Second Quarter 2014 **July 28, 2014**

TOROMONT ANNOUNCES RESULTS FOR THE SECOND QUARTER OF 2014 AND REGULAR QUARTERLY DIVIDEND

Toromont Industries Ltd. (TSX: TIH) reported its financial results for the second quarter ended June 30, 2014.

	Three months ended June 30			Six months ended June 30		
millions, except per share amounts	**2014**	2013	**% change**	**2014**	2013	**% change**
Revenues	**$ 415.6**	$ 374.7	**11%**	**$ 727.3**	$ 687.9	**6%**
Operating income	**$ 39.9**	$ 38.7	**3%**	**$ 66.5**	$ 64.1	**4%**
Net earnings	**$ 28.9**	$ 27.3	**6%**	**$ 47.5**	$ 45.1	**5%**
Earnings per share - basic	**$ 0.37**	$ 0.36	**3%**	**$ 0.62**	$ 0.59	**5%**

The Company delivered good results for the second quarter and first half of 2014. After a relatively slow start to the construction season, due to weather, activity within the Equipment Group improved in the second quarter. CIMCO product support growth for the quarter and year-to-date surpassed previous records.

Highlights:

- Equipment Group revenues increased 16% to $369 million in the second quarter on strong equipment sales, product support and rentals. Equipment sales were 21% higher than 2013 principally on new and used mining equipment sales combined with stronger new unit construction deliveries. Rentals and product support revenues were both up 11%, driven by stronger parts sales. Operating income increased 13% compared to last year, mainly on the increased revenues and modest improvement in expense management.

- Equipment Group revenues were up 8% to $632 million year-to-date on increased equipment sales, product support and rentals. Equipment sales were 7% higher than 2013. Rentals were up 9% to $91 million while product support revenues were up 10% to $221 million.

- Equipment Group backlogs were $185 million at June 30, 2014, up from $97 million at December 31, 2013 and $173 million at this time last year, with construction and power systems being the key drivers. Substantially all of the order backlog is expected to be delivered in the latter half of this year. Bookings increased 31% in the quarter to $253 million and 19% to $402 million year-to-date.

- CIMCO revenues were down $11 million for the quarter and $9 million year-to-date versus the records set last year. Package sales revenues decreased across both industrial and recreational market segments on decreased activity levels in certain markets. Product support revenues of $24 million in the quarter and $45 million year-to-date were new records for their respective periods, with increases in both Canada and the US.

- CIMCO bookings in the quarter and year-to-date were lower than a year ago on reduced activity levels in certain markets. Backlogs of $72 million at June 30, 2014 were up from $65 million at December 31, 2013 and down from $104 million at June 30, 2013.

- Earnings increased 6% in the quarter and 5% year-to-date versus the corresponding periods of 2013, reflecting improved sales and product support activity levels.

- Earnings per share increased $0.01 to $0.37 in the quarter and $0.03 to $0.62 year-to-date.

- The Company is in a strong financial position. Total debt, net of cash, to total capitalization was 15%, well within stated capital targets.

- The Board of Directors announced the regular quarterly dividend of 15 cents per outstanding common shares, payable October 1, 2014 to shareholders of record on September 11, 2014. The regular quarterly dividend was previously increased 15% to 15 cents per share effective with the dividend paid April 1, 2014.

- Toromont was successful in securing a large equipment order to support the Keeyask hydroelectric project in northern Manitoba. The order includes trucks and small-to-large auxiliary equipment totalling $55 million. $14 million of this was delivered in the quarter, with the balance expected to deliver in the latter half of this year.

In the Equipment Group, a tight pricing environment exacerbated by a weakened Canadian dollar, is expected to continue to pressure gross margins. Continued growth in product support bodes well for future results, as does the expected investment in larger construction projects, as exemplified by Keeyask. Continued growth is also expected to come from the investment in the rental business and broader product offerings. At CIMCO, reduced booking activity in eastern Canada and the US has somewhat dampened the outlook for the year, although product support growth continues to be encouraging.

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, 2014, 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, 2014, the annual MD&A contained in the 2013 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2013.

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 28, 2014.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2013 Annual Report and 2014 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 and may also be found 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)	**2014**	2013	$	%	**2014**	2013	$	%
REVENUES	**$ 415,559**	$ 374,738	$ 40,821	11%	**$ 727,307**	$ 687,870	$ 39,437	6%
Cost of goods sold	**320,225**	283,321	36,904	13%	**554,264**	520,534	33,730	6%
Gross profit	**95,334**	91,417	3,917	4%	**173,043**	167,336	5,707	3%
Selling and administrative expenses	**55,415**	52,710	2,705	5%	**106,564**	103,278	3,286	3%
OPERATING INCOME	**39,919**	38,707	1,212	3%	**66,479**	64,058	2,421	4%
Interest expense	**2,072**	2,175	(103)	(5%)	**4,157**	4,277	(120)	(3%)
Interest and investment income	**(896)**	(1,068)	172	(16%)	**(1,962)**	(2,260)	298	(13%)
Income before income taxes	**38,743**	37,600	1,143	3%	**64,284**	62,041	2,243	4%
Income taxes	**9,884**	10,316	(432)	(4%)	**16,796**	16,909	(113)	(1%)
NET EARNINGS	**$ 28,859**	$ 27,284	$ 1,575	6%	**$ 47,488**	$ 45,132	$ 2,356	5%
EARNINGS PER SHARE (BASIC)	**$ 0.37**	$ 0.36	$ 0.01	3%	**$ 0.62**	$ 0.59	$ 0.03	5%
KEY RATIOS:								
Gross profit as a % of revenues	**22.9%**	24.4%			**23.8%**	24.3%		
Selling and administrative expenses as a % of revenues	**13.3%**	14.1%			**14.7%**	15.0%		
Operating income as a % of revenues	**9.6%**	10.3%			**9.1%**	9.3%		
Income taxes as a % of income before income taxes	**25.5%**	27.4%			**26.1%**	27.3%		

Revenues set a new record for the quarter and year-to-date on growth in the Equipment Group. The Equipment Group reported improved new and used sales. CIMCO reported lower package sales revenues compared to the record levels seen in 2013.

Gross profit margins in the second quarter and year-to-date decreased 150 basis points and 50 basis points, respectively, primarily as a result of lower Equipment Group parts margins on sales mix and continued pressure on equipment margins.

Selling and administrative expenses in both years included gains related to the insurance proceeds funding the reconstruction of a CIMCO facility in Mobile, Alabama destroyed by fire in 2012 (Q2 2013 - $1 million, Q1 2014 - $0.5 million). Excluding these gains from the applicable periods, selling and administrative expenses increased $1.7 million or 3% in the quarter, mainly on higher compensation (up $0.9 million), information technology infrastructure (up $0.4 million) and a mark-to-market expense of deferred share units ($0.3 million) partially offset by higher bad debt recoveries ($0.4 million). On a year-to-date basis, excluding these gains, expenses increased $2.9 million or 3% mainly on higher compensation (up $1.2 million), information technology infrastructure (up $0.6 million), training and safety (up $0.9 million) and bad debt expenses (up $0.4 million) partially offset by a recovery on mark-to-market of deferred share units ($0.7 million).

Operating income increased $1.2 million or 3% in the quarter and $2.4 million or 4% year-to-date mainly on the higher revenues together with the lower relative selling and administrative expenses.

Interest expense decreased in the quarter and year-to-date compared to similar periods in 2013 on lower average debt balances. Interest income also decreased in the quarter and year-to-date on lower conversions of rental equipment.

The effective income tax rate for the second quarter and year-to-date was lower compared to a year ago due to final adjustments following reviews by tax authorities.

Earnings per share increased $0.01 in the quarter and $0.03 year-to-date and are now at record highs for the second quarter at $0.37 and first half at $0.62.

Comprehensive income in the quarter was $24.5 million and $43.2 million year-to-date, comprised mainly of net earnings partially offset by losses on defined benefit pension plans, which arose due to a decrease in the discount rate, and foreign exchange losses on derivative contracts designated as 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)	**2014**	2013	$	%	**2014**	2013	$	%
Equipment sales and rentals								
New	**$ 155,175**	$ 125,748	$ 29,427	23%	**$ 236,055**	$ 229,082	$ 6,973	3%
Used	**47,002**	41,185	5,817	14%	**78,145**	64,742	13,403	21%
Rental	**48,288**	43,435	4,853	11%	**91,037**	83,264	7,773	9%
Total equipment sales and rentals	**250,465**	210,368	40,097	19%	**405,237**	377,088	28,149	7%
Power generation	**2,768**	2,890	(122)	(4%)	**5,896**	5,805	91	2%
Product support	**115,417**	103,794	11,623	11%	**221,351**	200,975	20,376	10%
Total revenues	**$ 368,650**	$ 317,052	$ 51,598	16%	**$ 632,484**	$ 583,868	$ 48,616	8%
Operating income	**$ 38,396**	$ 33,959	$ 4,437	13%	**$ 63,539**	$ 58,064	$ 5,475	9%
KEY RATIOS:								
Product support revenues as a % of total revenues	**31.3%**	32.7%			**35.0%**	34.4%		
Group total revenues as a % of consolidated revenues	**88.7%**	84.6%			**87.0%**	84.9%		
Operating income as a % of revenues	**10.4%**	10.7%			**10.0%**	9.9%		

New equipment sales increased across most industries. After a slow start to the year, construction activity improved and sales to these markets increased 9%. Mining new equipment revenue more than tripled over last year on good deliveries. Power Systems revenues were down 26% on project timing together with lower industrial engine and marine activity. Year-to-date, new equipment sales were higher due to increased mining deliveries (up 95%) partially offset by lower Power Systems sales (down 33%). Agriculture revenues increased 88% in the quarter and 84% year-to-date versus a year ago.

Used equipment sales increased both in the quarter and year-to-date compared to similar periods in 2013 lifted by mining and construction deliveries. Used equipment sales vary on factors such as product availability (both new and used), customer demands and the general pricing environment.

Rental revenues were strong in the quarter and year-to-date compared to 2013. Light equipment rentals increased 6% in both the quarter and year-to-date. Heavy equipment rentals were up 38% in the quarter and 16% year-to-date on higher utilization. Equipment on rent with a purchase option ("RPO") increased 6% in the quarter on higher used equipment conversions but decreased marginally year-to-date (down 3%) mainly due to the slower start experienced at the beginning of the year. The RPO fleet was $41.1 million at June 30, 2014 compared to $33.5 million at June 30, 2013 and $34.7 million at December 31, 2013. Power rentals increased 42% in the quarter and 81% year-to-date on specific customer demands. Rental rates were fairly consistent in both years.

Product support revenues increased to record levels both in the quarter (up 11%) and year-to-date (up 10%). Parts sales were up 15% in the quarter and 14% year-to-date compared to similar periods of 2013, with increases across most industries, including mining (up 30% in the quarter and 25% year-to-date), commercial (up 27% in the quarter and 39% year-to-date) and construction (up 6% in the quarter and 8% year-to-date). Service revenues were relatively even with the prior year.

Gross profit margins decreased 180 basis points in the quarter and 60 basis points year-to-date. Sales mix was a factor in the quarter, adversely impacting total gross profit margins by 50 basis points, with a higher proportion of equipment sales to total. Mix was also a factor within product support, with a higher proportion of parts sales coming from certain lower margin product categories.

Selling and administrative expenses increased by 4% in the quarter compared to 2013 mainly on higher salaries and benefits but decreased 150 basis points as a percentage of revenues. Year-to-date, selling and administrative expenses increased 3.5% compared to 2013 mainly on higher bad debt expense but decreased 60 basis points as a percentage of revenues.

Operating income as a percentage of revenues improved from last year to 10.0% for the first half of the year.

($ millions)	**2014**	2013	$ change	% change
Bookings - three-months ended June 30	**$ 253**	$ 193	$ 60	31%
Bookings - six-months ended June 30	**$ 402**	$ 339	$ 63	19%
Backlogs - as at June 30	**$ 185**	$ 173	$ 12	7%

Equipment bookings increased considerably, setting new records for both the quarter and year-to-date. Bookings included $55 million in equipment ordered in support of the major Keeyask hydroelectric project in northern Manitoba. Backlogs were a healthy $185 million, up 7% from June 30, 2013. The majority of backlog (51%) related to construction, 29% to power systems projects and 13% to mining orders. Substantially all of the backlog is expected to be delivered over the remainder of the year.

CIMCO

($ thousands)	Three months ended June 30				Six months ended June 30			
			Change				Change	
	2014	2013	$	%	**2014**	2013	$	%
Package sales	**$ 22,514**	$ 36,167	$ (13,653)	(38%)	**$ 49,762**	$ 63,148	$ (13,386)	(21%)
Product support	**24,395**	21,519	2,876	13%	**45,061**	40,854	4,207	10%
Total revenues	**$ 46,909**	$ 57,686	$ (10,777)	(19%)	**$ 94,823**	$ 104,002	$ (9,179)	(9%)
Operating income	**$ 1,523**	$ 4,748	$ (3,225)	(68%)	**$ 2,940**	$ 5,994	$ (3,054)	(51%)
KEY RATIOS:								
Product support revenues as a % of total revenues	**52.0%**	37.3%			**47.5%**	39.3%		
Group total revenues as a % of consolidated revenues	**11.3%**	15.4%			**13.0%**	15.1%		
Operating income as a % of revenues	**3.2%**	8.2%			**3.1%**	5.8%		

CIMCO had a weak second quarter compared to last year. Package sales declined due to softer market conditions in eastern Canada while the west continued to demonstrate strength. Bookings followed this trend with declines also experienced in the US. As a counterpoint, product support revenues increased to record levels for a second quarter and first half, led by substantial growth in Ontario and Quebec as customers shifted emphasis from replacing to maintaining existing equipment, together with increases in the US on expanded contract service.

Package revenues decreased in the quarter and year-to-date compared to the records set in the similar periods of 2013. Canadian recreational package revenues were down 57% in the quarter and 24% year-to-date versus a year ago while Canadian industrial revenues were down 37% and 31%, respectively. Approximately 30% of this decrease is explained by the significant Maple Leaf project which is currently winding down. US package revenues were largely unchanged year-over-year in both periods.

Product support revenues demonstrated solid growth, increasing 13% in the quarter and 10% for the first six months of 2014 compared to similar periods of 2013.

Operating income decreased in the quarter and year-to-date largely reflecting the lower revenues.

CIMCO gross profit margins increased 10 basis points for the quarter as a favourable change in sales mix with a higher percentage of product support revenues to total was largely offset by lower package and product support margins. In the quarter, gross margins were adversely impacted by tight market conditions, increased warranty costs and execution experience. For the first six months of 2014, gross profit margins decreased 80 basis points on lower package margins partially offset by a favorable sales mix of product support revenues to total revenues.

Selling and administrative expenses included previously mentioned gains on insurance proceeds. Excluding these amounts in all applicable periods, selling and administrative expenses were largely unchanged in the quarter and year-to-date, reflecting a focus on cost containment.

($ millions)	**2014**	2013	$ change	% change
Bookings - three-months ended June 30	**$ 23**	$ 34	$ (11)	(32%)
Bookings - six-months ended June 30	**$ 56**	$ 68	$ (12)	(18%)
Backlogs - as at June 30	**$ 72**	$ 104	$ (32)	(31%)

Bookings for the quarter decreased across both market segments in both Canada and the US. Recreational activity was down 31% while industrial activity was down 33%. Bookings in the first six months of 2014 were also lower. Canadian bookings were down 9% as lower recreational bookings were partially offset by an increase in industrial bookings. US bookings were lower with decreases in both recreational and industrial markets.

Backlogs decreased across both recreational and industrial segments in both Canada and the US but are within normal historical levels for this time of year.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At June 30, 2014, the ratio of total debt, net of cash, to total capitalization was 15%, compared to 25% at June 30, 2013 and 10% at December 31, 2013.

Working Capital

The Company's investment in non-cash working capital was $315.7 million at June 30, 2014. The major components, along with the changes from June 30 and December 31, 2013, are identified in the following table.

$ thousands	**June 30 2014**	**June 30** 2013	**Change $**	**Change %**	**December 31 2013**	**Change $**	**Change %**
Accounts receivable	$ 226,859	$ 212,757	$ 14,102	7%	$ 240,259	$ (13,400)	(6%)
Inventories	379,502	369,665	9,837	3%	327,439	52,063	16%
Other current assets	4,373	2,744	1,629	59%	4,585	(212)	(5%)
Accounts payable, accrued liabilities and provisions	(237,752)	(204,709)	(33,043)	16%	(238,473)	721	-
Income taxes receivable	5,899	4,306	1,593	37%	6,135	(236)	n/m
Derivative financial instruments	(4,032)	3,248	(7,280)	n/m	1,331	(5,363)	n/m
Dividends payable	(11,559)	(9,958)	(1,601)	16%	(9,988)	(1,571)	16%
Deferred revenue	(46,056)	(68,228)	22,172	(32%)	(48,924)	2,868	(6%)
Current portion of long-term debt	(1,523)	(1,420)	(103)	7%	(1,470)	(53)	4%
Total non-cash working capital	$ 315,711	$ 308,405	$ 7,306	2%	$ 280,894	$ 34,817	12%

Accounts receivable increased 7% compared to June 30, 2013, due in part to the 11% increase in revenues over June 2013. While the average age of receivables has increased, days sales outstanding ("DSO") improved 2 days to 44 as compared to 46 at June 30, 2013 with an improvement in the Equipment Group (3 days) and a deterioration at CIMCO (8 days).

In comparison to December 31, 2013, accounts receivable decreased 6% reflecting good results from collection efforts evidenced by an improvement of 4 days in DSO – 48 days at December 31, 2013.

Inventories at June 30, 2014 were 3% higher compared to June 30, 2013.

- Equipment Group inventories were 3% or $11.9 million higher than last year with increases in equipment and parts. The increase in equipment reflects inventory held for certain customer-specified delivery dates later in the year together with requirements for scheduled product introductions and a more cautious management outlook on equipment availability. Higher parts inventories reflect higher activity levels and an additional remote location which opened in late 2013.

- CIMCO inventories were 12% or $2.1 million lower than last year mainly on reductions in work-in-process for Canadian industrial projects.

Inventories at June 30, 2014 were 16% higher compared to December 31, 2013 with increases in both Groups.

- In addition to the factors identified for the quarter, Equipment Group inventory levels are typically lowest at the end of the fiscal year due to seasonality, with inventories building up towards mid-year in advance of the busy selling period.
- CIMCO inventory was 3% higher mainly on higher work-in-process for Canadian projects.

Accounts payable and accrued liabilities at June 30, 2014 were higher than at June 30, 2013 largely on increased purchasing of inventory in anticipation of the busier season ahead. Compared to December 31, 2013, accounts payable and accrued liabilities were relatively flat as increased purchasing activity was offset by payment of annual performance incentives.

Income taxes receivable reflects amounts due to the Company as installments made exceeded 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 $4 million as at June 30, 2014. 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, 2013 reflecting the higher dividend rate. The dividend rate was increased from $0.13 per share to $0.15 per share effective with the April 1, 2014 dividend payment, an increase of 15%.

Deferred revenues represent billings to customers in excess of revenue recognized. Deferred revenues arise on sales of equipment with residual value guarantees, extended warranty contracts and other customer support agreements as well as on progress billings in advance of revenue recognition. Deferred revenues have decreased on progress made against long-term contracts and the resulting recognition of revenue.

The current portion of long-term debt reflects scheduled principal repayments due within the next twelve months.

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 77,071,847 common shares and 2,381,424 share options outstanding.

Dividends

The Company declared and paid the following dividends to common shareholders during 2013 and 2014.

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total ($ millions)
December 11, 2012	January 2, 2013	$0.12	$ 9.2
March 13, 2013	April 1, 2013	$0.13	$10.0
June 13, 2013	July 2, 2013	$0.13	$10.0
September 12, 2013	October 1, 2013	$0.13	$10.0
December 11, 2013	January 2, 2014	$0.13	$10.0
March 13, 2014	April 1, 2014	$0.15	$11.5
June 13, 2014	July 2, 2014	$0.15	$11.6

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 $200 million committed credit facility. The facility matures in September, 2017. Debt incurred under the facility is unsecured and ranks on par 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.

As at June 30, 2014, no amounts were drawn on the facility (December 31, 2013 - $nil, June 30, 2013 - $38.0 million). Letters of credit utilized $24.6 million of the facility (December 31, 2013 - $26.6 million, June 30, 2013 - $24.6 million).

The Company expects that continued cash flows from operations together with 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 **2014**		2013		Six months ended June 30 **2014**		2013
Cash, beginning of period	$	33,248	$	3,070	$	70,769	$ 2,383
Operations		41,467		37,743		69,711	65,480
Change in non-cash working capital and other		(8,842)		(5,807)		(34,525)	(2,936)
Cash provided by operating activities		32,625		31,936		35,186	62,544
Cash (used in) investing activities		(30,086)		(21,769)		(61,357)	(56,129)
Cash (used in) financing activities		(9,967)		(9,842)		(18,853)	(5,466)
Effect of foreign exchange on cash balances		(66)		72		9	135
(Decrease) increase in cash in the period		(7,494)		397		(45,015)	1,084
Cash, end of period	$	25,754	$	3,467	$	25,754	$ 3,467

Cash Flows from Operating Activities

Operating activities provided $32.6 million in the second quarter of 2014 compared to $32 million in the comparable period of 2013. Net earnings adjusted for items not requiring cash were 10% higher than last year on higher net earnings. Non-cash working capital and other used $8.8 million compared to $5.8 million in 2013.

Operating activities provided $35.2 million year-to-date compared to $62.5 million in the comparable period of 2013. Net earnings adjusted for items not requiring cash were 6% higher than last year on higher net earnings. Non-cash working capital and other used $34.5 million compared to $3.0 million in 2013. Inventory levels increased $52.1 million year-to-date compared to $41.9 million in the similar period of 2013 while accounts receivable decreased $13.4 million in 2014 compared to $18.8 million in 2013.

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

Net rental fleet additions (purchases less proceeds of disposition) totalled $23.5 million in the quarter (2013 - $16.7 million) and $49.6 million in the first six months of 2014 (2013 - $45.9 million). Continued investment in the rental fleet reflects strong demand on improved market conditions, the existing fleet age profile and continued expansion of heavy rental operations. Additionally, rental fleet investments generally occur during the first half of the year in advance of the busy rental period.

Investments in property, plant and equipment in the quarter totalled $6.5 million (2013 - $6.2 million) and $12.7 million in the first six months of 2014 (2013 - $10.8 million).

Additions in the current quarter included:

- $3.1 million for service vehicles (2013 - $3.4 million);
- $1.8 million in land and buildings for new and expanded branches (2013 - $1.2 million); and
- $1.4 million for machinery and equipment (2013 - $1.6 million).

Additions in the first six months of the year included:

- $3.7 million for buildings and expanded branches (2013 - $2.4 million);
- $1.6 million for machinery and equipment (2013 - $1.7 million);

- $5.2 million for service vehicles (2013 - $5.6 million); and
- $1.4 million for upgrades to information technology infrastructure (2013 - $0.8 million).

Cash Flows from Financing Activities

Financing activities used $10 million in the second quarter of 2014 (2013 - $9.9 million) and $18.9 million in the first six months of the year (2013 - $5.5 million).

Significant uses and sources of cash in the current quarter included:

- Dividends paid to common shareholders of $11.5 million or $0.15 per share (2013 - $10 million or $0.13 per share);
- Cash received on exercise of share options of $1.6 million (2013 - $0.6 million); and
- Repayment of long-term debt $nil (2013 - $0.7 million);

Significant uses and sources of cash in the first six months of the year included:

- Dividends paid to common shareholders of $21.5 million or $0.28 per share (2013 - $19.2 million or $0.25 per share);
- Cash received on exercise of share options of $3.4 million (2013 - $2.9 million);
- Repayment of long-term debt $0.7 million (2013 - $0.7 million); and
- Increase in term credit facility of $nil (2013 - $11.4 million);

OUTLOOK

Competitive pressure in the Equipment market continues, exacerbated by a weakened Canadian dollar. Longer term, large infrastructure investment is expected to continue.

Market conditions in mining remain tight, however, mine production continues and opportunities for sales in support of new mine development, mine expansion and equipment replacement continue to exist. We remain engaged on a variety of mining projects at various stages of development within our territory. With the substantially increased base of installed equipment, product support activity should continue to grow so long as mines remain active.

The parts and service business has experienced significant growth, driven by the larger installed base of equipment in the field, and provides a measure of stability. Work-in-process levels remain at a healthy level at the end of June 2014 and we continue to hire new technicians to address the increased demand. We also expect that our investment in the rental business will continue to contribute to growth.

At CIMCO, reduced activity levels in certain markets has somewhat dampened the outlook for this year. The product support business remains a focus for development and we are encouraged by continued growth in this area. CIMCO continues to expand its product offerings through the use of natural refrigerants including providing innovative CO_2 solutions, which are expected to contribute to its growth by replacing CFC, HCFC and HFC refrigerants in both recreational and industrial applications.

The diversity of our business, expanding product offering and capabilities, financial strength and disciplined operating culture positions us well for what is generally expected to be a year of modest economic growth in Canada.

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 2013 annual audited consolidated financial statements.

($ thousands, except per share amounts)	Q3 2013	Q4 2013	Q1 2014	Q2 2014
REVENUES				
Equipment Group	$ 427,111	$ 351,713	$ 263,834	$ 368,650
CIMCO	71,186	55,551	47,914	46,909
Total revenues	$ 498,297	$ 407,264	$ 311,748	$ 415,559
NET EARNINGS	$ 43,485	$ 34,414	$ 18,629	$ 28,859
PER SHARE INFORMATION:				
Earnings per share - basic	$ 0.57	$ 0.45	$ 0.24	$ 0.37
Earnings per share - diluted	$ 0.56	$ 0.45	$ 0.24	$ 0.37
Dividends paid per share	$ 0.13	$ 0.13	$ 0.13	$ 0.15
Weighted average common shares outstanding - Basic (in thousands)	76,625	76,637	76,895	77,032

($ thousands, except per share amounts)	Q3 2012	Q4 2012	Q1 2013	Q2 2013
REVENUES				
Equipment Group	$ 362,393	$ 367,402	$ 266,816	$ 317,052
CIMCO	52,646	63,666	46,316	57,686
Total revenues	$ 415,039	$ 431,068	$ 313,132	$ 374,738
NET EARNINGS	$ 32,463	$ 44,657	$ 17,848	$ 27,284
PER SHARE INFORMATION:				
Earnings per share - basic	$ 0.43	$ 0.58	$ 0.23	$ 0.36
Earnings per share - diluted	$ 0.42	$ 0.58	$ 0.23	$ 0.35
Dividends paid per share	$ 0.12	$ 0.12	$ 0.12	$ 0.13
Weighted average common shares outstanding - Basic (in thousands)	76,289	76,352	76,495	76,589

Interim period revenues and earnings historically reflect some seasonality.

The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenues are recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter has typically been the strongest quarter in part due 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. In the future, the increase in mining-related business may distort this trend somewhat due to the timing of significant deliveries, including parts to remote mine sites and major repairs, in any given quarter.

CIMCO also has historically had a distinct seasonal trend in results due to timing of construction activity, with the first quarter reporting lower revenues on winter shutdowns.

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

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to risks that may potentially impact its financial results in either or both of its business segments. The Company and each operating segment employ risk management strategies with a view to mitigating these risks on a cost-effective basis. There have been no material changes to the operating and financial risk assessment and related risk management strategies as described in the Company's 2013 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are consistent with those used in the Company's 2013 audited annual consolidated financial statements, and described in Note 1 therein.

The preparation of financial statements in conformity with IFRS requires estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. There have been no material changes to the critical accounting estimates as described in Note 2 to the Company's 2013 audited annual consolidated financial statements, contained in the Company's 2013 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 period ended June 30, 2014 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.

In May 2013, COSO released an updated version of the 1992 internal control integrated framework. The original framework will be available through December 15, 2014, at which time the 1992 framework will be superseded. The Company is in the process of reviewing the changes to the framework and developing a transition plan to adopt the new framework for the fiscal year ending December 31, 2014.

NON-IFRS FINANCIAL MEASURES

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

Operating Income and Operating Margin

Each business segment assumes responsibility for its operating results as measured by, amongst other factors, operating income, which is defined as income before income taxes, interest income and interest expense. Financing and related interest charges cannot be attributed to business segments on a meaningful basis that is comparable to other companies. Business segments and income tax jurisdictions are not synonymous, and it is believed that the allocation of income taxes distorts the historical comparability of the performance of the business segments. Consolidated and segmented operating income is reconciled to net earnings in tables where used in this MD&A.

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

Return on Equity and Return on Capital Employed

Return on equity ("ROE") is monitored to assess the profitability of the consolidated Company.

ROE is calculated by dividing net earnings by opening shareholders' equity (adjusted for shares issued and redeemed during the year).

Return on capital employed ("ROCE") is a key performance indicator that is utilized to assess both current operating performance and prospective investments. The numerator used for the calculation is income before income taxes, interest expense and interest income (excluding interest on rental conversions). The denominator in the calculation is the monthly average capital employed, which is defined as net debt plus shareholders' equity.

Working Capital and Non-Cash Working Capital

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

Net Debt to Total Capitalization

Net debt is defined as total long-term debt less cash and cash equivalents. Total capitalization is defined as net debt plus shareholders' equity. The ratio of net debt to total capitalization is determined by dividing net debt by total capitalization.

Free Cash Flow

Free cash flow is defined as cash provided by operating activities (as per the Unaudited Interim Condensed Consolidated Statement of Cash Flows), less cash used in investing activities, other than business acquisitions.

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

($ thousands)	Note	June 30 2014	December 31 2013	June 30 2013
Assets				
Current assets				
Cash		**$ 25,754**	$ 70,769	$ 3,467
Accounts receivable		**226,859**	240,259	212,757
Inventories		**379,502**	327,439	369,665
Income taxes receivable		**5,899**	6,135	4,306
Derivative financial instruments	7	**-**	1,331	3,248
Other current assets		**4,373**	4,585	2,744
Total current assets		**642,387**	650,518	596,187
Property, plant and equipment	2	**169,109**	166,440	159,896
Rental equipment	2	**210,103**	174,712	191,169
Other assets	3	**5,099**	8,861	7,728
Deferred tax assets		**6,028**	2,435	12,268
Goodwill and intangible assets		**27,575**	27,589	27,604
Total assets		**$ 1,060,301**	$ 1,030,555	$ 994,852
Liabilities				
Current liabilities				
Accounts payable, accrued liabilities and provisions	4	**$ 249,311**	$ 248,461	$ 214,667
Deferred revenues		**46,056**	48,924	68,228
Derivative financial instruments	7	**4,032**	-	-
Current portion of long-term debt	5	**1,523**	1,470	1,420
Total current liabilities		**300,922**	298,855	284,315
Deferred revenues		**11,694**	11,060	9,981
Long-term debt	5	**130,459**	130,948	169,371
Accrued pension liability		**16,003**	13,135	19,460
Shareholders' equity				
Share capital	6	**283,321**	279,149	274,524
Contributed surplus		**6,727**	6,329	6,222
Retained earnings		**311,973**	289,979	228,881
Accumulated other comprehensive income		**(798)**	1,100	2,098
Shareholders' equity		**601,223**	576,557	511,725
Total liabilities and shareholders' equity		**$ 1,060,301**	$ 1,030,555	$ 994,852

See accompanying notes

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

($ thousands, except share amounts)	Note	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Revenues	13	**$ 415,559**	$ 374,738	**$ 727,307**	$ 687,870
Cost of goods sold		**320,225**	283,321	**554,264**	520,534
Gross profit		**95,334**	91,417	**173,043**	167,336
Selling and administrative expenses		**55,415**	52,710	**106,564**	103,278
Operating income		**39,919**	38,707	**66,479**	64,058
Interest expense	8	**2,072**	2,175	**4,157**	4,277
Interest and investment income	8	**(896)**	(1,068)	**(1,962)**	(2,260)
Income before income taxes		**38,743**	37,600	**64,284**	62,041
Income taxes		**9,884**	10,316	**16,796**	16,909
Net earnings		**$ 28,859**	$ 27,284	**$ 47,488**	$ 45,132
Earnings per share					
Basic	9	**$ 0.37**	$ 0.36	**$ 0.62**	$ 0.59
Diluted	9	**$ 0.37**	$ 0.35	**$ 0.61**	$ 0.59
Weighted average number of shares outstanding					
Basic	9	**77,031,951**	76,588,810	**76,963,879**	76,542,490
Diluted	9	**77,716,339**	77,159,097	**77,625,112**	77,117,747

See accompanying notes

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

($ thousands)	Three months ended June 30, 2014 Before Income Taxes	Three months ended June 30, 2014 Income Taxes	Three months ended June 30, 2014 Net of Income Taxes	Six months ended June 30, 2014 Before Income Taxes	Six months ended June 30, 2014 Income Taxes	Six months ended June 30, 2014 Net of Income Taxes
Net earnings			$ 28,859			$ 47,488
Other comprehensive income (loss):						
Items that may be reclassified subsequently to net earnings:						
Unrealized (loss) gain on translation of financial statements of foreign operations	$ (228)	$ -	$ (228)	$ 35	$ -	$ 35
Change in fair value of derivatives designated as cash flow hedges	(3,089)	803	(2,286)	(1,638)	425	(1,213)
Losses (gains) on derivatives designated as cash flow hedges transferred to net earnings	784	(204)	580	(973)	253	(720)
Items that will not be reclassified subsequently to net earnings:						
Actuarial losses on pension plans	(3,256)	863	(2,393)	(3,256)	863	(2,393)
Other comprehensive loss	$ (5,789)	$ 1,462	$ (4,327)	$ (5,832)	$ 1,541	$ (4,291)
Comprehensive income			$ 24,532			$ 43,197

($ thousands)	Three months ended June 30, 2013 Before Income Taxes	Three months ended June 30, 2013 Income Taxes	Three months ended June 30, 2013 Net of Income Taxes	Six months ended June 30, 2013 Before Income Taxes	Six months ended June 30, 2013 Income Taxes	Six months ended June 30, 2013 Net of Income Taxes
Net earnings			$ 27,284			$ 45,132
Other comprehensive income (loss):						
Items that may be reclassified subsequently to net earnings:						
Unrealized gain on translation of financial statements of foreign operations	$ 224	$ -	$ 224	$ 339	$ -	$ 339
Change in fair value of derivatives designated as cash flow hedges	2,867	(745)	2,122	4,039	(1,051)	2,988
Gains on derivatives designated as cash flow hedges transferred to net earnings	(1,402)	364	(1,038)	(1,976)	515	(1,461)
Items that will not be reclassified subsequently to net earnings:						
Actuarial gains on pension plans	5,678	(1,505)	4,173	5,678	(1,505)	4,173
Other comprehensive income	$ 7,367	$ (1,886)	$ 5,481	$ 8,080	$ (2,041)	$ 6,039
Comprehensive income			$ 32,765			$ 51,171

See accompanying notes

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

($ thousands)	Note	Three months ended June 30 2014	Three months ended June 30 2013	Six months ended June 30 2014	Six months ended June 30 2013
Operating activities					
Net earnings		**$ 28,859**	$ 27,284	**$ 47,488**	$ 45,132
Items not requiring cash:					
Depreciation and amortization		**16,811**	15,201	**31,239**	27,710
Stock-based compensation		**586**	490	**1,171**	979
Accrued pension liability		**(96)**	(821)	**(388)**	(1,702)
Deferred income taxes		**(939)**	(489)	**(2,049)**	(612)
Gain on sale of rental equipment, property, plant and equipment	2	**(3,754)**	(3,922)	**(7,750)**	(6,027)
		41,467	37,743	**69,711**	65,480
Net change in non-cash working capital and other	12	**(8,842)**	(5,807)	**(34,525)**	(2,936)
Cash provided by operating activities		**32,625**	31,936	**35,186**	62,544
Investing activities					
Additions to:					
Rental equipment	2	**(32,215)**	(22,800)	**(64,699)**	(56,870)
Property, plant and equipment	2	**(6,547)**	(6,175)	**(12,719)**	(10,841)
Intangible assets		**-**	-	**-**	(500)
Proceeds on disposal of:					
Rental equipment	2	**8,685**	6,078	**15,117**	10,966
Property, plant and equipment	2	**48**	1,191	**1,064**	1,255
Increase in other assets		**(57)**	(63)	**(120)**	(139)
Cash (used in) investing activities		**(30,086)**	(21,769)	**(61,357)**	(56,129)
Financing activities					
Increase in term credit facility debt		**-**	188	**-**	11,413
Repayment of long-term debt		**-**	(674)	**(723)**	(674)
Dividends	6	**(11,542)**	(9,952)	**(21,529)**	(19,116)
Cash received on exercise of stock options		**1,575**	596	**3,399**	2,911
Cash (used in) financing activities		**(9,967)**	(9,842)	**(18,853)**	(5,466)
Effect of exchange rate changes on cash denominated in foreign currency		**(66)**	72	**9**	135
(Decrease) increase in cash		**(7,494)**	397	(45,015)	1,084
Cash at beginning of period		**33,248**	3,070	70,769	2,383
Cash at end of period		**$ 25,754**	$ 3,467	$ 25,754	$ 3,467

Supplemental cash flow information (note 12)

See accompanying notes

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

($ thousands)	Share Capital	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, 2014	**$ 279,149**	**$ 6,329**	**$ 289,979**	**$ 831**	**$ 269**	**$ 1,100**	**$ 576,557**
Net earnings	-	-	47,488	-	-	-	47,488
Other comprehensive (loss) income	-	-	(2,393)	35	(1,933)	(1,898)	(4,291)
Effect of stock compensation plans	4,172	398	-	-	-	-	4,570
Dividends declared	-	-	(23,101)	-	-	-	(23,101)
At June 30, 2014	**$ 283,321**	**$ 6,727**	**$ 311,973**	**$ 866**	**$ (1,664)**	**$ (798)**	**$ 601,223**

($ thousands)	Share Capital	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, 2013	**$ 270,900**	**$ 5,957**	**$ 199,486**	**$ 424**	**$ (192)**	**$ 232**	**$ 476,575**
Net earnings	-	-	45,132	-	-	-	45,132
Other comprehensive income	-	-	4,173	339	1,527	1,866	6,039
Effect of stock compensation plans	3,624	265	-	-	-	-	3,889
Dividends declared	-	-	(19,910)	-	-	-	(19,910)
At June 30, 2013	**$ 274,524**	**$ 6,222**	**$ 228,881**	**$ 763**	**$ 1,335**	**$ 2,098**	**$ 511,725**

See accompanying notes

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 business 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. 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 3,300 people in more than 100 locations.

Basis of Preparation

These interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), including International Accounting Standard (“IAS”) 34 - *Interim Financial Reporting*. Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2013.

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, 2013.

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 28, 2014.

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, 2013, except the following interpretation and amendment that were adopted, as required, on January 1, 2014:

a. **International Financial Reporting Interpretations Committee ("IFRIC") 21 - *Levies***

IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by the government that is accounted for in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*. The application of IFRIC 21 had no impact on the Company's financial position or performance.

b. **IAS 36 - *Impairment of Assets***

The amendment reverses the unintended requirement in IFRS 13 - *Fair Value Measurement*, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendment, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendment affects presentation only and had no impact on the Company's financial position or performance.

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

During the second quarter and first half of 2014, the Company acquired rental assets with costs of $32,215 and $64,699, respectively (2013 - $22,800 and $56,870, respectively) and property, plant and equipment with costs of $6,547 and $12,719, respectively (2013 - $6,175 and $10,841, respectively).

Rental assets with a net book value of $4,942 and property, plant and equipment with a net book value of $37 were disposed of during the three months ended June 30, 2014 (2013 - $3,271 and $76, respectively) resulting in a net gain on disposal of $3,754 (2013 – $3,922). Rental assets with a net book value of $8,270 and property, plant and equipment with a net book value of $161 were disposed of during the six months ended June 30, 2014 (2013 - $6,088 and $106, respectively) resulting in a net gain on disposal of $7,750 (2013 – $6,027).

During the the second quarter and first half of 2014 depreciation expense of $15,442 and $28,452, respectively have been charged in cost of goods sold (2013 - $13,586 and $24,806, respectively) and $1,219 and $2,487, respectively, have been charged to selling and administrative expenses (2013 - $1,464 and $2,603, respectively).

3. OTHER ASSETS

	June 30 2014	December 31 2013	June 30 2013
Equipment sold with guaranteed residual values	**$ 3,556**	$ 7,437	$ 6,431
Other	**1,543**	1,424	1,297
	$ 5,099	$ 8,861	$ 7,728

4. PAYABLES, ACCRUALS AND PROVISIONS

	June 30 2014	December 31 2013	June 30 2013
Accounts payable and accrued liabilities	**$ 224,582**	$ 224,073	$ 192,786
Dividends payable	**11,559**	9,987	9,958
Provisions	**13,170**	14,401	11,923
	$ 249,311	$ 248,461	$ 214,667

5. LONG-TERM DEBT

	June 30 2014	December 31 2013	June 30 2013
Bank credit facility	**$ -**	$ -	$ 37,960
Senior debentures	**133,789**	134,511	135,208
Debt issuance costs, net of amortization	**(1,807)**	(2,093)	(2,377)
Total long-term debt	**131,982**	132,418	170,791
Less current portion	**1,523**	1,470	1,420
	$ 130,459	$ 130,948	$ 169,371

All debt is unsecured.

At June 30, 2014, standby letters of credit issued utilized an additional $24.6 million of the credit lines (December 31, 2013 – $26.6 million; June 30, 2013 – $24.6 million).

6. SHARE CAPITAL

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

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
Balance, beginning of period	**76,844,897**	**$ 279,149**	76,407,658	$ 270,900
Exercise of stock options	**225,450**	**4,172**	203,795	3,624
Balance, end of period	**77,070,347**	**$ 283,321**	76,611,453	$ 274,524

Dividends

The Company paid dividends of $11.5 million ($0.15 per share) and $21.5 million ($0.28 per share) for the three and six months ended June 30, 2014, respectively ($10.0 million or $0.13 per share and $19.1 million or $0.25 per share for the three and six months ended June 30, 2013, respectively).

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 financial assets and liabilities:

As at June 30, 2014	Derivatives	Other financial liabilities	Total
Current portion of long-term debt	-	(1,523)	(1,523)
Derivative financial instruments	(4,032)	-	(4,032)
Long term debt	-	(130,459)	(130,459)
Total	$ (4,032)	$ (131,982)	$ (136,014)

Fair Value of Financial Instruments

The fair value of senior debentures as at June 30, 2014 was $139,680 with a carrying value of $133,789 (December 31, 2013 - $141,800 with a carrying value of $134,511; June 30, 2013 - $143,740 with a carrying value of $135,208). 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, adjusted for our credit quality. 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 period ended June 30, 2014, 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, 2014, the Company was committed to USD purchase contracts with a notional amount of $161 million at an average exchange rate of $1.0944, maturing between July 2014 and April 2015.

Management estimates that a loss of $4,032 (December 31, 2013 – $1,331 gain; June 30, 2013 – $3,248 gain) would be realized if the contracts were terminated on June 30, 2014. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized loss of $2,252 (December 31, 2013 – $360 gain; June 30, 2013 – $1,803 gain) has been included in other comprehensive income. This loss is not expected to affect net income as the loss will be reclassified to net income within the next twelve months and will offset gains recorded on the underlying hedged items. 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 $1,780 (December 31, 2013 – $971 gain; June 30, 2013 – $1,445 gain) on forward contracts not designated as hedges is included in net income which offsets gains recorded on the foreign-denominated items.

8. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Term loan facility	**$ 405**	$ 481	**$ 813**	$ 888
Senior debentures	**1,667**	1,694	**3,344**	3,389
	2,072	2,175	**4,157**	4,277

The components of interest and investment income were as follows:

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Interest income - rental conversions	**$ 694**	$ 885	**$ 1,375**	$ 1,925
Other	**202**	183	**587**	335
	896	1,068	**1,962**	2,260

9. EARNINGS PER SHARE

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Net earnings available to common shareholders	**$ 28,859**	$ 27,284	**$ 47,488**	$ 45,132
Weighted average common shares outstanding	**77,031,951**	76,588,810	**76,963,879**	76,542,490
Dilutive effect of stock option conversion	**684,388**	570,287	**661,233**	575,257
Diluted weighted average common shares outstanding	**77,716,339**	77,159,097	**77,625,112**	77,117,747
Earnings per share:				
Basic	**$ 0.37**	$ 0.36	**$ 0.62**	$ 0.59
Diluted	**$ 0.37**	$ 0.35	**$ 0.61**	$ 0.59

There were no anti-dilutive options for the three months and six months ended June 30, 2014 or 2013.

10. STOCK BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	**2,610,274**	**$ 18.49**	2,564,355	$ 16.92
Exercised [(1)]	**(225,450)**	**15.08**	(203,795)	14.28
Forfeited	**(1,900)**	**16.76**	(2,700)	17.62
Options outstanding, end of period	**2,382,924**	**$ 18.81**	2,357,860	$ 17.15
Options exercisable, end of period	**964,874**	**$ 16.28**	1,007,595	$ 15.44

(1) The weighted average share price at date of exercise for six-month period ended June 30, 2014 was $25.09 (2013 - $22.53).

The following table summarizes stock options outstanding and exercisable as at June 30, 2014.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
$12.42 - $14.75	236,889	1.4	$ 12.83	235,889	$ 12.82
$14.76 - $17.10	1,052,930	3.1	$ 16.87	613,790	$ 16.76
$17.11 - $23.40	1,093,105	6.9	$ 21.98	115,195	$ 20.76
Total	2,382,924	4.7	$ 18.81	964,874	$ 16.28

Deferred Share Unit Plan

A reconciliation of the DSU plan was as follows:

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	Number of DSUs	**Value**	Number of DSUs	Value
Outstanding, beginning of period	**288,921**	**$ 7,696**	211,872	$ 4,297
Units taken in lieu of performance incentive awards, director fees and dividends	**33,147**	**860**	58,122	1,323
Redemptions	**(7,786)**	**(197)**	-	-
Fair market value adjustment	**-**	**(167)**	-	601
Outstanding, end of period	**314,282**	**$ 8,192**	269,994	$ 6,221

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	
	2014	2013	**2014**	2013
Defined benefit plans	**$ 406**	$ 516	**$ 928**	$ 1,104
Defined contribution plans	**2,443**	2,196	**4,697**	4,314
401(k) matched savings plans	**39**	31	**78**	63
Net pension expense	**$ 2,888**	$ 2,743	**$ 5,703**	$ 5,481

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Net change in non-cash working capital and other				
Accounts receivables	**$ (22,676)**	$ (449)	**$ 13,399**	$ 18,761
Inventories	**(17,004)**	(46,595)	**(52,062)**	(41,880)
Accounts payable, accrued liabilities and provisions	**20,744**	28,251	**(720)**	10,405
Deferred revenues	**6,996**	12,902	**(2,234)**	12,208
Other	**3,098**	84	**7,092**	(2,430)
	$ (8,842)	$ (5,807)	**$ (34,525)**	$ (2,936)
Cash paid during the period for:				
Interest	**$ 3,237**	$ 3,769	**$ 3,726**	$ 4,027
Income taxes	**$ 10,878**	$ 10,983	**$ 21,774**	$ 25,714
Cash received during the period for:				
Interest	**$ 669**	$ 916	**$ 1,612**	$ 2,013
Income taxes	**$ 62**	$ -	**$ 3,519**	$ -

13. SEGMENTED INFORMATION

The Company has two reportable operating segments, each supported by the corporate office. The business 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 business segments. Corporate overheads are allocated to the business segments based on revenue.

The accounting policies of the reportable operating segments are the same as those described in Note 1 – Significant Accounting Policies. Each reportable operating segment's performance is measured based on operating income. No reportable operating segment is reliant on any single external customer.

	Equipment Group		CIMCO		Consolidated	
Three months ended June 30	**2014**	2013	**2014**	2013	**2014**	2013
Equipment/package sales	**$ 202,177**	$ 166,933	**$ 22,514**	$ 36,167	**$ 224,691**	$ 203,100
Rentals	**48,288**	43,435	**-**	-	**48,288**	43,435
Product support	**115,417**	103,794	**24,395**	21,519	**139,812**	125,313
Power generation	**2,768**	2,890	**-**	-	**2,768**	2,890
Total revenues	**$ 368,650**	$ 317,052	**$ 46,909**	$ 57,686	**$ 415,559**	$ 374,738
Operating Income	**$ 38,396**	$ 33,959	**$ 1,523**	$ 4,748	**$ 39,919**	$ 38,707
Interest expense					**2,072**	2,175
Interest and investment income					**(896)**	(1,068)
Income taxes					**9,884**	10,316
Net earnings					**$ 28,859**	$ 27,284

Six months ended June 30	Equipment Group 2014	Equipment Group 2013	CIMCO 2014	CIMCO 2013	Consolidated 2014	Consolidated 2013
Equipment/package sales	**$ 314,200**	$ 293,824	**$ 49,762**	$ 63,148	**$ 363,962**	$ 356,972
Rentals	**91,037**	83,264	**-**	-	**91,037**	83,264
Product support	**221,351**	200,975	**45,061**	40,854	**266,412**	241,829
Power generation	**5,896**	5,805	**-**	-	**5,896**	5,805
Total revenues	**$ 632,484**	$ 583,868	**$ 94,823**	$ 104,002	**$ 727,307**	$ 687,870
Operating Income	**$ 63,539**	$ 58,064	**$ 2,940**	$ 5,994	**$ 66,479**	$ 64,058
Interest expense					**4,157**	4,277
Interest and investment income					**(1,962)**	(2,260)
Income taxes					**16,796**	16,909
Net earnings					**$ 47,488**	$ 45,132

Operating income from rental operations for the quarter ended June 30, 2014 was $5.3 million (2013 - $3.9 million). For the six months ended June 30, 2014, operating income from rental operations was $7.8 million (2013 - $7.8 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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