Third Quarter 2008 Results **October 27, 2008**

TOROMONT ANNOUNCES RECORD REVENUES AND NET INCOME IN THE THIRD QUARTER OF 2008

Toromont Industries Ltd. reported record financial results for the three months ended September 30, 2008. Revenues in the quarter increased 16% and operating income increased 13% versus the comparable period of 2007. Compression Group revenues and operating income were at record levels for this time of year, driven by continued strength in US natural gas operations.

Net earnings were $37.1 million or $0.57 per share, 21% higher than that reported in the comparable quarter of 2007. Revenues, operating income and net earnings were all higher in the first nine months of 2008 compared to the similar period of 2007. Through September 2008, net earnings were a record $91.4 million or $1.40 basic earnings per share, up 10% from $83.0 million or $1.28 per share reported in 2007.

	Three months ended September 30			Nine months ended September 30		
$ millions, except per share amounts	**2008**	2007	**% change**	**2008**	2007	**% change**
Revenues	**$ 578.0**	$ 499.3	**16%**	**$ 1,511.5**	$ 1,350.5	**12%**
Operating income	**$ 56.9**	$ 50.3	**13%**	**$ 133.4**	$ 118.5	**13%**
Net earnings	**$ 37.1**	$ 30.7	**21%**	**$ 91.4**	$ 83.0	**10%**
Earnings per share - basic	**$ 0.57**	$ 0.47	**21%**	**$ 1.40**	$ 1.28	**9%**

Earnings through September 2007 and 2008 included investment gains and earnings from discontinued operations. Excluding these items in both years, net earnings for the nine months ended September 30, 2008 were $84.9 million or $1.30 basic earnings per share, up 21% from $70.0 million or $1.08 per share in the similar period of 2007.

We are very pleased with the results for the third quarter and through the first nine months of the year. The Compression Group continues to report excellent growth in its US operations on expanded capacity and supported by continued demand for natural gas compression equipment. The Equipment Group performed well due to continued strength in infrastructure, mining and power systems markets. We maintained our strong financial position with healthy operating cash flow in the quarter.

Developments in the Quarter:

- Compression Group revenues were up 26% in the quarter compared to the same period last year on growth in US natural gas compression package sales. Operating income for the quarter was up 40% on higher revenues, improved gross margins on project execution, and lower relative growth in selling and administrative expenses.

- Compression Group booking activity for the quarter was very strong, up 75% compared to the third quarter of 2007, with a three-fold increase in US natural gas compression bookings.

Backlogs were at record levels, up more than 40% from both this time last year and December 31, 2007, with strong increases in both US and Canadian natural gas compression.

- Equipment Group revenues were up 8% in the third quarter of 2008 versus the same period of 2007 on higher new machine sales and strong product support growth. Operating income decreased 2% over the same period last year on higher relative selling and administrative expense levels.

- Equipment Group bookings were largely on par with record levels reported in the third quarter and through September of last year. Generally, good demand for new equipment continued, particularly for the larger models used in mining and infrastructure markets and for marine and power applications. Backlogs at September 30, 2008 were 5% lower than this time last year but 12% higher than at December 31, 2007.

- The Company generated strong cash flows and closed the quarter with $115 million of cash and equivalents and a net debt to shareholders' equity ratio at a very conservative 0.08:1.

- The normal course issuer bid was renewed, allowing the company to purchase up to 4.6 million of its common shares during the 12-month period commencing August 31, 2008.

With strong bookings and healthy order backlogs in both US natural gas compression and the Equipment Group, we anticipate another successful year for Toromont. Toromont has a very strong balance sheet, good momentum and strong businesses. Acquisition and other growth opportunities typically improve for companies such as ours that retain the ability to invest during periods of general financial and economic stress.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three and nine months ended September 30, 2008, compared to the preceding year. It also discusses factors that could affect future performance. This MD&A should be read in conjunction with the attached unaudited interim consolidated financial statements and related notes for the three and nine months ended September 30, 2008, the annual MD&A contained in the 2007 Annual Report and the audited annual consolidated financial statements of the Company for the year ended December 31, 2007.

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 October 24, 2008.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2007 Annual Report and 2008 Annual Information Form. These are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

CONSOLIDATED RESULTS OF OPERATIONS

$ thousands, except per share amounts	Three months ended September 30 **2008**	2007	% change	Nine months ended September 30 **2008**	2007	% change
Revenues	**$ 577,969**	$ 499,266	16%	**$ 1,511,505**	$ 1,350,531	12%
Cost of goods sold	**455,378**	392,325	16%	**1,191,838**	1,060,534	12%
Gross profit	**122,591**	106,941	15%	**319,667**	289,997	10%
Selling and administrative expenses	**65,690**	56,607	16%	**186,286**	171,486	9%
Operating income	**56,901**	50,334	13%	**133,381**	118,511	13%
Interest expense	**2,795**	3,445	(19%)	**9,006**	10,635	(15%)
Interest and investment income	**(1,449)**	(1,033)	40%	**(13,118)**	(2,733)	n/m
Gain on sale of property	**-**	-	-	**-**	(15,990)	n/m
Income before income taxes	**55,555**	47,922	16%	**137,493**	126,599	9%
Income taxes	**18,451**	17,325	6%	**45,750**	43,715	5%
Earnings from continuing operations	**37,104**	30,597	21%	**91,743**	82,884	11%
Loss on disposal of discontinued operations	**-**	-	-	**(432)**	-	n/m
Earnings from discontinued operations	**-**	64	n/m	**103**	98	n/m
Net earnings	**$ 37,104**	**$ 30,661**	21%	**$ 91,414**	$ 82,982	10%
Basic earnings per share	**$ 0.57**	$ 0.47	21%	**$ 1.40**	$ 1.28	9%
Key ratios:						
Gross profit as a % of revenues	**21.2%**	21.4%		**21.1%**	21.5%	
Selling and administrative expenses as a % of revenues	**11.4%**	11.3%		**12.3%**	12.7%	
Operating income as a % of revenues	**9.8%**	10.1%		**8.8%**	8.8%	
Income taxes as a % of income before income taxes	**33.2%**	36.2%		**33.3%**	34.5%	

Revenues of $578.0 million were 16% higher than the comparable quarter of 2007, representing a new record for any quarter. Compression revenues were 26% higher on increases in US natural gas compression. Equipment Group revenues were 8% higher on strong deliveries of new equipment and increased product support activity.

For the nine months ended September 30, 2008, revenues of $1.5 billion were 12% higher than the comparable period of 2007, again representing a new record for this time of year. Compression revenues were 26% higher on continued growth in US natural gas compression. Equipment Group revenues were up 2%.

The Canadian/US exchange rate impacts revenues as pricing to customers typically reflects movements in the exchange rate on US sourced equipment, components and spare parts. As well, Canadian/US dollar exchange rate impacts reported revenues on the translation of the financial statements of the Compression Group's growing US operations. The Canadian dollar was 8.5% stronger on average for the nine months ended September 30, 2008 compared to the similar period last year. The estimated impact of the stronger Canadian dollar was a decrease in reported revenues of $102 million, $55 million in Equipment and $47 million in Compression. The impact in Compression included a $34 million decrease in revenues due to the translation of foreign subsidiaries, which also reduced net income in the Group by approximately $2.5 million. The impact in the third quarter was relatively minor as the Canadian dollar traded on average at approximately the same level as the third quarter of last year.

Gross profit increased 15% in the quarter on the 16% increase in revenues compared to the same period of 2007. September year-to-date gross profit increased 10% on the 12% increase in revenues. Gross profit margin in the third quarter of 2008 was 21.2%, down slightly from 21.4% in the similar period of the prior year. Gross profit margin for the first nine months of 2008 was 21.1%, down from 21.5% for the comparable period of 2007. Consolidated gross profit margin declined in both the quarter and the year-to-date due to the increase in relative contribution from the Compression Group.

Selling and administrative expenses increased $9.1 million or 16% in the third quarter of 2008 versus the prior year. Expenses have generally increased in line with higher activity levels and through normal inflationary pressures. Selling and administrative expenses as a percentage of revenues were 11.4% for 2008 compared to 11.3% in the same period of 2007. Specific expense line increases include: salaries and benefits up $1.2 million on compensation adjustments and higher profit sharing on earnings increases; information technology up $1.4 million; corporate expenses up $2.0 million and higher allowances for doubtful accounts up $0.9 million.

Through September, selling and administrative expenses increased $14.8 million or 9% versus the prior year. Expenses have generally increased in line with higher activity levels and through normal inflationary pressures. Selling and administrative expenses as a percentage of revenues were 12.3% for 2008, improved from 12.7% in 2007. Specific expense line increases include: salaries and benefits up $6.6 million reflecting compensation adjustments and higher profit sharing on earnings increases; information technology up $0.9 million; corporate expenses up $2.0 million and higher allowances for doubtful accounts up $0.6 million.

Operating income in the quarter was $56.9 million, up $6.6 million or 13% from the prior year on strong revenue growth. Operating income as a percentage of revenues was 9.8%, down from 10.1% in 2007.

For the year-to-date, operating income was $133.4 million, up $14.9 million or 13% from the prior year on strong revenue growth. Operating income as a percentage of revenues through the first nine months of 2008 was 8.8%, unchanged from this time last year.

Interest expense in 2008 was 19% lower in the third quarter and 15% lower through September compared to the similar periods last year. Average debt balances in 2008 were lower than those reported in 2007 due to strong cash flows.

Interest and investment income in 2008 included gains realized in the first six months of the year on sale of marketable securities of $8.2 million or $0.10 per share after tax. Interest income also includes interest income earned by investing cash balances that have increased compared to the similar periods of 2007.

During the second quarter of 2007, certain property that had been held for future development was sold. Net proceeds were $17.6 million and a gain of $16.0 million, $12.9 million after tax, or $0.20 per share was realized.

The effective income tax rate for the first nine months was 33.3% compared to 34.5% for 2007. Both periods include capital gains that are taxed at lower rates. Excluding these items in both years, the effective tax rate on continuing operations through September of 2008 was 34.3%, lower than 36.8% for the same period in the prior year on lower Canadian income tax rates.

Net earnings for the third quarter of 2008 were $37.1 million, up 21% from 2007. Basic earnings per share were $0.57, up $0.10 or 21% from 2007. For the first nine months, net earnings were $91.4 million, up 10% from 2007. Basic earnings per share were $1.40 compared with $1.28 in 2007, an increase of 9%.

Comprehensive income for the third quarter was $40.5 million, comprised of net earnings of $37.1 million and other comprehensive income of $3.4 million. The other comprehensive income resulted from an unrealized gain on translation of financial statements of self-sustaining foreign operations of $3.8 million.

Comprehensive income for the nine months ending September was $99.9 million, comprised of net earnings of $91.4 million and other comprehensive income of $8.5 million. The other comprehensive

income resulted from changes in fair value of derivatives designated as cash flow hedges ($2.0 million) and an unrealized gain on translation of financial statements of self-sustaining foreign operations ($5.8 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, operating income relative to revenues and return on capital employed. Corporate expenses are allocated based on each segment's operating income. Interest expense and interest and investment income are not allocated.

The shares of Aero Tech Manufacturing were sold to its management effective June 30, 2008. The Aero Tech operations were previously included with those of the Compression Group. The accompanying consolidated financial statements have been restated to reflect Aero Tech as a discontinued operation. This discussion and analysis has been prepared on a continuing operations basis. Additional disclosure has been provided in Note 3 to the unaudited interim consolidated financial statements.

Results of Operations in the Equipment Group

	Three months ended September 30			Nine months ended September 30		
$ thousands	**2008**	2007	% change	**2008**	2007	% change
Equipment sales and rentals						
New	**$ 150,945**	$ 133,442	13%	**$ 369,732**	$ 356,930	4%
Used	**34,585**	37,372	(7%)	**95,678**	102,387	(7%)
Rental	**46,563**	45,204	3%	**107,552**	105,669	2%
Total equipment sales and rentals	**232,093**	216,018	7%	**572,962**	564,986	1%
Power generation	**2,236**	2,121	5%	**6,776**	8,943	(24%)
Product support	**73,112**	66,789	9%	**215,572**	207,737	4%
Total revenues	**$ 307,441**	$ 284,928	8%	**$ 795,309**	$ 781,666	2%
Operating income	**$ 31,447**	$ 32,213	(2%)	**$ 69,273**	$ 72,944	(5%)
Key ratios and other statistics:						
Product support revenues as a % of total revenues	**23.8%**	23.4%		**27.1%**	26.6%	
Group total revenues as a % of consolidated revenues	**53.2%**	57.1%		**52.6%**	57.9%	
Operating income as a % of revenues	**10.2%**	11.3%		**8.7%**	9.3%	

Revenues for the third quarter of 2008 were up 8% compared to the similar quarter last year on strong new equipment unit sales and increased product support activities.

New equipment sales were up 13% in the quarter and 4% year-to-date on higher unit deliveries. Industrial power systems applications, including prime and backup power systems and marine engines, recorded strong deliveries in both periods.

Used equipment sales were down 7% for the quarter and through September compared to the similar periods of last year. In 2008, there has been a decrease in used equipment sales as customers took advantage of the stronger Canadian dollar and purchased new equipment. Selling prices of used equipment have also declined in line with foreign exchange rate changes.

Rental revenues were up 3% in the quarter and 2% in the first nine months compared to 2007. At Battlefield – The CAT Rental Store, rental revenues were higher in both periods on increased same store sales (up 5.8%) and a new location in Concord, Ontario. Rental revenues from the large machines at the Toromont CAT dealership were down in both periods as the Company focused on promoting sales transactions versus rent-to-own transactions.

Power generation revenues from Toromont-owned plants increased 5% in the quarter on increased operating hours and higher average prices for electricity. Revenues were down 24% through the first nine months over 2007, reflecting the disposition of power generation assets in mid-2007. On a comparable basis, power generation revenues were up 15% through September, reflecting increased operating hours and higher average prices for electricity.

Product support revenues were 9% higher in the quarter and 4% higher for the year-to-date, compared to the similar periods of the prior year. Product support revenues benefited from higher parts sales to mining customers. Work for on-highway truck engines is down 6% through September due to softness in the transportation sector.

Operating income in the third quarter decreased 2% over the prior year despite the 8% increase in revenues. Gross margins in the third quarter of 2008 were down 0.3 percentage points from the similar period last year primarily on lower margins on used equipment sales. Selling and administrative expenses increased 15% on higher sales related expenses and general inflation. Operating income was 10.2% of revenues compared with 11.3% in the prior year, reflecting the impact of the higher expense levels.

Operating income in the first nine months decreased 5% over the prior year despite the 2% increase in revenues. Gross margins were unchanged from the comparable period in 2007. Selling and administrative expenses were 7% higher through September on higher sales related expenses and general inflation. Operating income was 8.7% of revenues compared with 9.3% in the prior year.

Booking activity was up 2% in the quarter and down 1% in the year-to-date compared to the similar periods in 2007. Demand generally continued to be good for new equipment, particularly for the larger models used in mining and infrastructure markets and for marine and power applications. Backlogs at September 30, 2008 were down 5% from this time last year but were up 12% from December 31, 2007.

Results of Operations in the Compression Group

	Three months ended September 30			Nine months ended September 30		
$ thousands	**2008**	2007	% change	**2008**	2007	% change
Package sales and rentals						
Package sales	**$ 208,382**	$ 159,726	30%	**$ 548,190**	$ 413,575	33%
Rentals	**5,426**	4,616	18%	**16,177**	14,202	14%
Total package sales and rentals	**213,808**	164,342	30%	**564,367**	427,777	32%
Product support	**56,720**	49,996	13%	**151,829**	141,088	8%
Total revenues	**$ 270,528**	$ 214,338	26%	**$ 716,196**	$ 568,865	26%
Operating income	**$ 25,454**	$ 18,121	40%	**$ 64,108**	$ 45,567	41%
Key ratios and other statistics:						
Product support revenues as a % of total revenues	**21.0%**	23.3%		**21.2%**	24.8%	
Group total revenues as a % of consolidated revenues	**46.8%**	42.9%		**47.4%**	42.1%	
Operating income as a % of revenues	**9.4%**	8.5%		**9.0%**	8.0%	

Package sales revenues were 30% higher in the third quarter and 33% higher in the year-to-date compared to the similar periods of 2007 on substantial growth in US natural gas compression. Conditions within the US natural gas compression market continued to be favourable and the Company's participation in this market has increased through investment in facilities and people. Revenues from the sale of Canadian natural gas compression equipment were down year-over-year due to continued market softness. Process compression revenues were 7% lower in the quarter and 5% lower year-to-date compared to 2007 on project timing. Process bookings are up 20% through September and backlog was 44% higher than at this time last year. Package revenues from refrigeration systems reached record levels for this time of year with strong activity within the Canadian recreational and industrial markets.

Rental revenues were up 18% in the quarter and 14% through September compared to last year. The increase was due to a larger rental fleet in the US compared to this time last year.

Product support revenues were up 13% in the third quarter and 8% through September over the similar periods in 2007. Growth in natural gas product support activities was driven by the US market on the growing installed base of equipment in the field, while the Canadian market is somewhat softer due to current market conditions. Product support revenues from refrigeration systems in both Canada and the US have increased over the prior year.

Operating income for the Compression Group increased 40% in the third quarter. Gross margins were 0.5 percentage points higher than in the similar period last year on improved margins generally in natural gas compression manufacturing partially offset by a lower margin pipeline project and higher parts inventory provisions. Cost containment activities in Canada initiated in 2007 in light of slower market conditions have been completed and benefits are being realized in terms of lower operating overheads. In the US, strong market fundamentals and improved operating capacity have also contributed to margin improvements. General and administrative expenses increased 18% in the quarter in support of the higher volume. Operating income was 9.4% of revenues in the quarter compared to 8.5% for this time last year.

Operating income for the Compression Group increased 41% through September, driven largely by the higher revenues. Gross margins through September 2008 were largely unchanged from the comparable period of 2007. General and administrative expenses increased 12% through September to support the higher volumes. Operating income was 9.0% of revenues through September 2008, a record for this time of year, compared to 8.0% in the similar period of 2007.

Compression booking activity for the quarter was up 75% compared to the similar period of 2007. US natural gas bookings were significantly higher than the prior year reflecting strong market conditions and expanded facilities. Compression Group backlogs were at record levels at September 30, 2008, up 42% from this time last year and up 40% from December 31, 2007, on significant increases in US natural gas compression equipment.

CONSOLIDATED FINANCIAL CONDITION

The Company has maintained a strong financial position. At September 30, 2008, the ratio of total debt, net of cash, to equity was 0.08:1. Total assets were $1.5 billion.

Working Capital

The Company's investment in non-cash working capital was $385.7 million at September 30, 2008. The major components, along with the changes from September 30 and December 31, 2007 are identified in the following table. Working capital investment generally follows the seasonality of the business, with increases in working capital in the first half of the year in preparation for the busier summer season, although this may be different in periods of changing demand and/or supply conditions.

$ thousands	September 30 2008	December 31 2007	Change	September 30 2007	Change
Accounts receivable	$ 371,786	$ 339,381	$ 32,405	$ 311,315	$ 60,471
Inventories	508,940	444,858	64,082	497,533	11,407
Other current assets	15,605	27,607	(12,002)	20,368	(4,763)
Accounts payable and accrued liabilities	(341,742)	(267,999)	(73,743)	(256,849)	(84,893)
Deferred revenue	(179,022)	(160,678)	(18,344)	(137,531)	(41,491)
Dividends payable	(9,115)	(7,792)	(1,323)	(7,767)	(1,348)
Derivative financial instruments	4,783	(3,575)	8,358	(12,466)	17,249
Other	14,462	(8,457)	22,919	(7,596)	22,058
Total non-cash working capital	$ 385,697	$ 363,345	$ 22,352	$ 407,007	$ (21,310)

Accounts receivable were 10% higher than at December 31, 2007 reflecting increased revenues in the third quarter of 2008 compared to the fourth quarter of 2007. Accounts receivable were 19% higher than at September 30, 2007 reflecting higher revenues in both Groups. Days sales outstanding (DSO) in the Equipment Group were 47 and were at approximately the same level as at this time last year. DSO in the Compression Group were 57 days, 6 days higher than at this time last year.

Inventories were 14% higher than at December 2007, driven by a 20% increase in the Equipment Group and a 8% increase in Compression. Inventories reflect seasonality of revenues in the Equipment Group, with inventories typically peaking at mid-year. Compression Group inventories were higher in the US in support of higher volumes there. Compared to this time last year, inventories were 2% higher as a 8% increase in the Compression Group in support of higher volumes was partially offset by a 3% decrease in the Equipment Group on focused efforts to reduce inventory levels.

Accounts payable and accrued liabilities were 28% higher than at December 31, 2007 and 33% higher than at this time last year on timing of purchases and payments for products and components and on higher activity levels in general.

Deferred revenues in the Compression Group represent payments received from customers in advance of revenue recognition and are used as a method of funding working capital requirements. Compression Group deferred revenues comprise approximately 80% of the total and have increased 20% compared to September 2007 and 4% compared to December 2007, as a result of growth in activity levels. Deferred revenues in the Equipment Group represent payments received in advance of revenue recognition on sales with residual value guarantees, extended warranty and other long-term customer support agreements. Equipment Group deferred revenues increased compared to September 2007 and compared to December 2007 on higher sales with residual value and buyback guarantees.

Derivative financial instruments represent fair market valuations of foreign exchange contracts. Given the recent volatility in the Canadian/US dollar exchange rate, the Company's hedging practices have led to a cumulative opportunity gain of $4.8 million as at September 30, 2008. Foreign exchange contracts reduce volatility by fixing landed costs related to specific customer orders and establish a level of price stability for high volume goods such as spare parts. The Company does not enter into foreign exchange forward contracts for speculative purposes. The gains and losses on the foreign exchange forward contracts designated as cash flow hedges are intended to offset the translation losses and gains on the hedged foreign currency transactions when they occur.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Toromont's liquidity requirements are met through a variety of sources, including cash generated from operations, long and short-term borrowings and the issuance of common shares. Borrowings are

obtained through a variety of senior debentures, notes payable and committed long-term credit facilities.

Combined unsecured credit facilities amounted to $246 million at September 30, 2008, with $21 million maturing in 2010 and the balance maturing in 2011. At quarter-end, standby letters of credit utilized $43 million of the credit facilities leaving $203 million of the credit facilities unutilized.

The Company expects that continued cash flows from operations in 2008, 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.

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:

	Three months ended September 30		Nine months ended September 30	
$ thousands	**2008**	2007	**2008**	2007
Cash, beginning of period	$ 126,448	$ 33,408	$ 103,514	$ 58,014
Cash, provided by (used in):				
Operations	44,077	40,184	113,158	96,205
Change in non-cash working capital and other	(20,879)	(2,167)	(15,161)	(24,415)
Operating activities	23,198	38,017	97,997	71,790
Investing activities	(13,916)	(13,025)	(7,428)	(35,956)
Financing activities	(21,103)	(10,191)	(79,456)	(45,639)
Cash, end of period	$ 114,627	$ 48,209	$ 114,627	$ 48,209

Cash Flows from Operating Activities

Operating activities provided $23.2 million in the quarter compared to $38.0 million in 2007. Cash provided by operations (calculated as net earnings, adjusted for items not requiring cash) was 10% higher reflecting strong growth in continuing operations. Non-cash working capital and other used $20.8 million in 2008 compared to $2.2 million in 2007. The components and changes in working capital are discussed in more detail in this MD&A under the heading "Financial Condition".

Through September 2008, operating activities provided $98.0 million compared to $71.8 million in 2007. Cash provided by operations was 18% higher reflecting strong growth in continuing operations. Non-cash working capital and other used $15.2 million in 2008 compared to $24.4 million in 2007. The components and changes in working capital are discussed in more detail in this MD&A under the heading "Financial Condition".

Cash Flows from Investing Activities

Investing activities used $13.9 million in the third quarter, up modestly from $13.0 million for the similar quarter last year, all principally related to net additions to rentals and property, plant and equipment. For the nine months ended September 30, 2008, investing activities used $7.4 million compared to $36.0 in the similar period last year. In 2008, the sale of marketable securities provided proceeds of $43.9 million. In 2007, property was sold for proceeds of $17.6 million.

Net additions to the rental fleet (additions less proceeds on disposal) were 5% higher in the third quarter and 26% lower through September compared to last year. Investments are predominately directed at the Equipment Group, where investment decisions are based on specific market and customer requirements. After several years of significant investment, additional investment has been reduced.

Gross investment in property, plant and equipment was $7.9 million for the quarter and $19.7 million through September. Capital investments in 2008 were related to normal replacement and expansion of facilities and service and delivery vehicle fleet.

During the second quarter of 2008, Aero Tech Manufacturing, a wholly owned subsidiary, was sold for proceeds of $4.0 million. In addition, a rental operation in Sault Ste. Marie, Ontario was purchased for net cash of $0.6 million. During the first quarter of 2007, a rental operation in Timmins, Ontario was purchased for net cash of $3.1 million.

Cash Flows from Financing Activities

Financing activities used $21.1 million in the third quarter and $79.5 million through September of 2008. The significant financing activities for the first nine months of the year were as follows:

- Decrease in term credit facility debt of $30 million.
- Dividends paid to common shareholders in 2008 of $26.0 million, an increase of 19% over 2007 reflecting the higher dividend rate.
- Normal scheduled debt repayments of $25.8 million.
- Cash received on exercise of share options totaled $2.4 million.

Outstanding Share Data

As at the date of this MD&A, the Company had 65,161,137 common shares and 1,967,739 share options outstanding.

OUTLOOK

The recent crisis in the financial markets, combined with general expectations of a recession in the US and an economic slowdown in Canada lead to an absence of clarity in determining how the business environment will unfold. Many of Toromont's customers are reliant upon access to credit and equity capital markets to finance the projects for which they use Toromont's equipment. An inability to finance some of these projects would adversely impact Toromont's business prospects.

Having said this, Toromont's businesses benefit from the diversity of the markets they serve both from a product and geographic perspective. Each of these markets is typically influenced by different dynamics and consequently follows different market cycles. Infrastructure spending in the Equipment Group's Caterpillar territories, traditionally its biggest revenue opportunity, and investment in US natural gas compression equipment are two areas which management believes to be largely unaffected by the current economic situation. Product support is a common and significant opportunity across Toromont's business units. This aspect of Toromont's business is also important in that it is less volatile or cyclical than individual equipment sales.

The Equipment Group ended the third quarter of 2008 with healthy order backlog. Performance in important core markets such as infrastructure, mining and power systems applications is expected to continue. Certain sectors within industries such as residential construction, manufacturing and transportation may face additional challenges given current market events, however Toromont is well positioned in its markets with leading brands.

Market fundamentals for natural gas for the longer term continue to be positive. Compression Group backlogs at the end of the third quarter were at record levels, driven by increased natural gas activity in the US. Recent optimism about a rebound of the Canadian natural gas markets in the near-term has abated, as natural gas prices dropped into the $6 to $7 per MCF range. The economics are more favourable in the US natural gas market, and are expected to continue to be strong for compression

equipment, notwithstanding current concerns about excess productive capacity. Toromont's participation in this market will increase in light of the Company's expanded presence.

Toromont's financial position is very strong, with a net debt to equity ratio of 0.08 to 1 at September 30, 2008. There are no significant debt maturities in the near term. The Company believes that the current economic environment may also lead to strong value acquisition opportunities. The Company remains vigilant in identifying these opportunities.

In summary, while the short-term market outlook is uncertain, management is cautiously optimistic for Toromont's business prospects. Backlogs are strong, the balance sheet is strong and the Company benefits from the stabilizing product support opportunity and market diversification to limit exposure to any one economic trend.

SELECTED QUARTERLY INFORMATION

The following table summarizes unaudited quarterly consolidated financial data for the last two years. This quarterly information is unaudited but has been prepared on the same basis as the 2007 annual audited consolidated financial statements.

$ thousands, except per share amounts	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3
Revenues									
Equipment Group	$ 247,898	$ 290,726	$ 228,306	$ 268,432	$ 284,928	$ 316,670	$ 202,023	$ 285,845	$ 307,441
Compression Group	204,549	200,688	157,411	197,116	214,338	219,560	195,036	250,632	270,528
Total revenues	$ 452,447	$ 491,414	$ 385,717	$ 465,548	$ 499,266	$ 536,230	$ 397,059	$ 536,477	$ 577,969
Net earnings									
Continuing operations	$ 25,753	$ 36,657	$ 14,193	$ 38,094	$ 30,597	$ 38,984	$ 16,417	$ 38,222	$ 37,104
Discontinued operations	145	234	58	(24)	64	314	77	(406)	-
	$ 25,898	$ 36,891	$ 14,251	$ 38,070	$ 30,661	$ 39,298	$ 16,494	$ 37,816	$ 37,104
Per share information:									
Basic earnings per share									
Continuing operations	$ 0.41	$ 0.58	$ 0.22	$ 0.59	$ 0.47	$ 0.61	$ 0.25	$ 0.59	$ 0.57
Discontinued operations	-	-	-	-	-	-	-	(0.01)	-
	$ 0.41	$ 0.58	$ 0.22	$ 0.59	$ 0.47	$ 0.61	$ 0.25	$ 0.58	$ 0.57
Diluted earnings per share									
Continuing operations	$ 0.40	$ 0.58	$ 0.22	$ 0.58	$ 0.47	$ 0.61	$ 0.25	$ 0.59	$ 0.56
Discontinued operations	-	-	-	-	-	-	-	(0.01)	-
	$ 0.40	$ 0.58	$ 0.22	$ 0.58	$ 0.47	$ 0.61	$ 0.25	$ 0.58	$ 0.56
Dividends per share	$ 0.10	$ 0.10	$ 0.12	$ 0.12	$ 0.12	$ 0.12	$ 0.14	$ 0.14	$ 0.14

Interim period revenues and earnings historically reflect some seasonality.

The Equipment Group has 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 consistently 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.

The Compression Group also has a distinct seasonal trend in activity levels due to well-site access and drilling patterns, which are adjusted to take advantage of weather conditions. Generally, higher revenues are reported in the fourth quarter of each year. Variations from this trend usually occur when natural gas market fundamentals are either improving or deteriorating.

Management anticipates that the seasonality historically experienced will continue in the future, although it may be somewhat mitigated by continued product and geographic diversification.

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 operating and financial risks that may potentially impact its operating 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 2007 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 2007 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 operation 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 2007 Annual Report.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the CICA Handbook Section 3031 *Inventories*. The standard provides guidance on the types of costs that can be capitalized and requires reversal of previous inventory write-downs if economic circumstances have changed to support the higher inventory values. There was no impact on the valuation of inventory as at January 1, 2008 or on net income for current or prior periods. Additional disclosure has been provided in Note 5 to the unaudited interim consolidated financial statements.

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1535 *Capital Disclosures*. The standard requires disclosure about the Company's capital and how it is managed, as discussed further in Note 16 to the unaudited interim consolidated financial statements. This standard has no impact on the classification or measurement of the Company's consolidated financial statements.

Effective January 1, 2008, the Company adopted CICA Handbook Sections 3862 *Financial Instruments - Disclosures*; and 3863 *Financial Instruments – Presentation*. These new standards require disclosure on financial instruments and related risks, as discussed further in Note 12 to the unaudited interim consolidated financial statements. These standards had no impact on the classification or measurement of the Company's consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

In February 2008, the CICA approved Handbook Section 3064 *Goodwill and Intangible Assets*, replacing previous guidance. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The Company has evaluated the new section and determined that adoption of these new requirements will have no impact on the Company's consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises would be converged with IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS such as IAS 2 "Inventories" and IAS 38 "Intangible assets", thus mitigating the impact of adopting IFRS at the changeover date.

We commenced our IFRS conversion project in 2008. Our project consists of four phases: diagnostic, design and planning, solution development and implementation. We will invest in training and resources throughout the transition period to facilitate a timely conversion.

We completed the diagnostic phase during the third quarter of 2008 with the assistance of external advisors. This work involved a high level review of the major differences between current Canadian GAAP and IFRS. While a number of differences have been identified, the areas of highest potential impact are as follows: property, plant and equipment; provisions; certain aspects of revenue recognition; and IFRS 1 First Time Adoption. The Company expects the transition to IFRS to impact financial reporting, business processes, internal controls and information systems.

During the coming months, we will initiate the design and planning phase that will involve establishing issue-specific work teams to focus on quantification of impact, generating options and making recommendations in the identified risk areas. During the design and planning phase, we will establish a staff communications plan, begin to develop our staff training programs, and evaluate the impacts of the IFRS transition on other business activities.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying unaudited interim 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 unaudited interim consolidated financial statements.

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 in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries, would have been known to them and others within those entities.

Additionally, they have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with GAAP. There has been no change in the design of the Company's internal controls over financial reporting during the quarter ended September 30, 2008, 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.

ADVISORY

Certain statements contained herein constitute "forward-looking statements". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "should" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on current expectations and are influenced by management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. These statements entail various risks and uncertainties as more fully described in the "Risks and Risk Management" and the "Outlook" sections of this MD&A. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether the result of new information, future events or otherwise.

TOROMONT INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

$ thousands	**September 30 2008**	December 31 2007	September 30 2007
Assets			
Current assets			
Cash and cash equivalents	**$ 114,627**	$ 103,514	$ 48,209
Accounts receivable	**371,786**	339,381	311,315
Inventories (note 5)	**508,940**	444,858	497,533
Income taxes receivable	**590**	-	-
Future income taxes	**30,281**	24,362	26,946
Derivative financial instruments	**4,783**	-	-
Other current assets (note 6)	**15,605**	27,607	20,368
Total current assets	**1,046,612**	939,722	904,371
Property, plant and equipment	**184,234**	181,531	182,180
Rental equipment	**165,798**	159,628	156,898
Goodwill	**34,800**	34,800	34,800
Future income taxes	**81**	-	2,997
Other assets (note 6)	**27,180**	41,180	28,771
Total assets	**$ 1,458,705**	$ 1,356,861	$ 1,310,017
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 7)	**$ 350,857**	$ 275,791	$ 264,616
Deferred revenues	**179,022**	160,678	137,531
Current portion of long-term debt (note 8)	**16,176**	26,874	31,487
Income taxes payable	**-**	5,945	3,055
Future income taxes	**233**	-	-
Derivative financial instruments	**-**	3,575	12,466
Total current liabilities	**546,288**	472,863	449,155
Deferred revenues	**18,113**	22,062	34,680
Derivative financial instruments	**231**	-	-
Long-term debt (note 8)	**158,327**	203,425	204,558
Accrued pension liability	**2,513**	3,583	4,249
Future income taxes	**1,854**	198	-
Shareholders' equity			
Share capital (note 9)	**127,323**	124,124	121,404
Contributed surplus (note 10)	**8,605**	7,707	7,404
Retained earnings	**603,107**	539,039	507,532
Accumulated other comprehensive loss (note 11)	**(7,656)**	(16,140)	(18,965)
Total shareholders' equity	**731,379**	654,730	617,375
Total liabilities and shareholders' equity	**$ 1,458,705**	$ 1,356,861	$ 1,310,017

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

$ thousands, except share amounts	Three months ended September 30 2008	2007 (restated - note 3)	Nine months ended September 30 2008	2007 (restated - note 3)
Revenues	**$ 577,969**	$ 499,266	**$ 1,511,505**	$ 1,350,531
Cost of goods sold	**455,378**	392,325	**1,191,838**	1,060,534
Gross profit	**122,591**	106,941	**319,667**	289,997
Selling and administrative expenses	**65,690**	56,607	**186,286**	171,486
Operating income	**56,901**	50,334	**133,381**	118,511
Interest expense	**2,795**	3,445	**9,006**	10,635
Interest and investment income	**(1,449)**	(1,033)	**(13,118)**	(2,733)
Gain on sale of property	**-**	-	**-**	(15,990)
Income before income taxes	**55,555**	47,922	**137,493**	126,599
Income taxes	**18,451**	17,325	**45,750**	43,715
Earnings from continuing operations	**37,104**	30,597	**91,743**	82,884
Loss on disposal of discontinued operations (note 3)	**-**	-	**(432)**	-
Earnings from discontinued operations, net of tax (note 3)	**-**	64	**103**	98
Net earnings	**$ 37,104**	$ 30,661	**$ 91,414**	$ 82,982
Basic earnings per share (note 13)				
Continuing operations	**$ 0.57**	$ 0.47	**$ 1.41**	$ 1.28
Discontinued operations	**-**	-	**(0.01)**	-
	$ 0.57	$ 0.47	**$ 1.40**	$ 1.28
Diluted earnings per share (note 13)				
Continuing operations	**$ 0.56**	$ 0.47	**$ 1.40**	$ 1.27
Discontinued operations	**-**	-	**(0.01)**	-
	$ 0.56	$ 0.47	**$ 1.39**	$ 1.27
Weighted average number of shares outstanding - Basic	**65,115,092**	64,679,897	**65,067,789**	64,582,842
weighted average number of shares outstanding - Diluted	**65,677,748**	65,359,319	**65,574,055**	65,197,205

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(Unaudited)

$ thousands	Three months ended September 30 2008	2007	Nine months ended September 30 2008	2007
Retained earnings, beginning of period	**$ 575,121**	$ 484,638	**$ 539,039**	$ 447,820
Net earnings	**37,104**	30,661	**91,414**	82,982
Dividends	**(9,118)**	(7,767)	**(27,346)**	(23,270)
Retained earnings, end of period	**$ 603,107**	$ 507,532	**$ 603,107**	$ 507,532

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended September 30, 2008			Nine months ended September 30, 2008		
$ thousands	**Before Income Taxes**	**Income Taxes**	**Net of Income Taxes**	**Before Income Taxes**	**Income Taxes**	**Net of Income Taxes**
Net earnings			$ 37,104			$ 91,414
Other comprehensive (loss) income:						
Change in fair value of derivatives designated as cash flow hedges	$ (450)	$ 159	$ (291)	$ 3,112	$ (1,088)	$ 2,024
Gains on derivatives designated as cash flow hedges transferred to net income in the current period	(572)	200	(372)	(561)	197	(364)
Gain on financial assets designated as available-for-sale transferred to net income in the current period	-	-	-	(68)	24	(44)
Loss on translation of financial statements of self-sustaining foreign operations transferred to net income on disposition of operations	265	-	265	1,090	-	1,090
Unrealized gain on translation of financial statements of self-sustaining foreign operations	3,828	-	3,828	5,778	-	5,778
Other comprehensive income	$ 3,071	$ 359	$ 3,430	$ 9,351	$ (867)	$ 8,484
Comprehensive income			$ 40,534			$ 99,898

	Three months ended September 30, 2007			Nine months ended September 30, 2007		
$ thousands	**Before Income Taxes**	**Income Taxes**	**Net of Income Taxes**	**Before Income Taxes**	**Income Taxes**	**Net of Income Taxes**
Net earnings			$ 30,661			$ 82,982
Other comprehensive (loss) income:						
Change in fair value of derivatives designated as cash flow hedges	$ (5,365)	$ 1,878	$ (3,487)	$ (13,779)	$ 4,822	$ (8,957)
Losses on derivatives designated as cash flow hedges transferred to net income in the current period	4,223	(1,495)	2,728	5,128	(1,812)	3,316
Unrealized loss on translation of financial statements of self-sustaining foreign operations	(4,029)	-	(4,029)	(8,683)	-	(8,683)
Other comprehensive loss	$ (5,171)	$ 383	$ (4,788)	$ (17,334)	$ 3,010	$ (14,324)
Comprehensive income			$ 25,873			$ 68,658

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

$ thousands	Three months ended September 30 **2008**	2007	Nine months ended September 30 **2008**	2007
Operating activities				
Net earnings	**$ 37,104**	$ 30,661	**$ 91,414**	$ 82,982
Items not requiring cash and cash equivalents				
Depreciation	**15,178**	14,162	**40,075**	38,008
Stock-based compensation	**579**	524	**1,736**	1,506
Accrued pension liability	**(492)**	(303)	**(1,070)**	(1,234)
Future income taxes	**(5,224)**	(3,069)	**(5,436)**	(3,663)
Gain on sale of:				
Rental equipment, property, plant, and equipment	**(3,068)**	(1,791)	**(5,759)**	(21,394)
Investments	**-**	-	**(8,234)**	-
Loss on disposal of discontinued operations	**-**	-	**432**	-
	44,077	40,184	**113,158**	96,205
Net change in non-cash working capital and other (note 17)	**(20,879)**	(2,167)	**(15,161)**	(24,415)
Cash provided by operating activities	**23,198**	38,017	**97,997**	71,790
Investing activities				
Additions to:				
Rental equipment	**(18,304)**	(15,751)	**(46,413)**	(54,566)
Property, plant and equipment	**(7,928)**	(6,374)	**(19,716)**	(20,682)
Investments	**-**	-	**(13,811)**	-
Proceeds on disposal of:				
Rental equipment	**10,479**	8,274	**23,452**	23,410
Property, plant and equipment	**1,211**	295	**1,488**	18,345
Investments	**-**	-	**43,948**	-
Disposal of discontinued operations (note 3)	**-**	-	**4,038**	-
Decrease in other assets	**626**	531	**215**	661
Business acquisitions (note 4)	**-**	-	**(629)**	(3,124)
Cash used in investing activities	**(13,916)**	(13,025)	**(7,428)**	(35,956)
Financing activities				
Decrease in term credit facility debt	**-**	-	**(30,000)**	(13,686)
Issue of other long-term debt	**-**	4,249	**-**	5,836
Repayment of other long-term debt	**(12,333)**	(7,116)	**(25,796)**	(19,767)
Dividends	**(9,115)**	(7,761)	**(26,020)**	(21,934)
Cash received on exercise of options	**345**	437	**2,360**	3,912
Cash used in financing activities	**(21,103)**	(10,191)	**(79,456)**	(45,639)
(Decrease) increase in cash and cash equivalents	**(11,821)**	14,801	**11,113**	(9,805)
Cash and cash equivalents at beginning of period	**126,448**	33,408	**103,514**	58,014
Cash and cash equivalents at end of period	**$ 114,627**	$ 48,209	**$ 114,627**	$ 48,209

Supplemental cash flow information (note 17)

See accompanying notes

(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 2007 audited annual consolidated financial statements, except for the changes 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, 2007.

(2) Changes in accounting policies

Inventories

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031 *Inventories.* The standard provides guidance on the types of costs that can be capitalized and requires reversal of previous inventory write-downs if economic circumstances have changed to support the higher inventory values. There was no impact on the valuation of inventory as at January 1, 2008 or on net income for current or prior periods. The reader is referred to Note 5.

Capital disclosures

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1535 *Capital Disclosures*. The standard requires disclosure about the Company's capital and how it is managed, as discussed further in Note 16. This standard has no impact on the classification or measurement of the Company's consolidated financial statements.

Financial instruments disclosures and presentations

Effective January 1, 2008, the Company adopted CICA Handbook Sections 3862 *Financial Instruments - Disclosures*; and 3863 *Financial Instruments – Presentation*. These new standards require disclosure on financial instruments and related risks, as discussed further in Note 12. These standards had no impact on the classification or measurement of the Company's consolidated financial statements.

Future accounting standards

In February 2008, the CICA approved Handbook Section 3064 *Goodwill and Intangible Assets*, replacing previous guidance. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to initial recognition. Standards concerning goodwill are unchanged. This new standard is applicable to fiscal years beginning on or after October 1, 2008. The Company has evaluated the new section and determined that adoption of these new requirements will have no impact on the Company's consolidated financial statements.

(3) Discontinued operations

Effective June 30, 2008, the shares of Aero Tech Manufacturing Inc. were sold to local management. Aero Tech is a U.S. based provider of precision sheet metal fabrication and had been previously included in the Compression Group. It was determined that this business was not core to the growth of the Company. The Company recorded an after tax loss of $0.4 million on the transaction, being total consideration of $4.0 million less net assets disposed of $3.6 million (comprised of $3.2 non-cash working capital and $0.4 fixed assets) less a cumulative foreign exchange loss of $0.8 million.

The results of discontinued operations included the following:

	Three months ended September 30		Nine months ended September 30	
	2008	2007	**2008**	2007
Revenues	**$ -**	$ 3,512	**$ 7,621**	$ 11,790
Income before income taxes	**-**	103	**163**	158

(4) Business acquisitions

Effective June 25, 2008, certain assets of a privately owned rental operation in Sault Ste Marie, Ontario, were purchased. In 2007, certain assets of a privately owned rental operation in Timmins, Ontario were also acquired.

The acquisitions were recorded using the purchase method. The fair values of net assets acquired were as follows:

	2008	2007
Non-cash working capital	**$ 126**	$ 1,048
Property, plant and equipment	**165**	188
Rental Assets	**338**	1,888
Purchase price	**$ 629**	$ 3,124

(5) Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost of equipment, repair and distribution parts and direct materials include purchase cost and costs incurred in bringing each product to its present location and condition. Serialized inventory is determined on a specific item basis. Non-serialized inventory is determined based on a weighted average actual cost.

Cost of work-in-process includes cost of direct materials, labour and an allocation of manufacturing overheads, excluding borrowing costs, based on normal operating capacity.

Cost of inventories include the transfer from accumulated other comprehensive income (loss) of gains and losses on qualifying cash flow hedges in respect of the purchase of inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

	September 30 2008	December 31 2007	September 30 2007
Equipment	**$ 284,839**	$ 249,399	$ 301,418
Repair and distribution parts	**78,993**	79,630	77,478
Direct materials	**65,099**	60,673	58,548
Work-in-process	**80,009**	55,156	60,088
	$ 508,940	$ 444,858	$ 497,533

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 third quarter and first nine months of 2008 were $250.7 million and $660.0 million respectively (2007: $228.7 million and $640.6 million respectively). The amount charged to the income statement and included in cost of goods sold for the write-down of inventory for valuation issues during the quarter and first nine months of 2008 were $7.4 million and $9.8 million respectively (2007: $2.6 million, $5.2 million).

(6) Other assets

	September 30 2008	December 31 2007	September 30 2007
Equipment sold with guaranteed residual values	**$ 27,851**	$ 19,663	$ 21,693
Equipment deposits	**7,706**	20,734	19,276
Investment in marketable securities	**-**	21,972	-
Other	**7,228**	6,418	8,170
Total other assets	**42,785**	68,787	49,139
Less current portion	**15,605**	27,607	20,368
	$ 27,180	$ 41,180	$ 28,771

(7) Accounts payable and accrued liabilities

	September 30 2008	December 31 2007	September 30 2007
Accounts payable and accrued liabilities	**$ 341,742**	$ 267,999	$ 256,849
Dividends payable	**9,115**	7,792	7,767
Total accounts payable and accrued liabilities	**$ 350,857**	$ 275,791	$ 264,616

(8) Long-term debt

	September 30 2008	December 31 2007	September 30 2007
Drawn on bank term facility	**$ -**	$ 30,000	$ 30,000
Senior debentures	**166,659**	183,766	188,272
Notes payable	**7,844**	16,533	17,773
Total long-term debt	**174,503**	230,299	236,045
Less current portion	**16,176**	26,874	31,487
	$ 158,327	$ 203,425	$ 204,558

The committed bank term facilities are unsecured. These facilities permit drawings of up to $246 million, with $21 million maturing in 2010 and the balance of $225 million maturing in 2011.

(9) Share capital

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

	Three months ended September 30, 2008		Nine months ended September 30, 2008	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
Balance, beginning of period	**65,105,797**	**$ 126,862**	64,943,497	$ 124,124
Exercise of stock options	**21,740**	**461**	184,040	3,199
Balance, end of period	**65,127,537**	**$ 127,323**	65,127,537	$ 127,323

(10) Contributed surplus

The changes in contributed surplus were as follows:

	Three months ended September 30		**Nine months ended September 30**	
	2008	2007	**2008**	**2007**
Contributed surplus, beginning of period	**$ 8,141**	$ 7,031	**$ 7,707**	**$ 6,543**
Stock-based compensation	**579**	524	**1,736**	**1,506**
Value of compensation cost associated with exercised options	**(115)**	(151)	**(838)**	**(645)**
Contributed surplus, end of period	**$ 8,605**	$ 7,404	**$ 8,605**	**$ 7,404**

(11) Accumulated other comprehensive loss

The changes in accumulated other comprehensive loss were as follows:

	Three months ended September 30		**Nine months ended September 30**	
	2008	2007	**2008**	2007
Balance, beginning of period	**$ (11,086)**	$ (14,177)	**$ (16,140)**	$ (4,641)
Other comprehensive income (loss)	**3,430**	(4,788)	**8,484**	(14,324)
Balance, end of period	**$ (7,656)**	$ (18,965)	**$ (7,656)**	$ (18,965)

Accumulated other comprehensive loss was comprised of the following amounts.

	Before income taxes	**Income taxes**	**Net of income taxes**
as at September 30, 2008			
Gains on foreign exchange derivatives designated as cash flow hedges	$ 435	$ (152)	$ 283
Unrealized losses on translation of financial statements of self-sustaining foreign operations	(7,939)	-	(7,939)
	$ (7,504)	$ (152)	$ (7,656)

	Before income taxes	Income taxes	Net of income taxes
as at December 31, 2007			
Losses on foreign exchange derivatives designated as cash flow hedges	$ (1,795)	$ 627	$ (1,168)
Loss on interest rate derivative designated as a cash flow hedge	(320)	111	(209)
Unrealized gain on financial assets designated as available-for-sale	68	(24)	44
Unrealized losses on translation of financial statements of self-sustaining foreign operations	(14,807)	-	(14,807)
	$ (16,854)	$ 714	$ (16,140)
as at September 30, 2007			
Losses on foreign exchange derivatives designated as cash flow hedges	$ (6,712)	$ 2,333	$ (4,379)
Loss on interest rate derivative designated as a cash flow hedge	(380)	132	(248)
Unrealized losses on translation of financial statements of self-sustaining foreign operations	(14,338)	-	(14,338)
	$ (21,430)	$ 2,465	$ (18,965)

(12) Financial instruments

Categories of financial assets and liabilities

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

	September 30 2008	December 31 2007	September 30 2007
Held for trading (1)	**$ 114,627**	$ 103,514	$ 48,209
Loans and receivables (2)	**$ 372,376**	$ 339,381	$ 311,315
Available for sale assets (3)	**$ -**	$ 21,972	$ -
Other financial liabilities (4)	**$ 525,360**	$ 512,035	$ 503,716
Derivatives designated as effective hedges (5) - gain (loss)	**$ 4,115**	$ (2,115)	$ (5,948)
Derivatives designated as held for trading (6) - gain (loss)	**$ 437**	$ (1,460)	$ (4,460)

(1) Includes only cash and cash equivalents. All held for trading assets were designated as such upon initial recognition.
(2) Includes accounts receivable and income taxes receivable.
(3) Includes only investment in marketable securities, reported in other assets.
(4) Includes accounts payable and accrued liabilities, income taxes payable and long-term debt.
(5) Includes the Company's foreign exchange forward contracts designated as hedges and the interest rate swap, all of which are effective hedges.
(6) Includes the Company's foreign exchange forward contracts that are not designated as hedges for accounting purposes.

The estimated fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, income taxes receivable/payable, borrowings under the bank term facility and notes payable approximate their respective carrying values. Derivative financial instruments are carried at

fair value determined based on appropriate valuation methodologies. Investments in marketable securities are carried at fair value based on quoted market prices.

The fair values of the senior debentures are based on discounted cash flows using current interest rates for debt with similar terms and remaining maturities. The Company has no plans to prepay these instruments prior to maturity. The fair value and carrying amounts of the senior debentures as at September 30, 2008 were $156,593 and $166,659 respectively (December 31, 2007 - $179,726 and $183,766, respectively).

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 September 30, 2008.

		Notional Amount		Average Exchange Rate	Maturity
Purchase contracts	USD	215,940	$	1.0366	October 2008 to March 2010
	EUR	13,751	$	1.5238	October 2008 to June 2010
Sales contracts	USD	25,565	$	1.0083	October 2008 to December 2009
	EUR	5,156	$	1.5649	February 2009 to July 2009

Management estimates that a gain of $4,552 would be realized if the contracts were terminated on September 30, 2008. Certain of these forward contracts are designated as cash flow hedges, and accordingly, a gain of $4,115 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 $437 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.

During the second quarter, the Company terminated an interest rate swap agreement before maturity, incurring a cost of $207. The swap was due to mature on September 1, 2008, and converted $30 million floating rate debt into fixed rate debt at 5.88%.

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 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. 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 transacts business in multiple currencies, the most significant of which are the Canadian dollar and the U.S. dollar. As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies. The types of foreign exchange risk can be categorized as follows:

Transaction exposure

The Company sources 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, 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. As such there is not a material transaction exposure.

Translation exposure

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.

Foreign currency based earnings are translated into Canadian dollars each 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. A fluctuation of +/- 5%, provided as an indicative range in a volatile currency environment, would, everything else being equal, have an effect on net income before tax for the quarter ended September 30, 2008 of approximately +/- $1.0 million.

Credit risk

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

The cash equivalents consist mainly of short-term investments, such as money market deposits. None of the cash equivalents were in asset-backed commercial paper products. 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 clients engaged in various industries including mining, construction, natural gas production and transportation, 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 geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by the Company's large client base. As at September 30,

2008, $19.2 million, or 5.0% of accounts receivable, were more than 90 days overdue, which is consistent with historical aging profiles. The movement in the Company's allowance for doubtful accounts was as follows:

Period ended September 30, 2008	Three months	Nine months
Balance, beginning of period	$ 8,544	$ 6,501
Provisions and revisions	(548)	1,494
Balance at September 30, 2008	$ 7,995	$ 7,995

The Company minimizes the credit risk of investments by investing in securities that meet minimum requirements for quality and liquidity as allowed under the Company's treasury policy or as specifically approved by the Company's Board of Directors.

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 September 30, $7 million or 4% of the Company's total debt portfolio is subject to movements in floating interest rates. A +/- 1.5% change in interest rates, which is indicative of the change in the prime lending rate over the preceding twelve-month period, would, all things being equal, have an insignificant impact on income before income taxes for the period.
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.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at September 30, 2008, the Company was holding cash and cash equivalents of $114,627 and had unutilized lines of credit of $203 million.

The contractual maturities of the Company's long-term debt were presented in the Company's audited consolidated financial statements for the year ended December 31, 2007.

The Company expects that continued cash flows from operations in 2008, 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.

(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 September 30		Nine months ended September 30	
	2008	2007	**2008**	2007
Net earnings available to common shareholders	**$ 37,104**	$ 30,661	**$ 91,414**	$ 82,982
Weighted average common shares outstanding	**65,115,092**	64,679,897	**65,067,789**	64,582,842
Dilutive effect of stock option conversion	**562,656**	679,422	**506,266**	614,363
Diluted weighted average common shares outstanding	**65,677,748**	65,359,319	**65,574,055**	65,197,205
Basic earnings per share				
Continuing operations	**$ 0.57**	$ 0.47	**$ 1.41**	$ 1.28
Discontinued operations	**-**	-	**(0.01)**	-
	$ 0.57	$ 0.47	**$ 1.40**	$ 1.28
Diluted earnings per share				
Continuing operations	**$ 0.56**	$ 0.47	**$ 1.40**	$ 1.27
Discontinued operations	**-**	-	**(0.01)**	-
	$ 0.56	$ 0.47	**$ 1.39**	$ 1.27

(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. 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.

The following table is a reconciliation of outstanding options:

	Nine Months ended September 30			
	2008		2007	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	**1,843,359**	**$ 18.78**	2,091,379	$ 14.67
Granted	**379,400**	**28.84**	343,900	25.80
Exercised	**(184,040)**	**12.47**	(388,390)	9.76
Forfeited	**(37,380)**	**24.28**	(9,000)	25.19
Options outstanding, end of period	**2,001,339**	**$ 21.17**	2,037,889	$ 17.44
Options exercisable, end of period	**981,723**	**$ 16.43**	1,082,895	$ 13.22

The following table summarizes stock options outstanding and exercisable as at September 30, 2008:

	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**
$10.28 - $10.71	403,340	1.0	$ 10.67	403,340	$ 10.67
$16.59 - $22.78	604,759	2.8	19.07	416,971	18.66
$24.58 - $28.84	993,240	5.5	26.70	161,412	25.07
Total	2,001,339	3.8	$ 21.17	981,723	$ 16.43

The Company determines the cost of stock options granted using the fair value method. The cost is amortized over the vesting periods.

The fair value of options granted during the period was determined at the time of grant using the following:

	Nine Months ended September 30	
	2008	2007
Weighted average fair value price per option	**$ 6.90**	$ 6.63
Expected life of options (years)	**5.84**	5.82
Expected stock price volatility	**25.0%**	25.0%
Expected dividend yield	**1.9%**	1.9%
Risk-free interest rate	**3.3%**	4.1%

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. A DSU is a notional unit that reflects the market value of a single common share of Toromont and generally vests immediately. The DSUs will be redeemed on termination of employment or leaving the board, as the case may be. The redemption amount will be based upon the average of the high and low trading prices of the common shares on the TSX for the five trading days preceding the redemption date. The program commenced in 2006 and as at September 30, 2008, 77,390 units were outstanding at a value of $2,126 (December 31, 2007 – 21,405 units at a value of $600; September 30, 2007 – 7,014 units at a value of $181). The Company records the cost of the DSU Plan as compensation expense. No units were redeemed or cancelled in either fiscal year.

(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 5% of participating 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 September 30		Nine months ended September 30	
	2008	2007	**2008**	2007
Defined benefit plans	**$ 261**	$ 234	**$ 785**	$ 701
Defined contribution plans	**2,247**	2,314	**6,686**	6,326
401(k) matched savings plans	**219**	184	**754**	654
Net pension expense	**$ 2,727**	$ 2,732	**$ 8,225**	$ 7,681

(16) Capital Management

The Company defines capital as the aggregate of shareholders' equity (excluding accumulated other comprehensive loss) 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:

	September 30 2008	December 31 2007	September 30 2007
Shareholder's equity excluding accumulated OCI	**$ 739,035**	$ 670,870	$ 636,340
Long-term debt	**174,503**	230,299	236,045
Cash and cash equivalents	**(114,627)**	(103,514)	(48,209)
Capital under management	**$ 798,911**	$ 797,655	$ 824,176
Net debt as a % of capital under management	**7%**	16%	23%
Net debt to equity ratio	**0.1:1**	0.2:1	0.3:1

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.

(17) Supplemental cash flow information

	Three months ended September 30		**Nine months ended September 30**	
	2008	2007	**2008**	2007
Net change in non-cash working capital and other				
Accounts receivable	**$ (57,706)**	$ 1,659	**$ (34,647)**	$ 31,033
Inventories	**(1,124)**	1,364	**(65,909)**	(35,691)
Accounts payable and accrued liabilities	**33,148**	(11,694)	**88,048**	8,027
Other	**4,803**	6,504	**(2,653)**	(27,784)
	$ (20,879)	$ (2,167)	**$ (15,161)**	$ (24,415)
Cash paid during the period for:				
Interest	**$ 2,109**	$ 3,196	**$ 8,858**	$ 10,776
Income taxes	**$ 13,480**	$ 15,318	**$ 56,086**	$ 49,171

(18) 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 larger Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. The Compression Group is a North American 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 operating income.

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

	Equipment Group		Compression Group		Consolidated	
Three months ended September 30	2008	2007	2008	2007	2008	2007
Equipment /package sales	$ 185,530	$ 170,814	$ 208,382	$ 159,726	$ 393,912	$ 330,540
Rentals	46,563	45,204	5,426	4,616	51,989	49,820
Product support	73,112	66,789	56,720	49,996	129,832	116,785
Power Generation	2,236	2,121	-	-	2,236	2,121
Revenues	$ 307,441	$ 284,928	$ 270,528	$ 214,338	$ 577,969	$ 499,266
Operating Income	$ 31,447	$ 32,213	$ 25,454	$ 18,121	$ 56,901	$ 50,334
Operating income as a % of revenues	10.2%	11.3%	9.4%	8.5%	9.8%	10.1%

	Equipment Group		Compression Group		Consolidated	
Nine months ended September 30	2008	2007	2008	2007	2008	2007
Equipment /package sales	$ 465,410	$ 459,317	$ 548,190	$ 413,575	$ 1,013,600	$ 872,892
Rentals	107,552	105,669	16,177	14,202	123,729	119,871
Product support	215,571	207,737	151,829	141,088	367,400	348,825
Power Generation	6,776	8,943	-	-	6,776	8,943
Revenues	$ 795,309	$ 781,666	$ 716,196	$ 568,865	$ 1,511,505	$ 1,350,531
Operating Income	$ 69,273	$ 72,944	$ 64,108	$ 45,567	$ 133,381	$ 118,511
Operating income as a % of revenues	8.7%	9.3%	9.0%	8.0%	8.8%	8.8%

Selected balance sheet information:

September 30, 2008	Equipment Group	Compression Group	Consolidated
Goodwill	$ 13,000	$ 21,800	$ 34,800
Identifiable assets	$ 755,563	$ 565,849	$ 1,321,412
Corporate assets			137,293
Total assets			$ 1,458,705

December 31, 2007	Equipment Group	Compression Group	Consolidated
Goodwill	$ 13,000	$ 21,800	$ 34,800
Identifiable assets	$ 700,050	$ 513,701	$ 1,213,751
Corporate assets			143,110
Total assets			$ 1,356,861

September 30, 2007	Equipment Group	Compression Group	Consolidated
Goodwill	$ 13,000	$ 21,800	$ 34,800
Identifiable assets	$ 738,869	$ 500,645	$ 1,239,514
Corporate assets			70,503
Total assets			$ 1,310,017

Operating income from rental operations for the quarter ended September 30, 2008 was $11.2 million (2007 - $10.8 million). For the nine months ended September 30, 2008, operating income from rental operations was $22.3 million (2007 - $20.8 million).

(19) Seasonality of business

Interim period revenues and earnings historically reflect seasonality in both the Equipment and Compression Groups. Within the Equipment Group, the first quarter is typically the weakest due to winter shutdowns in the construction industry while the fourth quarter has consistently been the strongest quarter due to higher conversions at the Caterpillar dealership of equipment on rent with a purchase option. Within the Compression Group, the fourth quarter tends to be the strongest due to higher activity levels resulting from well-site access and drilling patterns. The second and third quarter impacts of seasonality in both Groups are relatively neutral.

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