



Second Quarter 2018

July 24, 2018

**TOROMONT ANNOUNCES RESULTS FOR THE SECOND QUARTER OF 2018
AND QUARTERLY DIVIDEND**

Toromont Industries Ltd. (TSX: TIH) reported financial results for the second quarter ended June 30, 2018.

<i>millions, except per share amounts</i>	Three months ended June 30			Six months ended June 30		
	2018	2017	% change	2018	2017	% change
Revenues	\$ 961.3	\$ 530.9	81%	\$ 1,638.1	\$ 943.2	74%
Operating income	\$ 99.0	\$ 56.5	75%	\$ 148.2	\$ 94.4	57%
Net earnings	\$ 67.6	\$ 40.5	67%	\$ 98.4	\$ 67.5	46%
Basic earnings per share ("EPS")	\$ 0.83	\$ 0.52	60%	\$ 1.21	\$ 0.86	41%

These results include those generated from the operations of the significant acquisition completed by the Company on October 27, 2017. This transaction expanded Toromont's operations to include the Caterpillar dealerships for Quebec, the Maritime Provinces and Western Labrador and the MCFA lift truck dealership for Quebec and Ontario, in addition to other distribution rights. The acquired operations are collectively referenced as "Toromont QM" throughout this report.

The Company is still in the early days of realizing the growth opportunities presented by the substantially expanded business and while much work remains, is pleased with the progress achieved so far.

In the second quarter, the Company delivered solid results on organic growth at the legacy operations, together with a growing contribution from the acquired businesses. Focus remains on integration and sharing best practices across the broader organization to better serve customers and business partners.

Highlights:

- Consolidated results
 - Net earnings increased \$27.1 million or 67% in the quarter versus a year ago to \$67.6 million or \$0.83 EPS. The following table identifies the components of contributions to second quarter results versus a year ago:

<i>millions, except per share amounts</i>	Three months ended June 30					
	Net earnings			Basic EPS ^(a)		
	2018	2017	% change	2018	2017	% change
Legacy Toromont ^(b)	53.4	\$ 40.5	32%	0.68	\$ 0.52	31%
Toromont QM ^(c)	18.7	-	-	0.24	-	-
Acquisition-related interest expense and integration-related costs ^(e)	(4.5)	-	-	(0.06)	-	-
Dilutive impact of acquisition shares ^(d)	-	-	-	(0.03)	-	-
As reported	\$ 67.6	\$ 40.5	67%	\$ 0.83	\$ 0.52	60%

(a) Separately identifies impact of shares issued at acquisition for year-over-year comparability

(b) Defined as all businesses continuing from prior to the acquisition

(c) Defined as all business acquired October 27, 2017

(d) EPS impact of 2.2 million shares issued on acquisition to total net earnings

(e) Expenses shown net of taxes

- Earnings in the legacy Toromont businesses (“Legacy Toromont”) increased 32% in the quarter versus a year ago on solid growth in the Equipment Group, partially offset by softer results at CIMCO. Toromont QM contributed \$18.7 million on improved profitability versus that achieved a year ago in the predecessor organization. Integration-related costs included severance and other one-time-only costs and combined with interest expense on the acquisition financing, reduced net earnings by \$4.5 million versus a year ago.
- On a year-to-date basis, net earnings increased \$30.9 million or 46% to \$98.4 million or \$1.21 EPS. The following table identifies the components of contributions to year-to-date results versus a year ago:

<i>millions, except per share amounts</i>	Six months ended June 30					
	Net earnings			Basic EPS ^(a)		
	2018	2017	% change	2018	2017	% change
Legacy Toromont ^(b)	85.5	\$ 67.5	27%	1.08	\$ 0.86	26%
Toromont QM ^(c)	23.7	-	-	0.30	-	-
Acquisition-related interest expense and integration-related costs ^(e)	(10.8)	-	-	(0.14)	-	-
Dilutive impact of acquisition shares ^(d)	-	-	-	(0.03)	-	-
As reported	\$ 98.4	\$ 67.5	46%	\$ 1.21	\$ 0.86	41%

(a) Separately identifies impact of shares issued at acquisition for year-over-year comparability

(b) Defined as all businesses continuing from prior to the acquisition

(c) Defined as all business acquired October 27, 2017

(d) EPS impact of 2.2 million shares issued on acquisition to total net earnings

(e) Expenses shown net of taxes

- Legacy Toromont earnings and EPS increased 27% and 26%, respectively, on a year-to-date basis on the strong growth in the Equipment group, offset by weaker earnings from CIMCO.

- Equipment Group

- Revenues of \$874.1 million in the quarter increased \$416.0 million or 91% versus last year. Legacy Toromont revenues increased 15% on growth across most lines of business. Toromont QM contributed \$348.7 million in the quarter, up 19% from the second quarter of 2017 at the predecessor organization, also on growth across most lines of business. Strong product support revenues, including those generated by increased rebuild activity, reflect the larger base on equipment in the territories served.
- Revenues were up \$669.2 million or 82% to \$1.5 billion year-to-date. Legacy Toromont reported 10% growth versus last year while Toromont QM was up 19% to \$590.1 million.
- Operating income was up \$43.9 million or 88% in the quarter. Legacy Toromont increased \$19.0 million or 38% on the higher revenues, improved margins and a relatively lower expense ratio. Toromont QM contributed \$24.9 million in the quarter, net of integration-related costs.
- Operating income was up \$54.7 million or 64% year-to-date. Legacy Toromont increased \$23.9 million or 28% while Toromont QM contributed \$30.8 million, net of integration related costs.
- Bookings increased \$111.0 million in the quarter and \$293.0 million year-to-date. Orders received by Legacy Toromont were down 19% in the quarter and 7% year-to-date due to a large mining order received in Q2 2017. Other than mining, most market segments were up. Toromont QM reported good activity in the quarter (\$169.0 million) and year-to-date (\$327.0 million) across all market segments. Backlogs were \$407.0 million at the end of June 30, 2018, including \$175.0 million at Toromont QM. Most of the orders in backlog are expected to be delivered this year.

- CIMCO

- Revenues increased 20% to \$87.1 million in the quarter mainly due to strong package sales growth in Canada and the US. Operating income decreased 23% to \$5.1 million as the higher revenues and a relatively lower expense ratio was more than offset by lower package margins.
- Revenues were up 20% year-to-date to \$151.0 million, also on strong package sales growth in Canada and the US. Operating income margin was 5.6% versus 7.5% last year, on project execution issues in the US, together with higher warranty costs.
- Bookings were down 15% in the quarter to \$62.0 million on lower Canadian activity, partially offset by higher US activity. On a year-to-date basis, lower bookings in Canada and the US resulted in a 10% decrease versus last year. Backlogs of \$163.0 million were slightly lower than the record set last year, but still significantly higher than the previous five-year average. Approximately 75% of the backlog is expected to be delivered over the remainder of this year.

- Financial position remains strong

- Toromont's share price of \$56.86 at the end of June 2018 translates to a market capitalization of \$4.6 billion and a total enterprise value of \$5.1 billion.
- Toromont maintained a very strong financial position. Leverage as represented by the net debt to total capitalization ratio at June 30, 2018 was 28% versus 33% at March 31, 2018 and 40% at December 31, 2017.
- The Board of Directors announced a quarterly dividend of 23 cents per common share, payable October 2, 2018 to shareholders of record on September 7, 2018. The quarterly dividend was previously increased 21% to 23 cents per share effective with the dividend paid April 2, 2018.

Infrastructure projects and broader construction activity, continue to present opportunities for Toromont's Equipment Group and momentum remains good in the mining sector. The senior leadership team is focused on the integration and expansion of Toromont QM. While this is not an overnight task, success presents a substantial long-term growth opportunity for Toromont. CIMCO continues to grow its revenue base, reflecting its strong presence and solid reputation as a leader in the key markets it serves. Recent tariff increases have not had an immediate direct impact on our business; however, it is expected that cost increases could ensue as these tariffs work their way through the supply chain and as suppliers deal with a less predictable environment.

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, 2018, 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, 2018, the annual MD&A contained in the 2017 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2017.

The unaudited condensed interim consolidated financial statements reported herein have been prepared in accordance International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*, and are reported in Canadian dollars. The information in this MD&A is current to July 24, 2018.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2017 Annual Report and 2018 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

Advisory

Information in this MD&A that is not a historical fact is "forward-looking information". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "likely", "should", "could", "will", "may" and similar expressions are intended to identify statements containing forward-looking information. Forward-looking information in this MD&A reflect current estimates, beliefs, and assumptions, which are based on Toromont's perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Toromont's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. Toromont can give no assurance that such estimates, beliefs and assumptions will prove to be correct. This MD&A also contains forward-looking statements about the 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 in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; changes in foreign exchange rates, including the Cdn\$/US\$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability of financing; potential environmental liabilities of the acquired businesses and changes to environmental regulation; failure to attract and retain key employees; damage to the reputation of Caterpillar, product quality and product safety risks which could expose Toromont to product liability claims and negative publicity; new, or changes to current, federal and provincial laws, rules and regulations including changes in infrastructure spending; and any requirement of Toromont to make contributions to the registered funded defined benefit pension plans, postemployment benefits plan or the multi-employer pension plan obligations in which it participates in and acquired in excess of those currently contemplated. Risks and uncertainties related to the 2017 significant acquisition could also cause the actual results to differ materially from the estimates beliefs and assumptions expressed or implied in the forward-looking statements, including but not limited to: changes in consumer and business confidence as a result of the change in ownership; the potential for liabilities assumed in the acquisition to exceed our estimates or for material undiscovered liabilities in the 2017 acquisition; the potential for third parties to terminate or alter their agreements or relationships with Toromont as a result of the acquisition;

and risks related to integration of the acquired operations with those of Toromont including cost of integration and ability to achieve the expected benefits. Readers are cautioned that the foregoing list of factors is not exhaustive.

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this MD&A. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual 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.

CORPORATE RECAP

2017 Acquisition

As a consequence of an acquisition completed on October 27, 2017, Toromont became the authorized Caterpillar dealer for the province of Québec, Western Labrador and the Maritimes, as well as the Caterpillar lift truck dealer for Québec and most of Ontario, in addition to the MaK engine dealer for Québec, the Maritimes and the Eastern seaboard of the United States, from Maine to Virginia. Additional distribution rights were also acquired. Collectively, these acquired businesses are referenced as Toromont QM in the balance of this report.

This important transaction delivers a substantial growth opportunity, and strengthens the Company's expertise and operations in the mining, construction, power systems, product support and expanded product lines.

For further information on the accounting for the acquisition, refer to note 3 of the notes to the 2017 audited consolidated financial statements, as filed with Canadian securities regulators at www.sedar.com or at our website www.toromont.com.

CONSOLIDATED RESULTS OF OPERATIONS

(\$ thousands, except per share amounts)	Three months ended June 30				Six months ended June 30			
	2018	2017	Change		2018	2017	Change	
			\$	%			\$	%
REVENUES	\$ 961,267	\$ 530,930	\$ 430,337	81%	\$ 1,638,095	\$ 943,238	\$ 694,857	74%
Cost of goods sold	736,401	408,787	327,614	80%	1,246,455	720,690	525,765	73%
Gross profit ⁽¹⁾	224,866	122,143	102,723	84%	391,640	222,548	169,092	76%
Selling and administrative expenses	125,886	65,621	60,265	92%	243,445	128,132	115,313	90%
OPERATING INCOME ⁽¹⁾	98,980	56,522	42,458	75%	148,195	94,416	53,779	57%
Interest expense	7,719	1,839	5,880	320%	16,614	3,671	12,943	353%
Interest and investment income	(2,051)	(996)	(1,055)	106%	(4,230)	(2,108)	(2,122)	101%
Income before income taxes	93,312	55,679	37,633	68%	135,811	92,853	42,958	46%
Income taxes	25,702	15,224	10,478	69%	37,422	25,374	12,048	47%
NET EARNINGS	67,610	40,455	27,155	67%	98,389	67,479	30,910	46%
BASIC EARNINGS PER SHARE	\$ 0.83	\$ 0.52	\$ 0.31	60%	\$ 1.21	\$ 0.86	\$ 0.35	41%
KEY RATIOS:								
Gross profit margin ⁽¹⁾	23.4%	23.0%			23.9%	23.6%		
Selling and administrative expenses as a % of revenues	13.1%	12.4%			14.9%	13.6%		
Operating income margin ⁽¹⁾	10.3%	10.6%			9.0%	10.0%		
Income taxes as a % of income before income taxes	27.5%	27.3%			27.6%	27.3%		

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

The Company experienced a significant increase in revenues in the second quarter on organic growth in the Legacy Equipment Group and CIMCO together with incremental contribution from Toromont QM. On a year-over-year comparable basis, net earnings increased 32% in the quarter and 27% year-to-date.

The Legacy Equipment Group revenues increased 15% in the quarter and 10% year-to-date with growth reported across most lines of business. Toromont QM generated revenues of \$348.7 million in the quarter and \$590.1 million for the first half of the year, up 19% for both periods versus revenues generated at the predecessor organization in 2017 on higher new equipment sales, rentals and product support. CIMCO's revenues increased 20% in both the quarter and year-to-date on strong package sales growth in both Canada and the US. On a year-over-year comparable basis, revenues grew \$81.6 million or 15% in the quarter and \$104.8 million or 11% year-to-date.

Gross profit margins increased 40 basis points ("bps") in the quarter to 23.4% and were up 30 bps to 23.9% for the first half of the year. The legacy Equipment Group reported improved margins across most revenue streams on improved equipment margins and higher rental fleet utilization, partially offset by lower package margins at CIMCO. Historically, Toromont QM's businesses achieved lower average margins than Toromont's legacy operations. While they have increased at Toromont QM versus a year ago in the predecessor organization, the continued gap reduced overall margins by 10 bps in the quarter and 30 bps year-to-date.

Selling and administrative expenses increased \$60.3 million in the quarter and \$115.3 million year-to-date, largely reflecting the incremental expenses at Toromont QM and integration-related costs. Expenses at Legacy Toromont increased \$3.9 million in the quarter and \$7.3 million year-to-date, largely due to higher compensation costs on increased headcount and increased at-risk compensation accruals on the higher earnings, together with higher customer support costs. Bad debt allowances were lower in both the quarter and on a year-to-date basis. Legacy Toromont expenses were 100 bps lower as a percentage of revenues in the quarter (11.4% versus 12.4% last year) and 70 bps lower year-to-date (12.9% versus 13.6% last year).

Operating income increased \$42.5 million in the quarter and \$53.8 million year-to-date. Toromont QM contributed \$24.9 million in the quarter and \$30.8 million year-to-date, net of integration-related costs.

Operating income at Legacy Toromont increased \$17.6 million or 31% in the quarter and \$23.0 million or 24% year-to-date on the higher revenues and margins together with a relatively lower expense ratio.

Interest expense increased in the quarter and year-to-date due to acquisition-related financing. Additionally, the Company expensed \$0.5 million of unamortized deferred financing costs in the first quarter of 2018; related to the repayment of \$150.0 million of the initial \$250.0 million drawn against the term credit facility to partially fund the transaction.

Interest income increased both in the quarter and year-to-date on higher conversions of equipment on rent with a purchase option (“RPO”) and higher investment income on higher average cash balances.

The effective income tax rate was 27.5% in the quarter and 27.6% year-to-date. The increase versus comparable periods is substantially due to the higher proportion of income earned in the higher tax jurisdictions, although this is expected to be mitigated in coming years as Quebec continues to phase in reductions in the corporate tax rates.

Net earnings increased \$27.1 million or 67% to \$67.6 million in the quarter, while basic earnings per share (“EPS”) increased \$0.31 or 60% to \$0.83. For the first half of 2018, net earnings increased \$30.9 million or 46% to \$98.4 million, while EPS increased \$0.35 or 41% to \$1.21.

At Legacy Toromont, net earnings increased 32% in the quarter and 27% year-to-date, while EPS increased 31% and 26%, respectively.

<i>millions, except per share amounts</i>	Three months ended June 30					
	Net earnings			Basic EPS ^(a)		
	2018	2017	% change	2018	2017	% change
Legacy Toromont ^(b)	53.4	\$ 40.5	32%	0.68	\$ 0.52	31%
Toromont QM ^(c)	18.7	-	-	0.24	-	-
Acquisition-related interest expense and integration-related costs ^(e)	(4.5)	-	-	(0.06)	-	-
Dilutive impact of acquisition shares ^(d)	-	-	-	(0.03)	-	-
As reported	\$ 67.6	\$ 40.5	67%	\$ 0.83	\$ 0.52	60%

(a) Separately identifies impact of shares issued at acquisition for year-over-year comparability

(b) Defined as all businesses continuing from prior to the acquisition

(c) Defined as all business acquired October 27, 2017

(d) EPS impact of 2.2 million shares issued on acquisition to total net earnings

(e) Expenses shown net of taxes

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	Net earnings			Basic EPS ^(a)		
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Legacy Toromont ^(b)	85.5	\$ 67.5	27%	1.08	\$ 0.86	26%
Toromont QM ^(c)	23.7	-	-	0.30	-	-
Acquisition-related interest expense and integration-related costs ^(e)	(10.8)	-	-	(0.14)	-	-
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(c) Defined as all business acquired October 27, 2017

(d) EPS impact of 2.2 million shares issued on acquisition to total net earnings

(e) Expenses shown net of taxes

Comprehensive income was \$77.4 million in the quarter (2017 - \$38.0 million) and \$116.5 million year-to-date (2017 - \$64.8 million), comprising mainly of net earnings, actuarial gains on post-employment obligations and unrealized gains on cash flow hedges due to fluctuations in the Canadian dollar.

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

<i>(\$ thousands)</i>	Three months ended June 30				Six months ended June 30			
	2018	2017	Change		2018	2017	Change	
			\$	%			\$	%
Equipment sales and rentals								
New	\$ 358,016	\$ 179,768	\$ 178,248	99%	\$ 562,250	\$ 286,584	\$ 275,666	96%
Used	88,530	54,604	33,926	62%	143,100	107,510	35,590	33%
Rentals	91,697	55,694	36,003	65%	161,071	101,128	59,943	59%
Total equipment sales and rentals	538,243	290,066	248,177	86%	866,421	495,222	371,199	75%
Product support	333,206	165,078	168,128	102%	615,403	316,555	298,848	94%
Power generation	2,671	3,014	(343)	(11%)	5,267	6,144	(877)	(14%)
Total revenues	\$ 874,120	\$ 458,158	\$ 415,962	91%	\$ 1,487,091	\$ 817,921	\$ 669,170	82%
Operating income	\$ 93,927	\$ 49,984	\$ 43,943	88%	\$ 139,722	\$ 85,060	\$ 54,662	64%
KEY RATIOS:								
Product support revenues as a % of total revenues	38.1%	36.0%			41.4%	38.7%		
Operating income margin	10.7%	10.9%			9.4%	10.4%		
Group total revenues as a % of consolidated revenues	90.9%	86.3%			90.8%	86.7%		

The Equipment Group delivered solid results on equipment sales and rentals growth across most market segments in the expanded territory together with continued product support growth. Legacy Toromont Equipment Group revenues were up 15% in the quarter and 10% year-to-date. Toromont QM contributed \$348.7 million in total revenues in the quarter and \$590.1 million year-to-date, up 19% for both periods versus revenues generated at the predecessor organization in 2017.

At the legacy businesses, new equipment sales increased 19% in the quarter and 17% year-to-date. Sales into construction markets were up in both the quarter (37%) and year-to-date (41%) with good growth reported across most of the territory. Mining equipment sales were relatively unchanged in the quarter but down 2% year-to-date. Power systems sales were down 6% in the quarter and 14% year-to-date from the record levels achieved last year, on lower demand for electric power generator sets. In Manitoba, agriculture sales grew 56% in the quarter and were up 16% for the year. Used equipment sales increased 1% in the quarter but were down 16% year-to-date following a slow start to the year which saw challenges in sourcing used gear. With the weaker Canadian dollar, used equipment pricing remains attractive to the US buyers pursuing these inventories, constricting available supply.

On a combined basis, total equipment sales in the legacy businesses as described above, increased 14% in the quarter and 8% year-to-date. At Toromont QM, total equipment sales increased 28% in the quarter to \$178.3 million and 25% year-to-date to \$280.3 million, driven by strong new equipment sales while used equipment sales remained relatively unchanged.

Rental revenues at the legacy businesses increased 16% in the quarter and 14% year-to-date versus last year on improved time utilization. Demand for light equipment rentals was up 11% in the quarter and 13% year-to-date reflecting growth across all regions except Newfoundland which benefited from certain one-time projects last year. Momentum in power rentals continued with revenues increasing 65% in the quarter and 81% year-to-date on a larger fleet with product offerings ranging from uninterrupted power supply/generators to pump and temperature control units. Heavy equipment rentals increased 10% in the quarter following a slow start to the year (down 4% year-to-date). Rental revenues from RPO increased 30% in the quarter and 6% year-to-date, benefiting from a larger average fleet versus similar periods last year. At Toromont QM, rental revenues were up 25% to \$27.1 million in the quarter and up 17% to \$45.6 million year-to-date. Approximately two-thirds of rental revenues at Toromont QM were generated from the light equipment fleet and lift-truck rentals.

The RPO fleet increased to \$70.4 million, including \$21.0 million at Toromont QM.

Product support revenues at the legacy businesses increased 15% in the quarter and were up 11% year-to-date with growth in both parts and service across most market segments. At Toromont QM, product support revenues increased 8% in the quarter and 12% year-to-date versus a year ago.

Gross profit margins increased 110 bps in the quarter and 100 bps versus a year ago, buoyed by improved margins across most revenue streams at the legacy businesses. Historically, the Toromont QM business achieved lower average margins than the Legacy Toromont business. While Toromont QM achieved margin expansion versus that achieved a year ago in the predecessor organization, the margin gap still reduced total Equipment Group margins by 40 bps in the quarter and 50 bps on a year-to-date basis. Higher utilization of a diverse rental fleet helped to increase margins.

Selling and administrative expenses increased mainly due to the incremental expenses at Toromont QM (\$56.1 million in the quarter and \$107.3 million year-to-date) together with certain integration-related costs (\$0.3 million in the quarter and \$2.0 million year-to-date). At Legacy Toromont, certain expenses such as compensation, customer support costs, information technology expenses and travel and entertainment increased in support of growth. Most other expenses were lower. As a percentage of revenues, expenses were 80 bps lower in the quarter and 30 bps lower year-to-date at Legacy Toromont.

Operating income was up \$43.9 million or 88% in the quarter and \$54.7 million or 64% year-to-date. Toromont QM contributed \$24.9 million in the quarter and \$30.8 million year-to-date, net of integration-related costs. Legacy Toromont operating income increased 38% in the quarter and 28% year-to-date, reflecting the higher revenues and margins together with relatively lower expense ratios.

As a percentage of revenues, operating income was up 220 bps in the quarter and 180 bps year-to-date at the Legacy businesses.

Bookings and Backlogs

<i>(\$ millions)</i>	2018	2017	\$ change	% change
Bookings - three months ended June 30	\$ 423	\$ 312	\$ 111	36%
Bookings - six months ended June 30	\$ 793	\$ 500	\$ 293	59%
Backlogs - as at June 30	\$ 407	\$ 253	\$ 154	61%

Bookings increased \$111.0 million in the quarter. In the legacy businesses, bookings were comparable excluding the large mining order received in the second quarter of 2017. Lower mining orders (down 78%), were partially offset by higher power systems (up 75%) and agriculture orders (up 46%), while construction orders were relatively unchanged. Toromont QM bookings of \$169.0 million in the quarter reflected good ordering activity across all market segments. Approximately 60% of the orders received at QM were construction related, a quarter mining and power systems combined and the remainder lift trucks.

On a year-to-date basis, Toromont QM bookings of \$327.0 million served to offset the lower mining orders in the legacy businesses (down 54%). Exclusive of mining, orders received by Legacy Toromont were up across all market segments.

Backlogs increased to \$407.0 million, including \$175.0 million at Toromont QM. At June 30, 2018, the total backlog of \$407.0 million related to power systems (33%), construction (32%), mining (24%), agriculture (6%) and lift trucks (5%), most of which is expected to be delivered this 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 either inventory or suppliers.

CIMCO

<i>(\$ thousands)</i>	Three months ended June 30				Six months ended June 30			
	2018	2017	Change		2018	2017	Change	
			\$	%			\$	%
Package sales	\$ 53,826	\$ 39,984	\$ 13,842	35%	\$ 89,445	\$ 63,299	\$ 26,146	41%
Product support	33,321	32,788	533	2%	61,559	62,018	(459)	(1%)
Total revenues	\$ 87,147	\$ 72,772	\$ 14,375	20%	\$ 151,004	\$ 125,317	\$ 25,687	20%
Operating income	\$ 5,053	\$ 6,538	\$ (1,485)	(23%)	\$ 8,473	\$ 9,356	\$ (883)	(9%)
KEY RATIOS:								
Product support revenues as a % of total revenues	38.2%	45.1%			40.8%	49.5%		
Operating income margin	5.8%	9.0%			5.6%	7.5%		
Group total revenues as a % of consolidated revenues	9.1%	13.7%			9.2%	13.3%		

CIMCO reported strong package sales growth in Canada and the US. Execution issues encountered on two US projects, pressured margins downward versus a year ago. Currency translation of US operations did not have a significant impact on trends.

Package revenues reflect the progress of project construction applying the percentage-of-completion method for revenue recognition. This introduces a degree of variability as the timing of projects and construction schedules are largely under the control of third parties (contractors and end-customers). In Canada, package revenues were up 39% in the quarter and 49% year-to-date with growth reported across all regions except Atlantic Canada. Higher industrial activity in both the quarter (up 75%) and

year-to-date (up 67%) were partially offset by lower recreational activity (down 38% in the quarter and 3% year-to-date). In the US, package revenues increased 23% in the quarter and 18% year-to-date with similar market trends seen in Canada.

Product support revenues increased 2% in the quarter and were down 1% year-to-date following a slow start to the year which was impacted by inclement weather conditions. Canadian product support revenues grew 3% in the quarter but were down 1% year-to-date while US activity was down both in the quarter (3%) and year-to-date (1%). There is an inverse correlation between package sales and product support, as increased package sales draw on limited technician availability to facilitate installation and start-up.

Gross profit margins decreased 540 bps in the quarter and 480 bps year-to-date. Package margins were lower in both the quarter and year-to-date against a tough prior year comparator which included good project closeouts and favorable one-time adjustments, not repeated. Additionally, weaker project execution in the US, together with higher warranty costs, have pressured package margins. Product support margins were higher in the quarter and year-to-date on good execution. An unfavorable sales mix of product support revenues to total revenues further dampened margins.

Selling and administrative expenses were relatively unchanged in both the quarter and year-to-date. Higher compensation costs on annual salary increases and additional headcount to support growth were offset by lower bad debt allowances. As a percentage of sales, expenses were 230 bps lower in the quarter and 310 bps lower year-to-date.

Operating income decreased 23% in the quarter and 9% year-to-date, largely reflecting the lower margins, partially offset by the higher revenues and lower expense ratios.

Bookings and Backlogs

<i>(\$ millions)</i>	2018	2017	\$ change	% change
Bookings - three months ended June 30	\$ 62	\$ 72	\$ (11)	(15%)
Bookings - six months ended June 30	\$ 122	\$ 136	\$ (14)	(10%)
Backlogs - as at June 30	\$ 163	\$ 169	\$ (6)	(3%)

Bookings were down in both the quarter and year-to-date. For the quarter, Canadian bookings were down 19% with lower recreational (down 34%) and industrial orders (down 10%). US bookings increased 31% with strong industrial orders (up 149%) offsetting lower recreational orders (down 69%).

On a year-to-date basis, Canadian bookings were down 4% as higher industrial orders (up 14%) were more than offset by lower recreational orders (down 32%). In the US, bookings were down 35%, reflecting significantly lower recreational levels (down 53%), partially offset by strong industrial ordering activity (up 76%).

Backlogs were slightly lower than the record set last year but still significantly higher than the previous five-year average. In both Canada and the US, industrial backlogs were up with the opposite for recreational. Approximately 75% of the backlog is expected to be delivered over the remainder of this year.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At June 30, 2018, the ratio of net debt to total capitalization was 28%, compared to 40% at December 31, 2017 and 3% at June 30, 2017.

Non-Cash Working Capital

The Company's investment in non-cash working capital was \$378.7 million at June 30, 2018. The major components, along with the changes from June 30 and December 31, 2017 are presented in the following table.

(\$ thousands)	June 30	June 30	Change		December 31	Change	
	2018	2017	\$	%	2017	\$	%
Accounts receivable	\$ 510,251	\$ 293,517	\$ 216,734	74%	\$ 528,748	\$ (18,497)	(3%)
Inventories	864,618	523,515	341,103	65%	780,024	84,594	11%
Other current assets	13,666	5,289	8,377	158%	8,386	5,280	63%
Accounts payable and accrued liabilities	(804,082)	(262,827)	(541,255)	206%	(521,666)	(282,416)	54%
Provisions	(23,115)	(14,174)	(8,941)	63%	(22,436)	(679)	3%
Income taxes (payable) receivable	(4,827)	2,096	(6,923)	(330%)	(204)	(4,623)	nm
Derivative financial instruments	15,456	(5,735)	21,191	nm	(5,260)	20,716	nm
Dividends payable	(18,686)	(14,909)	(3,777)	25%	(15,655)	(3,031)	19%
Deferred revenues and contract liabilities	(174,545)	(78,833)	(95,712)	121%	(137,129)	(37,416)	27%
Total non-cash working capital	\$ 378,736	\$ 447,939	\$ (69,203)	(15%)	\$ 614,808	\$ (236,072)	(38%)

Accounts receivable at June 30, 2018 included \$189.9 million at Toromont QM. Accounts receivable were up \$26.8 million or 9% at the legacy businesses reflecting the higher sales.

Accounts receivable at December 31, 2017 included \$42.7 million related to amounts owing to the Company as part of the 2017 acquisition, collected in the first quarter of 2018. At Legacy Toromont, accounts receivable increased \$24.2 million or 5% on higher trailing revenues.

Inventories at June 30, 2018 included \$345.4 million at Toromont QM. Legacy Toromont inventories were down \$4.3 million or 1% compared to June 30, 2017 as follows:

- Legacy Equipment Group inventories decreased \$9.2 million or 2% with lower equipment (down \$32.4 million or 9%), partially offset by higher parts (up \$14.4 million or 15%) and service work-in-process (up \$8.8 million or 39%).
- CIMCO inventories were up \$4.9 million or 18%, largely reflecting higher work-in-process levels on the timing of project advancement.

In comparison to December 31, 2017, inventories were \$84.6 million or 11% higher with increases in both Groups:

- Equipment Group inventories were \$72.1 million or 9% higher with increases in all categories. Equipment Group inventory levels are typically lowest at the end of the fiscal year due to seasonality, with inventories building during the year in advance of the busy selling period.
- CIMCO inventories were up \$12.5 million or 61% on higher work-in-process for both Canadian and US projects reflecting project construction schedules.

Accounts payable and accrued liabilities at June 30, 2018 included \$297.2 million at Toromont QM. Legacy Toromont accounts payable and accrued liabilities increased \$244.0 million or 93% largely reflecting timing of payments and transitional terms from suppliers. Compared to December 31, 2017, the increase of \$282.4 million mainly reflects the timing of payments and terms related to inventory purchases, partially offset by the payout of annual performance incentive bonuses.

Provisions at June 30, 2018 increased \$8.9 million or 63%, reflecting higher warranty provisions at the legacy businesses on increased equipment and package sales together with \$6.1 million which related to Toromont QM.

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

Derivative financial instruments represent the fair value of foreign exchange contracts. Management estimates that a gain of \$15.5 million (December 31, 2017 – loss of \$5.3 million; June 30, 2017 – loss of \$5.7 million) would be realized if the contracts were terminated on June 30, 2018. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of \$2.1 million (December 31, 2017 – unrealized loss of \$2.3 million; June 30, 2017 – unrealized loss of \$2.7 million) 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 seventeen 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 \$13.4 million (December 31, 2017 – loss of \$3.0 million; March 31, 2017 – loss of \$3.0 million) on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable.

Dividends payable increased compared to June 30 and December 31, 2017 reflecting the higher dividend rate and the higher number of shares outstanding. The quarterly dividend rate was increased 21% from \$0.19 per share to \$0.23 per share effective with the April 2, 2018 dividend payment.

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

- In the Equipment Group, these arise on sales of equipment with residual value guarantees, extended warranty contracts and other long-term customer support agreements (“CSAs”) as well as on progress billings on long-term construction contracts. Toromont QM reported deferred revenues and contract liabilities of \$66.4 million at June 30, 2018, while the legacy Equipment Group reported an increase of \$16.3 million or 33% versus June 30, 2017, due to increased progress billings for equipment deliveries in the future and progress billings relative to work completed on long-term CSAs.
- In CIMCO, these arise on progress billings in advance of revenue recognition and were up \$13.0 million or 45% at June 30, 2018 versus June 30, 2017.

Compared to December 31, 2017, both the Equipment Group (up \$24.5 million or 23%) and CIMCO (up \$12.9 million or 44%) reported higher deferred revenues and contract liabilities for similar reasons outlined earlier.

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 81,279,834 common shares and 2,294,021 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 9, 2016	October 3, 2016	\$0.18	\$14.1
December 9, 2016	January 3, 2017	\$0.18	\$14.1
March 10, 2017	April 3, 2017	\$0.19	\$14.9
June 9, 2017	July 4, 2017	\$0.19	\$14.9
September 8, 2017	October 2, 2017	\$0.19	\$14.9
December 8, 2017	January 3, 2018	\$0.19	\$15.4
March 9, 2018	April 2, 2018	\$0.23	\$18.6
June 8, 2018	July 3, 2018	\$0.23	\$18.7

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.

The Company maintains a \$500.0 million committed revolving bank credit facility. 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. The facility includes covenants, restrictions and events of default typical for credit facilities of this nature.

No amounts were drawn on the revolving bank credit facility at June 30, 2018, December 31, 2017 or June 30, 2017. Letters of credit utilized \$27.4 million of the facility (December 31, 2017 - \$26.7; June 30, 2017 - \$22.9).

In March 2018, the Company repaid \$150.0 million on its committed term bank credit facility, bringing the balance drawn to \$100.0 million. Unamortized deferred financing costs of \$0.5 million associated with this portion of the term credit facility were expensed as a result.

The Company expects that continued cash flows from operations in 2018 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	
	2018	2017	2018	2017
Cash, beginning of period	\$ 171,223	\$ 155,584	\$160,507	\$188,735
Cash, provided by (used in):				
Operating activities				
Operations	100,415	55,087	164,620	94,456
Change in non-cash working capital and other	91,858	(24,803)	194,905	(63,920)
Net rental fleet additions	(63,458)	(38,741)	(91,342)	(54,981)
	128,815	(8,457)	268,183	(24,445)
Investing activities	(6,835)	(11,424)	28,784	(14,991)
Financing activities	(13,583)	(14,660)	(177,962)	(28,225)
Effect of foreign exchange on cash balances	104	(99)	212	(130)
Increase (decrease) in cash in the period	108,501	(34,640)	119,217	(67,791)
Cash, end of period	\$ 279,724	\$ 120,944	\$ 279,724	\$ 120,944

Cash Flows from Operating Activities

Operating activities provided significant cash inflow in the second quarter and year-to-date.

The higher cash generated from operations reflect the increased cash earnings generated by both the legacy businesses and Toromont QM.

The significant cash inflow from non-cash working capital in both the quarter and on a year-to-date basis was mainly due to higher accounts payable and accrued liabilities.

Net rental fleet additions (purchases less proceeds of disposition) were higher mainly due to investments at Toromont QM to grow the fleet (\$33.8 million in the quarter and \$36.4 million year-to-date). At Legacy Toromont, net additions were lower in the quarter and year-to-date, reflecting timing of additions on a relatively newer and optimized fleet, combined with attentiveness to support strong retail demand signals.

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

During the first quarter, the Company received \$42.7 million related to the final closing working capital adjustment of the 2017 acquisition (refer to note 3 of the notes to the 2017 audited consolidated financial statements for more information).

Investments in property, plant and equipment in the quarter amounted to \$8.3 million (2017 - \$11.6 million), which included \$1.3 million at the acquired locations.

On a year-to-date basis, investments in property, plant and equipment were \$15.4 million (2017 - \$15.8 million), including \$5.2 million at the acquired locations. Total additions included \$9.7 million for service vehicles, \$2.2 million in land and buildings for new and expanded branches and \$2.2 million for machinery and equipment.

Cash Flows from Financing Activities

The Company paid dividends of \$18.6 million or \$0.23 per share (2017 - \$14.9 million or \$0.19 per share) during the quarter and \$34.0 million or \$0.42 per share year-to-date (2017 - \$29.0 million or

\$0.37 per share).

The Company received \$5.1 million (2017 - \$0.2 million) in the quarter on the exercise of stock options and \$7.0 million year-to-date (2017 - \$1.7 million).

To partially fund the acquisition in 2017, the Company drew \$250.0 million against its term credit facility. During the second quarter, there were no repayments, compared to \$150.0 million repaid during the first quarter which largely accounts for the significant use of cash for the first six months of the year.

OUTLOOK

The expansion of our territories to include Quebec and Atlantic Canada is expected to be transformative to the long-term performance of Toromont. It provides a substantial growth platform and strengthens our Company by providing a large contiguous operating platform extending across all of Eastern and Central Canada and into the far North. Effective execution will be required to realize on this significant potential for a greater combined presence in key Canadian economic sectors such as mining, construction and power systems, combined with the growing rental services market. Focus is currently on safety of our people, customer deliverables, business integration and transition to generate favorable long-term returns.

The Equipment Group's parts and service business continues to provide momentum driven by the larger installed base of equipment working in the field, providing a measure of stability in a variable business environment. The Company continues to hire technicians in anticipation of an increase in demand, including the opportunity for increased equipment rebuilds and readying used iron. Broader product lines, investment in rental equipment, expanding the agricultural business and developing product support technologies supporting remote diagnostics and telematics are expected to contribute to longer-term growth.

The long-term outlook for infrastructure projects and other construction activity remains positive across most territories.

The Company has experienced good growth in mining product support this year. Production continues at existing mine sites, generating meaningful product support opportunities and incremental equipment sales to facilitate mine expansion. The substantially increased base of installed equipment, bodes well for future product support activity.

CIMCO's backlogs bode well for future prospects. Increasing long-term product support levels is also a positive signal for future trends. CIMCO has a wide product offering using natural refrigerants including innovative CO₂ solutions, which are expected to contribute to growth. In addition, CIMCO is focused on its growth strategy in the US, which represents a significant market opportunity.

Tariffs recently implemented do not appear to have a material, immediate, direct impact to Toromont's businesses. However, it is expected that product costs will ultimately increase as these tariffs work their way through the supply chains and as suppliers deal with a less predictable environment. It is not possible to estimate the impact at this time.

The diversity of the markets served, expanding product offering and services, financial strength and disciplined operating culture position the Company for continued growth in the long term.

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2017 annual audited consolidated financial statements.

<i>(\$ thousands, except per share amounts)</i>	Q3 2017		Q4 2017		Q1 2018	Q2 2018		
REVENUES								
Equipment Group	\$	488,020	\$	726,011	\$	612,971	\$	874,120
CIMCO		96,138		96,755		63,857		87,147
Total revenues	\$	584,158	\$	822,766	\$	676,828	\$	961,267
NET EARNINGS	\$	49,355	\$	59,136	\$	30,779	\$	67,610
PER SHARE INFORMATION:								
Basic earnings per share	\$	0.63	\$	0.73	\$	0.38	\$	0.83
Diluted earnings per share	\$	0.62	\$	0.72	\$	0.38	\$	0.83
Dividends paid per share	\$	0.19	\$	0.19	\$	0.19	\$	0.23
Weighted average common shares outstanding - basic (in thousands)		78,522		80,916		80,976		81,131

<i>(\$ thousands, except per share amounts)</i>	Q3 2016		Q4 2016		Q1 2017	Q2 2017		
REVENUES								
Equipment Group	\$	421,862	\$	418,793	\$	359,763	\$	458,158
CIMCO		87,912		73,430		52,545		72,772
Total revenues	\$	509,774	\$	492,223	\$	412,308	\$	530,930
NET EARNINGS	\$	47,643	\$	45,529	\$	27,024	\$	40,455
PER SHARE INFORMATION:								
Basic earnings per share	\$	0.61	\$	0.58	\$	0.34	\$	0.52
Diluted earnings per share	\$	0.60	\$	0.58	\$	0.34	\$	0.51
Dividends paid per share	\$	0.18	\$	0.18	\$	0.18	\$	0.19
Weighted average common shares outstanding - basic (in thousands)		78,211		78,344		78,434		78,474

Interim period revenues and earnings historically reflect variability from quarter to quarter due to seasonality. The acquisition in the fourth quarter of 2017 also affects comparability on a year-over-year basis.

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

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

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

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to risks that may potentially impact its financial results in either or both of its business segments. The Company and each operating segment employ risk management strategies with a view to mitigating these risks in a cost-effective manner. There have been no material changes to the operating and financial risk assessment and related risk management strategies as described in the Company's 2017 Annual Report.

CRITICAL 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 2017 audited annual consolidated financial statements, and described in Note 1 therein, except as described in Note 1 to the unaudited interim condensed consolidated financial statements for the three and six month period ending June 30, 2018.

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 2017 audited annual consolidated financial statements, contained in the Company's 2017 Annual Report.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the accompanying consolidated financial statements. The Audit Committee is also responsible for determining that management fulfills its responsibilities in the financial control of operations, including disclosure controls and procedures and internal control over financial reporting.

Disclosure Controls and Procedures

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 CFO have limited the scope of their design to exclude the disclosure controls and procedures of the businesses acquired on October 27, 2017. The design of the acquired businesses disclosure controls and procedures will be completed for the fourth quarter of fiscal 2018.

Internal Control over Financial Reporting

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 significant changes in the design of the Company's internal controls over financial reporting during the three and six month period ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

The CEO and CFO have limited the scope of their design and evaluation of the Company's internal control over financial reporting to exclude the internal control over financial reporting of the businesses acquired on October 27, 2017. The acquired businesses contribution to the overall consolidated financial statements of Toromont for the six months ended June 30, 2018 was approximately 36% of consolidated revenues and 24% of consolidated net income.

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 are 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.

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Net earnings	\$ 67,610	\$ 40,455	\$ 98,389	\$ 67,479
<i>plus:</i> Interest expense	7,719	1,839	16,614	3,671
<i>less:</i> Interest and investment income	(2,051)	(996)	(4,230)	(2,108)
<i>plus:</i> Income taxes	25,702	15,224	37,422	25,374
Operating income	\$ 98,980	\$ 56,522	\$ 148,195	\$ 94,416

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 2018	December 31 2017	June 30 2017
Long-term debt	\$ 743,759	\$ 893,806	\$ 149,987
Current portion of long-term debt	2,010	1,941	1,875
<i>less:</i> Cash	279,724	160,507	120,944
Net debt	466,045	735,240	30,918
Shareholders' equity	1,213,944	1,124,727	923,815
Total capitalization	\$ 1,679,989	\$ 1,859,967	\$ 954,733
Net debt to total capitalization	28%	40%	3%
Net debt to equity	0.38:1	0.65:1	0.03:1

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.

<i>(\$ thousands)</i>	June 30 2018	December 31 2017	June 30 2017
Total current assets	\$ 1,683,715	\$ 1,477,665	\$ 945,361
less: Total current liabilities	1,027,265	704,291	378,353
Working capital	\$ 656,450	\$ 773,374	\$ 567,008

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 2018	December 31 2017	June 30 2017
Total current assets	\$ 1,683,715	\$ 1,477,665	\$ 945,361
less: Cash	279,724	160,507	120,944
	1,403,991	1,317,158	824,417
Total current liabilities	1,027,265	704,291	378,353
less: Current portion of long-term debt	2,010	1,941	1,875
	1,025,255	702,350	376,478
Non-cash working capital	\$ 378,736	\$ 614,808	\$ 447,939

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:

<i>(\$ thousands, except for share price)</i>	June 30 2018	December 31 2017	June 30 2017
Outstanding common shares	81,280	80,950	78,480
x Ending share price	\$ 56.86	\$ 55.10	\$ 47.74
Market capitalization	\$ 4,621,571	\$ 4,460,335	\$ 3,746,657
Long-term debt	\$ 743,759	\$ 893,806	\$ 149,987
Current portion of long-term debt	2,010	1,941	1,875
less: Cash	279,724	160,507	120,944
Net debt	\$ 466,045	\$ 735,240	\$ 30,918
Total enterprise value	\$ 5,087,616	\$ 5,195,575	\$ 3,777,575

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.

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

(\$ thousands)	Note	June 30 2018	December 31 2017	June 30 2017
Assets				
Current assets				
Cash		\$ 279,724	\$ 160,507	\$ 120,944
Accounts receivable		510,251	528,748	293,517
Inventories		864,618	780,024	523,515
Income taxes receivable		-	-	2,096
Derivative financial instruments	5	15,456	-	-
Other current assets		13,666	8,386	5,289
Total current assets		1,683,715	1,477,665	945,361
Property, plant and equipment	2	406,914	412,535	186,462
Rental equipment	2	522,132	469,342	310,443
Other assets		16,560	17,206	15,234
Deferred tax assets		-	411	7,414
Goodwill and intangible assets		482,754	485,750	27,486
Total assets		\$ 3,112,075	\$ 2,862,909	\$ 1,492,400
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 822,768	\$ 537,321	\$ 277,736
Provisions		23,115	22,436	14,174
Deferred revenues and contract liabilities		174,545	137,129	78,833
Current portion of long-term debt	3	2,010	1,941	1,875
Derivative financial instruments	5	-	5,260	5,735
Income taxes payable		4,827	204	-
Total current liabilities		1,027,265	704,291	378,353
Deferred revenues		18,035	18,750	18,604
Long-term debt	3	743,759	893,806	149,987
Post-employment obligations		102,653	121,335	21,641
Deferred tax liabilities		6,419	-	-
Shareholders' equity				
Share capital		452,847	444,427	317,121
Contributed surplus		11,625	10,290	9,528
Retained earnings		745,539	669,813	596,915
Accumulated other comprehensive income		3,933	197	251
Shareholders' equity		1,213,944	1,124,727	923,815
Total liabilities and shareholders' equity		\$ 3,112,075	\$ 2,862,909	\$ 1,492,400

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	
		2018	2017	2018	2017
Revenues	11	\$ 961,267	\$ 530,930	\$ 1,638,095	\$ 943,238
Cost of goods sold		736,401	408,787	1,246,455	720,690
Gross profit		224,866	122,143	391,640	222,548
Selling and administrative expenses		125,886	65,621	243,445	128,132
Operating income		98,980	56,522	148,195	94,416
Interest expense	6	7,719	1,839	16,614	3,671
Interest and investment income	6	(2,051)	(996)	(4,230)	(2,108)
Income before income taxes		93,312	55,679	135,811	92,853
Income taxes		25,702	15,224	37,422	25,374
Net earnings		\$ 67,610	\$ 40,455	\$ 98,389	\$ 67,479
Earnings per share					
Basic	7	\$ 0.83	\$ 0.52	\$ 1.21	\$ 0.86
Diluted	7	\$ 0.83	\$ 0.51	\$ 1.20	\$ 0.85
Weighted average number of shares outstanding					
Basic	7	81,131,332	78,473,780	81,054,292	78,453,047
Diluted	7	81,949,920	79,328,906	81,843,309	79,272,793

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	
	2018	2017	2018	2017
Net earnings	\$ 67,610	\$ 40,455	\$ 98,389	\$ 67,479
Other comprehensive income (loss), net of income taxes:				
<i>Items that may be reclassified subsequently to net earnings:</i>				
Foreign currency translation adjustments	176	(267)	460	(350)
Unrealized gains (losses) on derivatives designated as cash flow hedges	1,849	(2,429)	5,926	(3,390)
Income tax (expense) recovery	(485)	631	(1,547)	881
Unrealized gains (losses) on cash flow hedges, net of income taxes	1,364	(1,798)	4,379	(2,509)
Realized (gains) losses on derivatives designated as cash flow hedges	(1,613)	(529)	(1,492)	236
Income tax expense (recovery)	419	137	389	(62)
Realized (gains) losses on cash flow hedges, net of income taxes	(1,194)	(392)	(1,103)	174
<i>Items that will not be reclassified subsequently to net earnings:</i>				
Actuarial gains and other	12,871	-	19,526	-
Income tax expense	(3,411)	-	(5,143)	-
Actuarial gains and other, net of income taxes	9,460	-	14,383	-
Other comprehensive income (loss)	9,806	(2,457)	18,119	(2,685)
Total comprehensive income	\$ 77,416	\$ 37,998	\$ 116,508	\$ 64,794

See accompanying notes

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

(\$ thousands)	Note	Three months ended		Six months ended	
		June 30		June 30	
		2018	2017	2018	2017
Operating activities					
Net earnings		\$ 67,610	\$ 40,455	\$ 98,389	\$ 67,479
Items not requiring cash:					
Depreciation and amortization		35,662	19,566	69,341	38,517
Stock-based compensation		1,374	861	2,749	1,722
Post-employment obligations		(578)	(931)	844	(929)
Deferred income taxes		501	(691)	529	(982)
Interest accretion on repayment of term bank debt	3	-	-	511	-
Gain on sale of rental equipment and property, plant and equipment		(4,154)	(4,173)	(7,743)	(11,351)
		100,415	55,087	164,620	94,456
Net change in non-cash working capital and other	10	91,858	(24,803)	194,905	(63,920)
Additions to rental equipment	2	(70,497)	(47,527)	(105,325)	(75,135)
Proceeds on disposal of rental equipment		7,039	8,786	13,983	20,154
Cash provided by (used in) operating activities		128,815	(8,457)	268,183	(24,445)
Investing activities					
Additions to property, plant and equipment	2	(8,332)	(11,559)	(15,446)	(15,794)
Proceeds on disposal of property, plant and equipment		1,497	187	1,653	909
(Increase) decrease in other assets		-	(52)	42,577	(106)
Cash (used in) provided by investing activities		(6,835)	(11,424)	28,784	(14,991)
Financing activities					
Repayment of term bank debt		-	-	(150,000)	-
Repayment of senior debentures		-	-	(953)	(890)
Dividends	4	(18,636)	(14,907)	(34,015)	(29,018)
Cash received on exercise of stock options		5,053	247	7,006	1,683
Cash used in financing activities		(13,583)	(14,660)	(177,962)	(28,225)
Effect of currency translation on cash balances		104	(99)	212	(130)
Increase (decrease) in cash		108,501	(34,640)	119,217	(67,791)
Cash, at beginning of period		171,223	155,584	160,507	188,735
Cash, at end of period		\$ 279,724	\$ 120,944	\$ 279,724	\$ 120,944

Supplemental cash flow information (note 10)

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	Total
	Number	Amount			Foreign currency translation adjustments	Cash flow hedges		
At January 1, 2018	80,949,819	\$ 444,427	\$ 10,290	\$ 669,813	\$ 1,911	\$ (1,714)	\$ 197	\$ 1,124,727
Net earnings	-	-	-	98,389	-	-	-	98,389
Other comprehensive income	-	-	-	14,383	460	3,276	3,736	18,119
Total comprehensive income	-	-	-	112,772	460	3,276	3,736	116,508
Exercise of stock options	330,015	8,420	-	-	-	-	-	8,420
Stock-based compensation expense	-	-	2,749	-	-	-	-	2,749
Stock options exercised	-	-	(1,414)	-	-	-	-	(1,414)
Effect of stock compensation plans	330,015	8,420	1,335	-	-	-	-	9,755
Dividends	-	-	-	(37,046)	-	-	-	(37,046)
At June 30, 2018	81,279,834	\$ 452,847	\$ 11,625	\$ 745,539	\$ 2,371	\$ 1,562	\$ 3,933	\$ 1,213,944

(\$ thousands)	Share Capital		Contributed surplus	Retained earnings	Accumulated other comprehensive income		Total	Total
	Number	Amount			Foreign currency translation adjustments	Cash flow hedges		
At January 1, 2017	78,398,456	\$ 315,078	\$ 8,166	\$ 559,252	\$ 2,627	\$ 309	\$ 2,936	\$ 885,432
Net earnings	-	-	-	67,479	-	-	-	67,479
Other comprehensive loss	-	-	-	-	(350)	(2,335)	(2,685)	(2,685)
Total comprehensive income	-	-	-	67,479	(350)	(2,335)	(2,685)	64,794
Exercise of stock options	82,005	2,043	-	-	-	-	-	2,043
Stock-based compensation expense	-	-	1,722	-	-	-	-	1,722
Stock options exercised	-	-	(360)	-	-	-	-	(360)
Effect of stock compensation plans	82,005	2,043	1,362	-	-	-	-	3,405
Dividends	-	-	-	(29,816)	-	-	-	(29,816)
At June 30, 2017	78,480,461	\$ 317,121	\$ 9,528	\$ 596,915	\$ 2,277	\$ (2,026)	\$ 251	\$ 923,815

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for three and six months ended June 30, 2018
(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 in addition to industry leading rental operations and an expanding agricultural equipment business. 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 6,200 people in almost 150 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 audited annual consolidated financial statements of the Company for the year ended December 31, 2017.

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, 2017.

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 24, 2018.

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, 2017, except as noted below.

Amendments to Standards Adopted in 2018

Certain amendments to standards that were adopted on January 1, 2018 are noted below.

a) Revenue Recognition

IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

As of January 1, 2018, the Company has adopted IFRS 15. The transition to the new standard had no material impact on the measurement or recognition of revenue of prior periods, however, required additional disclosures have been added. The Company elected to apply the standard on a full retrospective basis, whereby the cumulative effect of adoption is applied to the earliest comparative period presented. For the Company, the earliest period presented is the comparative period beginning January 1, 2017. The Company applied certain practical expedients, as permitted by the standard in determining the impact on transition.

The Company’s accounting policy for revenue recognition is described below and was determined to be in compliance with the requirements of IFRS 15.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company principally generates revenue from the sale of equipment, rentals, product support and power generation.

Products and Services	Nature, timing and satisfaction of performance obligations and significant payment terms
Sale of Equipment	Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment and acceptance by the customer. The transaction price is documented on the sales invoice and agreed to by the customer. Payment is generally due at the time of delivery, as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due.
Sale of Equipment with a Guaranteed Residual Value or Repurchase Commitment	The sale of equipment for which the Company has provided a guarantee to repurchase the equipment at a predetermined residual value is assessed to determine whether the customer has a significant economic incentive to exercise the put option. If there is no significant economic incentive, the sale is recorded as a sale with a right of return. If the customer is determined to have a significant economic incentive, the sale is recorded as an operating lease in accordance with IAS 17 – <i>Leases</i> .
Sale of Power Systems and Refrigeration Packages	The sale of power systems and refrigeration packages involve the design, manufacture, installation and commissioning of longer-term projects under the customer’s control and can span from three months to one-year. Revenue is recognized over time, using an input method of costs incurred to date as a percentage of total costs to measure progress towards complete satisfaction of the contract. Payment terms are usually based on set milestones outlined in the contract. Periodically, (i) amounts are received in advance of the associated contract work being performed - these amounts are

	recorded as contract liabilities; and (ii) revenue is recognized without issuing an invoice – this entitlement to consideration is recognized as unbilled receivables. Any foreseeable losses on such projects are recognized immediately in profit or loss as identified.
Equipment Rentals	Revenue is accounted for in accordance with IAS 17 – <i>Leases</i> . Revenue is recognized on a straight-line basis over the term of the agreement. Payment terms are generally 30 days from invoicing.
Product Support	Revenue from product support services includes the sale of parts and performance of service work on equipment. For the sale of parts, revenue is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the part(s). For the servicing of equipment, revenue is recognized at a point in time, when the service is complete and accepted by the customer.
Long-term Maintenance Contracts	Long-term maintenance contracts typically range from one to five years and are customer-specific. These contracts are sold either separately or bundled together with the sale of equipment to a customer. These arrangements cover a range of services from regular maintenance to major repairs. Under IFRS 15, if the sale of equipment and a long term maintenance contract are considered to be bundled, the Company has concluded that there are two separate performance obligations as each of the promises to transfer equipment and provide services is capable of being distinct and separately identifiable. If the sales are bundled, the Company allocates a portion of the transaction price based on the relative stand-alone selling price to each performance obligation. Revenue from maintenance services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service.
Extended Warranty	The Company generally provides warranties for general repairs of defects that existed at the time of sale. As such, most warranties are assurance-type warranties under IFRS 15, which the Company accounts for under IAS 37 - <i>Provisions, Contingent Liabilities and Contingent Assets</i> . Extended warranty may be purchased by a customer at time of purchase of a machine to provide additional warranty coverage beyond the initial one year standard warranty covered by the supplier. Extended warranty generally covers specified components for a term from 3 to 5 years. Under IFRS 15, such warranties are accounted for as service-type warranties and, therefore, are accounted for as separate performance obligations to which the Company allocates a portion of the transaction price based on the relative stand-alone selling price. Revenue is subsequently recognised over time based on the time elapsed.
Power Generation	The Company owns and/or operates power generation plants that sell electricity and thermal power. Revenue is recognized monthly based on set rates as power is consumed. Payment is due within 30 days of invoicing.

The disaggregation of the Company’s revenues for each reportable segment is disclosed in Note 11.

b) Share-based Payment

Amendments to IFRS 2 – *Share-based payment*, clarify how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled.

The amendments were effective for annual periods beginning on or after January 1, 2018. Adoption of these amendments had no impact on the Company's financial position or net earnings.

c) Financial Instruments

IFRS 9 - *Financial Instruments* ("IFRS 9") replaces IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39") for annual periods beginning on or after January 1, 2018. IFRS 9 includes classification and measurement of financial assets and financial liabilities, a forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018. As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures or note disclosures. Any adjustments to the carrying amounts of financial assets and liabilities at the transition date are to be recognized in the opening retained earnings of the current period, however, the Company assessed that no adjustments to the carrying amounts of financial assets and liabilities were required upon adoption of IFRS 9.

The adoption of IFRS 9 has resulted in changes in the Company's accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

Trade receivables

Trade receivables are carried at amounts due, net of impairment for estimated expected credit loss ("ECL").

Financial assets and liabilities

Financial assets and liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value.

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through profit or loss ("FVTPL"). Financial liabilities are classified as FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as FVTPL.

For financial liabilities that are designated as FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income ("OCI"), unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in the consolidated statements of income. The remaining amount of change in the fair value of liability is recognized in the consolidated income statements. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to the consolidated income statements; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) it is designated as FVTPL, are subsequently measured at amortized cost using the effective interest method.

Classification and subsequent measurement

Appropriate classification of financial assets and financial liabilities is determined at the time of initial recognition or when reclassified on the consolidated statements of financial position. From January 1, 2018, the Company has applied IFRS 9 and classifies its financial assets and liabilities in the following measurement categories:

- (i) Amortized cost;
- (ii) Fair value through other comprehensive income (“FVTOCI”); or
- (iii) FVTPL.

Impairment

IFRS 9 requires a forward looking ECL model as opposed to an incurred credit loss model under IAS 39. The amount of ECL is updated at each reporting period to reflect changes in credit risk of the respective financial instrument.

In applying the ECL model, one of the following three approaches can be used:

- (i) General approach, which would be applied to most loans and debt securities;
- (ii) Simplified approach, which will be applied to most trade receivables; or
- (iii) Purchased or originated credit-impaired approach.

As the Company’s financial assets are substantially made up of trade receivables, the Company has opted to use the simplified approach for measuring the loss allowance at an amount equal to lifetime ECL. The simplified approach does not require the tracking of changes in credit risk, but instead requires the recognition of lifetime ECLs at all times. Lifetime ECL represents the ECL that would result from all possible default events over the expected life of a financial instrument.

The Company considers the following as constituting an event of a default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- (i) when there is a breach of financial covenants by the customer; or
- (ii) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (i) significant financial difficulty of the customer;
- (ii) a breach of contract, such as a default discussed above; or
- (iii) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Derivatives and Hedges

Derivative financial arrangements are used to hedge exposure to fluctuations in exchange rates. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At inception, the Company designates and documents the hedge relationship, including identification of the transaction and the risk management objectives and strategy for undertaking the hedge. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The Company has designated certain derivatives as cash flow hedges. These are hedges of firm commitments and highly probable forecast transactions. The effective portion of changes in the fair value of derivatives that are designated as a cash flow hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statements. Additionally:

- If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset, the associated gains or losses that were recognized in other comprehensive income are included in the initial cost or other carrying amount of the asset;
- For cash flow hedges other than those identified above, amounts accumulated in other comprehensive income are recycled to the consolidated income statements in the period when the hedged item will affect earnings (for instance, when the forecast sale that is hedged takes place);
- When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in other comprehensive income remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in the consolidated income statements; and
- When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately recognized in the consolidated income statements.

d) Foreign Currency Transactions and Advance Consideration

IFRIC 22 - *Foreign Currency Transactions and Advance Consideration*, clarifies the appropriate exchange rate to use on initial recognition of an asset, expense or income when advance consideration is paid or received in a foreign currency.

The new interpretation was effective for annual periods beginning on or after January 1, 2018. Management has determined that the new standard does not have a material impact on the Company's financial position.

Standards Issued But Not Effective

A number of new standards and amendments to standards have been issued but are not effective for the financial year ended December 31, 2018, and accordingly, have not been applied in preparing these interim condensed consolidated financial statements.

a) Leases

IFRS 16 – *Leases*, introduces new requirements for the classification and measurement of lessees. For lessors, there is little change to the existing accounting in IAS 17 - *Leases*.

The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements. Management expects that IFRS 16 will result in higher non-current assets and non-current liabilities recorded on the consolidated statements of financial position.

b) Uncertainty over Income Tax Treatments

IFRIC 23 - *Uncertainty over Income Tax Treatments*, provides guidance when there is uncertainty over income tax treatments including (but not limited to) whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances.

The new interpretation is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of the new interpretation on its consolidated financial statements.

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	
	2018	2017	2018	2017
Additions				
Rental equipment	\$ 70,497	\$ 47,527	\$ 105,325	\$ 75,135
Property, plant and equipment	8,332	11,559	15,446	15,794
Total Additions	\$ 78,829	\$ 59,086	\$ 120,771	\$ 90,929
Disposals - NBV				
Rental equipment	\$ 3,341	\$ 4,745	\$ 6,803	\$ 9,510
Property, plant and equipment	1,041	55	1,090	202
Total Disposals - NBV	\$ 4,382	\$ 4,800	\$ 7,893	\$ 9,712
Depreciation				
Cost of goods sold	\$ 28,182	\$ 17,699	\$ 54,735	\$ 34,847
Selling and administrative expenses	5,729	1,747	11,145	3,431
Total Depreciation	\$ 33,911	\$ 19,446	\$ 65,880	\$ 38,278

Property, plant and equipment at June 30, 2018 included \$4.3 million related to a property that is available for sale.

3. LONG-TERM DEBT

	June 30 2018	December 31 2017	June 30 2017
7.06%, \$15.0 million, due March 29, 2019 ⁽¹⁾	\$ 2,010	\$ 2,963	\$ 3,884
3.71%, \$150.0 million, due September 30, 2025 ⁽²⁾	150,000	150,000	150,000
3.84%, \$500.0 million, due October 27, 2027 ⁽²⁾	500,000	500,000	-
Senior debentures	652,010	652,963	153,884
\$250.0 million term credit facility due on October 27, 2022 ⁽³⁾	100,000	250,000	-
	752,010	902,963	153,884
Debt issuance costs, net of amortization	(6,240)	(7,216)	(2,022)
Total long-term debt	745,769	895,747	151,862
Less: current portion of long-term debt	(2,010)	(1,941)	(1,875)
Non-current portion of long-term debt	\$ 743,759	\$ 893,806	\$ 149,987

⁽¹⁾ Blended principal and interest payments payable semi-annually through to maturity.

⁽²⁾ Interest payable semi-annually, principal due on maturity.

⁽³⁾ Interest payable monthly, principal due on maturity.

All debt is unsecured.

The Company maintains a \$500.0 million committed revolving credit facility which matures in October 2022. 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 revolving credit facility at June 30, 2018, December 31, 2017 or June 30, 2017. Letters of credit utilized \$27.4 million of the facility at June 30, 2018 (December 31, 2017 - \$26.7 million and June 30, 2017 - \$22.9 million).

In March 2018, the Company repaid \$150.0 million on its committed term credit facility. Unamortized deferred financing costs of \$0.5 million associated with this portion of the term credit facility were expensed in the first quarter and recorded within interest expense on the interim condensed consolidated income statement.

4. SHARE CAPITAL

Normal Course Issuer Bid ("NCIB")

No shares were purchased under the NCIB program during the three and six months ended June 30, 2018 and 2017.

Dividends

The Company paid dividends of \$18.6 million or \$0.23 per share during the three months ended June 30, 2018 (2017 - \$14.9 million or \$0.19 per share) and \$34.0 million or \$0.42 per share during the six months ended June 30, 2018 (2017 - \$29.0 million or \$0.37 per share).

The quarterly dividend was increased on February 22, 2018, to \$0.23 per share effective with the dividend paid on April 2, 2018.

5. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities – Classification and Measurement

The following table highlights the carrying amounts and classifications of certain financial assets and liabilities:

	June 30 2018	December 31 2017	June 30 2017
Other financial liabilities:			
Current portion of long-term debt	\$ 2,010	\$ 1,941	\$ 1,875
Long-term debt	743,759	893,806	149,987
Derivative instruments - cash flow hedges:			
Foreign exchange forward contracts	\$ 15,456	\$ (5,260)	\$ (5,735)

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:

	June 30 2018	December 31 2017	June 30 2017
Long-term debt			
Fair value	\$ 760,325	\$ 917,583	\$ 155,975
Carrying value	\$ 752,010	\$ 902,963	\$ 153,884

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 six month period ended June 30, 2018, 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, 2018, the Company was committed to USD purchase contracts with a notional amount of \$537.7 million at an average exchange rate of \$1.2798, maturing between July 2018 and November 2019. As at June 30, 2018, the Company was also committed to USD sell contracts with a notional amount of \$46.7 million at an average exchange rate of \$1.2721, maturing between July 2018 and June 2019.

Management estimates that a gain of \$15.5 million (December 31, 2017 – loss of \$5.3 million; June 30, 2017 – loss of \$5.7 million) would be realized if the contracts were terminated on June 30, 2018. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an

unrealized gain of \$2.1 million (December 31, 2017 – unrealized loss of \$2.3 million; June 30, 2017 – unrealized loss of \$2.7 million) 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 seventeen 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 \$13.4 million (December 31, 2017 – loss of \$3.0 million; June 30, 2017 – loss of \$3.0 million) on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable.

6. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Term loan facility	\$ 1,273	\$ 283	\$ 3,194	\$ 536
Senior debentures	6,446	1,556	12,909	3,135
Interest accretion on repayment of term bank debt	-	-	511	-
	\$ 7,719	\$ 1,839	\$ 16,614	\$ 3,671

The components of interest and investment income were as follows:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Rental conversions	\$ 657	\$ 442	\$ 1,663	\$ 898
Other	1,394	554	2,567	1,210
	\$ 2,051	\$ 996	\$ 4,230	\$ 2,108

7. EARNINGS PER SHARE

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Net earnings available to common shareholders	\$ 67,610	\$ 40,455	\$ 98,389	\$ 67,479
Weighted average common shares outstanding	81,131,332	78,473,780	81,054,292	78,453,047
Dilutive effect of stock option conversion	818,588	855,126	789,017	819,746
Diluted weighted average common shares outstanding	81,949,920	79,328,906	81,843,309	79,272,793
Earnings per share:				
Basic	\$ 0.83	\$ 0.52	\$ 1.21	\$ 0.86
Diluted	\$ 0.83	\$ 0.51	\$ 1.20	\$ 0.85

For the three and six months ended June 30, 2018 and 2017, no share options were considered anti-dilutive (exercise price in excess of market price).

8. STOCK BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Six months ended June 30, 2018		Six months ended June 30, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, January 1	2,628,036	\$ 34.85	2,430,871	\$ 29.25
Exercised ⁽¹⁾	(330,015)	21.23	(82,005)	20.53
Forfeited	(4,000)	46.84	(15,500)	31.63
Options outstanding, June 30	2,294,021	\$ 36.78	2,333,366	\$ 29.54
Options exercisable, June 30	793,221	\$ 28.19	849,051	\$ 23.37

⁽¹⁾ The weighted average share price at date of exercise for the six months ended June 30, 2018 was \$57.76 (2017 - \$45.73).

The following table summarizes stock options outstanding and exercisable as at June 30, 2018.

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	Weighted Average Exercise Price
\$17.10 - \$23.40	415,841	3.6	\$ 22.30	328,951	\$ 22.01	\$ 22.01
\$23.41 - \$26.79	405,300	6.1	\$ 26.52	213,460	\$ 26.52	\$ 26.52
\$36.65	467,590	7.1	\$ 36.65	164,470	\$ 36.65	\$ 36.65
\$39.79	492,740	8.1	\$ 39.79	86,340	\$ 39.79	\$ 39.79
\$53.88	512,550	9.2	\$ 53.88	-	\$ -	\$ -
	2,294,021	6.9	\$ 36.78	793,221	\$ 28.19	\$ 28.19

Deferred Share Unit Plan

A reconciliation of the DSU plan was as follows:

	Six months ended June 30, 2018		Six months ended June 30, 2017	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, January 1	426,279	\$ 23,417	407,731	\$ 17,265
Units taken or taken in lieu and dividends	17,928	999	22,399	999
Redemptions	(83,030)	(4,799)	(17,389)	(778)
Fair market value adjustment	-	798	-	2,110
Outstanding, June 30	361,177	\$ 20,415	412,741	\$ 19,596

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

9. EMPLOYEE FUTURE BENEFITS

Employee future benefits expense included the following components:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Defined benefit plans	\$ 4,409	\$ 487	\$ 8,829	\$ 982
Defined contribution plans	3,158	2,850	6,516	5,892
401(k) matched savings plans	75	69	154	140
	\$ 7,642	\$ 3,406	\$ 15,499	\$ 7,014

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Net change in non-cash working capital and other				
Accounts receivable	\$ (72,338)	\$ (33,928)	\$ (24,181)	\$ (32,826)
Inventories	752	(37,940)	(84,594)	(87,758)
Accounts payable and accrued liabilities	145,095	25,400	280,755	31,082
Provisions	278	(279)	679	(1,920)
Deferred revenues	12,295	15,348	36,701	26,967
Income taxes	9,992	1,436	4,623	(3,358)
Other	(4,216)	5,160	(19,078)	3,893
	\$ 91,858	\$ (24,803)	\$ 194,905	\$ (63,920)
Cash paid during the period for:				
Interest	\$ 13,464	\$ 185	\$ 15,296	\$ 3,320
Income taxes	\$ 14,910	\$ 14,501	\$ 31,943	\$ 29,733
Cash received during the period for:				
Interest	\$ 1,866	\$ 890	\$ 3,779	\$ 1,852

11. SEGMENTED INFORMATION

The Company has two reportable segments: the Equipment Group and CIMCO as described above in note 1, 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 and does not meet the definition of a reportable operating segment as defined in IFRS 8 – *Operating Segments*, as it does not earn revenue.

The accounting policies of each of the reportable segments are the same as the significant accounting policies described in the most recent annual audited consolidated financial statements.

Segment performance is assessed based on operating income, which is measured differently than income from operations in the 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 operating 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 tables set forth information by segment for the three and six month periods ended June 30, 2018 and 2017:

Three months ended June 30	Equipment Group		CIMCO		Consolidated	
	2018	2017	2018	2017	2018	2017
Equipment/package sales	\$ 446,546	\$ 234,372	\$ 53,826	\$ 39,984	\$ 500,372	\$ 274,356
Rentals	91,697	55,694	-	-	91,697	55,694
Product support	333,206	165,078	33,321	32,788	366,527	197,866
Power generation	2,671	3,014	-	-	2,671	3,014
Total revenues	\$ 874,120	\$ 458,158	\$ 87,147	\$ 72,772	\$ 961,267	\$ 530,930
Operating income	\$ 93,927	\$ 49,984	\$ 5,053	\$ 6,538	\$ 98,980	\$ 56,522
Interest expense					7,719	1,839
Interest and investment income					(2,051)	(996)
Income taxes					25,702	15,224
Net earnings					\$ 67,610	\$ 40,455

Six months ended June 30	Equipment Group		CIMCO		Consolidated	
	2018	2017	2018	2017	2018	2017
Equipment/package sales	\$ 705,350	\$ 394,094	\$ 89,445	\$ 63,299	\$ 794,795	\$ 457,393
Rentals	161,071	101,128	-	-	161,071	101,128
Product support	615,403	316,555	61,559	62,018	676,962	378,573
Power generation	5,267	6,144	-	-	5,267	6,144
Total revenues	\$ 1,487,091	\$ 817,921	\$ 151,004	\$ 125,317	\$ 1,638,095	\$ 943,238
Operating income	\$ 139,722	\$ 85,060	\$ 8,473	\$ 9,356	\$ 148,195	\$ 94,416
Interest expense					16,614	3,671
Interest and investment income					(4,230)	(2,108)
Income taxes					37,422	25,374
Net earnings					\$ 98,389	\$ 67,479

Operating income from rental operations was \$7.5 million for the three months ended June 30, 2018 (2017 - \$4.2 million) and \$6.6 million for the six months ended June 30, 2018 (2017 - \$3.0 million).

12. BUSINESS ACQUISITION IN 2017

On October 27, 2017, the Company acquired the businesses and net operating assets of the Hewitt Group of Companies and became the approved Caterpillar dealer for the province of Québec, Western Labrador and the Maritimes, as well as the Caterpillar lift truck dealer for Quebec and most of Ontario and the MaK engine dealer for Québec, the Maritimes and the Eastern seaboard of the United States from Maine to Virginia. Additional distribution rights were also acquired in this transaction. The acquisition expands the Company's Eastern operations into a contiguous territory covering all of Eastern and Central Canada extending into the far North and provides a platform for long-term growth opportunities and diversification into new markets.

The Company acquired the businesses and net operating assets of Hewitt in exchange for consideration of \$902.9 million cash (net of a final closing working capital adjustment) plus the issuance of 2.25 million Toromont common shares (\$121.2 million) for a total consideration of \$1.02 billion. Toromont funded the cash portion of the acquisition through cash on hand, the issuance of long-term senior debentures and drawings on an unsecured term credit facility.

The acquisition has been accounted for using the purchase method of accounting.

Final valuations of certain items are not yet complete due to the inherent complexity associated with valuations of this nature and the timing of the acquisition. Therefore, the purchase price allocation remains preliminary and subject to further adjustments on completion of the valuation process. The updated preliminary purchase price allocation as at June 30, 2018 is as follows:

Accounts receivable	\$	159,539
Inventories		291,035
Property, plant and equipment		216,112
Rental equipment		169,993
Deferred tax asset		2,617
Intangible assets with an indefinite life:		
Distribution network		345,989
Intangible assets with a finite life:		
ERP system		10,000
Customer relationships		14,731
Other		4,243
Accounts payable and accrued liabilities		(127,124)
Provisions		(6,045)
Deferred revenues		(51,503)
Post-employment benefit obligations		(91,555)
Net identifiable assets		938,032
Residual purchase price allocated to goodwill		86,077
Total	\$	1,024,109

13. 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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