Third Quarter 2014 **October 27, 2014**

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

Toromont Industries Ltd. (TSX: TIH) reported financial results for the third quarter ended September 30, 2014.

	Three months ended September 30			Nine months ended September 30		
millions, except per share amounts	**2014**	2013	**% change**	**2014**	2013	**% change**
Revenues	**$ 467.4**	$ 498.3	**(6%)**	**$ 1,194.7**	$ 1,186.2	**1%**
Operating income	**$ 56.2**	$ 62.1	**(10%)**	**$ 122.7**	$ 126.2	**(3%)**
Net earnings	**$ 40.0**	$ 43.5	**(8%)**	**$ 87.5**	$ 88.6	**(1%)**
Earnings per share - basic	**$ 0.52**	$ 0.57	**(9%)**	**$ 1.14**	$ 1.16	**(2%)**

Overall, the Company was pleased with performance in the third quarter and first nine months of the year. Equipment Group markets have continued to be reasonably strong, albeit competitive. The timing of significant mining deliveries somewhat masks the full measure of activity versus a year ago. Product support and rental have produced meaningful growth responding to increases in machine population and the investment in rental fleet. CIMCO product support growth continued in the quarter and year-to-date. Bookings activity improved in the quarter after a slower first half of the year.

Highlights:

- Equipment Group revenues decreased 4% to $411.1 million in the third quarter mainly on lower new and used equipment sales. The third quarter of 2013 presents a challenging comparator as the Company completed its largest-ever single quarter mining delivery totalling $82 million. Rentals and product support revenues were both at record levels. Operating income decreased 6% compared to last year, largely on the lower revenues.

- Equipment Group revenues were up 3% to $1 billion year-to-date mainly on increased used equipment sales, product support and rentals. Rentals were up 13% to $157.1 million while product support revenues were up 10% to $338.6 million. Operating income increased 2% on the higher revenues.

- Equipment Group backlogs were $111 million at September 30, 2014, up from $97 million at December 31, 2013 and down from $116 million at this time last year. Most of the order backlog is expected to be delivered this year. Bookings decreased 26% in the quarter, as total activity including the significant Keeyask order were more than offset by a large mining order received last year. Bookings through September 30, 2014 were 2% higher than last year.

- CIMCO revenues were down $14.8 million for the quarter and $24.0 million year-to-date versus the records set last year. Industrial and Canadian recreational project activity has been lower year-over-year while US recreational activity has increased. Product support revenues of $27.5 million in the quarter and $72.5 million year-to-date were new highs for their respective periods, with increases in both Canada and the US. Operating income was 34% lower in the quarter and 42% lower year-to-date compared to similar periods in 2013 on lower project revenues.

- CIMCO bookings in the quarter were up 47% with strong activity in the Canadian industrial and US markets. Year-to-date bookings were lower by 3% on lower Canadian recreational activity. Backlogs of $70 million at September 30, 2014 were up from $65 million at December 31, 2013 and down from $76 million at September 30, 2013. Backlogs are within normal levels for this time of year.

- Net earnings decreased 8% in the quarter compared to last year largely due to the lower revenues and higher expense levels. On a year-to-date basis, net earnings were 1% lower compared to last year due to lower gross profit margins and marginally higher expense levels. The lower effective income tax rate positively impacted both the quarter and year-to-date net earnings.

- Earnings per share (basic) decreased $0.05 to $0.52 in the quarter and $0.02 to $1.14 year-to-date.

- The Company is in a strong financial position. Total debt, net of cash, to total capitalization was 17%, well within stated capital targets.

- The Board of Directors announced the regular quarterly dividend of 15 cents per outstanding common shares, payable January 2, 2015 to shareholders of record on December 11, 2014. The regular quarterly dividend was previously increased 15% to 15 cents per share effective with the dividend paid April 1, 2014.

- On September 30, 2014, the Company acquired Ag West Equipment Limited ("Ag West") for $6 million inclusive of acquired debt. Based in Manitoba, Ag West specializes in the sale and service of agricultural equipment as an authorized dealer of Agco and other manufacturers' products. Ag West has been in business for over twenty years and last year generated revenues of $19 million. The acquisition further expands Toromont's product offerings and strengthens its presence in the agricultural sector.

In the Equipment Group, heightened competitive conditions across all industries that the Company serves, together with the weaker Canadian dollar, have suppressed gross profit margins. Product support growth is expected to continue with the substantially increased base of equipment within the Company's territory. Rental revenue growth is expected to continue in light of good demand, supported by the investment in the rental fleet. Though project activity is tight at CIMCO, backlogs were at satisfactory levels for this time of year. Product support growth remains encouraging.

Management’s Discussion and Analysis

This Management’s Discussion and Analysis (“MD&A”) comments on the operations, performance and financial condition of Toromont Industries Ltd. (“Toromont” or the “Company”) as at and for the three and nine months ended September 30, 2014, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2014, the annual MD&A contained in the 2013 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2013.

The unaudited condensed interim consolidated financial statements reported herein have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are reported in Canadian dollars. The information in this MD&A is current to October 27, 2014.

Additional information is contained in the Company’s filings with Canadian securities regulators, including the Company’s 2013 Annual Report and 2014 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company’s website at www.toromont.com.

Advisory

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

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

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

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

Corporate Development

On September 30, 2014, the Company acquired Ag West Equipment Limited ("Ag West") for approximately $6.0 million inclusive of acquired debt.

Based in Manitoba, Ag West specializes in the sale and service of agricultural equipment as an authorized dealer of Agco and other manufacturers' products and has been in business for over twenty years.

For further information on the accounting for the acquisition, refer to Note 14 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

CONSOLIDATED RESULTS OF OPERATIONS

	Three months ended September 30				Nine months ended September 30			
			Change				Change	
($ thousands, except per share amounts)	**2014**	2013	$	%	**2014**	2013	$	%
REVENUES	**$ 467,432**	$ 498,297	$ (30,865)	(6%)	**$ 1,194,739**	$ 1,186,167	$ 8,572	1%
Cost of goods sold	**353,622**	377,969	(24,347)	(6%)	**907,886**	898,503	9,383	1%
Gross profit	**113,810**	120,328	(6,518)	(5%)	**286,853**	287,664	(811)	-
Selling and administrative expenses	**57,621**	58,235	(614)	(1%)	**164,185**	161,513	2,672	2%
OPERATING INCOME	**56,189**	62,093	(5,904)	(10%)	**122,668**	126,151	(3,483)	(3%)
Interest expense	**2,060**	2,242	(182)	(8%)	**6,217**	6,519	(302)	(5%)
Interest and investment income	**(444)**	(599)	155	(26%)	**(2,406)**	(2,859)	453	(16%)
Income before income taxes	**54,573**	60,450	(5,877)	(10%)	**118,857**	122,491	(3,634)	(3%)
Income taxes	**14,535**	16,965	(2,430)	(14%)	**31,331**	33,874	(2,543)	(8%)
NET EARNINGS	**$ 40,038**	$ 43,485	$ (3,447)	(8%)	**$ 87,526**	$ 88,617	$ (1,091)	(1%)
EARNINGS PER SHARE (BASIC)	**$ 0.52**	$ 0.57	$ (0.05)	(9%)	**$ 1.14**	$ 1.16	$ (0.02)	(2%)
KEY RATIOS:								
Gross profit as a % of revenues	**24.3%**	24.1%			**24.0%**	24.3%		
Selling and administrative expenses as a % of revenues	**12.3%**	11.7%			**13.7%**	13.6%		
Operating income as a % of revenues	**12.0%**	12.5%			**10.3%**	10.6%		
Income taxes as a % of income before income taxes	**26.6%**	28.1%			**26.4%**	27.7%		

Revenues declined 6% in the third quarter of 2014 versus a year ago, substantially due to the timing of significant equipment deliveries in the Equipment Group. Year-to-date, revenues increased 1% versus a year ago. Rental and product support activity was strong in the quarter and year-to-date within the Equipment Group. CIMCO reported very good product support activity growth although package sales were lower.

Gross profit margins in the third quarter increased 20 basis points as lower equipment margins were largely offset by a higher proportion of product support revenues. Year-to-date gross profit margins decreased 30 basis points to 24% mainly on lower equipment and product support margins partially offset by an improved sales mix.

Selling and administrative expenses decreased $0.6 million or 1% in the quarter. Bad debt expense decreased $2.1 million in the quarter on specific exposures identified in 2013. Compensation costs increased $0.5 million reflecting regular salary increases and higher staffing levels partially offset by lower profit sharing accrual on the lower net income. Certain expenses increased related to information technology, professional fees and training.

Selling and administrative expenses increased $2.7 million or 2% year-to-date. Compensation costs increased $1 million reflecting regular salary increases and higher staffing levels, partialy offset by lower profit sharing accruals on the lower net income. Bad debt expense was $1.7 million lower reflecting a higher level in 2013 as previously noted. Other expense areas were higher including information technology, training and occupancy.

Operating income decreased $5.9 million or 10% in the quarter on the lower revenues partially offset by lower selling and administrative expenses. Year-to-date, operating income decreased $3.5 million or 3% on lower gross profit margins. Operating income as a percentage of revenues declined to 10.3% year-to-date.

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

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

Earnings per share decreased $0.05 in the quarter to $0.52 and $0.02 for the first nine months of the year to $1.14.

Comprehensive income in the quarter was $43.0 million comprised of net earnings of $40.0 million and other comprehensive income of $3.0 million. Other comprehensive income reflects a positive change in the fair value of derivatives designated as cash flow hedges.

On a year-to-date basis, comprehensive income was $86.2 million, comprised of net earnings of $87.5 million partially offset by other comprehensive loss of $1.3 million. Other comprehensive loss included actuarial losses on defined benefit pension plans, which arose due to a decrease in the discount rate, partially offset by a positive change in fair value of derivatives designated as cash flow hedges.

BUSINESS SEGMENT OPERATING RESULTS

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

Equipment Group

($ thousands)	Three months ended September 30 2014	2013	Change $	Change %	Nine months ended September 30 2014	2013	Change $	Change %
Equipment sales and rentals								
New	**$ 175,593**	$ 207,993	$ (32,400)	(16%)	**$ 411,648**	$ 437,077	$ (25,429)	(6%)
Used	**49,388**	52,112	(2,724)	(5%)	**127,533**	116,853	10,680	9%
Rental	**66,061**	55,990	10,071	18%	**157,098**	139,254	17,844	13%
Total equipment sales and rentals	**291,042**	316,095	(25,053)	(8%)	**696,279**	693,184	3,095	-
Power generation	**2,772**	3,004	(232)	(8%)	**8,668**	8,808	(140)	(2%)
Product support	**117,263**	108,011	9,252	9%	**338,614**	308,987	29,627	10%
Total revenues	**$ 411,077**	$ 427,110	$ (16,033)	(4%)	**$ 1,043,561**	$ 1,010,979	$ 32,582	3%
Operating income	**$ 51,666**	$ 55,214	$ (3,548)	(6%)	**$ 115,205**	$ 113,278	$ 1,927	2%
KEY RATIOS:								
Product support revenues as a % of total revenues	**28.5%**	25.3%			**32.4%**	30.6%		
Group total revenues as a % of consolidated revenues	**87.9%**	85.7%			**87.3%**	85.2%		
Operating income as a % of revenues	**12.6%**	12.9%			**11.0%**	11.2%		

New equipment sales were lower in the quarter and year-to-date compared to similar periods last year. Sales to mining markets were down 81% ($58 million) in the quarter and 41% ($39 million) year to date, due to substantial equipment deliveries made in support of the initial stage of the Baffinland Iron Ore project in 2013. Construction markets were strong in 2014, up 24% in the quarter and 7% year-to-date, in part due to equipment deliveries to support the Keeyask hydroelectric project in Manitoba. Power Systems revenues were at the same level as last year for the quarter and 17% lower year-to-date, after a slower start to the year.

Used equipment sales were lower in the quarter compared to 2013 on lower mining (down 86%) partially offset by strong construction activity (up 56%). On a year-to-date basis, used equipment sales increased 9% largely due to increases from construction (up 23%), partially offset by mining (down 46%). Used equipment sales vary on factors such as product availability (both new and used), customer demands and the general pricing environment.

Rental revenues increased considerably in both the quarter and year-to-date compared to 2013. Light equipment rentals increased 11% in the quarter and 8% year-to-date. Heavy equipment rentals were up 22% in the quarter and 19% year-to-date on higher utilization. Equipment on rent with a purchase option ("RPO") increased 41% in the quarter and 15% year-to-date on the higher RPO fleet. The RPO fleet was $57.7 million at September 30, 2014 compared to $38.1 million at September 30, 2013 and $34.7 million at December 31, 2013. Power rentals increased 46% in the quarter and 67% year-to-date on specific customer demands.

Product support revenues increased in the quarter (up 9%) and year-to-date (up 10%). Parts sales were up 8% in the quarter and 12% year-to-date compared to similar periods of 2013. Increases were seen across most industries but most significantly in construction (up 12% in the quarter and 10% year-to-date) and mining (up 1% in the quarter and 15% year-to-date). Service revenues increased 11% in the quarter and 4% year-to-date. Product support revenues benefit from the larger installed base of equipment in our territory.

Gross profit margins continued to be under significant pressure due to heightened competitive conditions. In the quarter, a decrease of 30 basis points over last year was mainly due to lower equipment margins (down 180 basis points) partially offset by sales mix (up 120 basis points) and improved product support margins (up 30 basis points). Year-to-date gross margins decreased 50 basis points on lower equipment (down 50 basis points) and product support margins (down 40 basis points) partially offset by sales mix (up 60 basis points).

Selling and administrative expenses decreased by 2% in the quarter compared to 2013 mainly on lower bad debt expense. Year-to-date, selling and administrative expenses were up 1% compared to 2013 mainly on lower bad debt expense offset by higher compensation, training and information technology. As a percentage of revenues, selling and administrative expenses increased 10 basis points in the quarter and decreased 20 basis points year-to-date compared to similar periods last year.

Operating income decreased 6% in the quarter and increased 2% year-to-date, reflecting the change in revenues in the respective periods.

($ millions)	**2014**	2013	$ change	% change
Bookings - three-months ended September 30	**$ 151**	$ 203	$ (52)	(26%)
Bookings - nine-months ended September 30	**$ 553**	$ 542	$ 11	2%
Backlogs - as at September 30	**$ 111**	$ 116	$ (5)	(4%)

Equipment bookings were 26% lower in the third quarter compared to last year in part due to the Baffinland order received in 2013. On a year-to-date basis, bookings of $553 million reflect good construction activity, including a significant order for the Keeyask hydroelectric project, offset by lower mining activity. Backlogs decreased marginally compared to last year and are at normal levels for this time of year. Most of the backlog is expected to be delivered over the remainder of the year.

CIMCO

	Three months ended September 30				**Nine months ended September 30**			
			Change				**Change**	
($ thousands)	**2014**	2013	$	%	**2014**	2013	$	%
Package sales	**$ 28,882**	$ 46,171	$ (17,289)	(37%)	**$ 78,643**	$ 109,319	$ (30,676)	(28%)
Product support	**27,473**	25,016	2,457	10%	**72,535**	65,869	6,666	10%
Total revenues	**$ 56,355**	$ 71,187	$ (14,832)	(21%)	**$ 151,178**	$ 175,188	$ (24,010)	(14%)
Operating income	**$ 4,523**	$ 6,879	$ (2,356)	(34%)	**$ 7,463**	$ 12,873	$ (5,410)	(42%)
KEY RATIOS:								
Product support revenues as a % of total revenues	**48.7%**	35.1%			**48.0%**	37.6%		
Group total revenues as a % of consolidated revenues	**12.1%**	14.3%			**12.7%**	14.8%		
Operating income as a % of revenues	**8.0%**	9.7%			**4.9%**	7.3%		

CIMCO's results were weaker in the third quarter compared to last year with lower package sales partially offset by record product support revenues.

Package revenues decreased in the quarter and year-to-date compared to the records set in the similar periods of 2013. In Canada, revenues were down in both segments in the quarter and year-to-date. Approximately 24% of this decrease is explained by the significant Maple Leaf project which is substantially complete. US package revenues decreased 7% in the quarter as lower industrial revenues (down 40%) were partially offset by higher recreational revenues (up 23%). Year-to-date US package revenues increased 9% year-to-date mainly on higher recreational revenues (up 62%) partially offset by lower industrial revenues (down 36%).

Product support revenues continued to demonstrate solid growth, increasing 10% in both the quarter and year-to-date.

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

CIMCO gross profit margins increased 240 basis points for the quarter due to a favourable change in sales mix (higher percentage of product support revenues to total) and improved package margins. For the first nine months of 2014, gross profit margins increased 40 basis points due to a favourable change in sales mix (higher percentage of product support revenues to total) partially offset by lower package and product support margins.

Selling and administrative expenses increased 5% in the quarter compared to last year on higher bad debt expenses. Year to date selling and administrative expenses increased 3% mainly due to spending on training, safety, lower insurance proceeds related to the Mobile fire and foreign exchange impact on the US operations, partially offset by reduced bad debt expense.

($ millions)	**2014**	2013	$ change	% change
Bookings - three-months ended September 30	**$ 28**	$ 19	$ 9	47%
Bookings - nine-months ended September 30	**$ 84**	$ 87	$ (3)	(3%)
Backlogs - as at September 30	**$ 70**	$ 76	$ (6)	(8%)

Bookings for the quarter increased 47% across both market segments mainly on strong US activity (increasing more than six times that of last year). Within Canada lower recreational activity was partially offset by higher industrial activity.

Bookings in the first nine months of 2014 were marginally lower compared to 2013 primarily due to customer project deferrals and a shift of emphasis in replacing to maintaining existing equipment.

Backlogs decreased across both market segments although US recreational activity was strong. Backlogs at September 30 for the preceding five-year period averaged $68 million (excluding the Maple Leaf order), in line with current levels.

CONSOLIDATED FINANCIAL CONDITION

The Company maintained a strong financial position. At September 30, 2014, the ratio of total debt, net of cash, to total capitalization was 17%, compared to 21% at September 30, 2013 and 10% at December 31, 2013.

Working Capital

The Company’s investment in non-cash working capital was $369.3 million at September 30, 2014. The major components, along with the changes from September 30 and December 31, 2013, are identified in the following table.

$ thousands	September 30 2014	September 30 2013	Change $	Change %	December 31 2013	Change $	Change %
Accounts receivable	$ 258,884	$ 237,720	$ 21,164	9%	$ 240,259	$ 18,625	8%
Inventories	389,307	346,439	42,868	12%	327,439	61,868	19%
Other current assets	2,994	6,723	(3,729)	(55%)	4,585	(1,591)	(35%)
Accounts payable, accrued liabilities and provisions	(223,977)	(203,583)	(20,394)	10%	(238,473)	14,496	(6%)
Income taxes (payable) receivable	(4,157)	(3,828)	(329)	9%	6,135	(10,292)	n/m
Derivative financial instruments	2,851	(1,080)	3,931	n/m	1,331	1,520	n/m
Dividends payable	(11,575)	(9,963)	(1,612)	16%	(9,988)	(1,587)	16%
Deferred revenue	(43,486)	(45,534)	2,048	(4%)	(48,924)	5,438	(11%)
Current portion of long-term debt	(1,576)	(1,471)	(105)	7%	(1,470)	(106)	7%
Total non-cash working capital	$ 369,265	$ 325,423	$ 43,842	13%	$ 280,894	$ 88,371	31%

Accounts receivable increased 9% compared to September 30, 2013, due to slower collections. Days sales outstanding ("DSO") increased 8 days to 48 at September 30, 2014 as compared to 40 at September 30, 2013 with deteriorations in both the Equipment Group (7 days) and CIMCO (12 days).

In comparison to December 31, 2013, accounts receivable increased 8% due in part to the 15% increase in trailing revenues. DSO was largely unchanged compared to December 31, 2013.

Inventories at September 30, 2014 were 12% higher compared to September 30, 2013.

- Equipment Group inventories were 12% or $40.2 million higher than last year, mainly with increases in equipment. The increase in equipment reflects inventory acquired from Ag West ($12.7 million) and a higher RPO fleet ($19.6 million). New equipment inventories were lower on focused efforts to reduce excess inventory.
- CIMCO inventories were 18% or $2.7 million higher than last year mainly on higher work-in-process on advancement of projects in process.

Inventories at September 30, 2014 were 19% higher compared to December 31, 2013 with increases in both Groups.

- In addition to the factors identified for the quarter, Equipment Group inventory levels are typically lowest at the end of the fiscal year due to seasonality, with inventories building up towards mid-year in advance of the busy selling period.
- CIMCO inventory was 18% higher mainly on higher work-in-process for both Canadian and US projects.

Accounts payable and accrued liabilities at September 30, 2014 were higher than at September 30, 2013 largely on timing of inventory purchases and related payments. Accounts payable also included $12.8 million in liabilities assumed in the Ag West acquisition and an estimated $0.9 million holdback on the purchase price (refer to note 14 of the unaudited condensed consolidated financial statements). Compared to December 31, 2013, accounts payable and accrued liabilities decreased largely on timing of payments related to inventory purchases and other supplies, lower profit sharing accrual due to the time of the year, offset by the Ag West assumed debt.

Income taxes payable reflects amounts owing for current corporate income taxes less installments made to date.

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar have led to a cumulative net gain of $2.9 million as at September 30, 2014. This is not expected to affect net income, as the unrealized gains will offset future losses on the related hedged items.

Dividends payable increased compared to September 30 and December 31, 2013 reflecting the higher dividend rate. The dividend rate was increased from $0.13 per share to $0.15 per share effective with the April 1, 2014 dividend payment, an increase of 15%.

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

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

Legal and Other Contingencies

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

Outstanding Share Data

As at the date of this MD&A, the Company had 77,166,606 common shares and 2,808,665 share options outstanding.

Dividends

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

Record Date	Payment Date	Dividend Amount per Share	Dividends Paid in Total ($ millions)
December 11, 2012	January 2, 2013	$0.12	$ 9.1
March 13, 2013	April 1, 2013	$0.13	$10.0
June 13, 2013	July 2, 2013	$0.13	$10.0
September 12, 2013	October 1, 2013	$0.13	$10.0
December 11, 2013	January 2, 2014	$0.13	$10.0
March 13, 2014	April 1, 2014	$0.15	$11.5
June 13, 2014	July 2, 2014	$0.15	$11.6
September 11, 2014	October 1, 2014	$0.15	$11.6

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

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

The Company maintains a $200 million committed credit facility. The facility matures in September, 2017. Debt incurred under the facility is unsecured and ranks on par with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

As at September 30, 2014, no amounts were drawn on the facility (December 31, 2013 - $nil, September 30, 2013 - $19.5 million). Letters of credit utilized $22.7 million of the facility (December 31, 2013 - $26.6 million, September 30, 2013 - $24.5 million).

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

Principal Components of Cash Flow

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

	Three months ended September 30		Nine months ended September 30	
$ thousands	**2014**	2013	**2014**	2013
Cash, beginning of period	$ 25,754	$ 3,467	$ 70,769	$ 2,383
Operations	49,052	53,463	118,763	118,943
Change in non-cash working capital and other	(53,054)	(18,113)	(87,579)	(21,049)
Cash (used in) provided by operating activities	(4,002)	35,350	31,184	97,894
Cash (used in) investing activities	(8,869)	(7,056)	(70,226)	(63,185)
Cash (used in) financing activities	(10,833)	(28,490)	(29,686)	(33,956)
Effect of foreign exchange on cash balances	22	(54)	31	81
(Decrease) increase in cash in the period	(23,682)	(250)	(68,697)	834
Cash, end of period	$ 2,072	$ 3,217	$ 2,072	$ 3,217

Cash Flows from Operating Activities

Operating activities used $4.0 million in the third quarter of 2014 compared to providing $35.4 million in the comparable period of 2013. Net earnings adjusted for items not requiring cash were 8% lower than last year on lower net earnings. Non-cash working capital and other used $53.1 million compared to $18.1 million in 2013. The increase in cash used in working capital was mainly due increased accounts receivable together with lower accounts payable related to the timing of inventory purchases and related payments schedules.

Operating activities provided $31.2 million year-to-date compared to $97.9 million in the comparable period of 2013. Net earnings adjusted for items not requiring cash were relatively flat compared to last year. Non-cash working capital and other used $87.6 million compared to $21.0 million in 2013. The increase in cash used in working capital was mainly due to higher accounts receivable (on the higher revenues and increased DSO), and inventories (to support the higher volume) and lower accounts payable, accrued liabilities and provisions (largely on timing of inventory purchases and subsequent payments).

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

Cash Flows from Investing Activities

Net rental fleet additions (purchases less proceeds of disposition) totalled $1.1 million in the quarter (2013 - $0.4 million net reduction) and $50.7 million in the first nine months of 2014 (2013 - $45.5 million). Continued investment in the rental fleet reflects strong demand on improved market conditions, the existing fleet age profile and continued expansion of heavy rental operations. Additionally, rental fleet investments generally occur during the first half of the year in advance of the busy rental period.

Investments in property, plant and equipment in the quarter totalled $5.3 million (2013 - $7.5 million) and $18 million in the first nine months of 2014 (2013 - $18.3 million).

Additions in the current quarter included:

- $2.2 million in land and buildings for new and expanded branches (2013 - $4.0 million);
- $1.7 million for service vehicles (2013 - $2.0 million); and
- $1.1 million for machinery and equipment (2013 - $1.3 million).

Additions in the first nine months of the year included:

- $6.9 million for service vehicles (2013 - $7.6 million);
- $6.5 million for land and buildings for new and expanded branches (2013 - $6.3 million);
- $3.0 million for machinery and equipment (2013 - $3.5 million); and
- $1.6 million for upgrades to information technology infrastructure (2013 - $0.9 million).

During the third quarter, net cash paid in connection with the Ag West acquisition was $2.5 million ($2.7 million cash paid less $0.2 million acquired as part of the transaction). For further information on the accounting for the acquisition, refer to Note 14 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

Cash Flows from Financing Activities

Financing activities used $10.8 million in the third quarter of 2014 (2013 - $28.5 million) and $29.7 million in the first nine months of the year (2013 - $34.0 million).

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

- Dividends paid to common shareholders of $11.6 million or $0.15 per share (2013 - $10 million or $0.13 per share);
- Cash received on exercise of share options of $1.5 million (2013 - $0.6 million);
- Repayment of long-term debt $0.7 (2013 - $0.7 million); and
- Reduction of the term credit facility debt of $nil (2013 - $18.5 million).

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

- Dividends paid to common shareholders of $33.1 million or $0.43 per share (2013 - $29.1 million or $0.38 per share);
- Cash received on exercise of share options of $4.9 million (2013 - $3.5 million);
- Repayment of long-term debt $1.5 million (2013 - $1.4 million); and
- Reduction of the term credit facility debt of $nil (2013 - $7.0 million).

OUTLOOK

Competitive pressure in the Equipment market continues, exacerbated by a weakened Canadian dollar. The RPO fleet is at a higher level than last year which bodes well for year-end conversion potential. Longer term, large infrastructure investment is expected to continue. The acquisition of Ag West expands the Company's coverage of the small but important agricultural equipment market.

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

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

At CIMCO, reduced activity levels in the Canadian recreational market have dampened the outlook for this year. Bookings in the US are at good levels. The product support business remains a focus for development and continued growth in this area is encouraging. CIMCO has a wide product offering using natural refrigerants including innovative CO_2 solutions, which are expected to contribute to growth in the future replacement of CFC, HCFC and HFC refrigerants in both recreational and industrial applications.

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

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2013 annual audited consolidated financial statements.

($ thousands, except per share amounts)	Q4 2013	Q1 2014	Q2 2014	Q3 2014
REVENUES				
Equipment Group	$ 351,713	$ 263,834	$ 368,650	$ 411,077
CIMCO	55,551	47,914	46,909	56,355
Total revenues	$ 407,264	$ 311,748	$ 415,559	$ 467,432
NET EARNINGS	$ 34,414	$ 18,629	$ 28,859	$ 40,038
PER SHARE INFORMATION:				
Earnings per share - basic	$ 0.45	$ 0.24	$ 0.37	$ 0.52
Earnings per share - diluted	$ 0.45	$ 0.24	$ 0.37	$ 0.51
Dividends paid per share	$ 0.13	$ 0.13	$ 0.15	$ 0.15
Weighted average common shares outstanding - Basic (in thousands)	76,637	76,895	77,032	77,117

($ thousands, except per share amounts)	Q4 2012	Q1 2013	Q2 2013	Q3 2013
REVENUES				
Equipment Group	$ 367,402	$ 266,816	$ 317,052	$ 427,111
CIMCO	63,666	46,316	57,686	71,186
Total revenues	$ 431,068	$ 313,132	$ 374,738	$ 498,297
NET EARNINGS	$ 44,657	$ 17,848	$ 27,284	$ 43,485
PER SHARE INFORMATION:				
Earnings per share - basic	$ 0.58	$ 0.23	$ 0.36	$ 0.57
Earnings per share - diluted	$ 0.58	$ 0.23	$ 0.35	$ 0.56
Dividends paid per share	$ 0.12	$ 0.12	$ 0.13	$ 0.13
Weighted average common shares outstanding - Basic (in thousands)	76,352	76,495	76,589	76,625

Interim period revenues and earnings historically reflect some seasonality.

The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenues are recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter has typically been the strongest quarter in part due to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. In the future, the increase in mining-related business may distort this trend somewhat due to the timing of significant deliveries, including parts to remote mine sites and major repairs, in any given quarter.

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

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

RISKS AND RISK MANAGEMENT

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

There have been no significant changes in the design of the Company's internal controls over financial reporting during the three and nine month period ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

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

NON-IFRS FINANCIAL MEASURES

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

Operating Income and Operating Margin

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

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

Return on Equity and Return on Capital Employed

Return on equity ("ROE") is monitored to assess the profitability of the consolidated Company. ROE is calculated by dividing net earnings by opening shareholders' equity (adjusted for shares issued and redeemed during the year).

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

Working Capital and Non-Cash Working Capital

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

Net Debt to Total Capitalization

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

Free Cash Flow

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

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

($ thousands)	Note	**September 30 2014**	December 31 2013	September 30 2013
Assets				
Current assets				
Cash		**$ 2,072**	$ 70,769	$ 3,217
Accounts receivable		**258,884**	240,259	237,720
Inventories		**389,307**	327,439	346,439
Income taxes receivable		**-**	6,135	-
Derivative financial instruments	7	**2,851**	1,331	-
Other current assets		**2,994**	4,585	6,723
Total current assets		**656,108**	650,518	594,099
Property, plant and equipment	2	**172,333**	166,440	162,772
Rental equipment	2	**203,847**	174,712	182,216
Other assets	3	**5,168**	8,861	7,011
Deferred tax assets		**9,421**	2,435	15,446
Goodwill and intangible assets		**27,567**	27,589	27,597
Total assets		**$ 1,074,444**	$ 1,030,555	$ 989,141
Liabilities				
Current liabilities				
Accounts payable, accrued liabilities and provisions	4	**$ 235,552**	$ 248,461	$ 213,546
Deferred revenues		**43,486**	48,924	45,534
Current portion of long-term debt	5	**1,576**	1,470	1,471
Derivative financial instruments	7	**-**	-	1,080
Income taxes payable		**4,157**	-	3,828
Total current liabilities		**284,771**	298,855	265,459
Deferred revenues		**9,155**	11,060	10,812
Long-term debt	5	**129,799**	130,948	150,320
Accrued pension liability		**16,038**	13,135	18,253
Shareholders' equity				
Share capital	6	**285,126**	279,149	275,268
Contributed surplus		**6,981**	6,329	6,568
Retained earnings		**340,437**	289,979	262,413
Accumulated other comprehensive income		**2,137**	1,100	48
Shareholders' equity		**634,681**	576,557	544,297
Total liabilities and shareholders' equity		**$ 1,074,444**	$ 1,030,555	$ 989,141

See accompanying notes

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

($ thousands, except share amounts)	Note	Three months ended September 30 2014	Three months ended September 30 2013	Nine months ended September 30 2014	Nine months ended September 30 2013
Revenues	13	**$ 467,432**	$ 498,297	**$ 1,194,739**	$ 1,186,167
Cost of goods sold		**353,622**	377,969	**907,886**	898,503
Gross profit		**113,810**	120,328	**286,853**	287,664
Selling and administrative expenses		**57,621**	58,235	**164,185**	161,513
Operating income		**56,189**	62,093	**122,668**	126,151
Interest expense	8	**2,060**	2,242	**6,217**	6,519
Interest and investment income	8	**(444)**	(599)	**(2,406)**	(2,859)
Income before income taxes		**54,573**	60,450	**118,857**	122,491
Income taxes		**14,535**	16,965	**31,331**	33,874
Net earnings		**$ 40,038**	$ 43,485	**$ 87,526**	$ 88,617
Earnings per share					
Basic	9	**$ 0.52**	$ 0.57	**$ 1.14**	$ 1.16
Diluted	9	**$ 0.51**	$ 0.56	**$ 1.13**	$ 1.15
Weighted average number of shares outstanding					
Basic	9	**77,116,885**	76,625,374	**77,015,442**	76,570,320
Diluted	9	**77,775,872**	77,227,797	**77,647,692**	77,143,911

See accompanying notes

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

($ thousands)	Three months ended September 30, 2014 Before Income Taxes	Three months ended September 30, 2014 Income Taxes	Three months ended September 30, 2014 Net of Income Taxes	Nine months ended September 30, 2014 Before Income Taxes	Nine months ended September 30, 2014 Income Taxes	Nine months ended September 30, 2014 Net of Income Taxes
Net earnings			$ 40,038			$ 87,526
Other comprehensive income (loss):						
Items that may be reclassified subsequently to net earnings:						
Unrealized gain on translation of financial statements of foreign operations	$ 324	$ -	$ 324	$ 359	$ -	$ 359
Change in fair value of derivatives designated as cash flow hedges	3,552	(923)	2,629	1,914	(498)	1,416
Gains on derivatives designated as cash flow hedges transferred to net earnings	(23)	5	(18)	(996)	258	(738)
Items that will not be reclassified subsequently to net earnings:						
Actuarial losses on pension plans	-	-	-	(3,256)	863	(2,393)
Other comprehensive income (loss)	$ 3,853	$ (918)	$ 2,935	$ (1,979)	$ 623	$ (1,356)
Comprehensive income			$ 42,973			$ 86,170

($ thousands)	Three months ended September 30, 2013 Before Income Taxes	Three months ended September 30, 2013 Income Taxes	Three months ended September 30, 2013 Net of Income Taxes	Nine months ended September 30, 2013 Before Income Taxes	Nine months ended September 30, 2013 Income Taxes	Nine months ended September 30, 2013 Net of Income Taxes
Net earnings			$ 43,485			$ 88,617
Other comprehensive (loss) income:						
Items that may be reclassified subsequently to net earnings:						
Unrealized (loss) gain on translation of financial statements of foreign operations	$ (146)	$ -	$ (146)	$ 193	$ -	$ 193
Change in fair value of derivatives designated as cash flow hedges	(1,989)	517	(1,472)	2,050	(534)	1,516
Gains on derivatives designated as cash flow hedges transferred to net earnings	(583)	151	(432)	(2,559)	666	(1,893)
Items that will not be reclassified subsequently to net earnings:						
Actuarial gains on pension plans	-	-	-	5,678	(1,505)	4,173
Other comprehensive (loss) income	$ (2,718)	$ 668	$ (2,050)	$ 5,362	$ (1,373)	$ 3,989
Comprehensive income			$ 41,435			$ 92,606

See accompanying notes

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

($ thousands)	Note	Three months ended September 30 2014	Three months ended September 30 2013	Nine months ended September 30 2014	Nine months ended September 30 2013
Operating activities					
Net earnings		**$ 40,038**	$ 43,485	**$ 87,526**	$ 88,617
Items not requiring cash:					
Depreciation and amortization		**17,196**	15,500	**48,435**	43,210
Stock-based compensation		**585**	489	**1,756**	1,468
Accrued pension liability		**35**	(1,207)	**(353)**	(2,909)
Deferred income taxes		**(4,310)**	(2,511)	**(6,359)**	(3,123)
Gain on sale of rental equipment, property, plant and equipment	2	**(4,492)**	(2,293)	**(12,242)**	(8,320)
		49,052	53,463	**118,763**	118,943
Net change in non-cash working capital and other	12	**(53,054)**	(18,113)	**(87,579)**	(21,049)
Cash (used in) provided by operating activities		**(4,002)**	35,350	**31,184**	97,894
Investing activities					
Additions to:					
Rental equipment	2	**(10,499)**	(6,552)	**(75,198)**	(63,422)
Property, plant and equipment	2	**(5,275)**	(7,480)	**(17,994)**	(18,321)
Intangible assets		**-**	-	**-**	(500)
Proceeds on disposal of:					
Rental equipment	2	**9,364**	6,990	**24,481**	17,956
Property, plant and equipment	2	**95**	48	**1,159**	1,303
Increase in other assets		**(57)**	(62)	**(177)**	(201)
Business acquisition	14	**(2,497)**	-	**(2,497)**	-
Cash (used in) investing activities		**(8,869)**	(7,056)	**(70,226)**	(63,185)
Financing activities					
Decrease in term credit facility debt		**-**	(18,445)	**-**	(7,032)
Repayment of long-term debt		**(748)**	(698)	**(1,471)**	(1,372)
Dividends	6	**(11,559)**	(9,947)	**(33,088)**	(29,063)
Cash received on exercise of stock options		**1,474**	600	**4,873**	3,511
Cash (used in) financing activities		**(10,833)**	(28,490)	**(29,686)**	(33,956)
Effect of exchange rate changes on cash denominated in foreign currency		**22**	(54)	**31**	81
(Decrease) increase in cash		**(23,682)**	(250)	(68,697)	834
Cash at beginning of period		**25,754**	3,467	70,769	2,383
Cash at end of period		**$ 2,072**	$ 3,217	$ 2,072	$ 3,217

Supplemental cash flow information (note 12)

See accompanying notes

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

				Accumulated other comprehensive income			
($ thousands)	Share Capital	Contributed Surplus	Retained Earnings	Foreign Currency Translation Adjustments	Cash Flow Hedges	Total	Total
At January 1, 2014	**$ 279,149**	**$ 6,329**	**$ 289,979**	**$ 831**	**$ 269**	**$ 1,100**	**$ 576,557**
Net earnings	-	-	87,526	-	-	-	87,526
Other comprehensive (loss)	-	-	(2,393)	359	678	1,037	(1,356)
Effect of stock compensation plans	5,977	652	-	-	-	-	6,629
Dividends declared	-	-	(34,675)	-	-	-	(34,675)
At September 30, 2014	**$ 285,126**	**$ 6,981**	**$ 340,437**	**$ 1,190**	**$ 947**	**$ 2,137**	**$ 634,681**

				Accumulated other comprehensive income			
($ thousands)	Share Capital	Contributed Surplus	Retained Earnings	Foreign Currency Translation Adjustments	Cash Flow Hedges	Total	Total
At January 1, 2013	**$ 270,900**	**$ 5,957**	**$ 199,486**	**$ 424**	**$ (192)**	**$ 232**	**$ 476,575**
Net earnings	-	-	88,617	-	-	-	88,617
Other comprehensive income	-	-	4,173	193	(377)	(184)	3,989
Share adjustment	(22)	-	-	-	-	-	(22)
Effect of stock compensation plans	4,390	611	-	-	-	-	5,001
Dividends declared	-	-	(29,863)	-	-	-	(29,863)
At September 30, 2013	**$ 275,268**	**$ 6,568**	**$ 262,413**	**$ 617**	**$ (569)**	**$ 48**	**$ 544,297**

See accompanying notes

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

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

Toromont operates through two business segments: The Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory in addition to industry-leading rental operations. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities. Toromont employs over 3,300 people in more than 100 locations.

Basis of Preparation

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

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements were the same as those that applied to the Company’s consolidated financial statements as at and for the year ended December 31, 2013.

The interim condensed consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousands, except where otherwise indicated.

These interim condensed consolidated financial statements were authorized for issue by the Audit Committee of the Board of the Directors on October 27, 2014.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended December 31, 2013, except the following interpretation and amendment that were adopted, as required, on January 1, 2014:

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

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

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

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

2. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

During the third quarter and first nine months of 2014, the Company acquired rental assets with costs of $10,499 and $75,198, respectively (2013 - $6,552 and $63,422, respectively) and property, plant and equipment with costs of $5,275 and $17,994, respectively (2013 - $7,480 and $18,321, respectively).

Rental assets with a net book value of $4,944 and property, plant and equipment with a net book value of $23 were disposed of during the three months ended September 30, 2014 (2013 - $4,727 and $19, respectively) resulting in a net gain on disposal of $4,492 (2013 – $2,293). Rental assets with a net book value of $13,214 and property, plant and equipment with a net book value of $184 were disposed of during the nine months ended September 30, 2014 (2013 - $10,815 and $125, respectively) resulting in a net gain on disposal of $12,242 (2013 – $8,320).

During the third quarter and first nine months of 2014 depreciation expense of $15,733 and $44,185, respectively have been charged in cost of goods sold (2013 - $14,392 and $39,198, respectively) and $1,312 and $3,799, respectively, have been charged to selling and administrative expenses (2013 - $960 and $3,563, respectively).

3. OTHER ASSETS

	September 30 2014	December 31 2013	September 30 2013
Equipment sold with guaranteed residual values	**$ 3,568**	$ 7,437	$ 5,651
Other	**1,600**	1,424	1,360
	$ 5,168	$ 8,861	$ 7,011

4. PAYABLES, ACCRUALS AND PROVISIONS

	September 30 2014	December 31 2013	September 30 2013
Accounts payable and accrued liabilities	**$ 210,600**	$ 224,073	$ 190,399
Dividends payable	**11,575**	9,987	9,963
Provisions	**13,377**	14,401	13,184
	$ 235,552	$ 248,461	$ 213,546

5. LONG-TERM DEBT

	September 30 2014	December 31 2013	September 30 2013
Bank credit facility	**$ -**	$ -	$ 19,515
Senior debentures	**133,040**	134,511	134,511
Debt issuance costs, net of amortization	**(1,665)**	(2,093)	(2,235)
Total long-term debt	**131,375**	132,418	151,791
Less current portion	**1,576**	1,470	1,471
	$ 129,799	$ 130,948	$ 150,320

All debt is unsecured.

At September 30, 2014, standby letters of credit issued utilized $22.7 million of the credit lines (December 31, 2013 – $26.6 million; September 30, 2013 – $24.5 million).

6. SHARE CAPITAL

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

	Nine months ended September 30, 2014 Number of Common Shares	Nine months ended September 30, 2014 Common Share Capital	Nine months ended September 30, 2013 Number of Common Shares	Nine months ended September 30, 2013 Common Share Capital
Balance, beginning of period	**76,844,897**	**$ 279,149**	76,407,658	$ 270,900
Exercise of stock options	**321,709**	**$ 5,977**	244,975	$ 4,390
Other adjustments	**-**	**-**	(6,132)	(22)
Balance, end of period	**77,166,606**	**$ 285,126**	76,646,501	$ 275,268

Normal Course Issuer Bid (“NCIB”)

The current NCIB allows the Company to purchase up to approximately 5.7 million of its common shares in the 12 month period ending August 30, 2015, 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 NCIB during the nine months ended September 30, 2014 and 2013.

Dividends

The Company paid dividends of $11.6 million ($0.15 per share) and $33.1 million ($0.43 per share) for the three and nine months ended September 30, 2014, respectively ($10.0 million or $0.13 per share and $29.1 million or $0.38 per share for the three and nine months ended September 30, 2013, respectively).

7. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities – Classification and Measurement

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

As at September 30, 2014	Derivatives	Other financial liabilities	Total
Current portion of long-term debt	-	(1,576)	(1,576)
Derivative financial instruments	2,851		2,851
Long term debt	-	(129,799)	(129,799)
Total	$ 2,851	$ (131,375)	$ (128,524)

Fair Value of Financial Instruments

The fair value of senior debentures as at September 30, 2014 was $138,062 with a carrying value of $133,040 (December 31, 2013 - $141,800 with a carrying value of $134,511; September 30, 2013 - $142,268 with a carrying value of $134,511). The fair value was determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities, adjusted for our credit quality. The Company has no plans to prepay these instruments prior to maturity. The valuation is determined using Level 2 inputs which are observable inputs or inputs which can be corroborated by observable market data for substantially the full term of asset or liability.

During the period ended September 30, 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. As at September 30, 2014, the Company was committed to USD purchase contracts with a notional amount of $94.4 million at an average exchange rate of $1.0921, maturing between October 2014 and April 2015.

Management estimates that a gain of $2,851 (December 31, 2013 – $1,331 gain; September 30, 2013 – $1,080 loss) would be realized if the contracts were terminated on September 30, 2014. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of $1,277 (December 31, 2013 – $360 gain; September 30, 2013 – $770 loss) has been included in other comprehensive income. This gain is not expected to affect net income as the gain will be reclassified to net income within the next twelve months and will offset losses recorded on the underlying hedged items. Certain of those forward contracts are not designated as cash flow hedges but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A gain of $1,574 (December 31, 2013 – $971 gain; September 30, 2013 – $310 loss) on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items.

8. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Term loan facility	**$ 375**	$ 532	**$ 1,188**	$ 1,420
Senior debentures	**1,685**	1,710	**5,029**	5,099
	2,060	2,242	**6,217**	6,519

The components of interest and investment income were as follows:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Interest income - rental conversions	**$ 291**	$ 378	**$ 1,666**	$ 2,303
Other	**153**	221	**740**	556
	444	599	**2,406**	2,859

9. EARNINGS PER SHARE

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Net earnings available to common shareholders	**$ 40,038**	$ 43,485	**$ 87,526**	$ 88,617
Weighted average common shares outstanding	**77,116,885**	76,625,374	**77,015,442**	76,570,320
Dilutive effect of stock option conversion	**658,987**	602,423	**632,250**	573,591
Diluted weighted average common shares outstanding	**77,775,872**	77,227,797	**77,647,692**	77,143,911
Earnings per share:				
Basic	**$ 0.52**	$ 0.57	**$ 1.14**	$ 1.16
Diluted	**$ 0.51**	$ 0.56	**$ 1.13**	$ 1.15

For the three months ended September 30, 2014, 6,000 outstanding share options (2013 – 516,200) with an exercise price of $26.79 (2013 - $23.40) were considered anti-dilutive (exercise price in excess market price) and as such were excluded from the calculation. For the nine months ended September 30, 2014, 522,000 outstanding share options (2013 – 516,200) with a weighted average exercise price of $26.52 (2013 - $23.40) were considered anti-dilutive.

10. STOCK BASED COMPENSATION

A reconciliation of the outstanding options was as follows:

	Nine months ended September 30, 2014			Nine months ended September 30, 2013		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Options outstanding, beginning of period	**2,610,274**	**$**	**18.49**	2,564,355	$	16.92
Granted	**522,500**	**$**	**26.52**	516,200	$	23.40
Exercised [1]	**(321,709)**		**15.15**	(244,975)		14.42
Forfeited	**(2,400)**		**18.79**	(26,910)		20.04
Options outstanding, end of period	**2,808,665**	**$**	**20.36**	2,808,670	$	18.30
Options exercisable, end of period	**1,201,580**	**$**	**17.47**	1,204,620	$	16.15

[1] The weighted average share price at date of exercise for the nine-month period ended September 30, 2014 was $25.58 (2013 - $22.69).

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

	Options Outstanding				**Options Exercisable**		
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Life (years)**		**Weighted Average Exercise Price**	**Number Outstanding**		**Weighted Average Exercise Price**
$12.42 - $14.75	179,400	1.4	$	12.44	179,400	$	12.44
$14.76 - $17.10	1,017,240	2.9	$	16.87	690,780	$	16.81
$17.11 - $23.40	1,090,025	6.7	$	21.98	331,400	$	21.56
$23.41 - $26.79	522,000	9.8	$	26.52	-	$	-
Total	2,808,665	5.5	$	20.36	1,201,580	$	17.47

The fair value of the stock options granted during the first nine months of 2014 and 2013, respectively, was determined at the time of grant using the Black-Scholes option pricing model with the following assumptions:

		2014		2013
Fair value price per option	**$**	**5.50**	$	5.49
Expected life of options (years)		**8.45**		8.29
Expected stock price volatility		**23.0%**		25.0%
Expected dividend yield		**2.26%**		2.22%
Risk-free interest rate		**1.92%**		2.28%

Deferred Share Unit Plan

A reconciliation of the DSU plan follows:

	Nine months ended September 30, 2014		Nine months ended September 30, 2013	
	Number of DSUs	**Value**	Number of DSUs	Value
Outstanding, beginning of period	**288,921**	**$ 7,696**	211,872	$ 4,297
Units taken in lieu of performance incentive awards, director fees and dividends	**41,834**	**1,093**	68,480	1,527
Redemptions	**(7,786)**	**(197)**	-	-
Fair market value adjustment	**-**	**107**	-	650
Outstanding, end of period	**322,969**	**$ 8,699**	280,352	$ 6,474

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

11. EMPLOYEE FUTURE BENEFITS

The net pension expense included the following components:

	Three months ended September 30		**Nine months ended September 30**	
	2014	2013	**2014**	2013
Defined benefit plans	**$ 460**	$ 666	**$ 1,388**	$ 1,770
Defined contribution plans	**2,368**	2,101	**7,065**	6,415
401(k) matched savings plans	**40**	32	**118**	95
Net pension expense	**$ 2,868**	$ 2,799	**$ 8,571**	$ 8,280

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30		**Nine months ended September 30**	
	2014	2013	**2014**	2013
Net change in non-cash working capital and other				
Accounts receivables	**$ (31,556)**	$ (24,963)	**$ (18,157)**	$ (6,202)
Inventories	**2,894**	23,226	**(49,168)**	(18,654)
Accounts payable, accrued liabilities and provisions	**(26,611)**	(1,125)	**(27,331)**	9,280
Deferred revenues	**(5,109)**	(21,863)	**(7,343)**	(9,655)
Other	**7,328**	6,612	**14,420**	4,182
	$ (53,054)	$ (18,113)	**$ (87,579)**	$ (21,049)
Cash paid during the period for:				
Interest	**$ 498**	$ 616	**$ 4,224**	$ 4,643
Income taxes	**$ 10,892**	$ 11,176	**$ 32,666**	$ 36,350
Cash received during the period for:				
Interest	**$ 354**	$ 472	**$ 1,966**	$ 2,485
Income taxes	**$ 2,225**	$ -	**$ 5,744**	$ -

13. SEGMENTED INFORMATION

The Company has two reportable operating segments, each supported by the corporate office. The business segments are strategic business units that offer different products and services, and each is managed separately. The corporate office provides finance, treasury, legal, human resources and other administrative support to the business segments. Corporate overheads are allocated to the business segments based on revenue.

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

	Equipment Group		CIMCO		Consolidated	
Three months ended September 30	**2014**	2013	**2014**	2013	**2014**	2013
Equipment/package sales	**$ 224,981**	$ 260,105	**$ 28,881**	$ 46,171	**$ 253,862**	$ 306,276
Rentals	**66,061**	55,990	**-**	-	**66,061**	55,990
Product support	**117,263**	108,011	**27,474**	25,016	**144,737**	133,027
Power generation	**2,772**	3,004	**-**	-	**2,772**	3,004
Total revenues	**$ 411,077**	$ 427,110	**$ 56,355**	$ 71,187	**$ 467,432**	$ 498,297
Operating Income	**$ 51,666**	$ 55,214	**$ 4,523**	$ 6,879	**$ 56,189**	$ 62,093
Interest expense					**2,060**	2,242
Interest and investment income					**(444)**	(599)
Income taxes					**14,535**	16,965
Net earnings					**$ 40,038**	$ 43,485

	Equipment Group		CIMCO		Consolidated	
Nine months ended September 30	**2014**	2013	**2014**	2013	**2014**	2013
Equipment/package sales	**$ 539,181**	$ 553,930	**$ 78,643**	$ 109,319	**$ 617,824**	$ 663,249
Rentals	**157,098**	139,254	**-**	-	**157,098**	139,254
Product support	**338,614**	308,987	**72,535**	65,869	**411,149**	374,856
Power generation	**8,668**	8,808	**-**	-	**8,668**	8,808
Total revenues	**$ 1,043,561**	$ 1,010,979	**$ 151,178**	$ 175,188	**$ 1,194,739**	$ 1,186,167
Operating Income	**$ 115,205**	$ 113,278	**$ 7,463**	$ 12,873	**$ 122,668**	$ 126,151
Interest expense					**6,217**	6,519
Interest and investment income					**(2,406)**	(2,859)
Income taxes					**31,331**	33,874
Net earnings					**$ 87,526**	$ 88,617

Operating income from rental operations for the quarter ended September 30, 2014 was $14.7 million (2013 - $13.0 million). For the nine months ended September 30, 2014, operating income from rental operations was $22.5 million (2013 - $20.8 million).

14. BUSINESS COMBINATION

On September 30, 2014, the Company acquired 100% of the voting shares of Ag West Equipment Limited ("Ag West"), for total cash consideration of $3.7 million (subject to closing adjustments), plus assumed debt of $2.3 million for a total transaction value of $6.0 million. At the close of the transaction, $2.7 million was paid with the balance due within 60 days. The purchase price was determined based on an assessment of fair value of net assets.

Based in Manitoba, Ag West specializes in the sale and service of agricultural equipment as an authorized dealer of Agco and other manufacturers' products and has been in business for over twenty years. With this acquisition, Toromont will further expand its product offerings and strengthen its presence in the agricultural sector.

The purchase price was allocated to the underlying assets acquired and liabilities assumed based on preliminary financial statements of Ag West. Financial statements at date of acquisition are presently being finalized.

The following table provides a preliminary allocation of the purchase price as reflected in the consolidated balance sheet at September 30, 2014 and is subject to adjustments over the remainder of the year.

Assets		
Cash	$	240
Trade receivables		309
Inventories		12,700
Other current assets		184
Property, plant and equipment		3,050
Deferred tax assets		2
	$	**16,485**
Liabilities		
Current liabilities	$	12,835
Net identifiable assets acquired	**$**	**3,650**

The Company's interim condensed consolidated income statement does not include any sales or profit generated by Ag West.

The Company will disclose the final purchase price allocation in its audited annual consolidated financial statements for the year ending December 31, 2014.

15. SEASONALITY OF BUSINESS

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

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