Toromont Announces Results for the Second Quarter of 2010 and Increases Dividend

TORONTO, ONTARIO, Aug 12, 2010 (Marketwire via COMTEX News Network) -- Toromont Industries Ltd. (TSX:TIH) today reported financial results for the three and six-month periods ended June 30, 2010.

$ millions, except per share amounts	Three months ended June 30			Six months ended June 30		
	2010	2009	% change	2010	2009	% change
Revenues	$ 594.2	$ 484.2	23%	$1,034.9	$941.8	10%
Operating income	$ 38.9	$ 52.5	(26%)	$ 46.0	$ 89.2	(48%)
Net earnings	$ 21.8	$ 33.5	(35%)	$ 37.2	$ 57.2	(35%)
Earnings per share - basic	$ 0.28	$ 0.51	(45%)	$ 0.49	$ 0.88	(44%)

In the first quarter of 2010, Toromont completed the acquisition of Enerflex Systems Income Fund ("Enerflex"). Results from Enerflex have been consolidated from January 20, 2010, the date of acquisition. The combined business of Toromont Energy Systems and Enerflex are now operating under Toromont ownership as Enerflex Ltd.

Revenues increased 23% in the second quarter and 10% for the first half of 2010 compared to 2009, with increases reported in both operating groups. Equipment Group revenues increased 22% in the quarter on higher activity levels. Compression Group revenues increased 23% in the second quarter, as revenues generated from the acquired business more than offset declines associated with market conditions. Increased bookings and order backlogs in both groups during the second quarter of 2010 are encouraging.

Net earnings in the second quarter and first half of 2010 were down 35% from the comparable periods of 2009. The lower earnings reflect the cost structure of the combined Enerflex Systems Income Fund and Toromont Energy Systems operations, before rationalization, in the face of weakness in natural gas markets. Earnings per share (basic) were $0.28 for the second quarter and $0.49 for the first half, down 45% and 44% from the respective comparable periods in 2009, reflecting lower earnings and a higher number of shares outstanding.

"We are encouraged by the activity and profitability experienced in our Equipment Group," said Robert M. Ogilvie, Chairman and Chief Executive Officer of Toromont Industries Limited. "We are also pleased with the process of integration at Enerflex and have now realized $25 million in synergies on an annual basis. We have already seen strong quarter-over-quarter improvements in product support revenues and operating income. Recent increases in bookings are driving higher shop loadings that will eventually lead to better results from our packaging operations."

Highlights for the Second Quarter:

- Equipment Group revenues were up 22% in the quarter versus the similar period of 2009 on strong new machine sales and higher product support activities. Operating income increased 27% compared to last year on higher revenues.

- Equipment Group bookings were 28% higher than the second quarter of 2009 on improved activity levels in certain sectors including power systems, mining and road building. Backlogs were up 41% from December 31, 2009 and 18% compared to June 30, 2009.

- Compression Group revenues were up 23% in the quarter compared to the same period last year. Revenues added by the acquisition have increased revenues year-over-year, however on a pro forma basis, revenues are down due to weak natural gas markets. The Compression Group reported operating income of $10.6 million, 65% lower than the comparable period of 2009 as lower shop utilization, restructuring costs and acquisition-related transaction costs impacted results.

- Compression Group bookings for the quarter increased 59% compared to the second quarter of 2009. Backlogs ended the quarter 26% higher than at this time last year and 56% higher than at December 31, 2009.

- The Company will be closing the principal manufacturing facility for the legacy Enerflex business effective September 30, 2010 and the facility has been listed for sale. This initiative will eliminate approximately 320,000 sq. ft. of excess capacity. Sufficient capacity exists across the Enerflex organization, including the newly opened facility in Brisbane, Australia, to meet current and expected future demand.

- The Company maintained a strong financial position and ended the quarter with $159 million of cash and cash equivalents. After completing the largest acquisition in the Company's history, debt net of cash to shareholders' equity was 0.36:1, comfortably within stated capital targets.

The Board of Directors approved a 7% increase in Toromont's regular quarterly cash dividend, marking twenty-one consecutive years of increasing dividends. A quarterly dividend at the new rate of 16 cents (Cdn) per share, payable October 1, 2010 to shareholders of record at the close of business on September 16, 2010, was declared by the Board.

"This will be a year of significant transition at Enerflex as we complete the integration of the legacy business, realize identified synergies including disposal of redundant assets, reductions in working capital, and prepare for a recovery in the market," continued Mr. Ogilvie. "Generally prospects for the remainder of the year are encouraging but remain dependent on continued strengthening of the underlying economy and the specific markets within which we operate. We expect to report improving results from the Compression Group for the balance of the year. The Equipment Group has seen good growth in bookings activity over the first half of the year and is now performing above the comparable periods last year. Our refrigeration business is on track to deliver a standout year. Our decision to continue the long established pattern of dividend increases reflects our positive outlook and strong financial position."

Quarterly Conference Call and Webcast

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Thursday, August 12, 2010 at 5:00 p.m. (ET). The call may be accessed by telephone at 1-866-226-1793 (toll free) or 416-340-2218 (Toronto area). A replay of the conference call will be available until Thursday, August 26, 2010 by calling 1-800-408-3053 or 416-695-5800 and quoting passcode 3102015.

Both the live webcast and the replay of the quarterly conference call can be accessed at www.toromont.com.

About Toromont

Toromont Industries Ltd. operates through two business segments: The Equipment Group and the Compression Group. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. The Compression Group is a global leader specializing in the design, engineering, fabrication, and installation of compression systems for natural gas, coal-bed methane, fuel gas and carbon dioxide in addition to process systems and industrial and recreational refrigeration systems. Both Groups offer comprehensive product support capabilities. This press release and more information about Toromont Industries can be found on the Web at www.toromont.com.

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-month and six-month periods ended June 30, 2010, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited consolidated financial statements and related notes for the three-month and six-month periods ended June 30, 2010, the annual MD&A contained in the 2009 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2009.

The consolidated results of operations of Enerflex have been included in the Consolidated Statement of Earnings from January 20, 2010. Prior period amounts do not include financial results of Enerflex operations. Enerflex is reported as part of the Compression Group.

This MD&A contains certain forward-looking information. Please refer to the "Advisory" section of this MD&A for important information regarding forward-looking information.

The consolidated financial statements reported herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars. The information in this MD&A is current to August 11, 2010.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2009 Annual Report and 2010 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

ACQUISITION OF ENERFLEX

On January 20, 2010, the Company completed its offer for the units of Enerflex Systems Income Fund ("Enerflex"). Enerflex is a supplier of products and services to the global oil and gas production industry, and has operations in Canada, Australia, the Netherlands, Germany, Pakistan, the United Arab Emirates, Indonesia and Malaysia.

This important transaction brought together Enerflex and Toromont Energy Systems, to create a stronger organization (named "Enerflex Ltd."), better able to serve customers and compete in both North American and international markets. The new Enerflex benefits from increased financial strength and access to capital and is better positioned to serve customers. Toromont also expects to realize attractive synergies and cost savings through the elimination of excess fabrication capacity, overlapping service facilities, certain public company costs of Enerflex and duplicative head office and general and administration expenses.

The total consideration paid to acquire Enerflex was approximately $700 million, including units acquired prior to the take-over bid, units acquired in the take-over bid and a second step transaction.

CONSOLIDATED RESULTS OF OPERATIONS

$ thousands, except per share amounts	Three months ended June 30 2010	2009	% change	Six months ended June 30 2010	2009	% change
Revenues	$594,220	$484,173	23%	$1,034,926	$941,832	10%
Cost of goods sold	473,491	371,737	27%	829,868	734,919	13%
Gross profit	120,729	112,436	7%	205,058	206,913	(1%)
Selling and administrative expenses	81,788	59,902	37%	159,039	117,759	35%
Operating income	38,941	52,534	(26%)	46,019	89,154	(48%)
Interest expense	7,617	2,262	237%	14,721	4,443	231%
Interest and investment income	(461)	(1,124)	(59%)	(1,262)	(2,004)	(37%)
Gain on available-for-sale financial assets	-	-	-	(18,627)	-	n/m

Equity earnings from affiliates	27	-	n/m	(190)	-	n/m
Income before income taxes	31,758	51,396	(38%)	51,377	86,715	(41%)
Income taxes	9,926	17,871	(44%)	14,180	29,472	(52%)
Net earnings	$ 21,832	$ 33,525	(35%)	$ 37,197	$ 57,243	(35%)
Basic earnings per share	0.28	0.51	(45%)	0.49	0.88	(44%)
Key ratios:						
Gross profit as a % of revenues	20.3%	23.2%		19.8%	22.0%	
Selling and administrative expenses as a % of revenues	13.8%	12.4%		15.4%	12.5%	
Operating income as a % of revenues	6.6%	10.9%		4.4%	9.5%	
Income taxes as a % of income before income taxes	31.3%	34.8%		27.6%	34.0%	

Note - 2009 amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

Revenues increased by 23% in the second quarter and 10% through the first half of 2010 compared to the same periods in the prior year on higher revenues in both operating groups. Equipment Group revenues were up 22% in the quarter driven by improved new equipment sales. Compression Group revenues were up 23% in the second quarter and 11% through the first half as the additional revenues from the acquired business, Enerflex, more than offset revenue declines due to weak natural gas markets.

Significant volatility in the rate of exchange between the Canadian and U.S. dollar has also had a meaningful impact on revenue trends over the past two years. The Canadian dollar averaged $0.97 in the second quarter and first six months of the 2010, representing 13% and 16% increases from the $0.86 and $0.83 averages seen in the comparable periods of 2009. Impacts of these trends include:

-- The Canadian/U.S. dollar exchange rate impacts reported revenues on the translation of the financial statements of foreign subsidiaries. Simple translation of the U.S. dollar results reduced reported revenues by $15 million in the second quarter of 2010 and $34 million in the year-to-date versus 2009. Net income was also reduced by $1.2 million and $2.0 million, respectively due to translation.

-- Nearly all of the equipment and parts sold in the Equipment Group are sourced in U.S. dollars. While then sold in Canadian dollars, the sales prices generally reflect changes in the rate of exchange. The impact on equipment revenues is not readily estimable as it is largely dependent on when customers order the equipment versus when it was sold. Bookings in a given period would more closely follow period-over-period changes in exchange rates. Sales of parts come from inventories maintained to service customer requirements. As a result, constant parts replenishment means that there is a lagging impact of changes in exchange rates.

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--  In the Compression Group, sales from foreign subsidiaries are impacted
    by the translation of results, noted above. Sales from Canadian
    operations are largely impacted by the same factors as those impacting
    the Equipment Group.
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Gross profit margins in the second quarter and through the first half of 2010 were lower than reported in the comparable periods of 2009. Gross profit margins in the Equipment Group in 2009 benefited from the rapid devaluation of the Canadian dollar, which was not repeated in 2010. Within the Compression Group, lower shop utilization and excess capacity following the acquisition reduced gross profit margins in the current year.

Selling and administrative expenses increased by $21.9 million in the second quarter of 2010 and $41.3 million in the year-to-date versus the comparable periods of 2009. Most of the increase was due to the recurring costs assumed with the acquisition. Selling and administrative expenses in 2010 also included costs related to the acquisition and integration of Enerflex, with $2.1 million and $7.6 million in the quarter and year-to-date, and $2.9 million and $5.1 million related to the amortization of identifiable intangible assets recorded on acquisition. Selling and administrative expenses as a percentage of revenues were 13.8% in the second quarter of 2010 and 15.4% in the year-to-date versus 12.4% and 12.5% in the comparable periods of 2009.

Operating income declined $13.6 million or 26% in the second quarter and $43.1 million or 48% through the first half of 2010 compared to the similar periods in the prior year on higher expense levels and lower gross margins.

Interest expense was $5.4 million higher in the second quarter and $10.3 million higher through the first half of 2010 compared to the similar periods of 2009. The increase in expense resulted primarily from interest on a new $450 million term loan facility sourced to finance the acquisition of Enerflex. Interest on this facility totalled $5.4 million in the second quarter and $9.2 million through the first half of 2010.

Earnings in the first quarter of 2010 included a gain of $18.6 million ($16.3 million after tax and $0.22 per share) related to units of Enerflex purchased by Toromont during 2009. These assets were previously designated as available for sale and unrealized gains were included in Other Comprehensive Income ("OCI"). The amount of the gain represents the difference in value between actual cash cost of the units and the fair market value of the units on the acquisition date of January 20, 2010. Under Canadian accounting standards, the gain in OCI is required to be reclassified out of OCI and into net earnings on acquisition of the related business.

The effective income tax rate for the second quarter and first half of 2010 is lower than that in the comparable periods of 2009 reflecting the change in distribution of taxable income and loss by tax jurisdiction. The rate for the first half of 2010 also reflects the favourable capital gains tax rate used for the unrealized gain on units reclassified out of OCI and into income on acquisition.

Net earnings were down 35% in the second quarter and for the first six months of 2010 compared to the similar periods of 2009, reflecting the higher expenses. Basic earnings per share ("EPS") were $0.28 for the second quarter and $0.49 for the first half of 2010, down 45% and 44% from the respective comparable periods of 2009, both reflecting lower earnings and a higher number of shares outstanding.

Comprehensive income for the second quarter was $30.5 million, comprised of net earnings of $21.8 million and other comprehensive income of $8.7 million. The other comprehensive income arose largely on translation of self-sustaining foreign operations of $6.9 million.

Comprehensive income for the first half of 2010 was $20.2 million, comprised of net earnings of $37.2 million and other comprehensive loss of $17.0 million. The other comprehensive loss arose from the reclassification to earnings of unrealized gains on available-for-sale financial assets in the period of $15.6 million and a loss on translation of self-sustaining foreign operations of $2.7 million.

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. Previously, corporate overheads were allocated to the business segments based on operating income. The change in allocation method has been applied prospectively from January 1, 2010. Prior periods have not been restated as the impact is insignificant. Interest expense and interest and investment income are not allocated.

Results of Operations in the Equipment Group

$ thousands	Three months ended June 30 2010	2009	% change	Six months ended June 30 2010	2009	% change
Equipment sales and rentals						
New	$ 115,839	$ 77,632	49%	$ 165,619	$ 142,316	16%
Used	33,666	31,530	7%	62,258	56,015	11%
Rental	31,883	31,771	-	56,711	59,439	(5%)
Total equipment sales and rentals	181,388	140,933	29%	284,588	257,770	10%
Power generation	2,564	2,344	9%	5,127	4,709	9%
Product support	80,586	73,738	9%	151,458	146,229	4%
Total revenues	$ 264,538	$ 217,015	22%	$ 441,173	$ 408,708	8%
Operating income	$ 28,313	$ 22,289	27%	$ 41,230	$ 41,275	-
Key ratios:						
Product support revenues as a % of total revenues	30.5%	34.0%		34.3%	35.8%	
Group total revenues as a % of consolidated revenues	44.5%	44.8%		42.6%	43.4%	
Operating income as a % of revenues	10.7%	10.3%		9.3%	10.1%	

Results in the second quarter of 2010 demonstrated a strengthening trend after an extended period of weaker market conditions dampened results through 2009 and into the first quarter of 2010.

New equipment sales were 49% higher in the second quarter of 2010 and 16% higher through the first six months of the year compared to the similar periods of 2009 on higher unit sales. Most market segments, most notably heavy and general construction, and mining were higher.

Used equipment sales were 7% higher in the quarter and 11% higher in the first half of the year. Sales of used equipment have been a focus area during the economic downturn.

Rental revenues in the quarter were comparable to 2009. Rental rates have been lower due to very competitive market conditions however utilization has improved through the second quarter of 2010.

Power generation revenues from Toromont-owned plants increased 9% in the quarter and 4% through June 30, 2010 compared to the similar periods of the prior year, reflecting increased operating hours and higher average prices for electricity.

Product support revenues were $80.6 million in the second quarter of 2010, increasing 9% from the similar period of 2009. On a constant dollar basis (adjusted for all pricing adjustments including those for foreign exchange), product support revenues were up 17% in the second quarter of 2010 from 2009. Through the first half of 2010, product support revenues were up 4% compared to 2009, 10% on a constant dollar basis.

Operating income was up 27% in the second quarter of 2010 compared to the similar period of 2009 reflecting the 22% increase in revenues. Gross margin declined 3 percentage points from the prior year. Gross margins in the second quarter of 2009 benefited from lagging costs associated with foreign currency hedges during a period of rapid devaluation of the Canadian dollar. Gross margins in 2010 also reflect an unfavourable change in sales mix, with a smaller proportion of product support sales to total. Selling and administrative expenses were 4% lower in the quarter than in the similar period of the prior year on continued focus on expense control.

Operating income was unchanged for the first six months of 2010 compared to the prior year. While revenues were 8% higher and selling and administrative expenses were 6% lower, gross margins were 3 percentage points lower due to the factors noted above for the quarter.

Bookings ($ millions)	2010	2009	% change
Q1	$ 135	$ 78	74%
Q2	$ 138	$ 107	28%
June ytd	$ 273	$ 185	47%

	June 30, 2010	Dec. 31, 2009	June 30, 2009
Backlog ($ millions)	$ 155	$ 110	$ 131

Equipment bookings were up 28% in the quarter and 47% through the first half compared to 2009. Generally, activity has improved in power systems, road building and mining activities. Backlog at June 30, 2010 reflect the higher bookings in 2010. Bookings have demonstrated a steady increasing trend since hitting the low point in the first quarter of 2009.

Results of Operations in the Compression Group

$ thousands	Three months ended June 30 2010	2009	% change	Six months ended June 30 2010	2009	% change
Package sales and rentals						
Natural gas compression	$ 114,837	$158,247	(27%)	$226,123	$316,883	(29%)
Process and fuel gas compression	59,143	39,273	51%	84,574	74,571	13%
Refrigeration systems	31,072	22,783	36%	50,638	40,942	24%
Compression rentals	8,485	4,210	102%	16,054	8,500	89%
Other	38,929	-	n/m	70,589	-	n/m
Total package sales and rentals	252,466	224,513	12%	447,978	440,896	2%
Product support	77,216	42,645	81%	145,775	92,228	58%
Total revenues	$ 329,682	$267,158	23%	$593,753	$533,124	11%
Operating income	$ 10,628	$ 30,245	(65%)	$ 4,789	$ 47,879	(90%)

Key ratios:				
Product support revenues as a % of total revenues	23.4%	16.0%	24.6%	17.3%
Group total revenues as a % of consolidated revenues	55.5%	55.2%	57.4%	56.6%
Operating income as a % of revenues	3.2%	11.3%	0.8%	9.0%

Note - 2009 amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

Toromont completed its acquisition of Enerflex Systems Income Fund on January 20, 2010. The results for the Compression Group for 2010 include the former Enerflex business units from the date of acquisition.

The integration of the legacy business into the new Enerflex Ltd. is well advanced. The leadership team is in place, with management from both predecessor companies filling out the senior positions. The Canadian product support business has been fully integrated and all of the sales, engineering, fabrication and administrative personnel serving the Canadian Energy industry, have been merged. As expected, operations in the U.S. and international locations have been largely unaffected.

The Company will be closing the principal manufacturing facility for the legacy Enerflex business effective September 30, 2010 and the facility has been listed for sale. This initiative consolidates manufacturing operations, eliminating approximately 320,000 sq. ft. of excess capacity. Manufacturing requirements will be well served today and in the future through continuing shops in Calgary, Alberta; Nisku, Alberta; Houston, Texas; Casper, Wyoming; Rijsenhout, Netherlands; and Brisbane, Australia, representing a combined 780,000 square feet of shop space. Management believes in an operating model with centralized engineering and regionalized fabrication facilities, maintaining central control over product capabilities while securing close ties with our customers around the world.

Actions taken through to the date of this MD&A have reduced 290 employee positions and are estimated to have reduced costs by $25 million on an annualized basis. Continued focus is being placed on facilities requirements, surplus real estate and excess inventory and these efforts are expected to reduce our capital employed and lead to additional cost savings. In addition to these initiatives, both predecessor companies had enacted cost reduction plans last year, prior to the acquisition. Additional synergistic benefits will be realized as the demand for natural gas compression equipment resumes, without the requirement to once again increase many of these costs.

Due to the advanced stage of integration of the Canadian operations achieved to date, it is not possible to clearly associate trends to either of the two predecessor organizations. Generally, continued weak fundamentals in the global natural gas compression and related markets have translated to reduced revenues in 2010 on a pro forma basis. On a reported basis, the lower revenues in the current period have been more than offset in total, by the increases in revenues derived from the acquisition.

Natural gas package revenues were down 27% in the quarter and 29% through the first half compared to 2009. The stronger Canadian dollar resulted in a decrease of $8 million and $21 million in the quarter and year-to-date respectively on translation of revenues derived at foreign operations. Sales of natural gas compression packages from US operations were down 50% in the second quarter and 43% for the first six months of 2010 on a US dollar basis due to significantly lower market activity. Sales from Canadian operations were up more than 100% in the quarter and year-to-date on revenues added by the acquisition, more than offsetting declines in the legacy business. Canadian markets have declined on continuing weakness in underlying market factors. Activity levels in Australia, Europe and the Middle East, while higher on a reported basis due to the acquisition, continue to be weak.

Process and fuel gas compression systems revenues were up 51% and 13% in the quarter and through the first half of 2010 respectively.

Refrigeration systems revenues were up 36% in the second quarter and 24% through the first half compared to the similar period of 2009. Bookings for recreational refrigeration in Canada have seen good growth due to the Federal Recreational Infrastructure in Canada program, while the markets for industrial refrigeration in Canada and refrigeration generally in the US have remained challenged.

Rental revenues increased in the quarter and through the first half of 2010 due to the addition of the rental operation of the acquired Enerflex business.

Other revenues include revenues from businesses acquired in the acquisition of Enerflex, including combined heat and power, electrical instrumentation and control, environment systems and project engineering.

Product support revenues increased 81% in the second quarter of 2010 compared to the second quarter of 2009 on the expanded operations after the acquisition of Enerflex. Revenues in the second quarter of 2010 increased 13% compared to the first quarter of 2010 as the disruptions abated related to integration efforts in the Canadian operations. Refrigeration product support revenues were relatively unchanged from the prior year for the quarter and year-to-date. Increased activity level in the US was largely offset by the impact of the stronger Canadian dollar. Through the first half of 2010, product support revenues were up 58% on expanded operations.

The Compression Group reported operating income of $10.6 million in the second quarter of 2010 compared to $30.2 million in the similar period of 2009. Through the first half, operating income was $4.8 million compared to $47.9 million in the similar period of 2009. The decrease in both periods reflects the fixed overheads with respect to excess capacity in fabrication facilities which continued to be under absorbed on lower activity levels on a combined pro forma basis. Transaction related costs and restructuring activities resulted in $2.1 million expense in the second quarter of 2010, $7.6 million through the first half. Amortization related to identifiable intangible assets recorded on acquisition totalled $2.9 million in the quarter and $5.1 million year-to-date.

Bookings ($ millions)	2010	2009	% change
Q1	$ 188	$ 81	132%
Q2	$ 176	$ 111	59%
June ytd	$ 364	$ 192	89%

	June 30, 2010	Dec. 31, 2009	June 30, 2009
Backlog ($ millions)	$ 470	$ 301	$ 374

Note - 2009 amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

Compression bookings were up significantly year-over-year, reflecting the larger integrated Enerflex business and success in certain key markets. Industrial and recreational refrigeration bookings were up 10%, on a year-to-date basis with strong order activity in Canadian recreational markets significantly due to the Recreational Infrastructure Canada program. On the strength of bookings through the first half of the year, backlogs at June 30, 2010 were up from those reported at June 30 and December 31, 2009. Approximately $140 million in backlog was assumed on acquisition of Enerflex.

CONSOLIDATED FINANCIAL CONDITION

At June 30, 2010, the ratio of total debt net of cash to equity was 0.36:1, within the Company's targeted range. Total assets were $2.4 billion at June 30, 2010, compared with $1.4 billion at December 31, 2009. Total assets purchased in the acquisition of Enerflex were approximately $1 billion.

Working Capital

The Company's investment in non-cash working capital was $380.6 million at June 30, 2010. The major components, along with the changes from December 31, 2009, and June 30, 2009 are identified in the following table.

The acquisition of Enerflex led to the assumption of working capital upon consolidation and is reflected in the June 30, 2010 numbers.

$ thousands	June 30 2010	December 31 2009	Change $	Change %	June 30 2009	Change $	Change %
Accounts receivable	$ 427,458	$ 244,759	$ 182,699	75%	$ 297,126	$ 130,332	44%
Inventories	507,100	373,110	133,990	36%	486,496	20,604	4%
Income taxes, net	29,958	16,967	12,991	77%	14,700	15,258	n/m
Future income tax assets	38,166	34,326	3,840	11%	37,657	509	1%
Derivative financial instruments	3,667	(874)	4,541	n/m	(1,362)	5,029	n/m
Other current assets	19,421	6,037	13,384	n/m	14,005	5,416	39%
Accounts payable and accrued liabilities	(386,317)	(228,436)	(157,881)	69%	(236,285)	(150,032)	63%
Dividends payable	(11,534)	(9,728)	(1,806)	19%	(9,708)	(1,826)	19%
Deferred revenue	(166,390)	(89,810)	(76,580)	85%	(108,582)	(57,808)	53%
Current portion of long-term debt	(80,917)	(14,044)	(66,873)	n/m	(14,556)	(66,361)	n/m
Total non-cash working capital	$ 380,612	$ 332,307	$ 48,305	15%	$479,491	$ (98,879)	-21%

Note - 2009 amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.
n/m equals not meaningful

Accounts receivable as at June 30, 2010 reflect higher trailing activity levels. Revenues in both operating groups were higher in the second quarter of 2010 than in the first quarter of 2010 and the fourth quarter of 2009. Higher revenues will generally result in higher accounts receivable balances. Collection efforts continue to be a focus. Generally, days sales outstanding are either comparable or improved from this time last year.

There are a number of significant factors which need to be considered in comparing inventory balances at these three points in time:

- Seasonality leads to a build of inventories early in a calendar year in preparation for anticipated deliveries through the year.
- Foreign exchange fluctuations impact the translation of balances at foreign subsidiaries. The Canadian dollar strengthened significantly at June 30, 2010 compared to June 30, 2009 resulting in a reduction in reported inventories of $11 million. The effect compared to December 31, 2009 was marginal.
- The Enerflex acquisition included inventories of approximately $143 million.

Income taxes receivable (payable) reflects amounts owing for corporate income taxes less installments made to date. The amount receivable in 2010 is higher than in 2009 as higher tax installments were made compared to income generated in the period.

Future income tax assets reflect differences between income tax and accounting.

Derivative financial instruments represent the fair value of foreign exchange contracts and embedded derivatives. Fluctuations in the value of the Canadian dollar have led to a cumulative net gain of $3.7 million as at June 30, 2010. This is not expected to affect net income, as the unrealized gain will offset future losses on the related hedged items.

Accounts payable and accrued liabilities at June 30, 2010 were higher than at both June 30 and December 31, 2009 on higher activity levels, including purchases of inventories. Extended terms of payment have been offered by certain suppliers.

Dividends payable were 19% higher at June 30, 2010 than at both June 30 and December 31, 2009 reflecting the higher number of shares outstanding after the acquisition. Approximately 11.9 million shares were issued as partial consideration in the acquisition of Enerflex, representing an increase in the number of shares outstanding from December 31, 2009 of 18%. The dividend rate was $0.15 per share at each period.

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

The current portion of long-term debt reflects scheduled principal repayments due through to June 30, 2011. In connection with the acquisition of Enerflex, borrowings of $450 million were drawn down under a new term loan facility. This facility is due in July 2011, with periodic principal payments required each quarter. The value of principal payments due within the next twelve months on this facility is $67.5 million.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition.

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 76,890,317 common shares and 2,404,169 share options outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

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

Toromont arranged a term loan facility in January 2010 in connection with the acquisition of Enerflex. Borrowings of $450 million have been drawn down under this facility, with principal repayments of $16.875 million due quarterly and a lump sum final repayment due in July 2011 (eighteen month term). Debt incurred under this facility is unsecured and ranks equally with debt incurred under Toromont's existing credit facility and debentures. Toromont utilizes this facility through the issuance of bankers' acceptances with acceptance fees ranging from 275 to 400 basis points. The applicable margin or acceptance fee is, in each case, determined based on Toromont's leverage ratio. Debt issuance costs of $6.9 million are being amortized over the term of this debt. This facility includes covenants, restrictions and events of default that are substantially the same as the corresponding provisions in Toromont's existing credit facility.

The Company maintains $225 million in bank credit in Canada and US$20 million in bank credit in the United States, provided through committed credit facilities. These facilities mature in 2011. No amount was drawn on the US facility at June 30, 2010 (December 31, 2009 - nil; June 30, 2009 - US$5.1 million), which bears interest at prime. The US prime rate was 3.25% at June 30, 2010. There were no amounts drawn on this Canadian facility as at any of the above reporting dates. At June 30, 2010, standby letters of credit issued under these facilities utilized $67 million of the credit lines (December 31, 2009 - $33 million; June 30, 2009 - $50 million).

At June 30, 2010, $434.2 million or 74% of the Company's total debt portfolio was subject to movements in floating interest rates, with maturity in 2011. The remaining $150.1 million or 26% of long-term debt carried interest at fixed rates. This debt matures at various dates through to 2019 with a current weighted average interest rate of 5.3%.

The Company expects that cash from operations, cash and cash equivalents on hand and currently available credit facilities will be more than sufficient to fund requirements for debt repayments, investments in working capital and capital assets over the next twelve months.

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 2010	2009	Six months ended June 30 2010	2009
Cash, beginning of period	$ 191,876	$ 67,161	$ 206,957	$ 137,274
Cash, provided by (used in):				
Operations	39,575	50,589	57,823	82,500
Change in non-cash working capital and other	(15,903)	(15,742)	9,967	(101,689)
Operating activities	23,672	34,847	67,790	(19,189)
Investing activities	(29,581)	(21,716)	(351,578)	(36,200)
Financing activities	(28,541)	(18,142)	235,546	(19,735)
Decrease in cash in the Period	(34,450)	(5,011)	(48,242)	(75,124)
Effect of foreign exchange on cash balances	1,641	-	352	-
Cash, end of period	$ 159,067	$ 62,150	$ 159,067	$ 62,150

Note - 2009 amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

Cash Flows from Operating Activities

Operating activities provided $23.7 million in the second quarter of 2010 compared to $34.8 million in the comparable period of 2009. Net earnings adjusted for items not requiring cash were down 22% on lower operating margins including expenses related to the acquisition of Enerflex. Non-cash working capital and other used $15.9 million in the quarter compared to $15.7 million in the similar period of 2009. The components and changes in working capital are discussed in more detail in this MD&A under the heading "Consolidated Financial Condition."

Through the first six months of the year, operating activities provided $67.8 million compared to using $19.2 million in the comparable period of 2009. While net earnings adjusted for items not requiring cash was down 30%, working capital management activities have been stronger.

Cash Flows from Investing Activities

Investing activities in the second quarter of 2010 used $29.6 million.

Net investment in the rental fleet was $8.2 million in the second quarter of 2010, compared to $10.4 million in the prior year. Net rental fleet additions in the Equipment Group totalled $12.3 million, reflecting specific additions required to meet customers' requirements and recurring fleet investing. Compression Group reported a net reduction in the rental fleet of $4.1 million, as fleet rationalization activities commenced on integration of the rental business subsequent to acquisition.

Investments in property, plant and equipment totalled $21.5 million and were related largely to on-going construction of a gas processing facility in Oman. This facility and related 'build-own-operate-maintain' customer agreement, was acquired as part of the acquisition of Enerflex. The facility, with a net book value at June 30, 2010 of $47 million, is expected to be operational within the third quarter of 2010.

Investing activities in the first half of 2010 included $292.5 million for the acquisition of Enerflex completed in the first quarter of 2010.

Net investment in the rental fleet was $8.3 million for the first six months of 2010 compared to $7.6 million in the comparable period of 2009. Net rental fleet additions in the Equipment Group totalled $13.0 million while Compression Group reported a net reduction in the rental fleet of $4.7 million, for the reasons noted above.

Gross Investment in property, plant and equipment totalled $52.7 million and was related to the facility in Oman as well as property purchases for the Toromont CAT dealership.

Cash Flows from Financing Activities

Financing activities used $28.5 million in the second quarter compared to $18.1 million in the comparable quarter of 2009. Through the first half of 2010, financing activities provided $235.5 million and included $450 million borrowed under a new term loan facility entered into as part of the acquisition of Enerflex.

Enerflex's senior secured notes payable in the amount of $100.6 million were repaid subsequent to completing the acquisition. A premium of $11.3 million was paid in connection with the repayment of these notes, and was included in the fair value of liabilities assumed for purposes of the purchase price allocation. Borrowings under Enerflex's bank facility of $53 million were also repaid in the first quarter of 2010 following completion of the acquisition.

Financing costs of $6.9 million were paid in connection with the new term loan facility. These costs have been deferred and will be amortized over the life of the related term loan facility using the effective interest method.

Dividends paid to common shareholders were up 19% and 13% in the second quarter and first half of 2010 respectively, reflecting the higher number of shares outstanding as a result of the acquisition.

There were no shares purchased under the normal course issuer bid (NCIB) during 2010. During the first half of 2009, 43,400 shares were purchased and cancelled under the Company's NCIB at a cost of $858.

OUTLOOK

Toromont entered 2010 with reduced backlogs as many of its end markets continued to deal with the adverse economic conditions experienced through 2009.

Enerflex Systems Income Fund which was purchased January 20, 2010 was experiencing the same poor market conditions and declining backlogs as Toromont Energy Systems. The results for the combined entity, Enerflex Ltd., have been temporarily depressed by unabsorbed shop costs and inefficiencies, and excess overhead geared for a much larger business model, together with exceptional acquisition and integration costs associated with bringing together two companies of approximately the same size. Integration efforts are progressing and the full benefit of the acquisition will become evident as the markets for natural gas production equipment strengthen. For the balance of this year we expect steady improvement as shop loadings grow and synergies begin to flow through the income statement. Actions taken to date are expected to generate annualized savings of $25 million.

Toromont's newly merged business, Enerflex Ltd., is a global leader in the compression market, building on the complementary strengths of its predecessor organizations. A strong leadership team is in place and the Company believes that the long-term prospects for this business are excellent.

Canadian recreational refrigeration markets have held up well due to governmental stimulus spending, moderated by challenging conditions in industrial refrigeration. CIMCO is on target to deliver a standout year.

The Equipment Group reported the first year-over-year increase in revenue since the third quarter of 2008 and the first year-over-year increase in operating income since the first quarter of 2009. This was driven by a 49% increase in sales of new equipment and 9% increase in product support. Markets performing well include road building, power systems and mining. While some of this increase is due to one-time stimulus spending, management still expects the improving trend reflected in bookings to be sustained.

With the improvement in booking and enquiry levels our outlook for the balance of the year is getting better. While it continues to be a very competitive environment, with pricing pressure, we now expect that net income for the last half may approach the earnings reported for the last half of last year. Earnings per share are expected to remain lower as a result of shares issued to complete the acquisition of Enerflex.

CONTRACTUAL OBLIGATIONS

Contractual obligations are set out in the following table. Management believes that these obligations will be met comfortably through cash on hand, cash generated from operations and existing and new short- and long-term financing facilities. The Company's credit ratings provide reasonable access to capital markets to facilitate future debt issuance.

Payments due by Period	remainder of 2010	2011	2012
Long-term Debt			
- principal	$ 40,924	$ 406,264	$ 1,280
- interest	12,684	15,971	6,986
Operating Leases	11,482	15,427	11,277
	$ 65,090	$ 437,662	$ 19,543

Payments due by Period	2013	2014	Thereafter	Total
Long-term Debt				
- principal	$ 1,372	$ 1,471	$ 133,039	$ 584,350
- interest	6,895	6,796	7,635	56,967
Operating Leases	8,205	7,427	16,491	70,309
	$ 16,472	$ 15,694	$ 157,165	$ 711,626

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 2009 annual audited consolidated financial statements.

$ thousands, except per share amounts	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Revenues				
Equipment Group	$ 233,629	$ 239,009	$ 176,635	$ 264,538
Compression Group	196,293	213,829	264,071	329,682
Total revenues	$ 429,922	$ 452,838	$ 440,706	$ 594,220

Net earnings	$ 31,923	$ 31,350	$ 15,365	$ 21,832
Per share information:				
Basic earnings per share	$ 0.50	$ 0.48	$ 0.21	$ 0.28
Diluted earnings per share	$ 0.50	$ 0.48	$ 0.21	$ 0.28
Dividends per share	$ 0.15	$ 0.15	$ 0.15	$ 0.15
Weighted average common shares outstanding - Basic (in thousands)	64,718	64,771	73,866	76,881

Note - 2009 amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

$ thousands, except per share amounts	Q3 2008	Q4 2008	Q1 2009	Q2 2009
Revenues				
Equipment Group	$ 307,441	$ 303,904	$ 191,693	$ 217,015
Compression Group	270,528	305,800	265,966	267,158
Total revenues	$ 577,969	$ 609,704	$ 457,659	$ 484,173
Net earnings	$ 37,104	$ 49,110	$ 23,718	$ 33,525
Per share information:				
Basic earnings per share	$ 0.57	$ 0.76	$ 0.37	$ 0.51
Diluted earnings per share	$ 0.56	$ 0.76	$ 0.37	$ 0.51
Dividends per share	$ 0.14	$ 0.14	$ 0.15	$ 0.15
Weighted average common shares outstanding - Basic (in thousands)	65,115	64,865	64,678	64,698

Note - 2009 amounts do not include the financial results of Enerflex operations, which have been included in the consolidated financial statements from date of acquisition, January 20, 2010.

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 due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. This pattern has been changing in recent years given changes in economic conditions, product availability and other market specific factors, such that the seasonality impact in the second, third and fourth quarter has been relatively neutral.

The Compression Group also has historically had a distinct seasonal trend in activity levels due to well-site access and drilling patterns, which reflect weather conditions in Canada. Generally, higher revenues are reported in the fourth quarter of each year. The Company expects that the geographic and product mix diversification will mitigate this seasonality.

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 2009 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are consistent with those used in the Company's 2009 audited annual consolidated financial statements and described in Note 1 therein, except for the changes in accounting policies described in the following section.

The preparation of financial statements in conformity with Canadian GAAP 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 the Company's 2009 Annual Report.

CHANGES IN ACCOUNTING POLICIES

Business Combinations

Effective January 1, 2010, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements, and Section 1602 Non-controlling Interests. Section 1582 specifies a number of changes, including an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These new standards are harmonized with International Financial Reporting Standards (IFRS). The new standards will become effective in 2011, however early adoption is permitted. The Company has early adopted Section 1582, Section 1601 and Section 1602 effective from January 1, 2010.

The Company had reported deferred transaction costs of $9,035 as at December 31, 2009. These costs were charged to opening retained earnings, net of tax of $1,129, as a result of the change in accounting policy.

FUTURE ACCOUNTING STANDARDS

Financial Instruments Recognition and Measurement

In June 2009, the CICA amended Handbook Section 3855 - Financial Instruments - Recognition and Measurement ("Section 3855") to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument at initial recognition for accounting purposes. The amendments are applicable for the Company's interim and annual financial statements for its fiscal year beginning January 1, 2011. Earlier adoption is permitted. At March 31, 2010, the Company had no debt instruments to which the Section 3855 amendments would be applicable.

Multiple Deliverable Revenue Arrangements

On December 24, 2009, the CICA issued EIC Abstract 175 - Multiple deliverable revenue arrangements ("EIC-175"). EIC-175 addresses the accounting by a vendor for arrangements under which it will perform multiple revenue generating activities and how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. EIC-175 is applicable to revenue arrangements with multiple deliverables entered into or materially modified on or after January 1, 2011. Earlier adoption is permitted. The Company does not anticipate early adopting EIC-175. The Company plans to adopt revenue recognition principles in accordance with IFRS effective January 1, 2011 and does not anticipate that this adoption will have a material impact on the Company's consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. The first financial statements to be presented on an IFRS basis will be for the quarter ended March 31, 2011. At that time, comparative data will be presented on an IFRS basis, including an opening balance sheet as at January 1, 2010.

The Company's conversion project commenced in 2008 and consists of four phases:

1. Diagnostic - Prepare an in-depth identification and analysis of differences between Canadian GAAP and IFRS.
2. Design and planning - Prepare an implementation plan including identifying process, system and financial reporting controls changes required for the conversion to IFRS.
3. Solution development - Address identified GAAP differences to confirm nature and impact of differences and to select accounting policies and transition choices.
4. Implementation - Develop process for dual reporting in 2010 and full convergence in 2011, including consideration of information systems, internal controls over financial reporting and disclosure controls and procedures.

Investments in training and resources have been made throughout the transition period to facilitate a timely conversion.

The Company's IFRS transition project is on schedule. We are in the solution development and implementation phase and have established issue-specific work teams to focus on quantification of impact, generating options and making recommendations in the identified risk areas. Quarterly updates are provided to the Audit Committee.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. Based on the work to date, the majority of differences for Toromont are expected to arise in respect to:

-- IFRS 1 - First Time Adoption exemptions;
-- Property, plant and equipment;
-- Employee future benefits;
-- Asset impairment; and
-- Additional disclosure requirements.

The following are the key transitional provisions which are expected to be adopted on January 1, 2010 and which will have an impact on the Company's financial position on transition. It is not an exhaustive list:

-- Employee Future Benefits - Unamortized defined benefit pension plan actuarial gains and losses accumulated at January 1, 2010 will be recognized in retained earnings.
-- Cumulative Translation Adjustments - All cumulative translation adjustments will be transferred to retained earnings from Accumulated Other Comprehensive Income upon transition.

Other opening balance sheet transitional provisions and exemptions are not expected to have a significant impact on the Company's financial position:

-- Borrowing costs - Borrowing costs will be capitalized as required after the date of transition.

- Business combinations - The Company adopted Canadian Handbook Section 1582, 1601 and 1602 effective January 1, 2010. These new standards are considered to be IFRS compliant.

There are several accounting policy differences which may impact the Company on a go-forward basis. This is not an exhaustive list:

- Employee future benefits - IFRS allows gains and losses related to the revaluation of defined benefit obligations to be recorded using a 10 per cent corridor approach (similar to GAAP) or be immediately recognized in other comprehensive income. The Company has not yet made its policy selection.
- Impairment - IFRS requires property, plant and equipment, intangibles and goodwill to be assessed for impairment at the 'cash generating unit' level rather than the reporting unit level considered by Canadian GAAP. Under IFRS, impairment testing for property, plant and equipment requires reversal of impairments where adverse circumstances have been reversed. Whether the Company will be materially impacted by this change will depend upon the facts at the time of each impairment test.
- Borrowing costs - Borrowing costs for all qualifying assets for which construction commences after January 1, 2010 will be capitalized. This will reduce finance costs and increase property, plant and equipment balances and associated depreciation for those assets. The impact of this policy change will be dependent on the magnitude of capital spend on qualifying assets in the future.

The International Accounting Standards Board (IASB) work plan anticipates the completion of several projects in calendar years 2010 and 2011. The projects on financial instruments, post-employment benefits, financial statement presentation, revenue recognition and leases are most relevant to the Company's IFRS transition plans. As a result, the full impact of adopting IFRS on our financial position and future results cannot reasonably be determined at this time.

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 Chairman & 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 ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with GAAP.

The control framework used in the design of both DC&P and ICFR is the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The design and maintenance of adequate disclosure controls and procedures and internal control over financial reporting include controls, policies and procedures of Enerflex effective from the date of acquisition, January 20, 2010.

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, 2010 that would materially affect, or is 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 controls over financial reporting, they expect that these 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-GAAP 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 Canadian GAAP. 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 Canadian GAAP.

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.

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.

Bookings and Backlog

Bookings represent new orders for the supply of equipment which management believe are firm. Bookings do not include rental, operating or service contracts. Bookings also include contract changes and cancellations received during the period. Within the Equipment Group, backlog arises on items that are not in inventory, items with long delivery times and as a result of specified customer delivery requests. This occurs primarily in specialized areas such as mining and marine power systems. Within the Compression Group, backlog arises due to the time required for engineering, sourcing of direct materials and fabrication, as well as specific customer requests for delivery. Backlog represents the unearned portion of revenue on orders that are in process and have not been completed at the specified date. Closing backlog is not a guarantee of future revenues and provides no information about the timing on which future revenue may be recorded.

There is no direct comparable measure for bookings or backlog in GAAP.

ADVISORY

Statements and information herein that are not historical facts are "forward-looking information". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "likely", "should", "could", "will", "may" and similar expressions often identify forward-looking information and statements. Forward looking statements and information may include, without limitation, statements regarding the operations, business, financial condition, liquidity, expected financial results, performance, obligations, market conditions, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Toromont and its business units.

Forward-looking information and statements contained herein are based on, among other things, Toromont management's current assumptions, expectations, estimates, objectives, plans and intentions regarding projected revenues and expenses, the economic, industry and regulatory environments in which Toromont operates or which could affect its activities, Toromont's ability to attract and retain customers as well as Toromont's operating costs and raw materials supply. By their nature, forward-looking information and statements, and the factors upon which they are based, are subject to risks and uncertainties which may be beyond Toromont's ability to control or predict. Actual results or events could differ materially from those expressed or implied by forward-looking information and statements. Factors that could cause actual results or events to differ from current expectations include, among others: business cycle risk, including general economic conditions in the countries in which Toromont operates; risk of commodity price changes including precious and base metals and natural gas; risk of changes in foreign exchange rates, including the Cdn$/US$ exchange rate; risk of the termination of distribution or original equipment manufacturer agreements; risk of equipment product acceptance and availability of supply; risk of increased competition; credit risk related to financial instruments; risk of additional costs associated with warranties and maintenance contracts; interest rate risk on financing arrangements; risk of availability of financing; risk of environmental regulation; risks related to the integration of Enerflex's operations with those of Toromont; and risks related to the realization of identified synergies. Additional information on these factors and other risks and uncertainties that could cause actual results or events to differ from current expectations can be found in the "Risks and Risk Management" and "Outlook" section of this MD&A and the "Risks and Risk Management" and "Outlook" sections of Toromont's MD&A for the year ended December 31, 2009. 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 forward-looking information and statements.

Forward-looking information and statements contained herein about prospective results of operations, financial position or cash flows are presented for the purpose of assisting Toromont's shareholders in understanding managements' current view regarding those future outcomes and may not be appropriate for other purposes. Readers are cautioned not to place undue reliance on the forward-looking information and statements contained herein, which are given as of the date of this document, and not to use such information and statements for anything other than their intended purpose. Toromont disclaims any obligation or intention to update or revise any forward-looking information or statement, whether the result of new information, future events or otherwise, except as required by applicable law.

TOROMONT INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEETS
(unaudited)

($ thousands)	June 30 2010	December 31 2009	June 30 2009
Assets			
Current assets			
Cash and cash equivalents	$ 159,067	$ 206,957	$ 62,150
Accounts receivable	427,458	244,759	297,126
Inventories (note 4)	507,100	373,110	486,496
Income taxes receivable	31,883	16,967	15,340
Future income taxes	38,166	34,326	37,657
Derivative financial instruments	4,618	-	-
Other current assets	19,421	6,037	14,005
Total current assets	1,187,713	882,156	912,774
Property, plant and equipment	355,599	186,491	198,140
Rental equipment	249,508	183,175	198,019
Future income taxes	31,359	-	-
Other assets (note 5)	12,562	78,045	34,218
Intangible assets (note 6)	38,950	-	-
Goodwill	487,384	34,800	34,800
Total assets	$ 2,363,075	$ 1,364,667	$ 1,377,951
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 7)	$ 397,851	$ 238,164	$ 245,993
Deferred revenues	166,390	89,810	108,582
Current portion of long-term debt (note 8)	80,917	14,044	14,556
Income taxes payable	1,925	-	640

Derivative financial instruments	951	874	1,362
Total current liabilities	648,034	342,892	371,133
Deferred revenues	11,618	13,386	31,366
Long-term debt (note 8)	498,642	144,051	157,172
Accrued pension liability	2,159	2,351	2,361
Future income taxes	26,983	7,924	5,897
Shareholders' equity			
Share capital (note 9)	463,290	132,261	129,829
Contributed surplus (note 10)	10,731	10,012	9,586
Retained earnings	718,643	712,418	668,582
Accumulated other comprehensive (loss) income (note 11)	(17,629)	(628)	2,025
Shareholders' equity before non-controlling interest	1,175,035	854,063	810,022
Non-controlling interest	604	-	-
Shareholders' equity	1,175,639	854,063	810,022
Total liabilities and shareholders' equity	$ 2,363,075	$ 1,364,667	$ 1,377,951

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)

$ thousands, except per share amounts	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
Revenues	$ 594,220	$ 484,173	$ 1,034,926	$ 941,832
Cost of goods sold	473,491	371,737	829,868	734,919
Gross profit	120,729	112,436	205,058	206,913
Selling and administrative expenses	81,788	59,902	159,039	117,759
Operating income	38,941	52,534	46,019	89,154
Interest expense	7,617	2,262	14,721	4,443
Interest and investment income	(461)	(1,124)	(1,262)	(2,004)
Gain on available for sale financial assets on business acquisition	-	-	(18,627)	-
Equity earnings from affiliates	27	-	(190)	-

Income before income taxes	31,758	51,396	51,377	86,715
Income taxes	9,926	17,871	14,180	29,472
Net earnings	$ 21,832	$ 33,525	$ 37,197	$ 57,243
Earnings per share (note 13)				
Basic and Diluted	$ 0.28	$ 0.51	$ 0.49	$ 0.88
Weighted average number of shares outstanding				
Basic	76,881,262	64,698,046	75,381,981	64,688,286
Diluted	77,123,623	64,760,059	75,670,159	64,808,310

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)

	Three months ended June 30		Six months ended June 30	
($ thousands)	2010	2009	2010	2009
Retained earnings, beginning of period	$ 708,345	$ 644,766	$ 712,418	$ 631,522
Change in accounting policy (note 2)	-	-	(7,906)	-
	$ 708,345	$ 644,766	$ 704,512	$ 631,522
Net earnings	21,832	33,525	37,197	57,243
Dividends	(11,534)	(9,709)	(23,066)	(19,411)
Shares purchased for cancellation (note 9)	-	-	-	(772)
Retained earnings, end of period	$ 718,643	$ 668,582	$ 718,643	$ 668,582

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended June 30, 2010			Six months ended June 30, 2010		
$ thousands	Before Income Taxes	Income Taxes	Net of Income Taxes	Before Income Taxes	Income Taxes	Net of Income Taxes

Net earnings			$ 21,832			$ 37,197
Other comprehensive income (loss):						
Change in fair value of derivatives designated as cash flow hedges	$ 1,756	$ (687)	$ 1,069	$ 459	$ (153)	$ 306
Losses on derivatives designated as cash flow hedges transferred to net income in the current period	1,133	(401)	732	1,527	(535)	992
Unrealized gain (loss) on translation of financial statements of self-sustaining foreign operations	6,908	-	6,908	(2,684)	-	(2,684)
Reclassification to net income of gain on available-for-sale financial assets as a result of business acquisition	-	-	-	(18,705)	3,090	(15,615)
Other comprehensive income (loss)	$ 9,797	$ (1,088)	$ 8,709	$ (19,403)	$ 2,402	$ (17,001)
Comprehensive income			$30,541			$ 20,196

$ thousands	Three months ended June 30, 2009 Before Income Taxes	Income Taxes	Net of Income Taxes	Six months ended June 30, 2009 Before Income Taxes	Income Taxes	Net of Income Taxes
Net earnings			$ 33,525			$ 57,243
Other comprehensive (loss) income:						
Change in fair value of derivatives designated as cash flow hedges	$ (2,401)	$ 840	$ (1,561)	$ (2,846)	$ 996	$ (1,850)
Losses (gains) on derivatives designated as cash flow hedges transferred to net income in the current period	467	(163)	304	(1,996)	699	(1,297)
Unrealized loss on translation of financial statements of self-sustaining foreign operations	(12,144)	-	(12,144)	(7,059)	-	(7,059)
Unrealized gain on financial assets designated as available-for-sale	1,300	(215)	1,085	1,596	(264)	1,332
Other comprehensive (loss) income	$ (12,778)	$ 462	$ (12,316)	$(10,305)	$ 1,431	$ (8,874)
Comprehensive income			$ 21,209			$ 48,369

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ thousands)	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
Operating activities				
Net earnings	$ 21,832	$ 33,525	$ 37,197	$ 57,243
Items not requiring cash and cash equivalents				
Depreciation and amortization	22,442	15,243	41,110	27,380
Equity earnings from affiliates	27	-	(190)	-
Stock-based compensation	772	606	1,489	1,201
Accrued pension liability	(200)	(24)	(192)	39
Future income taxes	(926)	2,692	2,867	184
Gain on sale of rental equipment, property, plant and equipment	(4,372)	(1,453)	(5,831)	(3,547)
Gain on available-for-sale financial instruments on business acquisition	-	-	(18,627)	-
	39,575	50,589	57,823	82,500
Net change in non-cash working capital and other (note 17)	(15,903)	(15,742)	9,967	(101,689)
Cash provided by (used in) operating activities	23,672	34,847	67,790	(19,189)
Investing activities				
Additions to:				
Rental equipment	(21,599)	(16,701)	(30,387)	(22,528)
Property, plant and equipment	(21,531)	(4,563)	(52,683)	(12,881)
Proceeds on disposal of:				
Rental equipment	13,410	6,242	22,076	14,884
Property, plant and equipment	316	42	510	605
(Increase) decrease in other assets	(177)	(6,736)	1,439	(16,280)
Business acquisition, net of cash (note 3)	-	-	(292,533)	-

Cash used in investing activities	(29,581)	(21,716)	(351,578)	(36,200)
Financing activities				
(Decrease) Increase in term credit facility debt	-	(7,306)	-	5,985
Issue of long-term debt	-	-	450,000	-
Repayment of other long-term debt	(17,276)	(1,425)	(188,555)	(7,732)
Financing costs	-	-	(6,951)	-
Dividends	(11,531)	(9,703)	(21,259)	(18,748)
Shares purchased for cancellation	-	-	-	(858)
Cash received on exercise of stock options	266	292	2,311	1,618
Cash (used in) provided by financing activities	(28,541)	(18,142)	235,546	(19,735)
Effect of exchange rate changes on cash denominated in foreign currency	1,641	-	352	-
Decrease in cash and cash equivalents	(34,450)	(5,011)	(48,242)	(75,124)
Cash and cash equivalents at beginning of period	191,876	67,161	206,957	137,274
Cash and cash equivalents at end of period	$ 159,067	$ 62,150	$ 159,067	$ 62,150

Supplemental cash flow information (note 17)

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

(unaudited)

($ thousands except where otherwise indicated)

1. Significant accounting policies

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the preparation of interim financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with those used in the Company's 2009 audited annual consolidated financial statements, except for the change in accounting policies described in Note 2. These unaudited interim consolidated financial statements do not include all disclosures required by GAAP for annual financial statements, and accordingly should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2009.

2. Changes in accounting policies

Current Accounting Changes

Business Combinations

Effective January 1, 2010, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements, and Section 1602 Non-controlling Interests. Section 1582 specifies a number of changes, including an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. These new standards are harmonized with International Financial Reporting Standards (IFRS). The new standards will become effective in 2011, however early adoption is permitted. The Company has early adopted these standards effective from January 1, 2010.

The Company had deferred transaction costs of $9,035 as at December 31, 2009. These costs were charged to opening retained earnings in 2010, net of tax of $1,129, as a result of the change in accounting policy.

Future Accounting Changes

Financial Instruments - Recognition and Measurement

In June 2009, the CICA amended Handbook Section 3855 Financial Instruments - Recognition and Measurement to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument at initial recognition for accounting purposes. The amendments are applicable for the Company's interim and annual financial statements for its fiscal year beginning January 1, 2011. Earlier adoption is permitted. At June 30, 2010, the Company had no debt instruments to which the Section 3855 amendments would be applicable.

Multiple Deliverable Revenue Arrangements

On December 24, 2009, the CICA issued EIC Abstract 175 - Multiple Deliverable Revenue Arrangements. EIC-175 addresses the accounting by a vendor for arrangements under which it will perform multiple revenue generating activities and how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. EIC-175 is applicable to revenue arrangements with multiple deliverables entered into or materially modified on or after January 1, 2011. Earlier adoption is permitted. The Company does not anticipate early adopting EIC-175. The Company plans to adopt revenue recognition principles in accordance with IFRS effective January 1, 2011 and does not anticipate that this adoption will have a material impact on the Company's consolidated financial statements.

International Financial Reporting Standards

Canadian GAAP will be converged with IFRS effective January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS.

3. Business acquisition

On January 20, 2010, the Company completed its offer for the units of Enerflex Systems Income Fund ("Enerflex"). Enerflex is a supplier of products and services to the global oil and gas production industry, and has operations in Canada, Australia, the Netherlands, the United States, Germany, Pakistan, the United Arab Emirates, Indonesia and Malaysia. Enerflex has been integrated with the Company's existing natural gas and process compression business, Toromont Energy Systems, and is continuing under the name Enerflex. This acquisition creates a stronger organization, better able to serve customers and compete globally. The financial results of Enerflex are included in the Compression Group.

Toromont purchased Enerflex pursuant to a take-over bid (the "Offer") to acquire all of the outstanding trust units (the "Trust Units") of Enerflex Systems Income Fund and all of the issued and outstanding class B limited partnership units (the "Exchangeable LP Units" and, together with the Trust Units, the "Units") of Enerflex Holdings Limited Partnership ("Enerflex LP"),

Pursuant to the Offer, Toromont acquired 39,583,074 Trust Units and 2,640,692 Exchangeable LP Units on January 20, 2010. Toromont acquired 1,907,500 Trust Units in the subsequent Tax Efficient Subsequent Acquisition on February 26, 2010. In both the Offer and the Tax Efficient Subsequent Acquisition (collectively referred to as the "Acquisition"), Toromont offered the holders of Units the opportunity to elect to receive as consideration either $14.25 in cash or 0.5382 of a common share of Toromont plus $0.05 in cash per Unit, in each case subject to pro ration.

In total, Toromont paid approximately $315.5 million in cash and issued approximately 11.9 million Toromont common shares for the Units acquired in the Acquisition. The cost to Toromont to purchase all of the Units of Enerflex is noted below. For accounting purposes, the cost of Toromont's common shares issued in the Acquisition was calculated based on the average share price traded on the TSX on the respective dates of acquisition.

Prior to the Acquisition, Toromont owned 3,902,100 Trust Units which were purchased with a cash cost of $37.8 million ($9.69 per unit). Prior to the date of acquisition, Toromont designated its investment in Enerflex as available-for-sale and as a result the units were measured at fair value with the changes in fair value recorded in Other Comprehensive Income ("OCI"). On acquisition, the cumulative gain on this investment was reclassified out of OCI and into the statement of earnings. The fair value of this investment was included in the cost of purchase outlined below. The fair value of these units at January 20, 2010 was $56.4 million.

Purchase price		
Units owned by Toromont prior to Offer	$	56,424
Cash consideration		315,539
Issuance of Toromont common shares		328,105
Total	$	700,068

The Acquisition is accounted for as a business combination with Toromont as the acquirer of Enerflex. The Acquisition has been accounted for using the purchase method of accounting. Results from Enerflex have been consolidated from the acquisition date, January 20, 2010. Given the advanced stage of integration of the operations it is impracticable to determine the amount of revenue and net income of the acquired company since acquisition date.

Cash used in the investment is determined as follows:

Cash consideration	$	315,539
less cash acquired		(23,006)
	$	292,533

The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon their fair value at the date of acquisition. The Company determined the fair values based on discounted cash flows, market information, independent valuations and management's estimates. Final valuations were completed during the three-month period ended June 30, 2010.

The preliminary allocation of the purchase price is as follows:

Purchase price allocation		
Cash	$	23,006
Non-cash working capital		132,124
Property, plant and equipment		135,400
Rental equipment		67,587
Other long term assets		26,655
Intangible assets with a definite life		
Customer relationships		38,400
Other		5,700

Long term liabilities		(181,388)
Net identifiable assets		247,484
Residual purchase price allocated to goodwill		452,584
	$	700,068

Non-cash working capital includes accounts receivable of $109 million, representing gross contractual amounts receivable of $115 million less management's best estimate of the contractual cash flows not expected to be collected of $6 million.

Factors that contributed to a purchase price that resulted in the recognition of goodwill include: the existing Enerflex business; the acquired workforce; time-to-market benefits of acquiring an established manufacturing and service organization in key international markets such as Australia, Europe and the Middle East; and the combined strategic value to the Company's growth plan. The amount assigned to goodwill is not expected to be deductible for tax purposes.

During the quarter, changes to the purchase price allocation resulted in a decrease in goodwill of $4,588. The adjustments to the preliminary purchase price allocation are noted below.

Non-cash working capital	$	(982)
Property, plant and equipment		1,900
Rental equipment		(1,485)
Other long-term assets		5,369
Long-term liabilities		(214)
Net adjustment	$	4,588

Final valuations of certain items are not yet complete due to the inherent complexity associated with valuations. Therefore the purchase price allocation is preliminary and subject to adjustment over the course of 2010 on completion of the valuation process and analysis of resulting tax effects.

Acquisition-related costs, primarily for advisory services, were incurred during the year ended December 31, 2009 and during the three and six-month periods ended June 30, 2010 in the amount of $9,035, $470 and $2,559, respectively. Costs incurred and deferred at December 31, 2009 have been charged to opening retained earnings on adoption of CICA Section 1582 (see note 2). Costs incurred during the six-month period ended June 30, 2010 were included in selling and administrative expenses in the unaudited consolidated interim statement of earnings.

The revenues and pre-tax earnings for the six-month period ended June 30, 2010 as though the acquisition date had been January 1, 2010, excluding purchase accounting adjustments and one-time costs related to change of control, are estimated at $1,065 million and $50 million respectively. These are unaudited pro forma figures and are not necessarily indicative of the combined results that would have been attained had the acquisition taken place at January 1, 2010, nor is it necessarily indicative of future results.

4. Inventories

	June 30 2010	December 31 2009	June 30 2009
Equipment	$ 210,960	$ 164,744	$ 256,202
Repair and distribution parts	103,177	74,809	87,630
Direct materials	99,624	75,740	88,478
Work-in-process	93,339	57,817	54,186

	$ 507,100	$ 373,110	$ 486,496

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 2010 were $264 million and $452 million respectively (2009 - $170 million and $328 million respectively). The amount recovered to the income statement and included in cost of goods sold for the reversal of inventory valuation issues during the quarter and first half of 2010 were $0.6 million and $2.1 million respectively (2009 - $2.3 million and $3.6 million, respectively).

5. Other long-term assets

	June 30 2010	December 31 2009	June 30 2009
Equipment sold with guaranteed residual values	$ 9,692	$ 10,940	$ 16,010
Investment in affiliate	2,364		
Investment in Enerflex units	-	56,502	17,821
Deferred transaction costs	-	10,160	-
Other long-term assets	506	443	387
	$ 12,562	$ 78,045	$ 34,218

Toromont, as a result of its acquisition of Enerflex, owns a 40% investment in Total Production Services Inc. Investment sin entities where the Company exercises significant influence are accounted for using the equity method. These investments are recorded at cost plus the Company's share of income or loss to date less dividends received.

6. Intangible assets

as at June 30, 2010	Acquired Value	Accumulated Amortization	Net Book Value
Customer relationships	$ 38,400	$ 3,520	$ 34,880
Other	5,700	1,630	4,070
	$ 44,100	$ 5,150	$ 38,950

Intangible assets are related to the acquisition of Enerflex Systems Income Fund in January 2010. These assets are recorded at cost and are amortized on a straight-line basis over their estimated economic lives. Customer relationships are being amortized over 5 years. Other intangibles include long-term contracts, distribution agreements and order backlog. These assets are being amortized over periods ranging from 1 to 3 years.

7. Accounts payable and accrued liabilities

	June 30	December 31	June 30

	2010	2009	2009
Accounts payable and accrued liabilities	$ 386,317	$ 228,436	$ 236,285
Dividends payable	11,534	9,728	9,708
Total accounts payable and accrued liabilities	$ 397,851	$ 238,164	$ 245,993

8. Long-term debt

	June 30 2010	December 31 2009	June 30 2009
Term loan facility	$ 433,125	$ -	$ -
Bank term facility	-	-	5,985
Senior debentures	150,125	155,999	161,677
Notes payable	1,100	2,096	4,066
Debt issuance costs, net of amortization	(4,791)	-	-
Total long-term debt	579,559	158,095	171,728
Less current portion	80,917	14,044	14,556
	$ 498,642	$ 144,051	$ 157,172

All debt is unsecured.

Toromont secured a term loan facility in January 2010 in connection with the acquisition of Enerflex. Borrowings of $450 million have been drawn down under this facility, with principal repayments of $16.875 million due quarterly and a lump sum final repayment due in July 2011 (eighteen month term). Debt incurred under this facility is unsecured and ranks equally with debt incurred under Toromont's existing credit facility and debentures. This facility is subject to fees at levels customary for credit facilities of this type. Outstanding loans under this facility bear interest at a rate equal to the Canadian prime rate plus a specified margin ranging from 175 to 300 basis points. Toromont intends to utilize this facility through the issuance of bankers' acceptances with acceptance fees ranging from 275 to 400 basis points. The applicable margin or acceptance fee will, in each case, be determined based on Toromont's leverage ratio. Debt issuance costs of $6.9 million have been adjusted against the carrying value of the debt. This facility includes covenants, restrictions and events of default that are substantially the same as the corresponding provisions in Toromont's existing credit facility.

The Company maintains $225 million in bank credit in Canada and US$20 million in bank credit in the United States, provided through committed credit facilities. Both of these facilities mature in 2011. No amount was drawn on the US facility at June 30, 2010 (December 31, 2009 - nil; June 30, 2009 - US$5.1 million), which bears interest at prime. The US prime rate was 3.25% at June 30, 2009 and 2010. There were no amounts drawn on the Canadian facility as at any of the above reporting dates.

Senior secured notes payable assumed in the acquisition of Enerflex in the amount of $100.6 million were required to be repaid under the terms of the term loan facility. These notes were repaid subsequent to completing the acquisition. A premium of $11.3 million was paid in connection with the repayment of these notes, and was included in the fair value of liabilities assumed for purposes of the purchase price allocation. Borrowings under Enerflex's bank facility were also repaid following completion of the acquisition. The repayment of Enerflex's senior secured notes and bank facility were also funded through the drawings on the term loan facility.

Scheduled principal repayments and interest payments on long-term debt are as follows:

	Principal	Interest
Remainder of 2010	$ 40,924	$ 12,684
2011	406,264	15,971
2012	1,280	6,986
2013	1,372	6,895
2014	1,471	6,796
Thereafter	133,039	7,635
	$ 584,350	$ 56,967

At June 30, 2010, standby letters of credit issued utilized $67 million of the credit lines (December 31, 2009 - $33 million; June 30, 2009 - $50 million).

9. Share capital

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

	Three months ended June 30, 2010		Six months ended June 30, 2010	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Balance, beginning of period	76,874,317	$ 462,940	64,867,467	$ 132,261
Issue of shares re Enerflex acquisition	-	-	11,875,250	327,947
Exercise of stock options	16,000	350	147,600	3,082
Balance, end of period	76,890,317	$ 463,290	76,890,317	$ 463,290

Normal Course Issuer Bid

Toromont renewed its NCIB program in 2009. The current issuer bid allows the Company to purchase up to approximately 4.7 million of its common shares in the 12 month period ending August 20, 2010, 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 in the first six months of 2010. In the six-month period ended June 30, 2009, the Company purchased and cancelled 43,400 shares for $858 (average cost of $19.77 per share) under its NCIB program.

10. Contributed surplus

Contributed surplus consists of accumulated stock option expense less the fair value of the options at the grant date that have been exercised and reclassified to share capital. Changes in contributed surplus were as follows:

	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
Contributed surplus, beginning of period	$ 10,043	$ 9,075	$ 10,012	$ 8,978
Stock-based compensation	772	606	1,489	1,201
Value of compensation cost associated with exercised options	(84)	(95)	(770)	(593)
Contributed surplus, end of period	$ 10,731	$ 9,586	$ 10,731	$ 9,586

11. Accumulated other comprehensive Income

The changes in accumulated other comprehensive income were as follows:

	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
Balance, beginning of period	$ (26,338)	$ 14,309	$ (628)	$ 10,899
Other comprehensive income (loss)	8,709	(12,284)	(17,001)	(8,874)
Balance, end of period	$ (17,629)	$ 2,025	$ (17,629)	$ 2,025

Accumulated other comprehensive income was comprised of the following amounts:

	Before income taxes	Income taxes	Net of income taxes
As at June 30, 2010			
Unrealized losses on translation of financial statements of self-sustaining foreign operations	$ (18,637)	$ -	$ (18,637)
Gains on foreign exchange derivatives designated as cash flow hedges	1,551	(543)	1,008
	$ (17,086)	$ (543)	$ (17,629)

As at December 31, 2009

Unrealized losses on translation of financial statements of self-sustaining foreign operations	$ (15,954)	$ -	$ (15,954)
Unrealized gain on financial assets designated as available-for-sale	18,705	(3,090)	15,615
Losses on foreign exchange derivatives designated as cash flow hedges	(439)	150	(289)
	$ 2,312	$ (2,940)	$ (628)

As at June 30, 2009

Unrealized gains on translation of financial statements of self-sustaining foreign operations	$ 296	$ -	$ 296
Unrealized gain on financial assets designated as available-for-sale	1,596	(264)	1,332
Gains on foreign exchange derivatives designated as cash flow hedges	611	(214)	397
	$ 2,503	$ (478)	$ 2,025

12. Financial instruments

Categories of financial assets and liabilities

The carrying values of the Company's financial instruments are classified into the following categories:

	June 30 2010	December 31 2009	June 30 2009
Held for trading (1)	$ 159,067	$ 206,957	$ 62,150
Loans and receivables (2)	$ 427,458	$ 244,759	$ 297,126
Available for sales assets (3)	$ -	$ 56,502	$ 17,821
Other financial liabilities (4)	$ 977,410	$ 396,259	$ 417,721
Derivatives designated as effective hedges (5) - (loss) gain	$ 1,551	$ (440)	$ 611
Derivatives designated as held for trading (6) - gain (loss)	$ 2,116	$ (434)	$ (1,973)

(1) Comprised of cash and cash equivalents. All held for trading assets were designated as such upon initial recognition.
(2) Comprised of accounts receivable.
(3) Comprised of investments in marketable securities, reported in other assets.
(4) Comprised of accounts payable and accrued liabilities and long-term debt.
(5) Comprised of the Company's foreign exchange forward contracts designated

as hedges
(6) Comprised of the Company's foreign exchange forward contracts that are not designated as hedges for accounting purposes.

Fair Value Measurements

There has been no change during the six months ended June 30, 2010 in the designation of the Company's financial instruments from that disclosed in the Company's 2009 annual audited consolidated financial statements.

The estimated fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, borrowings under the bank term facility and notes payable approximate their respective carrying values due to the liquid nature of the asset or liability.

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract's value at maturity based on the contracted foreign exchange rate and the contract's value at maturity based on the comparable foreign exchange rate at June 30, 2010 under the same conditions. The financial institution's credit risk is also taken into consideration in determining fair value. Fair value measurement of derivative financial instruments is classified as Level 2 in the hierarchy of fair value measurements.

Marketable securities are measured at quoted market prices which is classified as Level 1 in the hierarchy of fair value measurements.

The fair value of senior debentures is determined using the discounted cash flow method using current interest rates for debt with similar terms and remaining maturities. The Company has no plans to prepay these instruments prior to maturity. Fair value measurement of the senior debentures is classified as Level 2 in the hierarchy of fair value measurements. Fair value and carrying value of senior debentures are outlined below:

	Fair Value	Carrying value
as at June 30, 2010	$ 156,346	$ 150,125
as at December 31, 2009	$ 156,993	$ 155,998

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, 2010.

		Notional Amount	Average Exchange Rate	Maturity
Canadian dollar denominated contracts				
Purchase contracts	USD	151,753	$ 1.0347	July 2010 to June 2011
	EUR	5,897	$ 1.3834	July 2010 to November 2010
	GBP	8	$ 1.5050	July 2010
Sales contracts	USD	76,136	$ 1.0502	July 2010 to November 2011
	EUR	3,977	$ 1.4750	September 2010 to May 2011
	AUD	7,250	$ 0.8806	August 2010

Australian dollar

denominated contracts				
Sales contracts	USD	7,650	$ 1.1838	July 2010

Management estimates that a gain of $3,667 would be realized if the contracts were terminated on June 30, 2010. Certain of these forward contracts are designated as cash flow hedges, and accordingly, a gain of $1,551 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 and accounts receivable. A gain of $2,116 on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable and accounts receivable.

All hedging relationships are formally documented, including the risk management objective and strategy. On an ongoing basis, an assessment is made as to whether the designated derivative financial instruments continue to be effective in offsetting changes in cash flows of the hedged transactions.

Risks arising from financial instruments and risk management

In the normal course of business, Toromont is exposed to financial risks that may potentially impact its operating results in one or both of its operating segments. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis. Derivative financial agreements are used to manage exposure to fluctuations in exchange rates and interest rates. The Company does not enter into derivative financial agreements for speculative purposes.

Currency risk

The Company's currency exposure has increased from December 31, 2009 with the acquisition of Enerflex. Enerflex has significant international exposure through export from its Canadian operations as well as a number of foreign subsidiaries, the most significant of which are located in Australia, the Netherlands and the United Arab Emirates.

The types of foreign exchange risk and the Company's related risk management strategies are as follows:

Transaction exposure

The Canadian operations of the Company source the majority of its products and major components from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company mitigates exchange rate risk by entering into foreign currency contracts to fix the cost of imported inventory where appropriate. In addition, pricing to customers is customarily adjusted to reflect changes in the Canadian dollar landed cost of imported goods.

The Company also sells compression packages in foreign currencies, primarily the U.S. dollar, the Australian dollar and the Euro and enters into foreign currency contracts to reduce these exchange rate risks.

The Company maintains a conservative hedging policy whereby all significant transactional currency risks are identified and hedged.

Translation exposure

The Company's earnings from and net investment in, self-sustaining foreign subsidiaries are exposed to fluctuations in exchange rates. The currencies with the most significant impact are the US dollar, Australian dollar and the Euro.

All of the Company's foreign operations are considered self-sustaining. Accordingly, assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the balance sheet dates. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income. The cumulative currency translation adjustments are recognized in income when there has been a reduction in the net investment in the foreign operations.

Earnings at foreign operations are translated into Canadian dollars each period at current exchange rates for the period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income. Such exchange rate fluctuations have historically not been material year-over-year relative to the overall earnings or financial position of the Company. The following table shows Toromont's sensitivity to a 5% weakening of the Canadian dollar against the US dollar, Euro and Australian dollar provided as an indicative range in a volatile currency environment, would, everything else being equal, have an effect on net income before tax. A 5% strengthening of the Canadian dollar would have an equal and opposite effect.

Fluctuation of 5%	USD	Euro	AUD	Total
Net income before tax	$ 614	$ (100)	$ (197)	$ 317

Sensitivity analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in foreign exchange rates on the Company's financial instruments and show the impact on net earnings and comprehensive income. Financial instruments affected by currency risk include cash and cash equivalents, accounts receivable, accounts payable and derivative instruments. This sensitivity analysis relates to the position as at June 30, 2010. The following table shows Toromont's sensitivity to a 5% weakening of the Canadian dollar against the US dollar, Euro and Australian dollar. A 5% strengthening of the Canadian dollar would have an equal and opposite effect.

Cdn dollar weakens by 5%	USD	Euro	AUD	Total
Financial instruments held in foreign operations:				
Other comprehensive Income	$ 4,831	$ 570	$ 2,322	$ 7,723
Financial instruments held in Canadian operations:				
Net (loss) earnings	$ (239)	$ (29)	$ (192)	$ (460)
Other comprehensive (loss) Income	$ (420)	$ 82	$ -	$ (338)

The movement in other comprehensive income in foreign operations reflects the change in the fair value of financial instruments. Gains or losses on translation of self-sustaining subsidiaries are deferred in other comprehensive income. Accumulated currency translation adjustments are recognized in income when there is a reduction in the net investment in the foreign operation.

The movement in net earnings in Canadian operations is a result of a change in the fair values of financial instruments. The majority of these financial instruments are hedged.

The movement in other comprehensive income in Canadian operations reflects the change in the fair value of derivative financial instruments that are designated as cash flow hedges. The gains or losses on these instruments are not expected to affect net income as the gains or losses will offset losses or gains on the underlying hedged items.

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash equivalents, accounts receivable, and derivative financial instruments. The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

Cash equivalents consist mainly of short-term investments, such as money market deposits. The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

The Company has accounts receivable from customers engaged in various industries including mining, construction, natural gas production and transportation, chemical and petrochemicals, food and beverage, and governmental agencies that are not concentrated in any specific geographic area. These specific industries may be affected by economic factors that may impact accounts receivable. Management does not believe that any single industry or particular geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by the Company's large customer base.

As at June 30, 2010, $24 million or 5.6% of accounts receivable were outstanding for more than 90 days from original invoice. The movement in the Company's allowance for doubtful accounts is identified below.

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Balance, beginning of period	$ 8,440	$ 11,322	$ 7,096	$ 9,774
Change in foreign exchange rates	59	(241)	12	(144)
Provisions and revisions, net	960	1,435	2,351	1,026
Balance, end of period	$ 9,459	$ 10,656	$ 9,459	$ 10,656

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, the Company enters into derivative transactions only with highly-rated financial institutions.

Interest rate risk

In relation to its debt financing, the Company is exposed to changes in interest rates, which may impact on the Company's borrowing costs. Floating rate debt exposes the Company to fluctuations in short-term interest rates. As at June 30, 2010, $434.2 million or 74% of the Company's total debt portfolio was subject to movements in floating interest rates. A 1.0% increase in interest rates, all things being equal, would reduce income before taxes by $4.3 million on an annualized basis.

The Company minimizes its interest rate risk by managing its portfolio of floating and fixed rate debt, as well as managing the term to maturity. The Company may use derivative instruments such as interest rate swap agreements to manage its current and anticipated exposure to interest rates. There were no interest rate swap agreements outstanding as at June 30, 2010.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at June 30, 2010, the Company was holding cash and cash equivalents of $159 million and had unutilized lines of credit of $180 million.

Accounts payable are primarily due within 90 days and will be satisfied from current working capital.

The Company expects that continued cash flows from operations in 2010, together with cash and cash equivalents on hand and currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital, capital assets and dividend payments through the next twelve months, and that the Company's credit ratings provide reasonable access to capital markets to facilitate future debt issuance.

13. Earnings per share

Basic earnings per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share is calculated to reflect the effect of exercising outstanding stock options applying the treasury stock method, which assumes that all outstanding stock option grants are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the period.

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009

Net earnings available to common shareholders	$ 21,832	$ 33,525	$ 37,197	$ 57,243
Weighted average common shares outstanding	76,881,262	64,698,046	75,381,981	64,688,286
Dilutive effect of stock option conversion	242,361	62,013	288,178	120,024
Diluted weighted average common shares outstanding	77,123,623	64,760,059	75,670,159	64,808,310
Earnings per share Basic and Diluted	$ 0.28	$ 0.51	$ 0.49	$ 0.88

In the three-month ended June 30, 2010, 948,400 outstanding stock options with an exercise price range of $27.70 to $29.71 were excluded from the calculation of diluted earnings per share as these options were anti-dilutive. Excluded from the calculations for the six-months ended June 30, 2010 were 938,400 outstanding stock options with an exercise price range of $28.84 to $29.71 as they were anti-dilutive. Excluded from the calculations for the three- and six-months ended June 30, 2009 were 917,640 outstanding stock options with an exercise price range of $24.58 to $28.84 as they were anti-dilutive.

14. Stock based compensation

The Company maintains a stock option program for certain employees. Under the plan, up to 6,096,000 options may be granted for subsequent exercise in exchange for common shares. It is Company policy that no more than 1% of outstanding shares or approximately 770,000 share options may be granted in any one year. Stock options have a seven-year term, vest 20% per year on each anniversary date of the grant and are exercisable at the designated common share price, which is fixed at prevailing market prices of the common shares at the date the option is granted.

A reconciliation of the outstanding options is as follows:

	Six Months ended June 30 2010			2009
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	1,961,809	$ 22.91	1,917,599	$ 21.62
Granted	610,050	29.71	498,000	22.02
Exercised	(147,600)	15.48	(133,710)	11.92
Forfeited	(16,210)	22.13	(141,560)	17.01
Options outstanding, end of period	2,408,049	$ 25.06	2,140,329	$ 22.11
Options exercisable, end of period	1,056,133	$ 22.65	1,073,327	$ 19.56

The following table summarizes stock options outstanding and exercisable as at June 30, 2010:

		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
$16.59 - $23.34	928,649	3.3	20.56	561,209	19.57
$24.58 - $29.71	1,479,400	4.9	27.89	494,924	26.15
Total	2,408,049	4.3	$ 25.06	1,056,133	$ 22.65

The fair value of the stock options granted during the period was determined at the time of grant using the Black-Scholes option pricing model with the following assumptions:

	Six Months ended June 30 2010	2009
Weighted average fair value price per option	$ 6.59	$ 4.55
Expected life of options (years)	5.84	5.80
Expected stock price volatility	25.0%	25.0%
Expected dividend yield	2.0%	2.2%
Risk-free interest rate	2.6%	2.1%

Deferred Share Unit Plan

The Company offers a deferred share unit (DSU) plan for executives and non-employee directors, whereby they may elect on an annual basis to receive all or a portion of their management incentive award or fees, respectively, in deferred share units. In addition, the Board may grant discretionary DSUs to executives. As at June 30, 2010, 84,721 units were outstanding at a value of $1,986 (December 31, 2009 - 68,723 units at a value of $1,882; June 30, 2009 - 110,715 units at a value of $2,345). The Company records the cost of the DSU Plan as compensation expense.

15. Employee future benefits

The Company sponsors pension arrangements for substantially all of its employees, primarily through defined contribution plans in Canada and a 401(k) matched savings plan in the United States. Certain unionized employees do not participate in company-sponsored plans, and contributions are made to these retirement programs in accordance with respective collective bargaining agreements. In the case of defined contribution plans, regular contributions are made to the individual employee accounts, which are administered by a plan trustee in accordance with the plan document. The cost of pension benefits for defined contribution plans are expensed as the contributions are paid.

Approximately 150 employees are included in defined benefit plans. Pension benefit obligations under the defined benefit plans are determined periodically by independent actuaries and are accounted for using the accrued benefit method using a measurement date of December 31.

The net pension expense recorded for the periods are presented below.

	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
Defined benefit plans	$ 352	$ 566	$ 889	$ 1,131
Defined contribution plans	3,798	2,123	6,830	4,551
401(k) matched savings plans	188	183	427	571
Net pension expense	$ 4,338	$ 2,872	$ 8,146	$ 6,253

16. Capital Management

The Company defines capital as the aggregate of shareholders' equity (excluding accumulated other comprehensive income) and long-term debt less cash and cash equivalents.

The Company's capital management framework is designed to maintain a flexible capital structure that allows for optimization of the cost of capital at acceptable risk while balancing the interests of both equity and debt holders.

The Company generally targets a net debt to equity ratio of 0.5:1, although there is a degree of variability associated with the timing of cash flows. Also, if appropriate opportunities are identified, the Company is prepared to significantly increase this ratio depending upon the opportunity.

The above capital management criteria can be illustrated as follows:

	June 30 2010	December 31 2009	June 30 2009
Shareholders' equity	$ 1,175,639	$ 854,063	$ 810,022
Accumulated other comprehensive (loss) income	17,629	628	(2,025)
Long-term debt	579,559	158,095	171,728
Cash and cash equivalents	(159,067)	(206,957)	(62,150)
Capital under management	$ 1,613,760	$ 805,829	$ 917,575
Net debt as a % of capital under management	26%	n/m	12%
Net debt to equity ratio	0.36:1	n/m	0.14:1

n/m - not meaningful, cash exceeds long-term debt at December 31, 2009

The Company is subject to minimum capital requirements relating to bank credit facilities and senior debentures. The Company has comfortably met these minimum requirements during the period.

There were no changes in the Company's approach to capital management during the period.

17. Supplemental cash flow information

	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
Net change in non-cash working capital and other				
Accounts receivable	$(122,713)	$ 15,938	$ (73,475)	$ 7,933
Inventories	5,425	59,199	10,508	12,864
Accounts payable and accrued liabilities	104,066	(67,934)	89,073	(177,298)
Other	(2,681)	(22,945)	(16,139)	(15,188)
	$ (15,903)	$ (15,742)	$ 9,967	$(101,689)

	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
Cash paid during the period for:				
Interest	$ 8,379	$ 3,206	$ 12,132	$ 4,848
Income taxes	$ 10,097	$ 27,997	$ 16,189	$ 48,242

18. Commitments

Certain land and buildings and equipment are leased under several non-cancellable operating leases that require minimum annual payments as follows:

Remainder of 2010	$ 11,482
2011	15,427
2012	11,277
2013	8,205
2014	7,427
2015 and thereafter	16,491
	$ 70,309

19. Segmented financial information

The Company has two reportable operating segments, each supported by the corporate office. The Equipment Group includes one of the world's largest Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. The Compression group of segments, collectively, is a global leader specializing in the design, engineering, fabrication, and installation of compression systems for natural gas, coal bed methane, fuel gas and carbon dioxide in addition to process systems and industrial and recreational refrigeration systems. Both groups offer comprehensive product support capabilities. 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. Previously, corporate overheads were allocated to the business segments based on operating income. Due to the operating loss reported by the Compression Group in the quarter, management determined that it would be appropriate to reconsider this allocation approach. The change in allocation method has been applied prospectively from January 1, 2010. Prior periods have not been restated as the impact is insignificant.

The accounting policies of the reportable operating segments are the same as those described in Note 1 - Significant Accounting Policies.

Three months ended June 30	Equipment Group 2010	Equipment Group 2009	Compression Group 2010	Compression Group 2009	Consolidated 2010	Consolidated 2009
Equipment / package sales	$ 149,505	$ 109,162	$ 205,052	$ 220,303	$ 354,557	$ 329,465
Rentals	31,883	31,771	8,485	4,210	40,368	35,981
Product support	80,586	73,738	77,216	42,645	157,802	116,383
Power generation	2,564	2,344	-	-	2,564	2,344
Other	-	-	38,929	-	38,929	-
Revenues	$ 264,538	$ 217,015	$ 329,682	$ 267,158	$ 594,220	$ 484,173
Operating Income	$ 28,313	$ 22,289	$ 10,628	$ 30,245	$ 38,941	$ 52,534
Operating income as a % of revenues	10.7%	10.3%	3.2%	11.3%	6.6%	10.9%

Six months ended June 30	Equipment Group 2010	Equipment Group 2009	Compression Group 2010	Compression Group 2009	Consolidated 2010	Consolidated 2009
Equipment / package sales	$ 227,877	$ 198,331	$ 361,335	$ 432,396	$ 589,212	$ 630,727
Rentals	56,711	59,439	16,054	8,500	72,765	67,939
Product support	151,458	146,229	145,775	92,228	297,233	238,457
Power generation	5,127	4,709	-	-	5,127	4,709
Other	-	-	70,589	-	70,589	-
Revenues	$ 441,173	$ 408,708	$ 593,753	$ 533,124	$1,034,926	$ 941,832
Operating Income	$ 41,230	$ 41,275	$ 4,789	$ 47,879	$ 46,019	$ 89,154
Operating income as						

a % of revenues	9.3%	10.1%	0.8%	9.0%	4.4%	9.5%

Selected balance sheet information:

	Equipment Group			Compression Group		
	June 30 2010	December 31 2009	June 30 2009	June 30 2010	December 31 2009	June 30 2009
Goodwill	$ 13,000	$ 13,000	$ 13,000	$ 474,384	$ 21,800	$ 21,800
Identifiable assets	$ 680,285	$599,358	$700,346	$1,487,497	$459,572	$563,076
Corporate assets						
Total assets						

	Consolidated		
	June 30 2010	December 31 2009	June 30 2009
Goodwill	$ 487,384	$ 34,800	$ 34,800
Identifiable assets	$2,167,782	$1,058,930	$1,263,422
Corporate assets	195,293	305,737	114,529
Total assets	$2,363,075	$1,364,667	$1,377,951

Operating income from rental operations for the quarter ended June 30, 2010 was $5.4 million (2009 - $2.5 million). For the six months ended June 30, 2010, operating income from rental operations was $8.1 million (2009 - $5.6 million)

20. Seasonality of business

Interim period revenues and earnings historically reflect seasonality in the Equipment Group. The first quarter is typically the weakest due to winter shutdowns in the construction industry while the fourth quarter has historically been the strongest quarter due to higher conversions of equipment on rent with a purchase option, however this pattern has changed somewhat in recent years such that the seasonal impact on the second, third and fourth quarter has been relatively neutral. Within Canadian Compression Group, the fourth quarter tends to be the strongest due to higher activity levels resulting from well-site access and drilling patterns.

SOURCE: Toromont Industries Ltd.

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