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, 2020, compared to the preceding year. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2020, the annual MD&A contained in the 2019 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2019.

The unaudited interim condensed consolidated financial statements reported herein have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting,* and are reported in Canadian dollars. The information in this MD&A is current to July 28, 2020.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2019 Annual Report and the 2020 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 reflects current estimates, beliefs, and assumptions, which are based on Toromont's perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Toromont's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Toromont can give no assurance that such estimates, beliefs and assumptions will prove to be correct. This MD&A also contains forward-looking statements about the recently acquired businesses.

Numerous risks and uncertainties could cause the actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to: business cycles, including general economic conditions in the countries and regions in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; potential risks and uncertainties relating to the novel COVID-19 global pandemic, including an economic downturn, reduction or disruption in supply or demand for our products and services, or adverse impacts on our workforce, capital resources, or share trading price or liquidity, and increased regulation of or restrictions placed on our businesses; changes in foreign exchange rates, including the Cdn$/US$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability of financing; potential environmental liabilities of the acquired businesses and changes to environmental regulation; failure to attract and retain key employees; damage to the reputation of Caterpillar, product quality and product safety risks which could expose Toromont to product liability claims and negative publicity; new, or changes to current, federal and provincial laws, rules and regulations including changes in infrastructure spending; any requirement of Toromont to make contributions to the registered funded defined benefit pension plans, postemployment benefits plan or the multi-employer pension plan obligations in which it participates and acquired in excess of those currently contemplated; and increased insurance premiums. Readers are cautioned that the foregoing list of factors is not exhaustive.
Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this MD&A. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual Management Discussion and Analysis, as filed with Canadian securities regulators at www.sedar.com or at our website www.toromont.com. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

Readers are cautioned not to place undue reliance on statements containing forward-looking information, which reflect Toromont's expectations only as of the date of this MD&A, and not to use such information for anything other than their intended purpose. Toromont disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

CONSOLIDATED OPERATING RESULTS

($ thousands, except per share amounts)	Three months ended June 30 2020	2019	$ change	% change	Six months ended June 30 2020	2019	$ change	% change
REVENUES	**$ 849,597**	$ 978,320	$ (128,723)	(13%)	**$ 1,565,056**	$ 1,678,294	$ (113,238)	(7%)
Cost of goods sold	**655,810**	741,412	(85,602)	(12%)	**1,200,411**	1,270,725	(70,314)	(6%)
Gross profit [(1)]	**193,787**	236,908	(43,121)	(18%)	**364,645**	407,569	(42,924)	(11%)
Selling and administrative expenses	**116,653**	125,880	(9,227)	(7%)	**232,270**	237,758	(5,488)	(2%)
OPERATING INCOME [(1)]	**77,134**	111,028	(33,894)	(31%)	**132,375**	169,811	(37,436)	(22%)
Interest expense	**7,890**	6,988	902	13%	**14,821**	13,907	914	7%
Interest and investment income	**(1,564)**	(2,208)	644	(29%)	**(4,289)**	(4,780)	491	(10%)
Income before income taxes	**70,808**	106,248	(35,440)	(33%)	**121,843**	160,684	(38,841)	(24%)
Income taxes	**19,598**	28,850	(9,252)	(32%)	**33,237**	44,025	(10,788)	(25%)
NET EARNINGS	**51,210**	77,398	(26,188)	(34%)	**88,606**	116,659	(28,053)	(24%)
BASIC EARNINGS PER SHARE	**$ 0.62**	$ 0.95	$ (0.33)	(35%)	**$ 1.08**	$ 1.43	$ (0.35)	(25%)
KEY RATIOS:								
Gross profit margin [(1)]	**22.8%**	24.2%			**23.3%**	24.3%		
Selling and administrative expenses as a % of revenues	**13.7%**	12.9%			**14.8%**	14.2%		
Operating income margin [(1)]	**9.1%**	11.3%			**8.5%**	10.1%		
Income taxes as a % of income before income taxes	**27.7%**	27.2%			**27.3%**	27.4%		

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

Results for the second quarter and year-to-date decreased due to lower economic activity caused by the necessary response to the COVID-19 pandemic. While Toromont’s businesses were considered essential services, the Company was not insulated from the broader economic, financial and market impacts. Activity reductions at several mine sites and construction projects reduced demand for our products and services during the quarter.

Revenues decreased 13% in the quarter and 7% year-to-date on weaker sales activity in both the Equipment Group and CIMCO. Equipment and package sales, rentals and product support activity were all lower for the both the quarter and year-to-date. April experienced the lowest activity levels, with some recovery phasing in through May and June, however still below prior year levels.

Gross profit margin decreased 140 basis points (“bps”) to 22.8% in the quarter and 100 bps year-to-date to 23.3%. The Equipment Group reported lower margins in both the quarter and year-to-date. Lower utilization of the rental fleets against straight-line depreciation dampened margins. CIMCO’s margins were lower in the quarter but higher year-to-date.

Selling and administrative expenses were $9.2 million (7%) lower in the second quarter compared to the prior year. Compensation costs decreased $4.3 million including senior leadership wage reductions, certain resourcing decisions including vacation planning, governmental work-share programs and temporary lay-offs, and reduced profit sharing accruals on the lower earnings, partially offset by an unfavourable mark-to-market adjustment on Deferred Share Units (“DSUs”). Sales-related and other travel and training expenses were $5.8 million lower in light of lower market activity and travel restrictions. On a year-to-date basis, selling and administrative expenses decreased $5.5 million or 2%. Compensation costs decreased $2.2 million reflecting reduced profit sharing accruals, impact of resourcing decisions, and a favourable mark-to-market adjustment on DSUs, offset by a favourable pension gain recorded in the prior year which did not repeat.

Operating income decreased $33.9 million or 31% in the quarter to $77.1 million and $37.4 million or 22% to $132.4 million year-to-date reflecting lower revenues and gross margins.

Interest expense increased $0.9 million in the quarter and year-to-date on the higher debt levels.

Interest income decreased $0.6 million in the quarter and $0.5 million year-to-date. Lower interest income was earned on equipment on rent with a purchase option ("RPO") in both the quarter and year-to-date. Interest earned on cash balances was relatively in line in the quarter but higher on a year-to-date basis.

The effective income tax rate was 27.7% in the quarter and 27.3% year-to-date. The lower year-to-date rate reflects the gain on sale of property in the first quarter of 2020, which is taxed at a lower rate.

Net earnings decreased $26.2 million or 34% to $51.2 million in the quarter and $28.1 million or 24% to $88.6 million year-to-date. Basic earnings per share ("EPS") decreased 35% to $0.62 for the quarter and 25% to $1.08 year-to-date.

Comprehensive income was $3.9 million in the quarter (2019 - $53.9 million) and $71.9 million year-to-date (2019 – $76.0 million). Other comprehensive income included an actuarial loss on post-employment benefit plans of $37.0 million after tax for the quarter (2019 – actuarial loss of $20.0 million) and year-to-date actuarial loss of $19.2 million (2019 – actuarial loss of $34.1 million). The actuarial loss reflects a lower weighted-average discount rate (2.8% at June 30, 2020 versus 3.1% at December 31, 2019 and 3.0% at June 30, 2019) as well as changes in the fair value of pension plan assets, both of which are reflective of underlying financial markets. Other comprehensive income also included an unfavorable net change in the fair value of cash flow hedges of $9.9 million after-tax for the quarter (2019 – unfavourable net change of $3.3 million) and year-to-date a favorable net change of $2.0 million after-tax (2019 – unfavourable net change of $6.2 million). These changes reflect mark-to-market differences in value of foreign exchange derivative contracts designated as cash flow hedges and are largely a function of the underlying USD/CAD exchange rates at period end compared to contract date.

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, operating income relative to revenues and return on capital employed. Corporate expenses are allocated based on each segment's revenue. Interest expense and interest and investment income are not allocated.

Equipment Group

	Three months ended June 30				**Six months ended June 30**			
($ thousands)	**2020**	2019	$ change	% change	**2020**	2019	$ change	% change
Equipment sales and rentals								
New	**$ 286,805**	$ 314,557	$ (27,752)	(9%)	**$ 473,578**	$ 499,794	$ (26,216)	(5%)
Used	**100,592**	99,240	1,352	1%	**165,554**	152,712	12,842	8%
Rentals	**72,299**	105,245	(32,946)	(31%)	**153,277**	186,327	(33,050)	(18%)
Total equipment sales and rentals	**459,696**	519,042	(59,346)	(11%)	**792,409**	838,833	(46,424)	(6%)
Product support	**314,317**	373,819	(59,502)	(16%)	**636,668**	685,378	(48,710)	(7%)
Power generation	**2,690**	2,596	94	4%	**5,402**	5,121	281	5%
Total revenues	**$ 776,703**	$ 895,457	$ (118,754)	(13%)	**$ 1,434,479**	$ 1,529,332	$ (94,853)	(6%)
Operating income	**$ 72,497**	$ 104,455	$ (31,958)	(31%)	**$ 127,573**	$ 162,128	$ (34,555)	(21%)
KEY RATIOS:								
Product support revenues as a % of total revenues	**40.5%**	41.7%			**44.4%**	44.8%		
Operating income margin	**9.3%**	11.7%			**8.9%**	10.6%		
Group total revenues as a % of consolidated revenues	**91.4%**	91.5%			**91.7%**	91.1%		

The Equipment Group's results for the second quarter and first half of 2020 reflect the reduced economic activity resulting from the COVID-19 pandemic. Construction and mine site shut downs and/or slow downs in many markets resulted in lower equipment sales as well as lower product support and rental activity, with some improvement noted later in the quarter. Cost containment efforts including human resource initiatives and reduced travel only partially offset the impact of the lower revenue. Some additional costs were incurred to support employees during this time.

Total equipment sales (new and used) decreased $26.4 million or 6% in the quarter and $13.4 million or 2% year-to-date. Construction sales were down 3% in the quarter and up 1% year-to-date. Sales into mining markets were down 45% in the quarter and 32% year-to-date across all regions. Power system sales were up 10% in the quarter and 2% year-to-date, reflecting progress on projects already underway. Material handling sales were down 2% in the quarter and up 3% on a year-to-date basis. Sales into agricultural markets were down in the quarter and year-to-date by 10%.

Rental revenues were down $32.9 million (31%) in the quarter and $33.0 million (18%) year-to-date. All markets and segments were lower reflecting the significant reduction in market activity. Revenue declines in each market for the quarter (and first half) were as follows: light equipment rentals 23% (13%), Power 41% (26%), Construction 41% (30%), and Material Handling 28% (17%). Rental revenues from equipment on rent with a purchase option ("RPO") were down 55% in the quarter and 28% year-to-date reflecting the lower fleet from lower demand. At June 30, 2020, the RPO fleet was $43.0 million versus $106.5 million at this time last year and $62.1 million at March 31, 2020.

Product support revenues declined $59.5 million or 16% in the quarter and $48.7 million or 7% year-to-date). Construction and mining equipment in territory was idle or operating at reduced rates for much of the quarter, leading to reduced product support activity, down 17% and 11% respectively in the second quarter (down 8% and 5% respectively for the first half of 2020). Likewise, material handling activity was 27% lower in the quarter and 15% lower in the first half of 2020. Agricultural markets reported modest increases in the quarter and first half of 2020, up 15% and 8% respectively, reflective of weak results in 2019. Power systems product support activity was down 13% in the second quarter but was up 2% year-to-date on good activity at the beginning of the year.

Gross profit margins decreased 150 bps in the quarter and 120 bps year-to-date compared to last year. Equipment margins were lower in the quarter (down 30 bps) and year-to-date (down 50 bps) mainly due to sales mix. Rental margins were lower in both periods (110 bps for the quarter and 80 bps year-to-date) reflecting the lower fleet utilization coupled with a straight-line depreciation expense. Product support margins were higher in both the quarter (up 60 bps) and year-to-date (up 20 bps) on higher parts margins. Sales mix was unfavourable in both periods, with a lower percentage of product support activity to total revenues.

Selling and administrative expenses were down $8.3 million or 7% in the quarter, $6.1 million or 3% for the first half of 2020. These reductions, in part, reflect lower activity levels as well as cost containment initiatives implemented during this period of uncertainty. Compensation costs decreased as initiatives such as vacation planning, salary reductions, governmental work-share programs and lay-offs were implemented, coupled with lower profit sharing accruals on the lower earnings. Travel and training was restricted through much of the quarter, resulting in additional cost savings. Bad debt expense increased $1.4 million in the quarter and $3 million in the first half in consideration of potential increased collection risk in the current economic environment. Information technology related costs increased $0.7 million in the quarter and $1.0 million in the first half as system integration efforts at the dealership continued. Expenses on a year-to-date basis in 2020 included a $4.1 million gain on the sale of a property while year-to-date 2019 included a $5.0 million pension gain. As a percentage of revenues, selling and administrative expenses increased 50 bps to 14.5% for the first half, reflecting the lower revenue supporting fixed costs.

Operating income decreased in both the quarter and year-to-date on the lower revenues and gross profit margins, coupled with a higher expense ratio.

Bookings and Backlogs

($ millions)	2020	2019	$ change	% change
Bookings - three months ended June 30	**$ 298.0**	$ 427.4	$ (129.4)	(30%)
Bookings - six months ended June 30	**$ 635.6**	$ 720.5	$ (84.9)	(12%)
Backlogs - as at June 30	**$ 268.8**	$ 403.4	$ (134.6)	(33%)

Bookings were down $129.4 million or 30% in the quarter to $298.0 million. Lower orders resulted across all segments reflecting underlying economic activity: construction (down 33%), power systems (down 21%), mining (down 40%) and material handling (down 15%).

On a year-to-date basis, bookings were down $84.9 million or 12% to $635.6 million, as higher power and material handling orders were more than offset by decreases in the other segments.

Backlogs of $268.8 million were down $134.6 million or 33%. At June 30, 2020, the total backlog related to construction (36%), power systems (42%), mining (8%), agriculture (8%) and material handling (6%), of which 90% is expected to be delivered over the remainder of this year.

CIMCO

	Three months ended June 30				Six months ended June 30			
($ thousands)	2020	2019	$ change	% change	2020	2019	$ change	% change
Package sales	**$ 36,111**	$ 44,882	$ (8,771)	(20%)	**$ 58,720**	$ 76,409	$ (17,689)	(23%)
Product support	**36,783**	37,981	(1,198)	(3%)	**71,857**	72,553	(696)	(1%)
Total revenues	**$ 72,894**	$ 82,863	$ (9,969)	(12%)	**$130,577**	$148,962	$ (18,385)	(12%)
Operating income	**$ 4,637**	$ 6,573	$ (1,936)	(29%)	**$ 4,802**	$ 7,683	$ (2,881)	(37%)
KEY RATIOS:								
Product support revenues as a % of total revenues	**50.5%**	45.8%			**55.0%**	48.7%		
Operating income margin	**6.4%**	7.9%			**3.7%**	5.2%		
Group total revenues as a % of consolidated revenues	**8.6%**	8.5%			**8.3%**	8.9%		

CIMCO's results for the second quarter and first half of 2020 were lower than that for the prior year on reduced construction activity stemming in part from shutdowns related to the pandemic. Timing of receipt of orders and customer specific construction schedules also affect timing of revenue recognition. Product support activity continued given the essential nature of the business, albeit at a slightly lower level.

Package sales were down $8.8 million or 20% in the quarter. In Canada, revenues decreased 32% on lower project construction activity due to site restrictions and a tough comparable. Both industrial and recreational revenues were lower (down 19% and 61% respectively). Good growth was achieved in Ontario, but was more than offset by reductions in Western Canada and Quebec. In the US, package sales increased 51% on strong recreational activity. Year-to-date, package sales were $17.7 million or 23% lower than last year on a 30% decline in Canada, where both industrial and refrigeration revenues decreased on slower construction work. In the US, package sales increased $2.3 million or 22% as lower industrial sales were offset by higher recreational sales.

Product support revenues decreased $1.2 million or 3% for the second quarter and $0.7 million or 1% for the first half of the year. Revenues in Canada decreased 9% in the quarter and 5% year-to-date on lower economic activity resulting from COVID-19 site restrictions. In the US, activity increased on the higher technician base and continued activity in the industrial sector, driving a 21% increase in the quarter and 13% increase year-to-date, albeit on a smaller base.

Gross profit margins decreased 70 bps in the quarter on lower package margins (down 110 bps) partially offset by a favourable sales mix of product support revenues to total revenues (up 50 bps). Year-to-date, gross profit margins increased 120 bps with higher package margin (up 30 bps) combined with a favourable sales mix of product support revenues to total revenues (up 80 bps).

Selling and administrative expenses were down $0.9 million or 7% in the quarter. Bad debt expense improved $1.4 million on improved collection activity. Travel and training costs were lower reflecting restrictions in place for most of the quarter. On a year-to-date basis, selling and administrative expenses increased $0.6 million or 3% largely on compensation related to increased headcount, offset by cost reductions in other areas related to reduced activity. As a percentage of revenues, selling and administrative expenses were higher at 18.7% in the first half of 2020 versus 16.0% for the similar period last year, reflecting the lower revenues supporting fixed costs.

Operating income decreased $1.9 million or 29% in the quarter and $2.9 million or 37% year-to-date against a tough prior year comparables, largely reflecting the lower revenues.

Bookings and Backlogs

($ millions)	**2020**	2019	$ change	% change
Bookings - three months ended June 30	**$ 52.0**	$ 45.2	$ 6.8	15%
Bookings - six months ended June 30	**$ 164.2**	$ 114.8	$ 49.4	43%
Backlogs - as at June 30	**$ 227.7**	$ 148.1	$ 79.6	54%

Bookings were up $6.8 million or 15% to $52.0 million in the quarter. Industrial orders were 53% higher with increases in both Canada (up 58%) and the US (up 19%). Overall recreational orders were down 22%, with lower orders in the US (down 73%) being offset by an increase in Canada (up 38%).

On a year-to-date basis, bookings were up $49.4 million or 43% to $164.2 million. Industrial orders were up 116% with an increase in Canada (up 131%) offset by a decrease in the US (down 36%). Recreational orders decreased 28% to $42.3 million with decreases in both the US (down 41%) and Canada (down 21%).

Backlogs of $227.7 million were up $79.6 million or 54% versus June last year. Industrial backlogs (up 116%) reflect strong activity in Canada. Approximately 70% of the backlog is expected to be realized as revenue this year, however this is subject to construction schedules and potential changes stemming from the COVID-19 pandemic.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At June 30, 2020, the ratio of net debt to total capitalization was 12%, compared to 15% at December 31, 2019, and 26% at June 30, 2019. Cash balance was $537 million at June 30, 2020.

Non-cash Working Capital

The Company's investment in non-cash working capital was $468.2 million at June 30, 2020. The major components, along with the changes from June 30 and December 31, 2019, are identified in the following table.

($ thousands)	**June 30 2020**	June 30 2019	**Change** $	**Change** %	December 31 2019	**Change** $	**Change** %
Accounts receivable	**$ 458,377**	$ 539,520	$ (81,143)	(15%)	$ 525,052	$ (66,675)	(13%)
Inventories	**932,676**	1,069,704	(137,028)	(13%)	912,186	20,490	2%
Other current assets	**11,064**	11,881	(817)	(7%)	12,063	(999)	(8%)
Accounts payable and accrued liabilities	**(740,848)**	(931,781)	190,933	(20%)	(797,807)	56,959	(7%)
Provisions	**(24,583)**	(23,837)	(746)	3%	(23,680)	(903)	4%
Income taxes receivable	**3,555**	2,764	791	29%	9,275	(5,720)	(62%)
Derivative financial instruments	**(4,123)**	(12,554)	8,431	(67%)	(10,366)	6,243	(60%)
Dividends payable	**(25,446)**	(22,010)	(3,436)	16%	(22,139)	(3,307)	15%
Deferred revenues and contract liabilities	**(142,516)**	(148,383)	5,867	(4%)	(140,898)	(1,618)	1%
Total non-cash working capital	**$ 468,156**	$ 485,304	$ (17,148)	(4%)	$ 463,686	$ 4,470	1%

Accounts receivable decreased 15% compared to June 30, 2019, reflecting lower trailing revenues and focus on collection activity. Days sales outstanding ("DSO") decreased 6 days to 41 days, on improvements in both the Equipment Group (down 8 days) and at CIMCO (down 3 days).

Compared to December 31, 2019, accounts receivable decreased 13% for similar reasons as the quarter. DSO was 43 days at December 31, 2019.

Inventories at June 30, 2020 were 13% lower compared to June 30, 2019:

- Equipment Group inventories were down $138.7 million or 13%, with lower equipment (down $130.7 million or 19%) and service work-in-process (down $14.8 million or 17%) while parts were up $6.7 million or 3%. Equipment inventory was intentionally reduced through the latter half of 2019 from the previous high levels. The higher parts inventory levels reflect higher input costs, including foreign exchange. The lower service work-in-process levels reflects reduced hours worked through the quarter as activity was reduced in the field and in the shops.
- CIMCO inventories were up $1.7 million or 6%, reflecting increases in parts (up 7%), due to continued growth in product support demand, as well as work-in-process (up 6%) based on good orders in process and timing of project construction schedules.

Inventories at June 30, 2020 were 2% higher compared to December 31, 2019, with increases in both Groups:

- Equipment Group inventories were 1% higher with increases in parts (up 2%) and work-in-process (up 11%), while equipment remained relatively unchanged. Inventory levels and order activity has been modified in light of current demand and lower activity.
- CIMCO inventories were up 44% on higher work-in-process (up 52%) on good order backlog, slightly offset by a 4% reduction in parts.

Other current assets can vary period-over-period and mainly relates to prepaid expenses.

Accounts payable and accrued liabilities at June 30, 2020, were 20% lower than as at June 30, 2019, principally due to the timing of purchases and payments for inventory. Certain transitional terms provided from suppliers in conjunction with the 2017 acquisition ended during the quarter, and accounts payable will begin to revert to normal levels. In comparison to December 31, 2019, accounts payable and accrued liabilities were down 7%, mainly reflecting the timing of purchases and payments for inventory and other supplies, the payout of annual performance incentive bonuses, and a lower DSU liability on the lower relative closing share price.

Income taxes receivable 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 (weaker) led to a cumulative net loss of $4.1 million as at June 30, 2020. This is not expected to affect net earnings as the unrealized losses will offset future gains on the related hedged items.

Dividends payable increased compared to June 30 and December 31, 2019, reflecting the higher dividend rate. The quarterly dividend rate was increased 14.8% from $0.27 per share to $0.31 per share, effective with the April 2, 2020 payment.

Deferred revenues and contract liabilities represent billings to customers in excess of revenue recognized.

- In the Equipment Group, these arise mainly due to progress billings from the sale of power and energy systems and long-term product support maintenance contracts, as well as on sales of equipment with residual value guarantees and customer deposits for machinery to be delivered in the future.
- At CIMCO, these arise on progress billings from the sale of refrigeration packages. At June 30, 2020, these were up 33% versus June 30, 2019 and up 51% versus December 31, 2019, reflecting the higher activity levels seen in Canada and the US, and timing of billings compared to customer's construction schedules.

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 82,095,368 common shares and 2,176,985 share options outstanding.

Dividends

The Company declared and paid the following dividends to common shareholders during the last eight quarters.

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total ($ millions)
September 7, 2018	October 2, 2018	$0.23	$18.7
December 7, 2018	January 3, 2019	$0.23	$18.7
March 8, 2019	April 3, 2019	$0.27	$22.0
June 7, 2019	July 3, 2019	$0.27	$22.0
September 6, 2019	October 2, 2019	$0.27	$22.0
December 9, 2019	January 3, 2020	$0.27	$22.0
March 9, 2020	April 2, 2020	$0.31	$25.4
June 9, 2020	July 3, 2020	$0.31	$25.4

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

Toromont's debt portfolio is unsecured, unsubordinated and ranks pari passu.

The Company maintains a $500.0 million revolving credit facility, maturing in October 2022. As at June 30, 2020, $100.0 million was drawn on the facility. No amounts were drawn down on the facility at December 31, 2019 or June 30, 2019. Standby letters of credit utilized $34.0 million of the facility at June 30, 2020, $33.1 million at December 31, 2019 and $30.2 million at June 30, 2019.

On April 17, 2020, Toromont closed a $250 million one-year syndicated facility, on substantially similar terms to the existing revolving credit facility, to provide additional liquidity given the current economic environment.

The Company expects that continued cash flows from operations in 2020, together with cash on hand and currently available credit facilities will be more than sufficient to fund requirements for investments in working capital and capital assets. The Company also has a certain degree of flexibility in its operating and investing plans to mitigate fluctuations.

Principal Components of Cash Flow

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

($ thousands)	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Cash, beginning of period	**$ 388,182**	$ 184,171	**$ 365,589**	$ 345,434
Cash, provided by (used in):				
Operating activities				
Operations	**99,619**	112,466	**181,515**	185,109
Change in non-cash working capital and other	**89,585**	(25,726)	**(8,966)**	(194,218)
Net rental fleet additions	**(5,743)**	(62,817)	**(29,973)**	(106,639)
	183,461	23,923	**142,576**	(115,748)
Investing activities	**(10,247)**	(30,412)	**(19,544)**	(36,752)
Financing activities	**(24,271)**	(22,935)	**48,356**	(38,282)
Effect of foreign exchange on cash balances	**50**	(295)	**198**	(200)
Increase (decrease) in cash in the period	**148,993**	(29,719)	**171,586**	(190,982)
Cash, end of period	**$ 537,175**	$ 154,452	**$ 537,175**	$ 154,452

Cash Flows from Operating Activities

Operating activities provided cash in both the second quarter and first half of 2020.

Cash generated from operations decreased for the quarter and year-to-date on the lower net earnings.

Non-cash working capital provided cash in the second quarter of 2020. Lower accounts receivable on good collections, lower inventories and lower income tax payable provided cash in the quarter, compared to lower accounts payable and accrued liabilities, deferred revenues and contract liabilities in 2019.

On a year-to-date basis non-cash working capital used less cash in 2020 as compared to the first six months of 2019, as the increase in inventory was less year-over-year, as well as good collections on accounts receivable. Offsetting this was a larger reduction in accounts payable, including the foreign exchange derivative contracts, reflecting timing of payment of supplier invoices and reduced deferred revenues and contract liabilities.

Net rental fleet additions (purchases less proceeds of dispositions) were lower in both the second quarter of 2020 compared to the similar period last year and on a year-to-date. The Company has reduced investment in the light equipment rental fleet portfolio across Eastern Canada in light of current market conditions as well as in recognition of the time required to absorb recent investments to full utilization.

The components and changes in non-cash working capital are discussed in more detail in this MD&A under the heading “Consolidated Financial Condition”.

Cash Flows from Investing Activities

The Company invested $10.4 million in property, plant and equipment in the second quarter of 2020, to support and expand branch facilities and service fleet of vehicles.

On a year-to-date basis, additions to property, plant and equipment totalled $29.5 million. During the first quarter of 2020, a property previously identified as available for sale was disposed of for $9.4 million, resulting in a capital gain of $4.1 million ($3.5 million after-tax).

Cash Flows from Financing Activities

The Company used $24.3 million in cash in the second quarter of 2020 for financing activities, including:

- Dividends paid to common shareholders of $25.4 million or $0.31 per share (2019 - $22.0 million or $0.27 per share);
- Cash received on exercise of share options of $4.9 million (2019 - $1.6 million); and
- Lease liability payments of $3.5 million versus $2.5 million for the comparable period last year.

For the six months ended June 30, 2020, financing activities provided $48.4 million in cash, comprised of:

- Draw down of $100 million on a committed, revolving credit facility;
- Dividends paid to common shareholders of $47.6 million or $0.58 per share (2019 - $40.7 million or $0.50 per share);
- Repurchase of 67,800 common shares under the NCIB program for $4.0 million (see note 4 to the unaudited condensed interim financial statements for further details);
- Cash received on exercise of share options of $6.4 million (2019 - $8.4 million); and
- Lease liability payments of $6.1 million versus $4.9 last year.

OUTLOOK

The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-isolation and quarantine periods, and social distancing, have affected economies and financial markets around the world resulting in an economic slowdown. This outbreak may also cause staff shortages, affect customer demand and supply chains, impact capital resources, as well as increase government regulations or intervention, all of which may negatively impact the business, financial results and conditions of the Company. Toromont's businesses were and are characterized as essential in all circumstances requiring such a designation to date which supported operations through the quarter. While some emergency measures are easing, the duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments as well as the impact on the financial results and condition of the Company in future periods.

The Equipment Group's parts and service business provides stability along with a large and diversified installed base of equipment, so long as it is working in the field. Prior to the outbreak, the long-term outlook for infrastructure projects and other construction activity was positive across most territories. The Company has a large base of mining customers which in some cases saw reduced operating activities as a result of the COVID-19 implications. These customers and jurisdictions they operate in continue to evaluate appropriate activity levels on a regular basis. Longer term, mine expansion is still possible depending on global economic and financial conditions.
The Company has taken actions to reduce expenses, participating in governmental programs such as work share where available and has assessed other government support programs as applicable, which to date have provided limited support. Workforce planning initiatives also included voluntary compensation reductions by the executive team and the Board of Directors, wage increase freezes in some cases, advancement of vacation schedules and selective temporary layoffs. Human capital, including our technician workforce, is one of our most valuable assets and we will protect that asset to the extent possible. We continue to move forward with our investment in information technology, aligning our dealership under one operating system as well as facilitating and securing remote access to our networks. Actions are being balanced between short-term adjustments relative to demand, while also

being sensitive to long-term requirements ensuring the business is positioned well to meet increased client requirements.

Broader product lines, investment in rental equipment and developing product support technologies supporting remote diagnostics and telematics are expected to contribute to longer-term growth once economic, financial and social environments return to a more normalized state.

CIMCO's installed base and product support levels should support current and future operations and growth trends. CIMCO has a wide product offering using natural refrigerants including innovative CO_2 solutions, which remains a differentiator in recreational markets. In industrial markets, CIMCO's proven track record and strong geographical coverage provides continued growth opportunities. Record booking activity in the quarter and backlog positions the business through this turbulent period.

The diversity of the markets served, expanding product offering and services, strong financial position and disciplined operating culture position the Company well for continued positive results 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 2019 annual audited consolidated financial statements.

($ thousands, except per share amounts)	Q3 2019	Q4 2019	Q1 2020	**Q2 2020**
REVENUES				
Equipment Group	$ 881,487	$ 933,131	$ 657,776	**$ 776,703**
CIMCO	93,734	92,059	57,683	**72,894**
Total revenues	$ 975,221	$ 1,025,190	$ 715,459	**$ 849,597**
NET EARNINGS	$ 79,688	$ 90,454	$ 37,396	**$ 51,210**
PER SHARE INFORMATION:				
Basic earnings per share	$ 0.98	$ 1.10	$ 0.46	**$ 0.62**
Diluted earnings per share	$ 0.97	$ 1.10	$ 0.45	**$ 0.62**
Dividends paid per share	$ 0.27	$ 0.27	$ 0.27	**$ 0.31**
Weighted average common shares outstanding - basic (in thousands)	81,622	81,897	82,015	**82,024**

($ thousands, except per share amounts)	Q3 2018	Q4 2018	Q1 2019	Q2 2019
REVENUES				
Equipment Group	$ 800,128	$ 873,868	$ 633,875	$ 895,457
CIMCO	99,966	92,179	66,099	82,863
Total revenues	$ 900,094	$ 966,047	$ 699,974	$ 978,320
NET EARNINGS	$ 68,697	$ 84,898	$ 39,261	$ 77,398
PER SHARE INFORMATION:				
Basic earnings per share	$ 0.84	$ 1.04	$ 0.48	$ 0.95
Diluted earnings per share	$ 0.84	$ 1.03	$ 0.48	$ 0.94
Dividends paid per share	$ 0.23	$ 0.23	$ 0.23	$ 0.27
Weighted average common shares outstanding - basic (in thousands)	81,383	81,427	81,326	81,510

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

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.

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

The recent outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-isolation and quarantine periods, and social distancing, have affected economies and financial markets around the world resulting in an economic slowdown. This outbreak may also cause staff shortages, affect customer demand and supply chains, impact capital resources, as well as increase government regulations or intervention, among other things, all of which may negatively impact the business, financial results and conditions of the Company and alter the typical seasonal trend.

RISKS AND RISK MANAGEMENT

The significant risks and uncertainties affecting the Company and its business are discussed in the Company's MD&A for the year ended December 31, 2019 under "Risks and Risk Management".

Coronavirus (COVID-19)

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, self-isolation, physical and social distancing and the closure of non-essential businesses, have caused material disruption to businesses in Canada and globally which has resulted in an uncertain and challenging economic environment.

Global debt and equity capital markets have experienced significant volatility. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

As an emerging risk, the duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

The risks and uncertainties disclosed in our December 31, 2019 MD&A could be particularly exacerbated by extraordinary externalities such as the COVID-19 pandemic and the recent commodity price challenges, including, risks described under "Business Cycle", "Product and Supply", "Credit Risk", "Foreign Exchange", "Interest Rate", Financing Arrangements" and "Environmental Regulation". Such risks include, but are not limited to:

a) uncertainty associated with the costs and ability of resources, including technicians, required to provide the appropriate/required levels of service to our customers on site;
b) a material reduction in demand for, or profitability of, our products or services;
c) an increase in account receivable delinquencies from financial hardship for our customers;
d) issues delivering the Company's products and services due to illness, Company or government imposed isolation programs, restrictions on the movement of personnel and supply chain disruptions;
e) the impact of additional legislation, regulation and other government interventions in response to the COVID-19 pandemic;
f) the negative impact on global debt and equity capital markets, including the trading price of the Company's securities; and
g) the ability to access capital markets at a reasonable cost.

Any of these risks, and others, could have a material adverse effect on our business, operations, capital resources and/or financial results of operations.

In response to the COVID-19 pandemic, management has directed significant focus towards ensuring the continued safety of our employees, continuing to serve our customers' needs as an essential service, and protecting the business and organization for the long-term. A Critical Incident Executive Response Team was activated at an early stage and continues to assess developments and respond appropriately, including limiting business travel, enabling work from home where practical, enforcing social distancing practices, mask wearing and sanitation protocols in all areas. Steps have also been taken to ensure that information technology, including remote access, is secure. The Company is updating employees on a frequent basis to provide information on the situation and on necessary precautions to take. We continue to have an open dialogue with public safety and government officials at all levels, as well as key suppliers, partners, and customers.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Accounting Policies

The significant accounting policies used in the preparation of the accompanying unaudited interim condensed consolidated financial statements are consistent with those used in the Company's 2019 audited annual consolidated financial statements, and described in note 1 therein. Several amendments, apply for the first time in 2020, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Company for the three and six month periods ending June 30, 2020.

Estimates

The preparation of financial statements in conformity with IFRS requires estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. There have been no material changes to the critical accounting estimates as described in Note 2 to the Company's 2019 audited annual consolidated financial statements, contained in the Company's 2019 Annual Report.

CONTROLS AND PROCEDURES

<u>Disclosure Controls and Procedures</u>

Management, under the supervision of the President and Chief Executive Officer ("CEO") and Executive Vice President and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures, as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, and have designed such disclosure controls and procedures, or have caused it to be designed under their supervision, to provide reasonable assurance that material information with respect to Toromont is made known to them.

The CEO and the CFO, together with other members of management, have evaluated the effectiveness of the Company's disclosure controls and procedures.

Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as at June 30, 2020.

<u>Internal Control over Financial Reporting</u>

Management, under the supervision of the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings,* and have designed such internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS.

There have been no changes in the design of the Company's internal control over financial reporting during the three and six month periods ended June 30, 2020, that would materially affect, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, a projection of the evaluation of the effectiveness of internal control over financial reporting to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation. Internal controls over financial reporting may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

ADDITIONAL GAAP MEASURES

IFRS mandates certain minimum line items for financial statements and also requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the Company's financial position or performance. IFRS also requires the notes to the financial statements to provide information that is not presented elsewhere in the financial statements, but is relevant to understanding them. Such measures outside of the minimum mandated line items are considered additional GAAP measures. The Company's consolidated financial statements and notes thereto include certain additional GAAP measures where management considers such information to be useful to the understanding of the Company's results.

Gross Profit

Gross Profit is defined as total revenues less cost of goods sold.

Operating Income

Operating income is defined as net earnings before interest expense, interest and investment income and income taxes and is used by management to assess and evaluate the financial performance of its operating segments. Financing and related interest charges cannot be attributed to business segments on a meaningful basis that is comparable to other companies. Business segments do not correspond to income tax jurisdictions, and it is believed that the allocation of income taxes distorts the historical comparability of the performance of the business segments.

	Three months ended June 30		**Six months ended June 30**	
($ thousands)	**2020**	2019	**2020**	2019
Net earnings	**$ 51,210**	$ 77,398	**$ 88,606**	$ 116,659
plus: Interest expense	**7,890**	6,988	**14,821**	13,907
less: Interest and investment income	**(1,564)**	(2,208)	**(4,289)**	(4,780)
plus: Income taxes	**19,598**	28,850	**33,237**	44,025
Operating income	**$ 77,134**	$ 111,028	**$ 132,375**	$ 169,811

Net Debt to Total Capitalization and Equity

Net debt to total capitalization and equity are calculated as net debt divided by total capitalization and shareholders' equity, respectively, as defined below, and are used by management as measures 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 calculations are as follows:

($ thousands)		**June 30 2020**		December 31 2019		June 30 2019
Long-term debt	**$**	**745,712**	$	645,471	$	645,005
less: Cash		**537,175**		365,589		154,452
Net debt		**208,537**		279,882		490,553
Shareholders' equity		**1,560,050**		1,533,891		1,370,997
Total capitalization	**$**	**1,768,587**	$	1,813,773	$	1,861,550
Net debt to total capitalization		**12%**		15%		26%
Net debt to equity		**0.13:1**		0.18:1		0.36:1

NON-GAAP MEASURES

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

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

Working Capital

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

($ thousands)		**June 30 2020**		December 31 2019		June 30 2019
Total current assets	**$**	**1,943,031**	$	1,824,254	$	1,778,321
less: Total current liabilities		**937,700**		994,979		1,138,565
Working capital	**$**	**1,005,331**	$	829,275	$	639,756

Non-Cash Working Capital

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

($ thousands)		**June 30 2020**		December 31 2019		June 30 2019
Total current assets	**$**	**1,943,031**	$	1,824,254	$	1,778,321
less: Cash		**537,175**		365,589		154,452
		1,405,856		1,458,665		1,623,869
Total current liabilities		**937,700**		994,979		1,138,565
		937,700		994,979		1,138,565
Non-cash working capital	**$**	**468,156**	$	463,686	$	485,304

Market Capitalization & Total Enterprise Value

Market capitalization represents the total market value of the Company's equity. It is calculated by multiplying the market price of the Company's share by the total outstanding shares.

Total enterprise value represents the total value of the Company and is often used as a more comprehensive alternative to market capitalization. It is calculated by adding net debt (defined above) to market capitalization.

The calculations are as follows:

($ thousands, except for shares and share price)		**June 30 2020**		December 31 2019		June 30 2019
Outstanding common shares		**82,095,368**		82,012,448		81,533,398
times: Ending share price	**$**	**67.37**	$	70.59	$	62.07
Market capitalization	**$**	**5,530,765**	$	5,789,259	$	5,060,778
Long-term debt	**$**	**745,712**	$	645,471	$	645,005
less: Cash		**537,175**		365,589		154,452
Net debt	**$**	**208,537**	$	279,882	$	490,553
Total enterprise value	**$**	**5,739,302**	$	6,069,141	$	5,551,331

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, order bookings and backlogs, return on capital employed and return on equity. Although some of these KPIs are expressed as ratios, they are non-GAAP financial measures that do not have a standardized meaning under IFRS and may not be comparable to similar measures used by other issuers.

Gross Profit Margin

This measure is defined as gross profit (defined above) divided by total revenues.

Operating Income Margin

This measure is defined as operating income (defined above) divided by total revenues.

Order Bookings and Backlogs

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

Return on Capital Employed ("ROCE")

ROCE is utilized to assess both current operating performance and prospective investments. The trailing twelve months adjusted earnings numerator used for the calculation is income before income taxes, interest expense and interest income (excluding interest on rental conversions). The denominator in the calculation is the monthly average capital employed, which is defined as net debt plus shareholders' equity or total capitalization.

	Trailing twelve months ended		
($ thousands)	**June 30 2020**	December 31 2019	June 30 2019
Net earnings	**$ 258,747**	$ 286,800	$ 270,253
plus: Interest expense	**28,621**	27,707	27,936
less: Interest and investment income	**(9,261)**	(9,752)	(9,468)
plus: Interest income - rental conversions	**3,559**	4,283	3,726
plus: Income taxes	**96,952**	107,740	102,468
Adjusted net earnings	**$ 378,618**	$ 416,778	$ 394,915
Average capital employed	**$ 1,873,759**	$ 1,823,420	$ 1,753,283
Return on capital employed	**20.2%**	22.9%	22.5%

Return on Equity ("ROE")

ROE is monitored to assess the profitability of the consolidated Company and is calculated by dividing trailing twelve months net earnings by opening shareholders' equity (adjusted for shares issued and redeemed during the period).

	Trailing twelve months ended		
($ thousands)	**June 30 2020**	December 31 2019	June 30 2019
Net earnings	**$ 258,747**	$ 286,800	$ 270,253
Opening shareholders' equity (net of adjustments)	**$ 1,383,862**	$ 1,338,468	$ 1,214,346
Return on equity	**18.7%**	21.4%	22.3%