TOROMONT

Second Quarter 2013 **July 29, 2013**

RESULTS FOR THE SECOND QUARTER OF 2013
AND REGULAR QUARTERLY DIVIDEND

Toromont Industries Ltd. (TSX: TIH) reported financial results for the second quarter ended June 30, 2013. Net earnings increased 7% in the quarter compared to the same period last year while revenues were 1% lower.

	Three months ended June 30			Six months ended June 30		
millions, except per share amounts	**2013**	2012	**% change**	**2013**	2012	**% change**
Revenues	**$ 374.7**	$ 379.6	**(1%)**	**$ 687.9**	$ 661.1	**4%**
Operating income	**$ 38.7**	$ 36.7	**6%**	**$ 64.1**	$ 60.8	**5%**
Net earnings	**$ 27.3**	$ 25.4	**7%**	**$ 45.1**	$ 42.4	**7%**
Earnings per share - basic	**$ 0.36**	$ 0.33	**9%**	**$ 0.59**	$ 0.55	**7%**

The Company delivered good results for the quarter and first half of the year. Although the Equipment Group faced tough year-over-year comparators in mining, however delivered increased profitability reflecting our strong market position, diversity of industries served and growing contribution from product support. CIMCO achieved record revenues for a second quarter and first six months. Across all of the Company's operations, execution remains strong and management is focused on cost control initiatives. Stronger competitive conditions in equipment markets continued due to global excess inventories together with softness in certain market segments.

Highlights:

- Equipment Group revenues for the second quarter of 2013 were $317 million, down 5% from 2012. Equipment revenues were 14% lower than 2012 which included significant deliveries to mining customers not repeated in 2013. Excluding mining, sales to other market segments increased 14%, principally on strength with road building and infrastructure customers. Product support and rentals grew 5% and 15% respectively, both setting new records for a second quarter. Operating income increased 2% compared to last year on higher gross profit margins, partially offset by lower revenues.

- Equipment Group revenues for the first six months of 2013 were $584 million, up 1% from 2012. Equipment sales were 6% lower than 2012 due to lower relative mining revenues. Excluding mining, equipment sales were up 16%, significantly due to road building, infrastructure and power systems. Product support and rentals grew 6% and 17% respectively. Operating income increased 4% compared to last year on lower expense levels. Operating income as a percentage of revenues for the six months ended June 30, 2013 was 9.9% compared with 9.7% for the similar period last year.

- Equipment Group backlogs were $173 million at June 30, 2013 compared to $128 million at December 31, 2012 and $260 million at this time last year. Backlogs have declined from this time last year due to significant mining deliveries during 2012 and improved equipment availability. Bookings were $193 million in the second quarter of 2013 compared to $195 million for the same period last year.

- CIMCO revenues set a new record for this time of year, at $58 million for the quarter and $104 million for the first six months of 2013. Revenues increased 27% in the quarter and 28% year-to-date compared to last year on revenues related to a significant industrial project. CIMCO realized a $1 million gain due to insurance proceeds. Excluding this, operating income increased 16% in the quarter and 5% through June 30, 2013 compared to last year on higher revenues. Operating income excluding the gain as a percentage of revenues for the six months ended June 30, 2013 was 4.8% compared with 5.9% for the similar period last year on lower gross margins.

- CIMCO bookings in the second quarter of 2013 were $34 million, down 19% versus the second quarter of 2012. Canadian bookings were lower while US bookings were strong. Through the first half of 2013, bookings were 1% higher than last year excluding a $50 million order in the prior year. Backlogs were $104 million at June 30, 2013.

- Net earnings were $27.3 million in the quarter ($0.36 per share basic), up 7% from $25.4 million ($0.33 per share basic) reported last year, reflecting higher gross profit margins and lower net interest expense. For the first six months of 2013, net earnings were $45.1 million ($0.59 per share basic), up 7% from $42.4 million ($0.55 per share basic) reported last year, reflecting higher revenues and lower expense levels partially offset by lower gross profit margins.

- Equipment Group inventory levels have been a focus area. These inventories were reduced $8 million from a year ago but were $42 million higher than December 31, 2012. The normal seasonal trend would have levels increasing during the first half of the year, however incremental ordering (Tier III) and lower sales volumes also contributed this year.

- Total debt net of cash to total capitalization was 25%, well within stated capital targets.

- The Board of Directors approved the regular quarterly dividend of 13 cents per share on outstanding common shares, payable October 1, 2013 to shareholders of record on September 12, 2013. The regular quarterly dividend was previously increased 8% to 13 cents per share effective with the dividend paid April 1, 2013.

The strength of product support and diversity of end-markets are encouraging for performance; however, softness continues in certain market segments. At CIMCO, recreational bookings recovered to more normal levels and the order backlog position bodes well for performance this year.

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, 2013, 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, 2013, the annual MD&A contained in the 2012 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2012.

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 29, 2013.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2012 Annual Report and 2013 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)	**2013**	2012	$	%	**2013**	2012	$	%
Revenues	**$ 374,738**	$ 379,607	$ (4,869)	(1%)	**$ 687,870**	$ 661,066	$ 26,804	4%
Cost of goods sold	**283,321**	289,938	(6,617)	(2%)	**520,534**	496,152	24,382	5%
Gross profit	**91,417**	89,669	1,748	2%	**167,336**	164,914	2,422	1%
Selling and administrative expenses	**52,710**	52,987	(277)	(1%)	**103,278**	104,164	(886)	(1%)
Operating income	**38,707**	36,682	2,025	6%	**64,058**	60,750	3,308	5%
Interest expense	**2,175**	2,249	(74)	(3%)	**4,277**	4,370	(93)	(2%)
Interest and investment income	**(1,068)**	(442)	(626)	142%	**(2,260)**	(1,637)	(623)	38%
Income before income taxes	**37,600**	34,875	2,725	8%	**62,041**	58,017	4,024	7%
Income taxes	**10,316**	9,492	824	9%	**16,909**	15,664	1,245	8%
Net earnings	**$ 27,284**	$ 25,383	$ 1,901	7%	**$ 45,132**	$ 42,353	$ 2,779	7%
Earnings per share (basic)	**$ 0.36**	$ 0.33	$ 0.03	9%	**$ 0.59**	$ 0.55	$ 0.04	7%
Key ratios:								
Gross profit as a % of revenues	**24.4%**	23.6%			**24.3%**	24.9%		
Selling and administrative expenses as a % of revenues	**14.1%**	14.0%			**15.0%**	15.8%		
Operating income as a % of revenues	**10.3%**	9.7%			**9.3%**	9.2%		
Income taxes as a % of income before income taxes	**27.4%**	27.2%			**27.3%**	27.0%		

Revenues were 1% lower in the second quarter of 2013 compared to 2012. Equipment Group revenues decreased 5% on lower new equipment sales into mining, partially offset by record product support and rentals. CIMCO revenues increased 27% on higher revenues in all markets.

Revenues were 4% higher through the first six months of 2013 compared to 2012. Equipment Group revenues were 1% higher as record product support and rental revenues were partially offset by lower new and used equipment sales. CIMCO revenues increased 28% on higher revenues in all markets.

Gross profit margins in the second quarter increased 80 basis points in comparison with the similar period of 2012. Higher margins in Equipment were partially offset by lower margins at CIMCO.

Gross profit margins in the six months ended June 30, 2013 decreased 60 basis points in comparison with the similar period of 2012. Lower gross profit margins were reported in both Groups.

Selling and administrative expenses in the second quarter of 2013 included a gain of $1.0 million related to insurance proceeds funding the reconstruction of a CIMCO facility in Mobile, Alabama destroyed by fire in 2012. Excluding that gain, selling and administrative expenses increased 1.0% in the second quarter and were even in the first half of 2013 compared with the similar periods in 2012. While employee costs increased from 2012, most expense categories exhibited modest changes year over year due to a continuing focus on cost containment.

Operating income increased 6% in the quarter and 5% in the first half of 2013 compared to the prior year. Operating income as a percentage of revenues was 9.3% through June 30, 2013 compared to 9.2% in the similar period of 2012.

Interest expense was slightly lower in the quarter and first half on lower average debt balances and lower rates of borrowing. Interest income was higher compared to last year on a higher interest earned on rental conversions.

The effective income tax rate for 2013 was largely unchanged from the prior year.

Net earnings in the second quarter of 2013 were $27.3 million, 7% higher than last year. For the first half of 2013, net earnings were $45.2 million, also 7% higher than a year ago.

Comprehensive income in the second quarter of 2013 was $32.8 million, comprised of net earnings of $27.3 million and other comprehensive income of $5.5 million. Other comprehensive income included a $4.2 million gain on defined benefit pension plans which arose due to an increase in the discount rate. Foreign exchange gains on derivative contracts designated as cash flow hedges and the Company’s investment in foreign operations also contributed.

BUSINESS SEGMENT OPERATING RESULTS

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

Equipment Group

($ thousands)	Three months ended June 30 2013	2012	Change $	%	Six months ended June 30 2013	2012	Change $	%
Equipment sales and rentals								
New	**$ 125,748**	$ 153,452	$ (27,704)	(18%)	**$ 229,082**	$ 246,039	$ (16,957)	(7%)
Used	**41,185**	41,553	(368)	(1%)	**64,742**	67,444	(2,702)	(4%)
Rental	**43,435**	37,723	5,712	15%	**83,264**	71,447	11,817	17%
Total equipment sales and rentals	**210,368**	232,728	(22,360)	(10%)	**377,088**	384,930	(7,842)	(2%)
Power generation	**2,890**	2,814	76	3%	**5,805**	5,885	(80)	(1%)
Product support	**103,794**	98,758	5,036	5%	**200,975**	189,284	11,691	6%
Total revenues	**$ 317,052**	$ 334,300	$ (17,248)	(5%)	**$ 583,868**	$ 580,099	$ 3,769	1%
Operating income	**$ 33,959**	$ 33,455	$ 504	2%	**$ 58,064**	$ 56,002	$ 2,062	4%
Key ratios:								
Product support revenues as a % of total revenues	**32.7%**	29.5%			**34.4%**	32.6%		
Group total revenues as a % of consolidated revenues	**84.6%**	88.1%			**84.9%**	87.8%		
Operating income as a % of revenues	**10.7%**	10.0%			**9.9%**	9.7%		

New equipment sales were lower in the quarter and first half of 2013 compared to last year. Revenues from mining customers were down in both periods due to significant sales into a mining project in 2012. Excluding mining, new equipment sales were up 10% in the second quarter and 18% in the year-to-date on the strength of sales to large road building and other infrastructure-related contractors together with increased sales of power generation equipment.

Used equipment sales in the second quarter were relatively even with a year ago as increased sales to road building, infrastructure and agriculture customers replaced decreased sales to mining customers. For the year-to-date, used equipment revenues declined 4% on similar industry trends. Used equipment sales vary from period to period based on factors such as product availability, both new and used, customer demands and the general pricing environment.

Light equipment rentals increased 14% in the quarter and 13% through the first half of 2013 compared to the similar periods of 2012 on improved time utilization. Heavy equipment rentals were significantly higher in the quarter and first half on the expanded rental fleet and improved utilization. Equipment on rent with a purchase option was lower in the current year due to rental conversions over the last twelve months. Power systems rentals were significantly higher in the second quarter after a slow start to the year, bringing year-to-date revenues up 2%. Utilization of larger units improved. Rental rates were fairly consistent in both years with continuing competitive market conditions.

Power generation revenues from Toromont-owned plants were largely in line with last year.

Product support revenues increased in the quarter and first half of 2013. Product support revenues benefited from the larger installed base of equipment in our territory and healthy activity levels of equipment in the field.

In the quarter, gross profit margins increased 140 basis points compared to last year largely on improved sales mix, with a higher proportion of product support and rentals to total. Stronger competitive conditions continue to impact equipment pricing due to the continued global excess inventories together with signs of softening in certain market segments. Product support gross margins improved compared to last year. In the first half, gross profit margins decreased 10 basis points from last year as lower equipment gross profit margins were partially offset by a proportionate increase in product support.

Selling and administrative expenses decreased 0.6% in the second quarter on a continuing focus on cost containment and lower revenues. Selling and administrative expenses decreased 2% year-to-date.

Operating income was higher in the quarter and first six months of 2013 compared to 2012. Operating income as a percentage of revenues was 9.9% through June 30, 2013 compared to 9.7% in the same period of 2012.

($ millions)	2013	2012	$ change	% change
Bookings - three-months ended June 30	**$ 193**	$ 195	$ (2)	(1%)
Bookings - six months ended June 30	**$ 339**	$ 350	$ (11)	(3%)
Backlogs - as at June 30	**$ 173**	$ 260	$ (87)	(33%)

Equipment bookings were lower year-over-year in both the quarter and first six months of 2013 compared to the same periods of last year. However, bookings still represented the second highest bookings level for both periods in the past ten years.

Backlogs were $173 million, down from June 30, 2012 on significant deliveries against large mining orders through the latter part of 2012 and generally improved equipment availability. Approximately 95% of the backlog is expected to be delivered in 2013. At June 30, 2013, approximately 35% of the backlog comprised mining orders while 19% were power systems projects.

CIMCO

	Three months ended June 30				Six months ended June 30			
			Change				Change	
($ thousands)	2013	2012	$	%	2013	2012	$	%
Package sales	**$ 36,167**	$ 24,987	$ 11,180	45%	**$ 63,148**	$ 41,808	$ 21,340	51%
Product support	**21,519**	20,320	1,199	6%	**40,854**	39,159	1,695	4%
Total revenues	**$ 57,686**	$ 45,307	$ 12,379	27%	**$104,002**	$ 80,967	$ 23,035	28%
Operating income	**$ 4,748**	$ 3,227	$ 1,521	47%	**$ 5,994**	$ 4,748	$ 1,246	26%
Key ratios:								
Product support revenues as a % of total revenues	**37.3%**	44.8%			**39.3%**	48.4%		
Group total revenues as a % of consolidated revenues	**15.4%**	11.9%			**15.1%**	12.2%		
Operating income as a % of revenues	**8.2%**	7.1%			**5.8%**	5.9%		

Package sales increased significantly compared to last year. Canadian package sales increased 34% in the quarter and 46% year-to-date with both recreational and industrial markets reporting double digit increases. US package sales were strong in the second quarter, leading to a doubling of revenues for the first half of 2013 compared to last year, with both recreational and industrial activities stronger.

Product support revenues increased on higher activity levels in both Canada and the United States. Canadian product support revenues were strong in the quarter, up 7%, bringing year-to-date revenues 2% higher than last year. US revenues increased 2% in the quarter on foreign exchange and 17% through the first six months of 2013.

CIMCO gross profit margins were reduced on lower package margins due to relative technical complexity impacting value-add, tighter bids and fewer pick-ups on project close-outs.

Selling and administrative expenses increased 13% in the quarter and first half of 2013 largely on higher compensation expense related to annual increases and additional staffing required to support the higher sales volumes.

Results for the second quarter of 2013 included the previously described insurance gain. Excluding this, operating income was 16% higher in the quarter and 5% higher through June 30, 2013 compared to the similar periods last year. Operating income as a percentage of revenues through June 30, 2013 was lower than last year after excluding the insurance gain, reflecting the reduced gross margins.

($ millions)		**2013**		2012		$ change	% change
Bookings - three-months ended June 30	**$**	**34**	$	42	$	(8)	(19%)
Bookings - six months ended June 30	**$**	**68**	$	117	$	(49)	(42%)
Backlogs - as at June 30	**$**	**104**	$	126	$	(22)	(17%)

Bookings through June 30, 2013 totalled $68 million and represent the third highest level of bookings ever for this time of year. Bookings in the first quarter of 2012 included $49.8 million in orders from Maple Leaf Foods with respect to their announced facilities expansion program. Excluding these, bookings through June 30, 2013 were 1% higher than last year. Canadian industrial markets have been lower than last year while Canadian recreational and US markets have shown strength.

Backlogs were $104 million at June 30, 2013. Although down 17% on deliveries against the Maple Leaf order, they still represent a high level.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At June 30, 2013, the ratio of total debt net of cash to total capitalization was 25%, compared to 34% at June 30, 2012 and 25% at December 31, 2012.

Working Capital

The Company's investment in non-cash working capital was $308.4 million at June 30, 2013. The major components, along with the changes from June 30 and December 31, 2012, are identified in the following table.

$ thousands		June 30 2013		June 30 2012		Change $	Change %		December 31 2012		Change $	Change %
Accounts receivable	$	212,757	$	241,288	$	(28,531)	(12%)	$	231,518	$	(18,761)	(8%)
Inventories		369,665		374,398		(4,733)	(1%)		327,785		41,880	13%
Other current assets		2,744		4,250		(1,506)	(35%)		4,086		(1,342)	(33%)
Accounts payable, accrued liabilities and provisions		(204,709)		(242,780)		38,071	(16%)		(194,304)		(10,405)	5%
Income taxes receivable (payable)		4,306		1,894		2,412	127%		(3,130)		7,436	n/m
Derivative financial instruments		3,248		688		2,560	n/m		(219)		3,467	n/m
Dividends payable		(9,958)		(9,185)		(773)	8%		(9,164)		(794)	9%
Deferred revenue		(68,228)		(63,107)		(5,121)	8%		(54,664)		(13,564)	25%
Current portion of long-term debt		(1,420)		(1,325)		(95)	7%		(1,372)		(48)	3%
Total non-cash working capital	$	308,405	$	306,121	$	2,284	1%	$	300,536	$	7,869	3%

Accounts receivable decreased compared to June 30, 2012 reflecting better collections. Revenues for the second quarter of 2013 were 1% lower than in the similar period last year. Days sales outstanding ("DSO") were 46 compared to 52 at June 30, 2012, reflecting good results from collection efforts. Improvements in DSO were reported in both Groups.

Accounts receivable also decreased compared to December 31, 2012 reflecting lower trailing revenues. Revenues for the second quarter of 2013 were 13% lower than in the fourth quarter of 2012, a normal seasonal trend. DSO at December 31, 2012 was 45.

Inventories at June 30, 2013 were 1% lower compared to June 30, 2012.

- While Equipment Group inventories were 2% lower than the highs seen last year, they did not achieve targeted reduction levels and were increased from the first quarter of 2013. The sequential increase is attributable to the opportunity to order additional Tier III equipment, together with lower than anticipated sales in a number of markets including underground mining.
- CIMCO inventories were 19% higher than at June 30, 2012 due to a higher volume of work-in-process in the current year.

Inventories at June 30, 2013 were 13% higher compared to December 31, 2012 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 towards mid-year in advance of the busy selling period.
- CIMCO inventory was 1% lower compared to December 31, 2012 on advancement of projects in process during 2013.

Accounts payable and accrued liabilities at June 30, 2013 were lower than at June 30, 2012 largely on timing of payments related to inventory purchases. Compared to December 31, 2012, the increase largely reflects higher amounts owing on inventory purchases, partially offset by the timing of annual incentive compensation payments.

Income taxes receivable (payable) reflect amounts owing for current corporate income taxes less instalments made to date as well as refunds to be received for prior taxation years' corporate income tax.

Derivative financial instruments represent the fair value of foreign exchange contracts.

Fluctuations in the value of the Canadian dollar have led to a cumulative net gain of $3.2 million as at June 30, 2013. This is not expected to affect net income, as the unrealized gain will offset future losses on the related hedged items.

Dividends payable increased compared to June 30 and December 31, 2012 reflecting the higher dividend rate. The dividend rate was increased from $0.12 per share to $0.13 per share effective with the April 1, 2013 dividend payment, an increase of 8%.

Deferred revenues represent billings to customers in excess of revenue recognized. In the Equipment Group, deferred revenues arise on sales of equipment with residual value guarantees, extended warranty contracts and other customer support agreements as well as on progress billings on long-term construction contracts. In CIMCO, deferred revenues arise on progress billings in advance of revenue recognition.

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 76,614,253 common shares and 2,355,060 share options outstanding.

Dividends

The Company declared and paid the following dividends to common shareholders during 2012 and 2013.

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total ($ millions)
December 12, 2011	January 3, 2012	$0.11	$ 8.4
March 9, 2012	April 2, 2012	$0.12	$ 9.2
June 15, 2012	July 3, 2012	$0.12	$ 9.2
September 13, 2012	October 1, 2012	$0.12	$ 9.2
December 11, 2012	January 2, 2013	$0.12	$ 9.2
March 13, 2013	April 1, 2013	$0.13	$ 9.9
June 13, 2013	July 2, 2013	$0.13	$10.0

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.

As at June 30, 2013, $38.0 million was drawn on the Canadian facility. Letters of credit utilized an additional $24.6 million of the facility.

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

Principal Components of Cash Flow

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

$ thousands	Three months ended June 30 **2013**	2012	Six months ended June 30 **2013**	2012
Cash, beginning of period	$ 3,070	$ 3,082	$ 2,383	$ 75,319
Operations	37,743	34,962	65,480	59,476
Change in non-cash working capital and other	(5,807)	(65,454)	(2,936)	(130,573)
Cash provided by (used in) operating activities	31,936	(30,492)	62,544	(71,097)
Cash used in investing activities	(21,769)	(19,945)	(56,129)	(58,465)
Cash (used in) provided by financing activities	(9,842)	48,800	(5,466)	55,732
Effect of foreign exchange on cash balances	72	47	135	3
Increase (decrease) in cash in the period	397	(1,590)	1,084	(73,827)
Cash, end of period	$ 3,467	$ 1,492	$ 3,467	$ 1,492

Cash Flows from Operating Activities

Operating activities provided $32 million in the second quarter of 2013 compared to using $30 million in the comparable period of 2012. Net earnings adjusted for items not requiring cash were 8% higher than last year. Non-cash working capital and other used $6 million compared to $65 million in 2012. Higher accounts payable largely offset increased investment in inventories in the current year.

Operating activities provided $63 million in the first half of 2013 compared to using $71 million in the comparable period of 2012. Net earnings adjusted for items not requiring cash were 10% higher than last year. Non-cash working capital and other used $3 million compared to $130 million in 2012. Lower accounts receivable and higher accounts payable have generated improved cash flows, largely offsetting the increased investment in inventories.

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 $16.7 million in the quarter and $45.9 million in the first six months of 2013, substantially similar to the investment levels seen in 2012. Additional investments in the rental fleet were made in both years in light of stronger demand and the Company’s strategy to expand heavy rental operations. 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 $6.2 million. Additions in the current quarter included $1.2 million for buildings for expanded branches, $1.6 million for machinery and equipment and $3.4 million for service vehicles.

Cash Flows from Financing Activities

The term credit facility was drawn by $38.0 million as at June 30, 2013 to fund investments in working capital and rental equipment.

Dividends paid to common shareholders totalled $9.9 million in the quarter and $19.1 million in the first six months of 2013, 8% higher than the similar periods of 2012, reflecting the increase in dividend rate.

In the second quarter of 2012, the Company purchased and cancelled 528,438 shares for $11.2 million (average cost of $21.22 per share). No shares were purchased under the NCIB in 2013.

OUTLOOK

Excess global inventories together with continuing softness in certain market segments have increased the competitiveness for equipment sales in the Equipment Group’s markets and this is expected to continue through 2013. The emphasis placed on infrastructure investment by multiple levels of government is a good indicator that construction spending levels should continue to be healthy. Management continues to track a number of large construction projects, which could also contribute to future results. We expect that our increased investment in the rental business, broader product lines and improved performance in the Power Systems division will continue to contribute to growth.

Capital markets sentiment towards mining has hardened, which is expected to impact project timing. In addition, mining customers have increased their focus on capital expenditures and operating costs. Opportunity exists for a future resumption of larger deliveries, dependent on projects advancing and Toromont’s success in winning the business. Management continues to track projects with a particular emphasis on those related to non-precious metals.

The parts and service business has seen significant growth and provides a measure of stability, driven by the larger installed base of equipment in the field. This bodes well for the Company’s continued success. Service shops are very active, work-in-process levels remain strong and technician recruitment continues.

Toromont's expanded product offering contributes to growth on multiple fronts. Firstly, the Equipment Group benefits from Caterpillar's expanding product line-up including the former Bucyrus and MWM products, which the Company now represents as well as the new CAT vocational truck. In addition, the Equipment Group represents complementary product lines with recent and expanding opportunities including SITECH and Metso. CIMCO has also expanded its product offering to include CO_2-based solutions, which are also expected to contribute to its growth.

At CIMCO, good levels of bookings and backlogs are an encouraging sign with respect to future prospects. Recreational bookings picked up in the quarter and are expected to ramp back up over time, due in part to a Quebec provincial program to replace CFC and HFC refrigerants in recreational facilities. The product support business remains a focus for growth with encouraging results in the United States.

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 2012 annual audited consolidated financial statements, except for the change in accounting policy as described in note 1 to the unaudited interim condensed financial statements for the period ending June 30, 2013.

$ 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	$ 0.13	$ 0.13
Weighted average common shares outstanding - Basic (in thousands)	76,289	76,352	76,495	76,589

$ thousands, except per share amounts	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Revenues				
Equipment Group	$ 315,120	$ 371,046	$ 245,799	$ 334,300
CIMCO	52,169	37,386	35,660	45,307
Total revenues	$ 367,289	$ 408,432	$ 281,459	$ 379,607
Net earnings	$ 30,930	$ 34,223	$ 16,970	$ 25,383
Per share information:				
Earnings per share - basic	$ 0.40	$ 0.44	$ 0.22	$ 0.33
Earnings per share - diluted	$ 0.40	$ 0.44	$ 0.22	$ 0.33
Dividends paid per share	$ 0.10	$ 0.11	$ 0.11	$ 0.12
Weighted average common shares outstanding - Basic (in thousands)	77,095	76,604	76,786	76,761

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.

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

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 2012 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 2012 audited annual consolidated financial statements, and described in Note 1 therein, except as noted below.

The Company adopted revisions to IAS 19 - *Employee Benefits* ("IAS 19R") effective January 1, 2013. As a result, expected returns on plan assets of defined benefit plans are not recognized in net earnings. Instead, interest on net defined benefit obligation is recognized in net earnings, calculated using the discount rate used to measure the net pension obligation or asset.

The change in accounting policy has been applied retrospectively. As all components of other comprehensive income related to employee benefits were previously recognized in retained earnings, there was no impact on the January 1, 2012 statement of financial position for the adoption of IAS 19R.

The following is a summary of the impact of the adjustments related to the adoption of IAS 19R on the respective financial statements:

For the three and six month periods ended June 30, 2012, respectively:

- Increase in pension expense - $368 and $735
- Decrease in income tax expense $98 and $195
- Decrease in net earnings - $270 ($0.01 per share) and $540 ($0.01 per share)

As at June 30, 2012:

- Increase in accrued pension liability - $735
- Increase in deferred tax assets - $195
- Decrease in retained earnings - $540

As at and for the year ended December 31, 2012:

- Increase in pension expense - $1,470
- Decrease in income tax expense - $390
- Decrease in net earnings - $1,080, $0.01 per share basic
- Decrease in other comprehensive loss - $1,080
- No change to accrued pension liability or deferred tax assets

The Company also adopted the following new standards effective January 1, 2013. The adoption of these standards did not have a significant effect on the financial statements of the Company.

- IFRS 10 – *Consolidated Financial Statements*
- IFRS 11 – *Joint Arrangements*
- IFRS 12 – *Disclosure of Interests in Other Entities*
- IFRS 13 – *Fair Value Measurement*
- Amendments to IAS 27 – *Separate Financial Statements*
- Amendments to IAS 28 – *Investments in Associates*
- IAS 1 **–** *Presentation of Financial Statements*

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 2012 audited annual consolidated financial statements, contained in the Company's 2012 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.

There have been no significant changes in the design of the Company's internal controls over financial reporting during the three-month period ended June 30, 2013 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.

NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS 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. 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.

Non-IFRS Financial Measures

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.

Additional IFRS Measures

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 the accompanying unaudited interim condensed financial statements.

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

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.

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

($ thousands)	Note	June 30 2013	December 31 2012	June 30 2012
				Restated See Note 1
Assets				
Current assets				
Cash		**$ 3,467**	$ 2,383	$ 1,492
Accounts receivable	2	**212,757**	231,518	241,288
Inventories	3	**369,665**	327,785	374,398
Income taxes receivable		**4,306**	-	1,894
Derivative financial instruments		**3,248**	43	700
Other current assets		**2,744**	4,086	4,250
Total current assets		**596,187**	565,815	624,022
Property, plant and equipment	4	**159,896**	157,993	157,318
Rental equipment	4	**191,169**	158,932	169,375
Derivative financial instruments		**-**	-	318
Other assets	5	**7,728**	12,614	8,701
Deferred tax assets		**12,268**	13,697	14,466
Goodwill and intangible assets	6	**27,604**	27,119	13,450
Total assets		**$ 994,852**	$ 936,170	$ 987,650
Liabilities				
Current liabilities				
Accounts payable, accrued liabilities and provisions	7	**$ 214,667**	$ 203,468	$ 251,965
Deferred revenues		**68,228**	54,664	63,107
Current portion of long-term debt	8	**1,420**	1,372	1,325
Derivative financial instruments		**-**	262	12
Income taxes payable		**-**	3,130	-
Total current liabilities		**284,315**	262,896	316,409
Deferred revenues		**9,981**	11,337	10,910
Long-term debt	8	**169,371**	158,395	213,689
Accrued pension liability		**19,460**	26,840	24,971
Derivative financial instruments		**-**	127	-
Shareholders' equity				
Share capital	9	**274,524**	270,900	268,801
Contributed surplus		**6,222**	5,957	5,473
Retained earnings		**228,881**	199,486	146,223
Accumulated other comprehensive income (loss)		**2,098**	232	1,174
Shareholders' equity		**511,725**	476,575	421,671
Total liabilities and shareholders' equity		**$ 994,852**	$ 936,170	$ 987,650

See accompanying notes

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

($ thousands, except share amounts)	Note	Three months ended June 30 2013	Three months ended June 30 2012	Six months ended June 30 2013	Six months ended June 30 2012
			Restated See Note 1		*Restated See Note 1*
Revenues		**$ 374,738**	$ 379,607	**$ 687,870**	$ 661,066
Cost of goods sold		**283,321**	289,938	**520,534**	496,152
Gross profit		**91,417**	89,669	**167,336**	164,914
Selling and administrative expenses		**52,710**	52,987	**103,278**	104,164
Operating income		**38,707**	36,682	**64,058**	60,750
Interest expense	11	**2,175**	2,249	**4,277**	4,370
Interest and investment income	11	**(1,068)**	(442)	**(2,260)**	(1,637)
Income before income taxes		**37,600**	34,875	**62,041**	58,017
Income taxes	12	**10,316**	9,492	**16,909**	15,664
Net Earnings		**$ 27,284**	$ 25,383	**$ 45,132**	$ 42,353
Earnings per share					
Basic	13	**$ 0.36**	$ 0.33	**$ 0.59**	$ 0.55
Diluted	13	**$ 0.35**	$ 0.33	**$ 0.59**	$ 0.55
Weighted average number of shares outstanding					
Basic		**76,588,810**	76,760,731	**76,542,490**	76,773,193
Diluted		**77,159,097**	77,336,473	**77,117,747**	77,399,535

See accompanying notes

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

	Three months ended June 30, 2013			Six months ended June 30, 2013		
$ thousands	**Before Income Taxes**	**Income Taxes**	**Net of Income Taxes**	**Before Income Taxes**	**Income Taxes**	**Net of Income Taxes**
Net earnings			$ 27,284			$ 45,132
Other comprehensive income (loss):						
Items that may be reclassified subsequently to net earnings:						
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 income in the current period	(1,402)	364	(1,038)	(1,976)	515	(1,461)
Unrealized gain on translation of financial statements of foreign operations	224	-	224	339	-	339
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

	Three months ended June 30, 2012			Six months ended June 30, 2012		
$ thousands	**Before Income Taxes**	**Income Taxes**	**Net of Income Taxes**	**Before Income Taxes**	**Income Taxes**	**Net of Income Taxes**
			Restated See Note 1			*Restated See Note 1*
Net earnings			$ 25,383			$ 42,353
Other comprehensive income (loss):						
Items that may be reclassified subsequently to net earnings:						
Change in fair value of derivatives designated as cash flow hedges	$ 3,603	$ (1,039)	$ 2,564	$ 735	$ (188)	$ 547
Gains on derivatives designated as cash flow hedges transferred to net income in the current period	(987)	279	(708)	(393)	118	(275)
Unrealized gain on translation of financial statements of foreign operations	107	-	107	10	-	10
Other comprehensive income	$ 2,723	$ (760)	$ 1,963	$ 352	$ (70)	$ 282
Comprehensive income			$ 27,346			$ 42,635

See accompanying notes

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

($ thousands)	Note	Three months ended June 30 **2013**	2012 *Restated See Note 1*	Six months ended June 30 **2013**	2012 *Restated See Note 1*
Operating activities					
Net earnings		**$ 27,284**	$ 25,383	**$ 45,132**	$ 42,353
Items not requiring cash and cash equivalents					
Depreciation and amortization		**15,201**	13,628	**27,710**	24,593
Stock-based compensation		**490**	324	**979**	675
Accrued pension liability		**(821)**	(735)	**(1,702)**	(1,190)
Future income taxes		**(489)**	(1,314)	**(612)**	(1,787)
Gain on sale of rental equipment, property, plant and equipment		**(3,922)**	(2,324)	**(6,027)**	(5,168)
		37,743	34,962	**65,480**	59,476
Net change in non-cash working capital and other	16	**(5,807)**	(65,454)	**(2,936)**	(130,573)
Cash provided by (used in) operating activities		**31,936**	(30,492)	**62,544**	(71,097)
Investing activities					
Additions to:					
Rental equipment		**(22,800)**	(18,490)	**(56,870)**	(57,742)
Property, plant and equipment		**(6,175)**	(7,359)	**(10,841)**	(13,479)
Intangible assets		**-**	-	**(500)**	-
Proceeds on disposal of:					
Rental equipment		**6,078**	5,682	**10,966**	12,564
Property, plant and equipment		**1,191**	226	**1,255**	269
Increase in other assets		**(63)**	(4)	**(139)**	(77)
Cash used in investing activities		**(21,769)**	(19,945)	**(56,129)**	(58,465)
Financing activities					
Increase in term credit facility debt		**188**	68,672	**11,413**	81,109
Repayment of long-term debt		**(674)**	-	**(674)**	(629)
Dividends	9	**(9,952)**	(9,224)	**(19,116)**	(17,657)
Shares purchased for cancellation		**-**	(11,212)	**-**	(11,212)
Cash received on exercise of stock options		**596**	564	**2,911**	4,121
Cash provided by financing activities		**(9,842)**	48,800	**(5,466)**	55,732
Effect of exchange rate changes on cash denominated in foreign currency		**72**	47	**135**	3
Increase (decrease) in cash		**397**	(1,590)	**1,084**	(73,827)
Cash at beginning of period		**3,070**	3,082	**2,383**	75,319
Cash at end of period		**$ 3,467**	$ 1,492	**$ 3,467**	$ 1,492

Supplemental cash flow information (note 16)

See accompanying notes

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

(Unaudited)

($ thousands)	Note	Share Capital	Contributed Surplus	Retained Earnings	Foreign Currency Translation Adjustments	Cash Flow Hedges	Total accumulated other comprehensive income	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	9	-	-	(19,910)	-	-	-	(19,910)
At June 30, 2013		**$ 274,524**	**$ 6,222**	**$ 228,881**	**$ 763**	**$ 1,335**	**$ 2,098**	**$ 511,725**

($ thousands) *Restated - See Note 1*	Note	Share Capital	Contributed Surplus	Retained Earnings	Foreign Currency Translation Adjustments	Cash Flow Hedges	Total accumulated other comprehensive income	Total
At January 1, 2012		**$ 265,436**	**$ 5,890**	**$ 131,643**	**$ 545**	**$ 347**	**$ 892**	**$ 403,861**
Net earnings		-	-	42,353	-	-	-	42,353
Other comprehensive income		-	-	-	10	272	282	282
Shares purchased for cancellation		(1,848)	-	(9,364)	-	-	-	(11,212)
Effect of stock compensation plans		5,213	(417)	-	-	-	-	4,796
Dividends	9	-	-	(18,409)	-	-	-	(18,409)
At June 30, 2012		**$ 268,801**	**$ 5,473**	**$ 146,223**	**$ 555**	**$ 619**	**$ 1,174**	**$ 421,671**

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 almost 100 locations.

Basis of Preparation

These interim condensed consolidated financial statements were prepared in accordance with 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, 2012.

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, 2012.

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 29, 2013.

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, 2012, except as noted below.

a. IAS 19 - *Employee Benefits*

The Company adopted revisions to IAS 19 - *Employee Benefits* ("IAS 19R") effective January 1, 2013. As a result, expected returns on plan assets of defined benefit plans are not recognized in net earnings. Instead, interest on net defined benefit obligation is recognized in net earnings, calculated using the discount rate used to measure the net pension obligation or asset.

The change in accounting policy has been applied retrospectively. As all components of other comprehensive income related to employee benefits were previously recognized in retained earnings, there was no impact on the January 1, 2012 statement of financial position for the adoption of IAS 19R.

The following is a summary of the impact of the adjustments related to the adoption of IAS 19R on the respective financial statements:

For the three and six month periods ended June 30, 2012, respectively:

- Increase in pension expense - $368 and $735
- Decrease in income tax expense $98 and $195
- Decrease in net earnings - $270 ($0.01 per share) and $540 ($0.01 per share)

As at June 30, 2012:

- Increase in accrued pension liability - $735
- Increase in deferred tax assets - $195
- Decrease in retained earnings - $540

As at and for the year ended December 31, 2012:

- Increase in pension expense - $1,470
- Decrease in income tax expense - $390
- Decrease in net earnings - $1,080, $0.01 per share basic
- Decrease in other comprehensive loss - $1,080
- No change to accrued pension liability or deferred tax assets

b. IFRS 10 - *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements*, IFRS 12 – *Disclosure of Interests in Other Entities* and amendments to IAS 27 - *Separate Financial Statements* and IAS 28 – *Investments in Associates*

The adoption of these standards and amendments had no impact on the financial statements of the Company

c. IFRS 13 - *Fair Value Measurement*

IFRS 13 defines fair value and provides guidance for measuring fair value and identifies the required disclosures pertaining to fair value measurement. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

d. IAS 1 - *Presentation of Financial Statements*

The amendments enhance the presentation of other comprehensive income (“OCI”) in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendment affected presentation only and had no impact on the Company’s financial position or performance.

2. ACCOUNTS RECEIVABLE

	June 30 2013	December 31 2012	June 30 2012
Trade receivables	**$ 201,914**	$ 221,999	$ 233,177
Less: allowance for doubtful accounts	**(6,275)**	(5,496)	(5,660)
Trade receivables - net	**195,639**	216,503	227,517
Other receivables	**17,118**	15,015	13,771
Trade and other receivables	**$ 212,757**	$ 231,518	$ 241,288

The aging of gross trade receivables at each reporting date was as follows:

	June 30 2013	December 31 2012	June 30 2012
Current to 90 days	**$ 189,200**	$ 211,750	$ 222,686
over 90 days	**12,714**	10,249	10,491
	$ 201,914	$ 221,999	$ 233,177

The movement in the Company's allowance for doubtful accounts was as follows:

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	**2012**
Balance, beginning of period	**$ 5,992**	$ 5,653	**$ 5,496**	**$ 5,574**
Provisions and revisions, net	**283**	7	**779**	**86**
Balance, end of period	**$ 6,275**	$ 5,660	**$ 6,275**	**$ 5,660**

3. INVENTORIES

	June 30 2013	December 31 2012	June 30 2012
Equipment	**$ 259,023**	$ 219,549	$ 265,037
Repair and distribution parts	**76,900**	76,783	77,671
Direct materials	**2,966**	2,598	3,019
Work-in-process	**30,776**	28,855	28,671
	$ 369,665	$ 327,785	$ 374,398

The amount of inventory recognized as an expense and included in cost of goods sold accounted for other than by the percentage-of-completion method during the second quarter and first half of 2013 were $220 million and $399 million respectively (2012 - $244 million and $406 million respectively).

The cost of goods sold includes inventory write-down pertaining to obsolescence and aging together with recoveries of past write-down upon disposition. The amounts charged to the income statement and included in cost of goods sold on a net basis for inventory valuation issues during the quarter and first half of 2013 were $1.6 million and $1.7 million respectively (2012 – $1.2 million and $0.5 million, respectively).

4. PROPERTY, PLANT AND EQUIPMENT

During the second quarter and the first half of 2013, the Company acquired rental assets with costs of $22,800 and $56,870 respectively (2012 - $18,490 and $57,742 respectively) and property, plant and equipment with costs of $6,175 and $10,841 respectively (2012 - $7,359 and $13,479 respectively).

Rental assets with a net book value of $3,271 and property, plant and equipment with a net book value of $76 were disposed of during the three months ended June 30, 2013 (2012 - $3,554 and $27 respectively) resulting in a net gain on disposal of $3,922 (2012 – $2,324). Rental assets with a net book value of $6,088 and property, plant and equipment with a net book value of $106 were disposed of during the six months ended June 30, 2013 (2012 - $7,625 and $39 respectively) resulting in a net gain on disposal of $6,027 (2012 – $5,168).

During the the second quarter and first half of 2013 depreciation expenses of $13,586 and $24,806 respectively have been charged in cost of goods sold (2012 - $11,788 and $21,259 respectively) and $1,464 and $2,603 have been charged to selling and administrative expenses (2012 - $1,621 and $2,896 respectively).

5. OTHER ASSETS

	June 30 2013	December 31 2012	June 30 2012
Equipment sold with guaranteed residual values	**$ 6,431**	$ 11,456	$ 7,692
Other	**1,297**	1,158	1,009
	$ 7,728	$ 12,614	$ 8,701

6. GOODWILL AND INTANGIBLE ASSETS

	June 30 2013	December 31 2012	June 30 2012
Goodwill	**$ 13,450**	$ 13,450	$ 13,450
Intangible assets	**14,154**	13,669	-
	$ 27,604	$ 27,119	$ 13,450

7. PAYABLES, ACCRUALS AND PROVISIONS

	June 30 2013	December 31 2012	June 30 2012
Accounts payable and accrued liabilities	**$ 192,786**	$ 183,361	$ 233,449
Dividends payable	**9,958**	9,165	9,185
Provisions	**11,923**	10,942	9,331
	$ 214,667	$ 203,468	$ 251,965

8. LONG-TERM DEBT

	June 30 2013	December 31 2012	June 30 2012
Bank credit facility	**$ 37,960**	$ 26,547	$ 81,109
Senior debentures	**135,208**	135,883	136,534
Debt issuance costs, net of amortization	**(2,377)**	(2,663)	(2,629)
Total long-term debt	**170,791**	159,767	215,014
Less current portion	**1,420**	1,372	1,325
	$ 169,371	$ 158,395	$ 213,689

All debt is unsecured.

At June 30, 2013, standby letters of credit issued utilized an additional $24.6 million of the credit lines (December 31, 2012 – $24.1 million; June 30, 2012 – $24.3 million).

9. SHARE CAPITAL

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

	Six months ended June 30, 2013		Six months ended June 30, 2012	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
Balance, beginning of period	**76,407,658**	**$ 270,900**	76,629,777	$ 265,436
Exercise of stock options	**203,795**	**3,624**	303,505	5,213
Purchase of shares for cancellation	**-**	**-**	(528,438)	(1,848)
Balance, end of period	**76,611,453**	**274,524**	76,404,844	268,801

Normal Course Issuer Bid ("NCIB")

The current issuer bid allows the Company to purchase up to approximately 6.4 million of its common shares in the 12 month period ending August 30, 2013, representing 10% of common shares in the public float, as estimated at the time of renewal. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont. All shares purchased under the bid will be cancelled.

The Company did not purchase any shares under the normal course issuer bid during the six months ended June 30, 2013. For the six months ended June 30, 2012, the Company purchased and cancelled 528,438 shares for $11,212 (average cost of $21.22 per share) under its NCIB program.

Dividends

The Company paid dividends of $10.0 million ($0.13 per share) and $19.1 million ($0.25 per share) for the three and six months ended June 30, 2013 respectively ($9.2 million or $0.12 per share and $17.7 million or $0.23 per share for the three and six months ended June 30, 2012 respectively).

10. 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, 2013	Cash, loans and receivables	Derivatives used for hedging	Other financial liabilities	Total
Cash and cash equivalents	$ 3,467	$ -	$ -	$ 3,467
Accounts receivable	212,757	-	-	212,757
Accounts payable and accrued liabilities	-	-	(214,667)	(214,667)
Current portion of long-term debt	-	-	(1,420)	(1,420)
Derivative financial instruments	-	3,248	-	3,248
Long term debt	-	-	(169,371)	(169,371)
Total	$ 216,224	$ 3,248	$ (385,458)	$ (165,986)

Fair Value of Financial Instruments

The estimated fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and borrowings under the bank term facility approximate their respective carrying values given their short term maturities.

The fair value of senior debentures as at June 30, 2013 was $143,740 (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 and that has been 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, 2013, 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. The following table summarizes the Company's commitments to buy and sell foreign currencies as at June 30, 2013.

		Notional Amount		Average Exchange Rate *	Maturity
Purchase contracts	USD	152,450	$	1.0313	July 2013 to February 2014
Sales contracts	GBP	340	$	1.5947	August 2013 to March 2014

* CDN $ required to purchase one denominated unit

Management estimates that a gain of $3,248 would be realized if the contracts were terminated on June 30, 2013. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of $1,803 has been included in other comprehensive income. These gains are not expected to affect net income as the gains will be reclassified to net income within the next twelve months and will offset losses recorded on the underlying hedged items, namely foreign denominated accounts payable. A gain of $1,445 on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable.

11. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Term loan facility	**$ 481**	$ 534	**$ 888**	$ 928
Senior debentures	**1,694**	1,715	**3,389**	3,442
	$ 2,175	$ 2,249	**$ 4,277**	$ 4,370

The components of interest and investment income were as follows:

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Rental conversions	**$ 885**	$ 413	**$ 1,925**	$ 1,470
Other	**183**	29	**335**	167
	$ 1,068	$ 442	**$ 2,260**	$ 1,637

12. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes was as follows:

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Statutory Canadian federal and provincial income tax rates	26.50%	26.50%	26.50%	26.50%
Expected taxes on income	$ 9,964	$ 9,242	$ 16,441	$ 15,374
Increase (decrease) in income taxes resulting from:				
Higher effective tax rates in other jurisdictions	178	51	214	102
Manufacturing and processing rate reduction	(46)	(55)	(78)	(90)
Expenses not deductible for tax purposes	174	108	292	195
Other	46	146	40	83
Provision for income taxes	$ 10,316	$ 9,492	$ 16,909	$ 15,664
Effective income tax rate	27.44%	26.67%	27.25%	26.67%

13. EARNINGS PER SHARE

	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Net earnings available to common shareholders	$ 27,284	$ 25,383	$ 45,132	$ 42,353
Weighted average common shares outstanding	76,588,810	76,760,731	76,542,490	76,773,193
Dilutive effect of stock option conversion	570,287	575,742	575,257	626,342
Diluted weighted average common shares outstanding	77,159,097	77,336,473	77,117,747	77,399,535
Earnings per share:				
Basic	$ 0.36	$ 0.33	$ 0.59	$ 0.55
Diluted	$ 0.35	$ 0.33	$ 0.59	$ 0.55

There were no anti-dilutive options for the three months and six months ended June 30, 2013 or 2012.

14. STOCK BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Six months ended June 30, 2013		Six months ended June 30, 2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	2,564,355	$ 16.92	2,419,060	$ 15.41
Exercised (1)	(203,795)	14.28	(303,505)	13.58
Forfeited	(2,700)	17.62	(8,670)	15.47
Options outstanding, end of period	2,357,860	$ 17.15	2,106,885	$ 15.68
Options exercisable, end of period	1,007,595	$ 15.44	987,350	$ 14.97

(1) The weighted average share price at date of exercise for six-month period ended June 30, 2013 was $22.53. The weighted average share price at date of exercise for six-month period ended June 30, 2012 was $22.55.

The following table summarizes stock options outstanding and exercisable as at June 30, 2013.

		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 - $14.19	281,350	2.6	$	12.43	205,690	$	12.43
$14.20 - $16.93	904,070	2.6	$	16.24	694,470	$	16.08
$16.94 - $20.76	1,172,440	5.6	$	18.99	107,435	$	17.10
Total	2,357,860	4.1	$	17.15	1,007,595	$	15.44

Deferred Share Unit Plan

A reconciliation of the DSU plan was as follows:

	Six months ended June 30, 2013			Six months ended June 30, 2012		
	Number of DSUs		**Value**	Number of DSUs		Value
Outstanding, beginning of period	**211,872**	**$**	**4,297**	193,728	$	4,093
Units taken in lieu of performance incentive awards, director fees and dividends	**58,122**		**1,323**	27,667		652
Redemptions	**-**		**-**	(7,780)		(161)
Fair market value adjustment	**-**		**601**	-		(100)
Outstanding, end of period	**269,994**	**$**	**6,221**	213,615	$	4,484

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

15. EMPLOYEE FUTURE BENEFITS

The net pension expense included the following components:

	Three months ended June 30				**Six months ended June 30**			
		2013		2012		**2013**		2012
Defined benefit plans	**$**	**516**	$	597	**$**	**1,104**	$	1,218
Defined contribution plans		**2,196**		1,997		**4,314**		4,097
401(k) matched savings plans		**31**		29		**63**		58
Net pension expense	**$**	**2,743**	$	2,623	**$**	**5,481**	$	5,373

During the quarter the discount rate used to value obligations under the company’s defined benefit pension plans increased from 3.9% to 4.4%. This resulted in a $5,678 actuarial gain ($4,173 after tax) which was recorded in other comprehensive income.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30 2013	2012	Six months ended June 30 2013	2012
Net change in non-cash working capital and other				
Accounts receivable	**$ (449)**	$ (65,035)	**$ 18,761**	$ (32,045)
Inventories	**(46,595)**	(9,436)	**(41,880)**	(72,461)
Accounts payable, accrued liabilities and provisions	**28,251**	(3,446)	**10,405**	(28,770)
Deferred revenues	**12,902**	12,859	**12,208**	14,530
Other	**84**	(396)	**(2,430)**	(11,827)
	$ (5,807)	$ (65,454)	**$ (2,936)**	$ (130,573)
Cash paid during the period for:				
Interest	**$ 3,769**	$ 3,560	**$ 4,027**	$ 4,209
Income taxes	**$ 10,983**	$ 9,952	**$ 25,174**	$ 27,661
Cash received during the period for:				
Interest	**$ 916**	$ 442	**$ 2,013**	$ 1,637

17. 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	2013	2012	2013	2012	2013	2012
Equipment/package sales	**$ 166,933**	$ 195,005	**$ 36,167**	$ 24,987	**$ 203,100**	$ 219,992
Rentals	**43,435**	37,723	**-**	-	**43,435**	37,723
Product support	**103,794**	98,758	**21,519**	20,320	**125,313**	119,078
Power generation	**2,890**	2,814	**-**	-	**2,890**	2,814
Total revenues	**$ 317,052**	$ 334,300	**$ 57,686**	$ 45,307	**$ 374,738**	$ 379,607
Operating Income	**$ 33,959**	$ 33,455	**$ 4,748**	$ 3,227	**$ 38,707**	$ 36,682

	Equipment Group		CIMCO		Consolidated	
Six months ended June 30	2013	2012	2013	2012	2013	2012
Equipment/package sales	**$ 293,824**	$ 313,483	**$ 63,148**	$ 41,808	**$ 356,972**	$ 355,291
Rentals	**83,264**	71,447	**-**	-	**83,264**	71,447
Product support	**200,975**	189,284	**40,854**	39,159	**241,829**	228,443
Power generation	**5,805**	5,885	**-**	-	**5,805**	5,885
Total revenues	**$ 583,868**	$ 580,099	**$ 104,002**	$ 80,967	**$ 687,870**	$ 661,066
Operating Income	**$ 58,064**	$ 56,002	**$ 5,994**	$ 4,748	**$ 64,058**	$ 60,750

Selected balance sheet information:

	Equipment Group	CIMCO	Corporate	Consolidated
Identifiable assets:				
As at June 30, 2013	$ 893,633	$ 61,631	$ 39,588	$ 994,852
As at December 31, 2012	$ 835,649	$ 65,530	$ 34,991	$ 936,170
As at June 30, 2012	$ 914,111	$ 54,858	$ 18,682	$ 987,650
Identifiable liabilities:				
As at June 30, 2013	$ 232,833	$ 39,964	$ 210,330	$ 483,127
As at December 31, 2012	$ 213,928	$ 38,845	$ 206,822	$ 459,595
As at June 30, 2012	$ 274,874	$ 32,089	$ 259,016	$ 565,979

Operating income from rental operations for the quarter ended June 30, 2013 was $3.9 million (2012 - $3.2 million). For the six months ended June 30, 2013, operating income from rental operations was $7.8 million (2012 - $5.1 million).

18. 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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