Second Quarter 2017 **July 25, 2017**

TOROMONT ANNOUNCES RESULTS FOR THE SECOND QUARTER OF 2017 AND QUARTERLY DIVIDEND

Toromont Industries Ltd. (TSX: TIH) reported financial results for the second quarter ended June 30, 2017.

	Three months ended June 30			Six months ended June 30		
millions, except per share amounts	**2017**	2016	**% change**	**2017**	2016	**% change**
Revenues	**$ 530.9**	$ 522.1	**2%**	**$ 943.2**	$ 910.0	**4%**
Operating income	**$ 56.5**	$ 54.2	**4%**	**$ 94.4**	$ 87.6	**8%**
Net earnings	**$ 40.5**	$ 38.4	**5%**	**$ 67.5**	$ 62.6	**8%**
Basic earnings per share ("EPS")	**$ 0.52**	$ 0.49	**6%**	**$ 0.86**	$ 0.80	**7%**

Increased demand in mining and power systems is reflected in the strength of bookings and backlog. CIMCO delivered strong results on product support growth and excellent execution both in Canada and the US.

Highlights:

- <u>Equipment Group – strong mining and power systems activity offset by softer construction market conditions.</u>

  - Revenues of $458.2 million in the quarter were up slightly by $5.0 million or 1% as higher equipment sales and rentals were partially offset by lower product support revenues. Operating income of $50.0 million was relatively unchanged as lower equipment margins were partially offset by reduced selling and administrative expenses. Construction customers experienced challenging operating conditions as reflected in the much lower rental conversions in the quarter and first-half.

  - Revenues were up $26.9 million or 3% to $817.9 million year-to-date mainly due to higher equipment sales and rentals. Operating income increased $3.2 million or 4% on the higher revenues and a relatively lower selling and administrative expense ratio, partially offset by lower equipment margins. Product support year-over-year comparison reflected the uneven demand of parts and labour requirements.

  - Bookings increased 39% in the quarter to $312.0 million and 23% year-to-date to $500.0 million, principally reflective of strong mining and power systems orders. Backlogs were $253.0 million at June 30, 2017, increased substantially from $147.0 million at December 31, 2016 and $125.0 million at this time last year. More than three-quarters of the backlog is expected to be delivered this year.

- CIMCO – strong results on continued product support growth and good execution.

    - Revenues increased 5% to $72.8 million in the quarter on strong product support revenues in Canada and the US. Operating income increased 57% to $6.5 million and was 9.0% as a percentage of revenues, largely reflecting the higher revenues and higher gross profit margins.

    - Revenues were up 5% year-to-date to $125.3 million, also on good product support growth in Canada and the US. Operating income margin was 270 basis points higher than last year at 7.5%.

    - Bookings were up 7% in the quarter to $72.0 million and 20% year-to-date to $136.0 million on higher Canadian activity. Backlogs of $169.0 million at June 30, 2017 were up from $99.0 million at December 31, 2016 and the all-time high of $135.0 million at this time last year. More than three-quarters of the backlog is expected to revenue over the remainder of this year.

- Net earnings increased 5% in the quarter to $40.5 million and 8% year-to-date to $67.5 million.

- EPS increased 6% or $0.03 in the quarter to $0.52 and 7% or $0.06 to $0.86 year-to-date.

- Toromont maintained a very strong financial position. Net debt to total capitalization was 3%.

- The Board of Directors announced a quarterly dividend of 19 cents per common share, payable October 2, 2017 to shareholders of record on September 8, 2017. The quarterly dividend was previously increased 6% to 19 cents per share effective with the dividend paid April 3, 2017.

The long-term outlook for infrastructure spending remains positive from both the provincial and federal governments. In the meantime, the Company has seen increased activity in the mining and power systems sectors. Performance at CIMCO continues to be positive and represents the emerging realization of focused strategies. Growth in bookings and backlog across the organization, together with the long-term product support growth trends and the diversity of markets served, provide opportunities for continued success.

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, 2017, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited condensed interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2017, the annual MD&A contained in the 2016 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2016.

The unaudited condensed interim consolidated financial statements reported herein have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are reported in Canadian dollars. The information in this MD&A is current to July 25, 2017.

Additional information is contained in the Company’s filings with Canadian securities regulators, including the Company’s 2016 Annual Report and 2017 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company’s website at www.toromont.com.

Advisory

Information in this MD&A that is not a historical fact is "forward-looking information". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "likely", "should", "could", "will", "may" and similar expressions are intended to identify statements containing forward-looking information. Forward-looking information in this MD&A is based on current objectives, strategies, expectations and assumptions which management considers appropriate and reasonable at the time including, but not limited to, general economic and industry growth rates, commodity prices, currency exchange and interest rates, competitive intensity and shareholder and regulatory approvals.

By its nature, forward-looking information is subject to risks and uncertainties which may be beyond the ability of Toromont to control or predict. The actual results, performance or achievements of Toromont could differ materially from those expressed or implied by forward-looking information. Factors that could cause actual results, performance, achievements or events to differ from current expectations include, among others, risks and uncertainties related to: business cycles, including general economic conditions in the countries in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; changes in foreign exchange rates, including the Cdn$/US$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability of financing; and, environmental regulation.

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this MD&A. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual Management Discussion and Analysis, as filed with Canadian securities regulators at www.sedar.com or at www.toromont.com. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

Readers are cautioned not to place undue reliance on statements containing forward-looking information that are included in this MD&A, which are made as of the date of this MD&A, and not to use such information for anything other than their intended purpose. Toromont disclaims any obligation or intention to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

CONSOLIDATED RESULTS OF OPERATIONS

	Three months ended June 30				Six months ended June 30			
			Change				Change	
($ thousands, except per share amounts)	**2017**	2016	$	%	**2017**	2016	$	%
REVENUES	**$ 530,930**	$ 522,124	$ 8,806	2%	**$ 943,238**	$ 910,043	$ 33,195	4%
Cost of goods sold	**408,787**	401,601	7,186	2%	**720,690**	697,570	23,120	3%
Gross profit (1)	**122,143**	120,523	1,620	1%	**222,548**	212,473	10,075	5%
Selling and administrative expenses	**65,621**	66,362	(741)	(1%)	**128,132**	124,836	3,296	3%
OPERATING INCOME (1)	**56,522**	54,161	2,361	4%	**94,416**	87,637	6,779	8%
Interest expense	**1,839**	1,759	80	5%	**3,671**	3,593	78	2%
Interest and investment income	**(996)**	(634)	(362)	57%	**(2,108)**	(2,207)	99	(4%)
Income before income taxes	**55,679**	53,036	2,643	5%	**92,853**	86,251	6,602	8%
Income taxes	**15,224**	14,630	594	4%	**25,374**	23,675	1,699	7%
NET EARNINGS	**$ 40,455**	$ 38,406	$ 2,049	5%	**$ 67,479**	$ 62,576	$ 4,903	8%
BASIC EARNINGS PER SHARE	**$ 0.52**	$ 0.49	$ 0.03	6%	**$ 0.86**	$ 0.80	$ 0.06	7%
KEY RATIOS:								
Gross profit margin (1)	**23.0%**	23.1%			**23.6%**	23.3%		
Selling and administrative expenses as a % of revenues	**12.4%**	12.7%			**13.6%**	13.7%		
Operating income margin (1)	**10.6%**	10.4%			**10.0%**	9.6%		
Income taxes as a % of income before income taxes	**27.3%**	27.6%			**27.3%**	27.4%		

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

Revenues increased 2% in the quarter and 4% year-to-date. In the Equipment Group, equipment sales and rentals increased while product support was lower for both the quarter and year-to-date reflecting softness in the agricultural sector combined with challenging year-over-year comparison for product support demand in the mining and power sectors. At CIMCO, product support growth remained strong in both the quarter and year-to-date while package sales were unchanged from the strong revenues reported last year.

Gross profit margin decreased 10 basis points in the quarter but was 30 basis points higher year-to-date. CIMCO reported higher margins for both the quarter and year-to-date on good project execution. Equipment Group reported lower margins for the quarter and year-to-date reflecting a tight pricing environment.

Selling and administrative expenses decreased $0.7 million or 1% in the quarter. Mark-to-market adjustments on Deferred Share Units ("DSUs") were $0.9 million lower due to a relatively lower increase in the average share price (3% in the second quarter of 2017 versus 11% in the second quarter of 2016). Bad debt expenses were lower by $0.4 million. Certain other expense categories such as information technology were lower, partially offset by increases in other compensation and travel costs. On a year-to-date basis, selling and administrative expenses were up $3.3 million or 3% mainly due to higher compensation costs (up $2.2 million) and bad debt expenses (up $0.3 million). As a percentage of revenues, selling and administrative expenses were 30 basis points lower in the quarter and 10 basis points lower year-to-date.

Operating income increased 4% in the quarter and 8% year-to-date. As a percentage of revenues, operating income was 10.6% in the quarter and 10.0% year-to-date.

Interest expense was $1.8 in the quarter and $3.7 million year-to-date, largely unchanged from the prior year.

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

The effective income tax rate was 27.3% in the quarter and year-to-date.

Earnings per share ("EPS") increased $0.03 or 6% in the quarter to $0.52. On a year-to-date basis, EPS increased $0.06 or 7% to $0.86.

Comprehensive income was $38.0 million in the quarter (2016 - $37.3 million) and $64.8 million year-to-date (2016 - $57.1 million), comprising mainly of net earnings and other comprehensive loss resulting from an unfavorable change in the fair value of cash flow hedges.

BUSINESS SEGMENT OPERATING RESULTS

The accounting policies of the segments are the same as those of the consolidated entity. Management evaluates overall business segment performance based on revenue growth and operating income relative to revenues. Corporate expenses are allocated based on each segment's revenue. Interest expense and interest and investment income are not allocated.

Equipment Group

	Three months ended June 30				Six months ended June 30			
			Change				Change	
($ thousands)	**2017**	2016	$	%	**2017**	2016	$	%
Equipment sales and rentals								
New	**$ 179,768**	$ 165,641	$ 14,127	9%	**$ 286,584**	$ 261,615	$ 24,969	10%
Used	**54,604**	61,053	(6,449)	(11%)	**107,510**	116,732	(9,222)	(8%)
Rentals	**55,694**	51,604	4,090	8%	**101,128**	89,968	11,160	12%
Total equipment sales and rentals	**290,066**	278,298	11,768	4%	**495,222**	468,315	26,907	6%
Power generation	**3,014**	3,100	(86)	(3%)	**6,144**	6,034	110	2%
Product support	**165,078**	171,747	(6,669)	(4%)	**316,555**	316,643	(88)	-
Total revenues	**$ 458,158**	$ 453,145	$ 5,013	1%	**$ 817,921**	$ 790,992	$ 26,929	3%
Operating income	**$ 49,984**	$ 49,999	$ (15)	-	**$ 85,060**	$ 81,873	$ 3,187	4%
KEY RATIOS:								
Product support revenues as a % of total revenues	**36.0%**	37.9%			**38.7%**	40.0%		
Operating income margin	**10.9%**	11.0%			**10.4%**	10.4%		
Group total revenues as a % of consolidated revenues	**86.3%**	86.8%			**86.7%**	86.9%		

Relatively unchanged operating income in the second quarter reflects softer market conditions in the construction and agricultural sectors, offset by increased activity in mining and power systems. Booking activity in the quarter was good and backlogs are healthy.

New equipment sales increased 9% in the quarter and 10% year-to-date while used equipment sales decreased 11% in the quarter and 8% year-to-date. There is interplay between new and used sales reflecting market conditions, equipment availability and relative pricing. On a combined basis, total equipment sales were up 3% in the quarter and 4% year-to-date.

Power systems equipment sales were strong in both the quarter (up 83%) and year-to-date (up 53%). With high electricity prices in Ontario, demand has increased for combined heat and power (CHP) to reduce electricity costs. Mining equipment sales increased 92% in the quarter and 72% year-to-date on increased activity. Sales into construction markets were down 10% in the quarter and 11% year-to-date with decreases reported across most territories. Strong competitive conditions persisted. Deliveries into agriculture markets were also down (26% in the quarter and 13% year-to-date) as commodity prices remained low.

Rental revenues were up 8% in the quarter and 12% year-to-date on improved time utilization. Heavy equipment rentals increased 22% in the quarter and 33% year-to-date with good activity levels in Newfoundland and Manitoba offsetting lower levels in Ontario. Light equipment rentals increased 8% in the quarter and 9% year-to-date with good growth across all territories. Power rentals increased 26% in the quarter and 23% year-to-date on a larger more balanced fleet and increased demand for generators, pumps and temperature controls. Rental revenues from RPO (equipment on rent with a purchase option) were down 18% in the quarter (largely reflecting rental rate pressures) but up 6% year-to-date. The RPO fleet was $41.4 million at June 30, 2017 compared to $39.9 million at June 30, 2016. Customers remain cautious as first half RPO conversions were down 75% versus a year ago.

Product support revenues were lower in the quarter (down 4%) and relatively in line year-to-date versus last year. Power systems product support revenues were 11% lower in the quarter and 7% lower year-to-date reflecting a challenging 2016 rebuild comparison on parts sales as labour increased in the first half. Product support work in the on-highway truck market declined 12% in the quarter and 9% year-to-date on the reduced base of CAT engines in on-highway trucks following discontinuation of this product line many years ago. Construction markets were also down 4% in the quarter but up 1% year-to-date reflecting lower activity in end markets. Parts sales were down 4% in the quarter and 1% year-to-date with decreases across most major market segments. Service revenues decreased 2% in the quarter but were up 3% year-to-date. Service activity levels in mining remained strong (up 15% in the quarter and 18% year-to-date), offsetting lower construction activity levels (down 8% in the quarter and 3% year-to-date).

Gross profit margins decreased 60 basis points in the quarter and 40 basis points year-to-date. A very tight pricing environment across most markets and territories continued to exert downward pressures on both equipment and rental margins combined with lower rental conversions.

Selling and administrative expenses decreased $1.4 million or 2% in the quarter and were 40 basis points lower as a percentage of revenues (11.7% versus 12.1% last year). Certain expense categories, such as information technology and occupancy, were lower as the Group remains focused on expense management. On a year-to-date basis, selling and administrative expenses were up slightly by $0.6 million but also 40 basis points lower as a percentage of revenues (12.7% versus 13.1% last year).

Operating income margin decreased 10 basis points in the quarter and was relatively unchanged year-to-date, mainly reflecting the impact of the lower gross profit margins.

Bookings and Backlogs

($ millions)	**2017**	2016	$ change	% change
Bookings - three months ended June 30	**$ 312**	$ 225	$ 87	39%
Bookings - six months ended June 30	**$ 500**	$ 408	$ 92	23%
Backlogs - as at June 30	**$ 253**	$ 125	$ 128	102%

Equipment bookings were strong in both the quarter and year-to-date. For the quarter, higher mining (up 316%), construction (up 4%) and power systems orders (up 51%) were partially offset by lower agriculture orders (down 36%). On a year-to-date basis, higher mining (up 254%) and power systems orders (up 85%) were partially offset by lower construction (down 9%) and agriculture orders (down 19%).

Backlogs of $253.0 million were up 102% from this time last year with increases across all market segments. At June 30, 2017, the backlog related to mining (44%), construction (30%), power systems (19%) and agriculture (7%), more than three-quarters of which is expected to be delivered over the remainder of the year. Backlogs can vary significantly from period to period on large project activities (especially in mining and power), the timing of orders and deliveries, and the availability of equipment from inventory.

CIMCO

	Three months ended June 30				**Six months ended June 30**			
			Change				**Change**	
($ thousands)	**2017**	2016	$	%	**2017**	2016	$	%
Package sales	**$ 39,984**	$ 40,140	$ (156)	-	**$ 63,299**	$ 63,094	$ 205	-
Product support	**32,788**	28,839	3,949	14%	**62,018**	55,957	6,061	11%
Total revenues	**$ 72,772**	$ 68,979	$ 3,793	5%	**$ 125,317**	$ 119,051	$ 6,266	5%
Operating income	**$ 6,538**	$ 4,162	$ 2,376	57%	**$ 9,356**	$ 5,764	$ 3,592	62%
KEY RATIOS:								
Product support revenues as a % of total revenues	**45.1%**	41.8%			**49.5%**	47.0%		
Operating income margin	**9.0%**	6.0%			**7.5%**	4.8%		
Group total revenues as a % of consolidated revenues	**13.7%**	13.2%			**13.3%**	13.1%		

CIMCO's results reflect continued product support growth and strong project execution. Movements in the US/Cdn$ exchange rate did not have a material effect on year-over-year trends.

Package revenues reflect the progress of 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 down 2% in the quarter but up 2% year-to-date, reflecting the impact of weaker conditions in Quebec and good activity levels in Ontario. Recreational markets were up 13% in the quarter and 12% year-to-date while industrial markets were down 8% in the quarter and 1% year-to-date. In the US, package revenues increased 6% in the quarter but were down 5% year-to-date. Recreational markets have generally been stronger in the US while industrial markets have been weaker.

Product support revenues increased 14% in the quarter and 11% year-to-date with continued growth in both Canada and the US. Canadian product support revenues increased 15% in the quarter and 14% year-to-date with growth across all regions. Product support revenues in the US were up 9% in the quarter and 3% year-to-date with continued focus on expansion in this market.

Gross profit margins increased 290 basis points in the quarter and 380 basis points year-to-date on higher package margins and a favorable sales mix of product support revenues to total revenues. Package margins have improved mainly as a result of improved execution and lower warranty costs.

Selling and administrative expenses increased $0.6 million or 5% in the quarter and $2.7 million or 13% year-to-date. Higher compensation costs on annual salary increases, additional headcount to support growth and increased profit sharing accrual on the higher earnings and travel costs were partially offset by a lower bad debt expense. As a percentage of revenues, selling and administrative expenses were relatively in line with last quarter but 130 basis points higher year-to-date.

Operating income increased 57% in the quarter and 62% year-to-date largely reflecting the higher revenues and gross profit margins. Operating income margin was 9.0% in the quarter and 7.5% year-to-date.

Bookings and Backlogs

($ millions)	**2017**	2016	$ change	% change
Bookings - three months ended June 30	**$ 72**	$ 67	$ 5	7%
Bookings - six months ended June 30	**$ 136**	$ 113	$ 23	20%
Backlogs - as at June 30	**$ 169**	$ 135	$ 34	25%

Bookings were up in both the quarter and year-to-date. For the quarter, Canadian bookings were up 19% with increased recreational orders (up 167%) partially offset by lower industrial activity (down 8%). US bookings decreased 48% with significantly lower recreational (down 61%) and industrial orders (down 11%). On a year-to-date basis, Canadian bookings were up 28% with higher recreational (up 90%) and industrial orders (up 4%). In the US, bookings were down 5% as higher recreational (up 12%) were more than offset by lower industrial orders (down 49%).

Backlogs of $169.0 million surpassed the previous all-time high of $135.0 million set last year on higher industrial and recreational levels. In Canada, both recreational and industrial were higher while in the US, higher industrial was partially offset by slightly lower recreational levels. More than three-quarters of the backlog is expected to revenue over the remainder of the year.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At June 30, 2017, the ratio of net debt to total capitalization was 3%, compared to a positive net cash position at December 31, 2016 and 13% at June 30, 2016.

Non-Cash Working Capital

The Company's investment in non-cash working capital was $447.9 million at June 30, 2017. The major components, along with the changes from June 30 and December 31, 2016 are presented in the following table.

($ thousands)	June 30 2017	June 30 2016	Change $	Change %	December 31 2016	Change $	Change %
Accounts receivable	**$ 312,023**	$ 286,929	$ 25,094	9%	$ 277,050	$ 34,973	13%
Inventories	**523,515**	504,654	18,861	4%	435,757	87,758	20%
Other current assets	**5,289**	4,252	1,037	24%	5,236	53	1%
Accounts payable, accrued liabilities and provisions	**(295,507)**	(266,757)	(28,750)	11%	(264,199)	(31,308)	12%
Income taxes receivable (payable)	**2,096**	2,028	68	3%	(1,262)	3,358	nm
Derivative financial instruments	**(5,735)**	665	(6,400)	nm	1,197	(6,932)	nm
Dividends payable	**(14,909)**	(14,062)	(847)	6%	(14,110)	(799)	6%
Deferred revenues	**(78,833)**	(56,770)	(22,063)	39%	(51,211)	(27,622)	54%
Total non-cash working capital	**$ 447,939**	$ 460,939	$ (13,000)	(3%)	$ 388,458	$ 59,481	15%

Accounts receivable increased 9% compared to June 30, 2016, reflecting higher June sales activity levels year-over-year (up 8%) and slower collections. Days sales outstanding ("DSO") increased 1 day to 44 days mainly due an increase at CIMCO (up 7 days) while the Equipment Group was relatively in line with last year.

In comparison to December 31, 2016, accounts receivable increased 13% on higher trailing revenues (Q2 2017 revenues were 10% higher than Q4 2016 revenues), partially offset by lower DSO (45 days at December 31, 2016).

Inventories at June 30, 2017 were 4% higher compared to June 30, 2016 with increases in both Groups:

- Equipment Group inventories increased 2% or $10.9 million. Equipment inventory was higher by $17.2 million, largely due to inventory held in advance of customer-specified delivery dates later in the year, while parts (down $5.4 million) and service work-in-process (down $0.9 million) were lower.
- CIMCO inventories were 40% or $8.0 million higher than last year, reflecting strong work-in-process levels.

Inventories at June 30, 2017 were 20% higher compared to December 31, 2016, also with increases in both Groups:

- Equipment Group inventories were 19% higher with increases in equipment and service work-in process, partially offset by lower parts. In addition to certain inventory held in advance for customer-specified delivery dates later in the year, 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 52% on higher work-in-process levels on the timing of project advancement.

Accounts payable, accrued liabilities and provisions at June 30, 2017 were 11% higher than at June 30, 2016 on the timing of payments related to inventory purchases and other supplies, and a higher DSU liability. Compared to December 31, 2016, accounts payable, accrued liabilities and provisions increased 12% on similar factors, partially offset by the payout of annual performance incentive bonuses and the stronger Canadian dollar.

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

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar have led to a cumulative net loss of $5.7 million as at June 30, 2017. This is not expected to affect net income, as the unrealized losses will offset future gains on the related hedged items.

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

Deferred revenues represent billings to customers in excess of revenue recognized. In the Equipment Group, deferred revenues were up 48% versus June 30, 2016 and 41% versus December 31, 2016, due to increased progress billings for equipment deliveries later in the year and progress billings relative to work completed on long-term customer support agreements. At CIMCO, deferred revenues were up 26% versus June 30, 2016 and 84% versus December 31, 2016, reflecting increased progress billings.

Legal and Other Contingencies

Due to the size, complexity and nature of the Company's operations, various legal matters are pending. Exposure to these claims is mitigated through levels of insurance coverage considered appropriate by management and by active management of these matters. In the opinion of management, none of these matters will have a material effect on the Company's consolidated financial position or results of operations.

Outstanding Share Data

As at the date of this MD&A, the Company had 78,480,461 common shares and 2,333,366 share options outstanding.

Dividends

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

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total ($ millions)
December 10, 2015	January 4, 2016	$0.17	$13.3
March 10, 2016	April 1, 2016	$0.18	$14.0
June 10, 2016	July 4, 2016	$0.18	$14.1
September 9, 2016	October 3, 2016	$0.18	$14.1
December 9, 2016	January 3, 2017	$0.18	$14.1
March 10, 2017	April 3, 2017	$0.19	$14.9
June 9, 2017	July 4, 2017	$0.19	$14.9

Normal Course Issuer Bid ("NCIB")

During the three and six months period ended June 30, 2017, no shares were purchased under the NCIB program.

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

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Toromont's liquidity requirements can be met through a variety of sources, including cash generated from operations, long-term and short-term borrowings and the issuance of common shares. Borrowings are obtained through a variety of sources including senior debentures, notes payable and committed long-term credit facilities.

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

No amounts were drawn on the credit facility at June 30, 2017, December 31, 2016 or June 30, 2016. Letters of credit utilized $22.9 million of the facility at June 30, 2017 (December 31, 2016 - $21.7 million; June 30, 2016 - $21.4 million).

The Company expects that continued cash flows from operations in 2017 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:

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2017**	2016	**2017**	2016
Cash, beginning of period	**$ 155,584**	$ 60,383	**$ 188,735**	$ 66,680
Cash, provided by (used in):				
Operating activities				
Operations	**55,087**	52,785	**94,456**	90,395
Change in non-cash working capital and other	**(24,803)**	(30,537)	**(63,920)**	(40,283)
Net rental fleet additions	**(38,741)**	(34,696)	**(54,981)**	(50,991)
	(8,457)	(12,448)	**(24,445)**	(879)
Investing activities	**(11,424)**	(7,935)	**(14,991)**	(11,667)
Financing activities	**(14,660)**	(10,700)	**(28,225)**	(24,695)
Effect of foreign exchange on cash balances	**(99)**	(2)	**(130)**	(141)
Decrease in cash in the period	**(34,640)**	(31,085)	**(67,791)**	(37,382)
Cash, end of period	**$ 120,944**	$ 29,298	**$ 120,944**	$ 29,298

Cash Flows from Operating Activities

Operating activities used less cash in the second quarter and significantly more cash year-to-date.

Net earnings adjusted for items not requiring cash increased 4% in the quarter and year-to-date.

Non-cash working capital decreased in the quarter on lower accounts receivable and higher derivative liabilities partially offset by higher inventories and lower accounts payables. Year-to-date, non-cash working capital increased significantly on higher inventories and accounts receivable, partially offset by higher accounts payable, deferred revenues and derivative liabilities.

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

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

Cash Flows from Investing Activities

Additions in the quarter included:

- $6.8 million for service vehicles (2016 - $6.2 million);
- $3.1 million in land and buildings for new and expanded branches (2016 - $0.9 million);
- $1.1 million for machinery and equipment (2016 - $0.4 million); and
- $0.4 million for upgrades to information technology infrastructure (2016 - $0.6 million).

Additions year-to-date included:

- $9.3 million for service vehicles (2016 - $7.7 million);
- $3.8 million in land and buildings for new and expanded branches (2016 - $1.8 million);
- $1.5 million for machinery and equipment (2016 - $1.4 million); and
- $0.9 million for upgrades to information technology infrastructure (2016 - $1.0 million).

Cash Flows from Financing Activities

The Company paid dividends of $14.9 million or $0.19 per share (2016 - $14.0 million or $0.18 per share) during the quarter and $29.0 million or $0.37 per share year-to-date (2016 – $27.3 million or $0.35 per share).

The Company received $0.2 million (2016 - $3.3 million) on the exercise of stock options during the quarter and $1.7 million (2016 – $6.0 million) year-to-date.

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

OUTLOOK

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

The long-term outlook for infrastructure spending continues to be positive following the Federal budget, however, further clarity on the timing and nature of the spend is needed to understand the near-term impact. Toromont remains cautiously optimistic on various provincial spending initiatives and expects to gain better visibility in the coming months.

We have been seeing increased enquiries in the mining space for a few quarters, following a period of capital constraint. This has now contributed to increased bookings and backlogs and we are cautiously optimistic that there is the opportunity for continued growth. In the meantime, mine production continues, generating product support opportunities and incremental equipment to support the operations and expansion of these existing mines. With the substantially increased base of installed equipment, product support activity should continue to grow so long as mines remain active.

AgWest expands Toromont's footprint in the agricultural equipment market. Sales coverage and improved operational processes will continue to be a focus in order to generate longer term financial returns. Weak end markets together with increased industry inventory levels are expected to continue to dampen results in the near term.

CIMCO's growth in performance in recent years represents the emerging realization of focused strategies. Recent booking activity and current backlogs bode well for future prospects. Increasing product support levels is also a positive signal for future trends. CIMCO has a wide product offering using natural refrigerants including innovative CO_2 solutions, which are expected to contribute to growth. In addition, CIMCO is focused on its growth strategy in the US, which represents a significant market opportunity.

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

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2016 annual audited consolidated financial statements.

($ thousands, except per share amounts)	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**

($ thousands, except per share amounts)	Q3 2015	Q4 2015	Q1 2016	Q2 2016
REVENUES				
Equipment Group	$ 450,630	$ 417,827	$ 337,847	$ 453,145
CIMCO	66,248	65,991	50,072	68,979
Total revenues	$ 516,878	$ 483,818	$ 387,919	$ 522,124
NET EARNINGS	$ 44,730	$ 44,404	$ 24,170	$ 38,406
PER SHARE INFORMATION:				
Basic earnings per share	$ 0.58	$ 0.57	$ 0.31	$ 0.49
Diluted earnings per share	0.57	0.57	0.31	0.49
Dividends paid per share	$ 0.17	$ 0.17	$ 0.17	$ 0.18
Weighted average common shares outstanding - basic (in thousands)	77,773	77,904	77,898	78,056

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

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

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

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

RISKS AND RISK MANAGEMENT

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Accounting Policies

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

Estimates

The preparation of financial statements in conformity with IFRS requires estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. There have been no material changes to the critical accounting estimates as described in Note 2 to the Company's 2016 audited annual consolidated financial statements, contained in the Company's 2016 Annual Report.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

While the Officers of the Company have designed the Company's disclosure controls and procedures and internal control over financial reporting, they expect that the controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

ADDITIONAL GAAP MEASURES

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

Gross Profit

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

Operating Income

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

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2017**	2016	**2017**	2016
Net earnings	**$ 40,455**	$ 38,406	**$ 67,479**	$ 62,576
plus: Interest expense	**1,839**	1,759	**3,671**	3,593
less: Interest and investment income	**(996)**	(634)	**(2,108)**	(2,207)
plus: Income taxes	**15,224**	14,630	**25,374**	23,675
Operating income	**$ 56,522**	$ 54,161	**$ 94,416**	$ 87,637

Net Debt to Total Capitalization

Net debt to total capitalization is calculated as net debt divided by total capitalization, both defined below, and is used by management as a measure of the Company's financial leverage.

Net debt is calculated as long-term debt plus current portion of long-term debt less cash. Total capitalization is calculated as shareholders' equity plus net debt.

The calculation is as follows:

($ thousands)	**June 30 2017**	December 31 2016	June 30 2016
Long-term debt	**$ 149,987**	$ 150,717	$ 151,408
Current portion of long-term debt	**1,875**	1,811	1,749
less: Cash	**120,944**	188,735	29,298
Net debt	**$ 30,918**	$ (36,207)	$ 123,859
Shareholders' equity	**$ 923,815**	$ 885,432	$ 809,352
Total capitalization	**$ 954,733**	$ 849,225	$ 933,211
Net debt to total capitalization	**3%**	-4%	13%

NON-GAAP MEASURES

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

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

Working Capital

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

($ thousands)	June 30 2017	December 31 2016	June 30 2016
Total current assets	**$ 963,867**	$ 907,975	$ 827,826
less: Total current liabilities	**396,859**	332,593	339,338
Working capital	**$ 567,008**	$ 575,382	$ 488,488

Non-Cash Working Capital

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

($ thousands)	June 30 2017	December 31 2016	June 30 2016
Total current assets	**$ 963,867**	$ 907,975	$ 827,826
less: Cash	**120,944**	188,735	29,298
	$ 842,923	$ 719,240	$ 798,528
Total current liabilities	**$ 396,859**	$ 332,593	$ 339,338
less: Current portion of long-term debt	**1,875**	1,811	1,749
	$ 394,984	$ 330,782	$ 337,589
Non-cash working capital	**$ 447,939**	$ 388,458	$ 460,939

Key Performance Indicators ("KPIs")

Management uses key performance indicators to consistently measure performance against the Company's priorities across the organization. The Company's KPIs include gross profit margin, operating margin and order bookings and backlogs. Although some of these KPIs are expressed as ratios, they are non-GAAP financial measures that do not have a standardized meaning under IFRS and may not be comparable to similar measures used by other issuers.

Gross Profit Margin

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

Operating Income Margin

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

Order Bookings and Backlogs

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

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

($ thousands)	Note	**June 30 2017**	December 31 2016	June 30 2016
Assets				
Current assets				
Cash		**$ 120,944**	$ 188,735	$ 29,298
Accounts receivable		**312,023**	277,050	286,929
Inventories		**523,515**	435,757	504,654
Income taxes receivable		**2,096**	-	2,028
Derivative financial instruments	7	**-**	1,197	665
Other current assets		**5,289**	5,236	4,252
Total current assets		**963,867**	907,975	827,826
Property, plant and equipment	2	**186,462**	181,827	183,746
Rental equipment	2	**310,443**	272,277	280,766
Other assets	3	**15,234**	15,381	14,960
Deferred tax assets		**7,414**	5,610	11,604
Goodwill and intangible assets		**27,486**	27,501	27,516
Total assets		**$ 1,510,906**	$ 1,410,571	$ 1,346,418
Liabilities				
Current liabilities				
Accounts payable, accrued liabilities and provisions	4	**$ 310,416**	$ 278,309	$ 280,819
Deferred revenues		**78,833**	51,211	56,770
Current portion of long-term debt	5	**1,875**	1,811	1,749
Derivative financial instruments	7	**5,735**	-	-
Income taxes payable		**-**	1,262	-
Total current liabilities		**396,859**	332,593	339,338
Deferred revenues		**18,604**	19,259	18,754
Long-term debt	5	**149,987**	150,717	151,408
Accrued pension liability		**21,641**	22,570	27,566
Shareholders' equity				
Share capital		**317,121**	315,078	308,252
Contributed surplus		**9,528**	8,166	7,704
Retained earnings		**596,915**	559,252	490,718
Accumulated other comprehensive income		**251**	2,936	2,678
Shareholders' equity		**923,815**	885,432	809,352
Total liabilities and shareholders' equity		**$ 1,510,906**	$ 1,410,571	$ 1,346,418

See accompanying notes

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

($ thousands, except share amounts)	Note	Three months ended June 30 2017	2016	Six months ended June 30 2017	2016
Revenues	13	**$ 530,930**	$ 522,124	**$ 943,238**	$ 910,043
Cost of goods sold		**408,787**	401,601	**720,690**	697,570
Gross profit		**122,143**	120,523	**222,548**	212,473
Selling and administrative expenses		**65,621**	66,362	**128,132**	124,836
Operating income		**56,522**	54,161	**94,416**	87,637
Interest expense	8	**1,839**	1,759	**3,671**	3,593
Interest and investment income	8	**(996)**	(634)	**(2,108)**	(2,207)
Income before income taxes		**55,679**	53,036	**92,853**	86,251
Income taxes		**15,224**	14,630	**25,374**	23,675
Net earnings		**$ 40,455**	$ 38,406	**$ 67,479**	$ 62,576
Earnings per share					
Basic	9	**$ 0.52**	$ 0.49	**$ 0.86**	$ 0.80
Diluted	9	**$ 0.51**	$ 0.49	**$ 0.85**	$ 0.80
Weighted average number of shares outstanding					
Basic	9	**78,473,780**	78,055,537	**78,453,047**	77,976,536
Diluted	9	**79,328,906**	78,704,379	**79,272,793**	78,541,057

See accompanying notes

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

($ thousands)	Three months ended June 30 2017	2016	Six months ended June 30 2017	2016
Net earnings	**$ 40,455**	$ 38,406	**$ 67,479**	$ 62,576
Other comprehensive income (loss), net of income tax:				
Items that may be reclassified subsequently to net earnings:				
Foreign currency translation adjustments	**(267)**	14	**(350)**	(600)
Unrealized (losses) gains on derivatives designated as cash flow hedges	**(2,429)**	1,694	**(3,390)**	(3,239)
Income tax recovery (expense)	**631**	(441)	**881**	845
Unrealized (losses) gains on cash flow hedges, net of income tax	**(1,798)**	1,253	**(2,509)**	(2,394)
Realized (gains) losses on derivatives designated as cash flow hedges, transferred to net earnings	**(529)**	3,255	**236**	3,023
Income tax expense (recovery)	**137**	(849)	**(62)**	(789)
Realized (gains) losses on cash flow hedges, net of income tax	**(392)**	2,406	**174**	2,234
Items that will not be reclassified subsequently to net earnings:				
Actuarial losses on pension plans	**-**	(6,459)	**-**	(6,459)
Income tax recovery	**-**	1,712	**-**	1,712
Actuarial losses on pension plans, net of income tax	**-**	(4,747)	**-**	(4,747)
Other comprehensive loss	**(2,457)**	(1,074)	**(2,685)**	(5,507)
Total comprehensive income	**$ 37,998**	$ 37,332	**$ 64,794**	$ 57,069

See accompanying notes

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

($ thousands)	Note	Three months ended June 30 2017	Three months ended June 30 2016	Six months ended June 30 2017	Six months ended June 30 2016
Operating activities					
Net earnings		**$ 40,455**	$ 38,406	**$ 67,479**	$ 62,576
Items not requiring cash:					
Depreciation and amortization		**19,566**	19,069	**38,517**	37,360
Stock-based compensation		**861**	838	**1,722**	1,676
Accrued pension liability		**(931)**	2	**(929)**	12
Deferred income taxes		**(691)**	(1,417)	**(982)**	(1,734)
Gain on sale of rental equipment and property, plant and equipment	2	**(4,173)**	(4,113)	**(11,351)**	(9,495)
		55,087	52,785	**94,456**	90,395
Net change in non-cash working capital and other	12	**(24,803)**	(30,537)	**(63,920)**	(40,283)
Additions to rental equipment	2	**(47,527)**	(43,204)	**(75,135)**	(70,182)
Proceeds on disposal of rental equipment	2	**8,786**	8,508	**20,154**	19,191
Cash used in operating activities		**(8,457)**	(12,448)	**(24,445)**	(879)
Investing activities					
Additions to property, plant and equipment	2	**(11,559)**	(8,302)	**(15,794)**	(12,203)
Proceeds on disposal of property, plant and equipment	2	**187**	428	**909**	651
Increase in other assets		**(52)**	(61)	**(106)**	(115)
Cash used in investing activities		**(11,424)**	(7,935)	**(14,991)**	(11,667)
Financing activities					
Repayment of senior debentures		**-**	-	**(890)**	(830)
Dividends	6	**(14,907)**	(14,013)	**(29,018)**	(27,266)
Shares purchased for cancellation		**-**	-	**-**	(2,574)
Cash received on exercise of stock options		**247**	3,313	**1,683**	5,975
Cash used in financing activities		**(14,660)**	(10,700)	**(28,225)**	(24,695)
Effect of currency translation on cash balances		**(99)**	(2)	**(130)**	(141)
Decrease in cash		**(34,640)**	(31,085)	**(67,791)**	(37,382)
Cash, at beginning of period		**155,584**	60,383	**188,735**	66,680
Cash, at end of period		**$ 120,944**	$ 29,298	**$ 120,944**	$ 29,298

Supplemental cash flow information (note 12)

See accompanying notes

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

($ thousands)	Share Capital Number	Share Capital Amount	Contributed surplus	Retained earnings	Accumulated other comprehensive income: Foreign currency translation adjustments	Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Total	Total
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**

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

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the six months ended June 30, 2017
(Unaudited)
($ thousands, except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

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

Toromont operates through two reportable segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory, industry-leading rental operations and an expanding agricultural dealership in Manitoba. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities. Toromont employs over 3,800 people in more than 100 locations.

Basis of Preparation

These interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*. Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2016.

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, 2016.

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 25, 2017.

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, 2016. Certain balances in the comparative interim condensed consolidated income statement have been reclassified from statements previously presented to conform to the presentation of the 2017 interim condensed consolidated income statement.

Amendments to Standards Adopted in 2017

Certain amendments to standards that were adopted on January 1, 2017 are noted below.

a) Statement of Cash flows

Amendments to IAS 7 - *Statement of Cash Flows,* require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities; including both changes arising from cash flows and non-cash flows. The amendments must be applied prospectively with no requirement to provide comparative information for preceding periods and no additional information in the interim financial statements.

Standards Issued But Not Yet Effective

A number of new standards and amendments to standards have been issued but are not yet effective for the financial year ended December 31, 2017, and accordingly, have not been applied in preparing these consolidated financial statements.

a) Share-based Payment

In June 2016, the IASB issued final amendments to IFRS 2 – *Share-based payment*, which clarifies 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 are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

b) Revenue Recognition

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*, which 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.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Entities choose either a full retrospective approach with some limited relief provided or a modified retrospective approach for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Company's transition project consists of three phases: diagnostic assessment, solutions development and implementation. Investments in training and other support resources will be made throughout the transition period.

The Company is nearing the completion of the diagnostic phase and has begun solutions development in core areas.

While work is well underway and on plan, continued progress is necessary before the Company can prudently increase the specificity of the impact of adopting this standard.

c) Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments,* which replaces all phases of the financial instruments project, IAS 39 – *Financial Instruments: Recognition and Measurement,* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

d) Leases

In January 2016, the IASB issued IFRS 16 - *Leases*, which requires lessees to recognize assets and liabilities for most leases. 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.

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	
	2017	2016	**2017**	2016
Additions				
Rental equipment	**$ 47,527**	$ 43,204	**$ 75,135**	$ 70,182
Property, plant and equipment	**11,559**	8,302	**15,794**	12,203
Total Additions	**$ 59,086**	$ 51,506	**$ 90,929**	$ 82,385
Disposals - NBV				
Rental equipment	**$ 4,745**	$ 4,603	**$ 9,510**	$ 9,949
Property, plant and equipment	**55**	$ 220	**202**	398
Total Disposals - NBV	**$ 4,800**	$ 4,823	**$ 9,712**	$ 10,347
Net gain on disposal	**$ 4,173**	$ 4,113	**$ 11,351**	$ 9,495
Depreciation				
Cost of goods sold	**$ 17,699**	$ 17,265	**34,847**	$ 33,847
Selling and administrative expenses	**1,747**	1,684	**3,431**	3,272
Total Depreciation	**$ 19,446**	$ 18,949	**$ 38,278**	$ 37,119

3. OTHER ASSETS

	June 30 2017	December 31 2016	June 30 2016
Equipment sold with guaranteed residual values	$ 12,892	$ 13,147	$ 12,829
Other	2,342	2,234	2,131
	$ 15,234	$ 15,381	$ 14,960

4. PAYABLES, ACCRUALS AND PROVISIONS

	June 30 2017	December 31 2016	June 30 2016
Accounts payable and accrued liabilities	$ 281,334	$ 248,104	$ 249,098
Dividends payable	14,909	14,111	14,062
Provisions	14,173	16,094	17,659
	$ 310,416	$ 278,309	$ 280,819

5. LONG-TERM DEBT

	June 30 2017	December 31 2016	June 30 2016
3.71%, $150.0 million, due September 30, 2025(1)	$ 150,000	$ 150,000	$ 150,000
7.06%, $15.0 million, due March 29, 2019(2)	3,884	4,774	5,634
Senior debentures	153,884	154,774	155,634
Debt issuance costs, net of amortization	(2,022)	(2,246)	(2,477)
Total long-term debt	$ 151,862	$ 152,528	$ 153,157
Less: current portion of long-term debt	(1,875)	(1,811)	(1,749)
Non-current portion of long-term debt	$ 149,987	$ 150,717	$ 151,408

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

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

All debt is unsecured.

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

No amounts were drawn on the facility at June 30, 2017, December 31, 2016 or June 30, 2016. Letters of credit utilized $22.9 million of the facility at June 30, 2017 (December 31, 2016 - $21.7 million and June 30, 2016 - $21.4 million).

6. SHARE CAPITAL

Normal Course Issuer Bid ("NCIB")

During the three and six months period ended June 30, 2017, no shares were purchased under the NCIB program.

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

Dividends

The Company paid dividends of $14.9 million or $0.19 per share (2016 - $14.0 million or $0.18 per share) during the three months ended June 30, 2017 and $29.0 million or $0.37 per share for the six months ended June 30, 2017 (2016 – $27.3 million or $0.35 per share).

The quarterly dividend was increased on February 6, 2017, to $0.19 per share effective with the dividend paid on April 3, 2017.

7. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities – Classification and Measurement

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

	June 30 2017	December 31 2016	June 30 2016
Other financial liabilities:			
Current portion of long-term debt	**$ 1,875**	$ 1,811	$ 1,749
Long-term debt	**149,987**	150,717	151,408
Derivative instruments - cash flow hedges:			
Foreign exchange forward contracts	**$ (5,735)**	$ 1,197	$ 665

Fair Value of Financial Instruments

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract's value at maturity based on the contracted foreign exchange rate and the contract's value at maturity based on the comparable foreign exchange rate at period end under the same conditions. The financial institution's credit risk is also taken into consideration in determining fair value. The valuation is determined using Level 2 inputs which are observable inputs or inputs which can be corroborated by observable market data for substantially the full term of the asset or liability, most significantly foreign exchange spot and forward rates.

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

Long-term debt	June 30 2017	December 31 2016	June 30 2016
Fair value	**$ 155,975**	$ 154,929	$ 161,499
Carrying value	**153,884**	154,774	155,634

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, 2017, 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, 2017, the Company was committed to USD purchase contracts with a notional amount of $158.7 million at an average exchange rate of $1.3362, maturing between July 2017 and April 2018. As at June 30, 2017, the Company was also committed to USD sell contracts with a notional amount of $25.4 million at an average exchange rate of $1.3162, maturing during the third quarter of 2017.

Management estimates that a loss of $5,735 (December 31, 2016 – gain of $1,197; June 30, 2016 – gain of $665) would be realized if the contracts were terminated on June 30, 2017. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized loss of $2,741 (December 31, 2016 – gain of $414; June 30, 2016 – gain of $503) has been included in other comprehensive income. These losses are not expected to affect net income as the losses will be reclassified to net income within the next twelve months and will offset gains recorded on the underlying hedged items, namely foreign-denominated accounts payable. 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 loss of $2,994 (December 31, 2016 – gain of $783; June 30, 2016 – gain of $162) on forward contracts not designated as hedges is included in net income which offsets gains recorded on the foreign-denominated items, namely accounts payable.

8. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Term loan facility	**$ 283**	$ 171	**$ 536**	$ 383
Senior debentures	**1,556**	1,588	**3,135**	3,210
	$ 1,839	$ 1,759	**$ 3,671**	$ 3,593

The components of interest and investment income were as follows:

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Interest income on rental conversions	**$ 442**	$ 389	**$ 898**	$ 1,731
Other	**554**	245	**1,210**	476
	$ 996	$ 634	**$ 2,108**	$ 2,207

9. EARNINGS PER SHARE

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Net earnings available to common shareholders	**$ 40,455**	$ 38,406	**$ 67,479**	$ 62,576
Weighted average common shares outstanding	**78,473,780**	78,055,537	**78,453,047**	77,976,536
Dilutive effect of stock option conversion	**855,126**	648,842	**819,746**	564,521
Diluted weighted average common shares outstanding	**79,328,906**	78,704,379	**79,272,793**	78,541,057
Earnings per share:				
Basic	**$ 0.52**	$ 0.49	**$ 0.86**	$ 0.80
Diluted	**$ 0.51**	$ 0.49	**$ 0.85**	$ 0.80

For the three and six months ended June 30, 2017, no share options were considered anti-dilutive (exercise price in excess of market price). For the three and six months ended June 30, 2016, 520,700 outstanding share options with an exercise price of $36.65 were considered anti-dilutive and as such were excluded from the calculation.

10. STOCK BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Six months ended June 30, 2017		Six months ended June 30, 2016	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	**2,430,871**	**$ 29.25**	2,512,250	$ 24.91
Exercised [(1)]	**(82,005)**	**20.53**	(308,129)	19.39
Forfeited	**(15,500)**	**31.63**	(5,080)	20.12
Options outstanding, end of period	**2,333,366**	**$ 29.54**	2,199,041	$ 25.69
Options exercisable, end of period	**849,051**	**$ 23.37**	705,081	$ 20.82

[(1)] The weighted average share price at date of exercise for the year ended June 30, 2017, was $45.73 (2016 - $34.92).

The following table summarizes stock options outstanding and exercisable as at June 30, 2017.

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	**Number**	**Weighted Average Remaining Life (years)**		**Weighted Average Exercise Price**	**Number**		**Weighted Average Exercise Price**
$17.10 - $23.40	874,346	3.6	$	21.10	594,191	$	20.49
$23.41 - $26.79	454,340	7.1	$	26.52	164,840	$	26.52
$36.65	494,180	8.1	$	36.65	90,020	$	36.65
$39.79	510,500	9.1	$	39.79	-	$	-
	2,333,366	**6.4**	**$**	**29.54**	**849,051**	**$**	**23.37**

Deferred Share Unit Plan

A reconciliation of the DSU plan was as follows:

	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Number of DSUs		**Value**	Number of DSUs		Value
Outstanding, beginning of period	**407,731**	**$**	**17,265**	377,311	$	12,000
Units taken or taken in lieu and dividends	**22,399**		**999**	29,937		965
Redemptions	**(17,389)**		**(778)**	-		-
Fair market value adjustment	**-**		**2,110**	-		2,169
Outstanding, end of period	**412,741**	**$**	**19,596**	407,248	$	15,134

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

11. EMPLOYEE FUTURE BENEFITS

The net pension expense included the following components:

	Three months ended June 30				**Six months ended June 30**			
		2017		2016		**2017**		2016
Defined benefit plans	**$**	**487**	$	479	**$**	**982**	$	944
Defined contribution plans		**2,850**		2,880		**5,892**		5,539
401(k) matched savings plans		**69**		58		**140**		119
Net pension expense	**$**	**3,406**	$	3,417	**$**	**7,014**	$	6,602

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Net change in non-cash working capital and other				
Accounts receivables	**$ (40,663)**	$ (72,085)	**$ (34,973)**	$ (24,406)
Inventories	**(37,940)**	(9,009)	**(87,758)**	(41,445)
Accounts payable, accrued liabilities and provision	**31,856**	41,632	**31,309**	26,550
Deferred revenues	**15,348**	12,311	**26,967**	6,100
Income taxes receivable	**1,436**	2,846	**(3,358)**	(5,080)
Other	**5,160**	(6,232)	**3,893**	(2,002)
	$ (24,803)	$ (30,537)	**$ (63,920)**	$ (40,283)
Cash paid during the period for:				
Interest	**$ 185**	$ 178	**$ 3,320**	$ 3,246
Income taxes	**$ 14,501**	$ 13,182	**$ 29,733**	$ 30,494
Cash received during the period for:				
Interest	**$ 890**	$ 561	**$ 1,852**	$ 2,026

13. SEGMENTED INFORMATION

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

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

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

The following tables set forth information by segment for the three and six month periods ended June 30, 2017 and 2016:

	Equipment Group		CIMCO		Consolidated	
Three months ended June 30	**2017**	2016	**2017**	2016	**2017**	2016
Equipment/package sales	**$ 234,372**	$ 226,694	**$ 39,984**	$ 40,140	**$ 274,356**	$ 266,834
Rentals	**55,694**	51,604	**-**	-	**55,694**	51,604
Product support	**165,078**	171,747	**32,788**	28,839	**197,866**	200,586
Power generation	**3,014**	3,100	**-**	-	**3,014**	3,100
Total revenues	**$ 458,158**	$ 453,145	**$ 72,772**	$ 68,979	**$ 530,930**	$ 522,124
Operating income	**$ 49,984**	$ 49,999	**$ 6,538**	$ 4,162	**$ 56,522**	$ 54,161
Interest expense					**1,839**	1,759
Interest and investment income					**(996)**	(634)
Income taxes					**15,224**	14,630
Net earnings					**$ 40,455**	$ 38,406

	Equipment Group		CIMCO		Consolidated	
Six months ended June 30	**2017**	2016	**2017**	2016	**2017**	2016
Equipment/package sales	**$ 394,094**	$ 378,347	**$ 63,299**	$ 63,094	**$ 457,393**	$ 441,441
Rentals	**101,128**	89,968	**-**	-	**101,128**	89,968
Product support	**316,555**	316,643	**62,018**	55,957	**378,573**	372,600
Power generation	**6,144**	6,034	**-**	-	**6,144**	6,034
Total revenues	**$ 817,921**	$ 790,992	**$ 125,317**	$ 119,051	**$ 943,238**	$ 910,043
Operating income	**$ 85,060**	$ 81,873	**$ 9,356**	$ 5,764	**$ 94,416**	$ 87,637
Interest expense					**3,671**	3,593
Interest and investment income					**(2,108)**	(2,207)
Income taxes					**25,374**	23,675
Net earnings					**$ 67,479**	$ 62,576

Operating income from rental operations was $6.8 million for the three months ended June 30, 2017 (2016 - $6.3 million) and $5.5 million for the six months ended June 30, 2017 (2016 - $4.4 million).

14. SEASONALITY OF BUSINESS

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

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