$ 5,690	\$ 9,949	\$ 9,934
Property, plant and equipment	220	25	398	988
Total Disposals - NBV	\$ 4,823	\$ 5,715	\$ 10,347	\$ 10,922
Net gain on disposal	\$ 4,113	\$ 4,748	\$ 9,495	\$ 9,122
Depreciation				
Cost of goods sold	\$ 17,265	\$ 16,285	\$ 33,847	\$ 31,272
Selling and administrative expenses	1,684	1,527	3,272	2,905
Total Depreciation	\$ 18,949	\$ 17,812	\$ 37,119	\$ 34,177

Change in estimate

Management reviews various estimates used in the calculation of depreciation expense of property, plant and equipment and rental equipment on an ongoing basis. Effective January 1, 2016, the Company updated the estimated service lives and residual values of rental assets so as to accurately reflect current assets life cycles and residual values based on experience. All other assumptions used in the calculation remain unchanged. This change was applied prospectively and accordingly, there was no effect on prior periods. As a result, for the three and six months ended June 30, 2016, depreciation expense was lower by \$1.2 million and \$2.1 million, respectively, than would have otherwise been calculated using prior estimates.

3. OTHER ASSETS

	June 30 2016	December 31 2015	June 30 2015
Equipment sold with guaranteed residual values	\$ 12,829	\$ 9,459	\$ 2,738
Other	2,131	2,025	1,771
	\$ 14,960	\$ 11,484	\$ 4,509

4. PAYABLES, ACCRUALS AND PROVISIONS

	June 30 2016	December 31 2015	June 30 2015
Accounts payable and accrued liabilities	\$ 249,098	\$ 223,381	\$ 270,945
Dividends payable	14,062	13,253	13,206
Provisions	17,659	16,822	13,874
	\$ 280,819	\$ 253,456	\$ 298,025

5. LONG-TERM DEBT

	June 30 2016	December 31 2015	June 30 2015
3.71%, \$150.0 million, due September 30, 2025 ⁽¹⁾	\$ 150,000	\$ 150,000	\$ -
7.06%, \$15.0 million, due March 29, 2019 ⁽²⁾	5,634	6,464	7,266
4.92%, \$125.0 million, due October 13, 2015 ⁽¹⁾	-	-	125,000
Senior debentures	155,634	156,464	132,266
Bank credit facility	-	-	50,000
Debt issuance costs, net of amortization	(2,477)	(2,695)	(1,237)
Total long-term debt	\$ 153,157	\$ 153,769	\$ 181,029
Less: current portion of long-term debt	(1,749)	(1,690)	(126,632)
Non-current portion of long-term debt	\$ 151,408	\$ 152,079	\$ 54,397

⁽¹⁾ Interest payable semi-annually, principal due on maturity.

⁽²⁾ Blended principal and interest payments payable semi-annually through to maturity.

All debt is unsecured.

The Company maintains a \$250.0 million committed credit facility which matures 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 facility as at June 30, 2016 (December 31, 2015 - \$nil, June 30, 2015 - \$50.0 million). Letters of credit utilized \$21.4 million of the facility (December 31, 2015 - \$21.9 million, June 30, 2015 - \$22.2 million).

6. SHARE CAPITAL

Normal Course Issuer Bid (“NCIB”)

During the three months ended June 30, 2016, no shares were purchased and cancelled under the NCIB program (2015 – nil). For the six months ended June 30, 2016, the Company purchased and cancelled 89,244 common shares for \$2.6 million (average cost of \$28.84 per share, including transaction costs) (2015 – nil).

Dividends

During the three months ended June 30, 2016, the Company paid dividends of \$14.0 million or \$0.18 per share (2015 - \$13.2 million or \$0.17 per share). For the six months ended June 30, 2016, the Company paid \$27.3 million or \$0.35 per share (2015 - \$24.8 million or \$0.32 per share).

The quarterly dividend was increased on February 9, 2016, to \$0.18 per share effective with the dividend paid on April 1, 2016.

7. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities – Classification and Measurement

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

	June 30 2016	December 31 2015	June 30 2015
Other financial liabilities:			
Current portion of long-term debt	\$ (1,749)	\$ (1,690)	\$ (126,632)
Long-term debt	(151,408)	(152,079)	(54,397)
Derivative instruments - cash flow hedges:			
Foreign exchange forward contracts	\$ 665	\$ 2,445	\$ 2,929

Fair Value of Financial Instruments

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract’s value at maturity based on the contracted foreign exchange rate and the contract’s value at maturity based on the comparable foreign exchange rate at period end under the same conditions. The financial institution’s credit risk is also taken into

consideration in determining fair value. The valuation is determined using Level 2 inputs which are observable inputs or inputs which can be corroborated by observable market data for substantially the full term of the asset or liability, most significantly foreign exchange spot and forward rates.

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

Long-term debt	June 30 2016	December 31 2015	June 30 2015
Fair value	\$ 161,499	\$ 158,123	\$ 134,321
Carrying value	155,634	156,464	132,266

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

During the three and six month period ended June 30, 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. As at June 30, 2016, the Company was committed to USD purchase contracts with a notional amount of \$117.7 million at an average exchange rate of \$1.2950, maturing between July 2016 and March 2017.

Management estimates that a gain of \$665 (December 31, 2015 – \$2,445; June 30, 2015 – \$2,929) would be realized if the contracts were terminated on June 30, 2016. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of \$503 (December 31, 2015 – \$719; June 30, 2015 – \$1,541) has been included in other comprehensive income. These gains are not expected to affect net income as the gains will be reclassified to net income within the next twelve months and will offset losses recorded on the underlying hedged items, namely foreign-denominated accounts payable. Certain of those forward contracts are not designated as cash flow hedges but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A gain of \$162 (December 31, 2015 – \$1,726; June 30, 2015 – \$1,388) on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable.

8. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Term loan facility	\$ 171	\$ 329	\$ 383	\$ 799
Senior debentures	1,588	1,641	3,210	3,286
	\$ 1,759	\$ 1,970	\$ 3,593	\$ 4,085

The components of interest and investment income were as follows:

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Interest income on rental conversions	\$ 389	\$ 490	\$ 1,731	\$ 1,158
Other	245	199	476	467
	\$ 634	\$ 689	\$ 2,207	\$ 1,625

9. EARNINGS PER SHARE

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Net earnings available to common shareholders	\$ 38,406	\$ 36,395	\$ 62,576	\$ 56,532
Weighted average common shares outstanding	78,055,537	77,624,586	77,976,536	77,520,792
Dilutive effect of stock option conversion	648,842	769,515	564,521	736,129
Diluted weighted average common shares outstanding	78,704,379	78,394,101	78,541,057	78,256,921
Earnings per share:				
Basic	\$ 0.49	\$ 0.47	\$ 0.80	\$ 0.73
Diluted	\$ 0.49	\$ 0.46	\$ 0.80	\$ 0.72

For the three and six months ended June 30, 2016, 520,700 outstanding share options (2015 – nil) with an exercise price of \$36.65 were considered anti-dilutive (exercise price in excess of market price) and as such were excluded from the calculation.

10. STOCK BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Six months ended June 30, 2016		Six months ended June 30, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	2,512,250	\$ 24.91	2,715,875	\$ 20.50
Exercised ⁽¹⁾	(308,129)	19.39	(421,885)	16.82
Forfeited	(5,080)	20.12	(3,400)	20.77
Options outstanding, end of period	2,199,041	\$ 25.69	2,290,590	\$ 21.18
Options exercisable, end of period	705,081	\$ 20.82	831,725	\$ 18.02

⁽¹⁾ The weighted average share price at date of exercise for six-month period ended June 30, 2016 was \$34.92 (2015 - \$29.79).

The following table summarizes stock options outstanding and exercisable as at June 30, 2016.

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$16.76 - \$23.40	1,192,921	4.1	\$ 20.57	609,061	\$ 19.84
\$23.41 - \$26.79	485,420	8.1	\$ 26.52	91,020	\$ 26.52
\$36.65	520,700	9.1	\$ 36.65	5,000	\$ 36.65
Total	2,199,041	6.1	\$ 25.69	705,081	\$ 20.82

Deferred Share Unit Plan

A reconciliation of the DSU plan was as follows:

	Six months ended June 30, 2016		Six months ended June 30, 2015	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, beginning of period	377,311	\$ 12,000	334,709	\$ 9,527
Units taken in lieu of performance incentive awards, director fees and dividends	29,937	965	26,747	805
Redemptions	-	-	(3,160)	(106)
Fair market value adjustment	-	2,169	-	957
Outstanding, end of period	407,248	\$ 15,134	358,296	\$ 11,183

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

11. EMPLOYEE FUTURE BENEFITS

The net pension expense included the following components:

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Defined benefit plans	\$ 479	\$ 608	\$ 944	\$ 1,025
Defined contribution plans	2,880	2,620	5,539	5,126
401(k) matched savings plans	58	48	119	91
Net pension expense	\$ 3,417	\$ 3,276	\$ 6,602	\$ 6,242

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Net change in non-cash working capital and other				
Accounts receivables	\$ (72,085)	\$ (30,898)	\$ (24,406)	\$ (25,895)
Inventories	(9,009)	(38,172)	(41,445)	(115,740)
Accounts payable, accrued liabilities and provisions	41,632	8,109	26,550	57,632
Deferred revenues	12,311	10,297	6,100	15,454
Income taxes payable (receivable)	2,846	5,574	(5,080)	(2,277)
Other	(6,232)	1,077	(2,002)	(1,004)
	\$ (30,537)	\$ (44,013)	\$ (40,283)	\$ (71,830)
Cash paid during the period for:				
Interest	\$ 178	\$ 3,290	\$ 3,246	\$ 4,007
Income taxes	\$ 13,182	\$ 12,532	\$ 30,494	\$ 30,827
Cash received during the period for:				
Interest	\$ 561	\$ 590	\$ 2,026	\$ 1,439
Income taxes	\$ -	\$ -	\$ -	\$ -

13. SEGMENTED INFORMATION

The Company has two reportable segments: the Equipment Group and CIMCO, each supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. The corporate office provides finance, treasury, legal, human resources and other administrative support to the segments. The accounting policies of each of the reportable segments are the same as the significant accounting policies described in note 1.

The operating segments are being reported based on the financial information provided to the Chief Executive Officer and Chief Financial Officer, who have been identified as the Chief Operating Decision Makers (“CODMs”) in monitoring segment performance and allocating resources between segments. The CODMs assesses segment performance based on segment operating income, which is measured differently than income from operations in the interim condensed consolidated financial statements. Corporate overheads are allocated to the segments based on revenue. Income taxes, interest expense, interest and investment income are managed at a consolidated level and are not allocated to the reportable operating segments. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to the segments as they are also managed on a consolidated level.

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

No reportable segment is reliant on any single external customer.

The following table sets forth information by segment for the three and six month periods ended June 30, 2016 and 2015:

Three months ended June 30	Equipment Group		CIMCO		Consolidated	
	2016	2015	2016	2015	2016	2015
Equipment/package sales	\$ 225,175	\$ 232,814	\$ 40,140	\$ 30,731	\$ 265,315	\$ 263,545
Rentals	51,604	50,835	-	-	51,604	50,835
Product support	161,798	141,102	28,839	26,237	190,637	167,339
Power generation	3,100	2,814	-	-	3,100	2,814
Total revenues	\$ 441,677	\$ 427,565	\$ 68,979	\$ 56,968	\$ 510,656	\$ 484,533
Operating income	\$ 49,999	\$ 48,595	\$ 4,162	\$ 3,104	\$ 54,161	\$ 51,699
Interest expense					1,759	1,970
Interest and investment income					(634)	(689)
Income taxes					14,630	14,023
Net earnings					\$ 38,406	\$ 36,395

Six months ended June 30	Equipment Group		CIMCO		Consolidated	
	2016	2015	2016	2015	2016	2015
Equipment/package sales	\$ 375,307	\$ 359,193	\$ 63,094	\$ 51,165	\$ 438,401	\$ 410,358
Rentals	89,968	92,556	-	-	89,968	92,556
Product support	298,012	266,937	55,957	49,329	353,969	316,266
Power generation	6,034	5,549	-	-	6,034	5,549
Total revenues	\$ 769,321	\$ 724,235	\$ 119,051	\$ 100,494	\$ 888,372	\$ 824,729
Operating income	\$ 81,873	\$ 77,227	\$ 5,764	\$ 3,266	\$ 87,637	\$ 80,493
Interest expense					3,593	4,085
Interest and investment income					(2,207)	(1,625)
Income taxes					23,675	21,501
Net earnings					\$ 62,576	\$ 56,532

Operating income from rental operations for the three months ended June 30, 2016 was \$6.1 million (2015 - \$6.7 million). For the six months ended June 30, 2016, operating income from rental operations was \$4.4 million (2015 - \$6.5 million).

14. SEASONALITY OF BUSINESS

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

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