Third Quarter 2007 Results **October 30, 2007**

TOROMONT ANNOUNCES RECORD FINANCIAL RESULTS FOR THE THIRD QUARTER OF 2007

Toromont Industries Ltd. reported financial results for the third quarter of 2007. Net earnings were $30.7 million or $0.47 per share, up 18% from $25.9 million or $0.41 per share reported in the third quarter of 2006. For the first nine months of 2007, net earnings were $83.0 million or $1.28 per share, up 33% from the comparable period in 2006. Growth in consolidated revenues and earnings in the quarter was attributable to continued strong growth in the Equipment Group.

	Three months ended September 30			**Nine months ended September 30**		
$ millions, except per share amounts	**2007**	2006	**% change**	**2007**	2006	**% change**
Revenues	**$ 502.8**	$ 456.0	**10%**	**$ 1,362.3**	$ 1,269.0	**7%**
Operating income	**$ 50.4**	$ 43.2	**17%**	**$ 118.6**	$ 106.7	**11%**
Net earnings	**$ 30.7**	$ 25.9	**18%**	**$ 83.0**	$ 62.5	**33%**
Earnings per share - basic	**$ 0.47**	$ 0.41	**15%**	**$ 1.28**	$ 0.98	**31%**

We are pleased with the performance of our Company through the first three quarters of 2007. New records have again been established for both revenue and net income, despite a challenging currency environment and dramatic softening in the Canadian natural gas market. "We experienced continued growth in most sectors of the Equipment Group. Booking activity in the Equipment Group was very strong through the quarter and backlogs ended 48% higher than a year ago. While backlogs continue at record levels, Compression Group results through September 2007 were mixed, as significant increases in refrigeration and U.S. natural gas compression were offset by weakness in the markets for Canadian natural gas compression equipment. Overall, expenses have been well contained, enhancing earnings performance to date.

Highlights:

- Equipment Group revenues were at record levels for the third quarter, up 15% versus the same period of 2006. Growth was driven by sales of new and used equipment, and higher rental revenues. Operating income for the quarter increased 44% from the prior year, reflecting higher volumes and lower relative expense levels.

- Bookings at the Caterpillar dealership were at record levels for the third quarter, up 49% over last year on continued strong demand for new equipment, particularly in the mining and infrastructure markets and for electrical power and marine applications. Backlogs ended the quarter at record levels for any quarter.

- During the quarter, the Company was selected by Agnico Eagle Mines Limited to supply the mobile equipment and certain power modules for the Meadowbank Project north of Baker Lake, Nunavut – the Territory's newest open pit gold mine. The total estimated value of this contract is $62 million, to be supplied over the next two years.

- Revenues in the Compression Group were up 5% in the quarter over the comparable period last year on higher sales of refrigeration systems and increased product support activity. Natural gas compression systems revenues were down 1% from last year as higher revenues in the U.S. were offset by declines in Canada. Operating income in the Compression Group for the quarter was down 13% from 2006, as improvements in refrigeration compression and in the U.S. gas compression were more than offset by declines in Canadian natural gas compression operations.

- Compression Group bookings were 8% lower in the quarter than last year as a 33% increase in refrigeration systems was more than offset by a 10% decline in natural gas compression bookings. Backlogs ended the quarter at record levels for this time of year, up 13% from September 2006.

- The recently opened Denver sales office has quickly established an excellent presence, resulting in bookings for natural gas compression packages in excess of $50 million to date.

- The Board of Directors declared the regular quarterly dividend of $0.12 per common share, paid on October 1, 2007 to shareholders of record on September 14, 2007. The Company has paid dividends every year since going public in 1968.

- The normal course issuer bid was renewed, allowing the Company to purchase up to 3.2 million of its common shares during the 12-month period commencing August 31, 2007.

- On October 19, 2007, the Company announced the appointment of Mr. Garry P. Mihaichuk as President and Chief Executive Officer of Toromont Energy Systems Inc. Mr. Mihaichuk is an experienced leader of energy related businesses and his appointment reflects our commitment to continue the rapid growth of TESI into a global compression business.

We entered the fourth quarter with record backlogs in both the Equipment and Compression Groups, indicating excellent momentum well into 2008. The short-term outlook for the Equipment Group is for strong order activity and deliveries, partially offset by currency challenges. The Compression Group is strong in all areas except for the Canadian gas compression operations. In summary, we anticipate that we will report good results for the fourth quarter and the year but that we are likely to fall short of the exceptional earnings reported in the final three months of last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
of financial results for the three and nine months ended September 30, 2007

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, 2007, 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, 2007, the annual MD&A contained in the 2006 Annual Report and the audited annual consolidated financial statements of the Company for the year ended December 31, 2006.

The unaudited interim 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 29, 2007.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2006 Annual Report and 2007 Annual Information Form. These are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

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 the 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, 2007, 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.

Forward Looking Statements

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 Uncertainties" and the "Outlook" sections of this MD&A when read in conjunction with the annual 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.

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 our 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.

Consolidated Results of Operations

$ thousands, except per share amounts	Three months ended September 30			Nine months ended September 30		
	2007	2006	% change	**2007**	2006	% change
Revenues	**$ 502,778**	$ 455,959	10%	**$ 1,362,321**	$ 1,268,990	7%
Cost of goods sold	**395,326**	356,192	11%	**1,070,748**	995,236	8%
Gross profit	**107,452**	99,767	8%	**291,573**	273,754	7%
Selling and administrative expenses	**57,029**	56,524	1%	**172,928**	167,067	4%
Operating income	**50,423**	43,243	17%	**118,645**	106,687	11%
Interest expense	**3,445**	3,522	(2%)	**10,637**	10,872	(2%)
Interest and investment income	**(1,047)**	(664)	58%	**(2,759)**	(2,353)	17%
Gain on sale of property	**-**	-	-	**15,990**	-	-
Income before income taxes	**48,025**	40,385	19%	**126,757**	98,168	29%
Income taxes	**17,364**	14,487	20%	**43,775**	35,638	23%
Net earnings	**$ 30,661**	$ 25,898	18%	**$ 82,982**	$ 62,530	33%
Earnings per share - Basic	**$ 0.47**	$ 0.41	15%	**$ 1.28**	$ 0.98	31%
Key ratios:						
Gross profit as a % of revenues	**21.4%**	21.9%		**21.4%**	21.6%	
Selling and administrative expenses as a % of revenues	**11.3%**	12.4%		**12.7%**	13.2%	
Operating income as a % of revenues	**10.0%**	9.5%		**8.7%**	8.4%	
Income taxes as a % of income before income taxes	**36.2%**	35.9%		**34.5%**	36.3%	

Consolidated revenues increased 10% to $502.8 million in the quarter versus the same period of the prior year. Equipment Group revenues were up 15% on higher new and used machine sales, and rental revenues. Compression Group revenues were up 5% in the quarter on higher refrigeration package sales and product support revenues.

For the first nine months of the year, consolidated revenues were up 7% compared to 2006, to $1.4 billion. Equipment Group revenues were up 12% on strong new and used machine sales and rental revenues. Compression Group revenues through September 2007 were up 2% from 2006 as higher U.S. natural gas compression, refrigeration compression and product support revenues were largely offset by declines in Canadian natural gas compression package sales.

Consolidated gross profit increased 8% in the quarter over the comparable period in the prior year on the 10% increase in revenues. Gross profit margin decreased to 21.4% in the quarter from 21.9% in the same quarter of the prior year. Gross profit margins in Compression were down, as productivity improvements within the U.S. facilities were more than offset by lower margins in the Canadian process operations resulting from lower volumes. Equipment Group gross profit margins were comparable to 2006, as higher gross margin percentages were offset by a change in sales mix to a higher proportion of equipment sales, which generate lower relative margins than product support activities.

For the first nine months of 2007, consolidated gross profit increased 7% over the comparable period in 2006 in line with the 7% increase in revenues. Gross profit margin was 21.4% through September 2007, compared to 21.6% in the prior year. Equipment Group gross profit margins were slightly lower in 2007 on a change in sales mix. Gross profit margins in Compression were comparable to the prior year for the first nine months as higher gross margins in the U.S. were largely offset by lower margins in Canada.

Selling and administrative expenses increased $0.5 million or 1% in the third quarter versus the comparable period of 2006. Compensation related expenses were $2.4 million higher while net information technology spending was $1.0 million lower.

Selling and administrative expenses increased $5.9 million or 4% in the first nine months of 2007 versus the comparable period of 2006. Increased selling and administrative expenses reflect higher compensation costs of $5.1 million generally related to increases implemented at the beginning of the year. Occupancy costs have increased $2.2 million through the first nine months on expanded operations in the U.S. and general inflation increases for utilities, property taxes, rent and other such items. Net spending on information technology has declined $1.4 million. Selling and administrative expenses as a percentage of revenues was 12.7% through September 2007, down from 13.2% reported in the comparable period of the prior year.

Operating income in the third quarter of $50.4 million was 17% higher than 2006 on higher volumes and lower relative selling and administrative expenses, partially offset by lower gross margins. Operating margin for the quarter was 10.0%, up from 9.5% in the similar period of 2006 on lower relative selling and administrative expense levels.

Operating income in the first nine months of 2007 was $118.6 million, up 11% from the prior year on higher volumes and lower relative selling and administrative expenses. Operating margin for the first nine months was 8.7%, up slightly from 8.4% reported in the similar period of 2006.

Interest expense for the third quarter and first nine months of 2007 was 2% lower than in the same periods last year on lower borrowing levels. Interest income for the third quarter and first nine months of 2007 was higher than the comparable periods of 2006 on higher average cash balances.

During the second quarter of 2007, a 60-acre parcel of land in the Region of Halton was sold for net proceeds of $17.6 million. The resulting gain was $16.0 million, $12.9 million after tax, or $0.20 basic earnings per share.

The effective income tax rate for the third quarter was 36.2% compared to 35.9% in 2006, reflecting a greater proportion of earnings generated in higher tax jurisdictions. The effective income tax rate through September 2007 was 34.5% compared to 36.3% in the prior year. The 2007 rate is lower due to the reduced rate on the capital gain from the second quarter property sale. Excluding this item, the effective income tax rate for first nine months of 2007 was 36.8%, higher than in 2006 due to a greater proportion of earnings generated in higher tax jurisdictions.

Net earnings in the quarter were $30.7 million, up 18% from $25.9 million reported in the comparable period a year ago. Basic earnings per share for the quarter were $0.47, up 15% from $0.41 reported in the comparable period last year.

Net earnings for the first nine months were $83.0 million, up 33% from $62.5 million reported in 2006. Basic earnings per share for the period were $1.28, up 31% from $0.98 reported in the comparable period last year. Excluding the gain on sale of property in the second quarter of 2007, net earnings for the first nine months were $70.0 million, $1.08 per share.

Comprehensive income for the quarter was $25.9 million, comprised of net earnings of $30.7 million and other comprehensive loss of $4.8 million. Comprehensive income for the nine-month period was $68.7 million, comprised of net earnings of $83.0 million and other comprehensive loss of $14.3 million. The other comprehensive loss in both periods arose on translation of self-sustaining foreign operations and a decline in fair value of cash flow hedges. 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. The reader is referred to Changes in Accounting Policies below as well as Note 2 in the accompanying unaudited interim consolidated financial statements for the period ended September 30, 2007 for further details.

The continued strengthening of the Canadian dollar has had an adverse impact on results. Within the Equipment Group, it has a negative impact on some of our customers, particularly in the manufacturing sector. Within the Compression Group, it has been identified as one of the factors behind the weakness in the Canadian natural gas market. Within both Groups, pricing to our customers typically reflects movements in the exchange rate on U.S. sourced equipment, components and spare parts, resulting in lower revenues. While gross margin percentages are generally maintained, expenses, which are in Canadian dollars, tend to rise as a percentage of revenue and margins, putting downward pressure on net income. As well, the stronger Canadian dollar negatively impacts reported results on the translation of the Compression Group's growing U.S. operations.

Results of Operations in the Equipment Group

	Three months ended September 30			Nine months ended September 30		
$ thousands	**2007**	2006	% change	**2007**	2006	% change
Equipment sales and rentals						
New	**$ 133,442**	$ 113,541	18%	**$ 356,930**	$ 295,249	21%
Used	**37,372**	25,240	48%	**102,387**	87,267	17%
Rental	**45,204**	40,194	12%	**105,669**	97,136	9%
Total equipment sales and rentals	**216,018**	178,975	21%	**564,986**	479,652	18%
Power generation	**2,121**	3,642	(42%)	**8,943**	11,474	(22%)
Product support	**66,789**	65,281	2%	**207,737**	206,017	1%
Total revenues	**$ 284,928**	$ 247,898	15%	**$ 781,666**	$ 697,143	12%
Operating income	**$ 32,213**	$ 22,371	44%	**$ 72,944**	$ 61,447	19%
Key ratios:						
Product support revenues as a % of total revenues	**23.4%**	26.3%		**26.6%**	29.6%	
Group total revenues as a % of consolidated revenues	**56.7%**	54.4%		**57.4%**	54.9%	
Operating income as a % of revenues	**11.3%**	9.0%		**9.3%**	8.8%	

The Equipment Group set new milestones for revenues and operating income for the quarter and first nine months of 2007. New and used equipment sales and rentals were brisk.

New machine sales were up 18% in the quarter and 21% for the first nine months compared to the same periods in 2006. Revenues in the tractor sector increased 9% in the quarter and 18% through September on higher unit sales. The mining and heavy construction markets largely drove growth in this sector. Revenues have also benefited from higher sales of prime and back-up electrical power systems and of engines for marine applications.

Used equipment sales were up 48% in the quarter and 17% for the first nine months compared to the similar periods last year. Sales of used equipment vary depending on customer buying preferences, exchange rate considerations and general product availability.

Rental revenues were up 12% in the quarter and 9% through September compared to the same periods last year, largely due to increased same store revenues generated from a larger rental fleet and increased utilization. Growth in rental revenues was broad-based with most regions reporting year-over-year increases. Northern Ontario and the greater Toronto area experienced substantial growth on increased activity. The recent acquisition in Timmins, Ontario also contributed to this growth.

Revenues from power generation declined 42% in the quarter and 22% in the year-to-date versus last year, reflecting the disposition of power generation assets located near Trenton, Ontario, in the second quarter of 2007. On a comparable basis, power generation revenues were up 29% in the quarter and 18% for the first nine months compared to the same periods in 2006, reflecting increased operating hours and higher average prices for electricity.

Product support revenues increased 2% in the quarter and 1% for the first nine months compared to the same periods of last year on growth in service work, while parts sales were generally even with last year. Parts revenue has been significantly impacted by the decline in the U.S. dollar. Product support activity has generally been higher through our operations, with the exception of that related to on-highway truck engines, which has been down through the year. In Newfoundland, a strike by hourly staff, which commenced August 2007, has negatively impacted product support revenues by an estimated $1 million in the quarter. Offsetting this was higher product support revenues in Nunavut and Northern Ontario, where there was strong mining activity. Work-in-progress at September 30, 2007 was 25% higher than at the same time last year.

Operating income for the quarter was up 44% from that reported in the same period last year on higher revenues and lower relative selling and administrative expenses. Gross profit margins were at the same level as in the prior year as improvements in product support margins maintained overall margins, even through a period where a higher proportion of revenues were generated through equipment sales.

Operating income for the first nine months of 2007 was up 19% from the previous year on higher volumes, partially offset by lower gross margins and higher volume-related expenses. Lower gross margins for the first nine months reflect a change in sales mix. Operating income as a percentage of revenues was 9.3% through September 2007 versus 8.8% in the comparable period of 2006.

Third quarter bookings were at record levels, up 46% from the same period last year, on continued demand for new equipment, particularly for machines used in the mining and heavy construction markets, and for electrical power and marine applications. Backlogs ended the quarter at record levels, up 48% from this time last year.

Results of Operations in the Compression Group

	Three months ended September 30			Nine months ended September 30		
$ thousands	**2007**	2006	% change	**2007**	2006	% change
Package sales and rentals						
Package sales	**$ 163,238**	$ 155,704	5%	**$ 425,365**	$ 429,390	(1%)
Rentals	**4,616**	5,149	(10%)	**14,202**	15,113	(6%)
Total package sales and rentals	**167,854**	160,853	4%	**439,567**	444,503	(1%)
Product support	**49,996**	47,208	6%	**141,088**	127,344	11%
Total revenues	**$ 217,850**	$ 208,061	5%	**$ 580,655**	$ 571,847	2%
Operating income	**$ 18,210**	$ 20,872	(13%)	**$ 45,701**	$ 45,240	1%
Key ratios:						
Product support revenues as a % of total revenues	**22.9%**	22.7%		**24.3%**	22.3%	
Group total revenues as a % of consolidated revenues	**43.3%**	45.6%		**42.6%**	45.1%	
Operating income as a % of revenues	**8.4%**	10.0%		**7.9%**	7.9%	

Results within the Compression Group reflect varied market conditions. The Canadian natural gas compression market remains weak. Meanwhile, conditions within the U.S. natural gas compression market continue to be favourable and participation in this market is increasing. The net impact of these conditions has been marginally negative through September 2007. The demand for refrigeration equipment has been strong overall.

The Canadian natural gas industry has slowed significantly from the very active market conditions seen through 2005. Benign weather conditions have resulted in high levels of stored gas. At the same time, growing production of natural gas in the United States along with increasing LNG import capacity has added supply and competition. The frenetic pace of energy development in Western Canada in recent years has resulted in substantially increased cost structures resulting in higher cost natural gas deliveries to U.S. markets. The rising Canadian dollar has added to the cost disadvantage. Consequently, it is currently uneconomic for natural gas producers to increase production in Canada. As a result, drilling has declined and the demand for compression equipment is down substantially from the peak seen in 2005.

Package sales were 5% higher in the third quarter on higher recreational refrigeration applications. Revenues from natural gas compression packages were down 1% as increased revenues in the U.S. were offset by declines in Canada. Recreational refrigeration revenues were up 73% over the same period last year, with gains in all markets. Industrial refrigeration compression revenues were up 12% on improved results in the U.S. market.

Through the first nine months, package sales revenues were down 1% from the prior year on lower natural gas compression package revenues, partially offset by higher recreational refrigeration revenues. Revenues from natural gas compression packages were down 7% as higher revenues generated from the Company's expanded U.S. natural gas compression operations were more than offset by declines in the Canadian natural gas market. Recreational refrigeration revenues were up 74% over the same period last year, on gains in North American and international markets.

Rental revenues were 10% lower in the third quarter and 6% lower in the first nine months of 2007 compared to 2006 on lower fleet utilization in the Canadian-based natural gas rental operation.

Product support revenues were up 6% in the quarter and 11% through September 2007 versus the comparable periods of 2006. Continued focus on product support activities in Canada in both natural gas and recreational refrigeration produced increases in both markets. Third quarter product support revenues in the U.S. were even with the prior year, although down 7% on a reported basis on the stronger Canadian dollar. Through the first nine months, U.S. product support revenues were up 22%.

Operating income in the third quarter was down 13% from that reported in the same period of 2006 on much reduced activity in the Canadian natural gas compression market. The recreational and industrial refrigeration operations have seen improvements year-over-year in all regions on higher volumes in the U.S. and improved cost control in all regions. Profitability gains in the U.S. natural gas compression operations from higher volumes and improved project mix and execution have been more than offset by declines in Canadian natural gas compression.

Operating income for the first nine months of 2007 was 1% higher than in the same period of 2006. Higher volumes in the refrigeration operations drove improved results. Profitability within the natural gas compression operations was down marginally with the prior year levels, as productivity gains and improved execution in the U.S. on the higher volumes have been more than offset by lower volumes in Canada. Operating income as a percentage of revenues was 7.9% for the first nine months of 2007, the same as in the comparable period of 2006.

Bookings were 8% lower in the quarter than for the same period last year as a 10% decline in natural gas compression bookings was partially offset by a 33% increase in refrigeration. Process systems bookings vary due to timing of customer project schedules, and while down 22% in the third quarter, are level through the first nine months of the year. Backlogs ended the quarter at record levels for this time of year, up 13% from September 2006.

The Compression Group has excellent momentum in all areas except for the Canadian natural gas compression operations. To better manage costs and shop utilization in Canada, we have exited certain leased facilities and reallocated production in other shops. A significant recovery in Canadian natural gas markets in the near term is not anticipated. As reported in the second quarter, lower earnings are expected for the Compression Group in the fourth quarter, compared to the fourth quarter of 2006. Eventually, production declines and growing demand will bring the gas market into balance.

Consolidated Financial Position

The Company has maintained a strong financial position. At September 30, 2007, the ratio of total debt to equity was 0.38:1 compared to 0.47:1 at December 31, 2006. Total assets were $1.3 billion at September 30, 2007, up modestly from that reported at the end of 2006.

The Company's investment in non-cash working capital was $407.7 million at September 30, 2007. The major components, along with the changes from December 31, 2006 and September 30, 2006, are identified in the following table.

	September 30 2007	December 31 2006	Increase (Decrease)	September 30 2006	Increase (Decrease)
Accounts receivable	$ 311,315	$ 341,470	$ (30,155)	$ 340,077	$ (28,762)
Inventories	497,533	461,672	35,861	476,929	20,604
Other current assets	20,368	7,753	12,615	9,479	10,889
Accounts payable and accrued liabilities	(256,849)	(301,131)	44,282	(270,531)	13,682
Deferred revenue	(137,531)	(90,596)	(46,935)	(106,723)	(30,808)
Dividends payable	(7,767)	(6,431)	(1,336)	(6,396)	(1,371)
Derivative financial instruments	(12,466)	-	(12,466)	-	(12,466)
Other	(7,596)	(1,113)	(6,483)	1,165	(8,761)
Total non-cash working capital	$ 407,007	$ 411,624	$ (4,617)	$ 444,000	$ (36,993)

Accounts receivable were 9% lower at September 30, 2007 compared to December 2006 and 8% lower compared to September 2006. These decreases are largely attributable to the Compression Group, where the stronger Canadian dollar has reduced the reported amounts for U.S. denominated accounts receivable. The Canadian dollar has increased 17% from December 2006 and 13% from September 2006 compared to the U.S. dollar.

Inventories were 8% higher at September 30, 2007 compared to December 2006 and 4% higher than at September 30, 2006 on higher inventory levels in both Groups. Equipment Group machine inventory levels were higher than at the comparator periods due to increased sales volumes and seasonal trends, somewhat offset by an improvement in product availability and delivery-times on most products. Compression Group inventory levels increased 7% over both periods on increased inventories held at the expanded Wyoming operations. Work-in-process levels in the refrigeration compression operations were also higher compared to both periods on higher activity.

The increase in other current assets compared to both December 2006 and September 2007 relate to deposits made for equipment ordered relating to a significant project and scheduled for delivery through 2008.

Accounts payable and accrued liabilities were 15% lower than December 2006 and 5% lower than September 2006. Compared to December 2006, the decrease is attributable to reduced key supplier payables as well as seasonality related to bonus accruals. Compared to September 2006, the decrease is due to reduced key supplier payables.

Deferred revenues have increased 52% from December 2006 and 29% from September 2006. The Compression group uses progress billings as a method of funding working capital requirement of long-term contracts.

Derivative financial instruments, namely foreign exchange contracts and an interest rate swap, are recorded on the balance sheet beginning from January 1, 2007. 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. Toromont does not enter into foreign exchange forward contracts for speculative purposes. Given the sharp movement in the Canadian dollar compared to the U.S. dollar in the recent quarter, these practices have led to a cumulative opportunity cost of approximately $12.5 million as at September 30, 2007 as disclosed in note 14. This is not expected to affect net income, as the unrealized losses will offset future gains on hedged items.

As at the date of this MD&A, the Company had 64,714,117 common shares and 2,022,739 share options outstanding.

In August of this year, the Company renewed its normal course issuer bid (NCIB) with the Toronto Stock Exchange (TSX). Pursuant to the NCIB, the Company may purchase for cancellation up to 3,233,838 of its common shares during the 12-month period commencing August 31, 2007 and ending August 30, 2008. The shares that may be purchased under this issuer bid represent approximately 5% of Toromont's issued and outstanding common shares. 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. Shareholders may contact our Corporate Secretary to obtain, without charge, a copy of our notice to the TSX regarding the normal course issuer bid.

Liquidity and Capital Resources

Toromont obtains short-term financing through a combination of cash from operating activities and committed long-term credit facilities. Combined unsecured credit facilities amounted to $245 million at September 30, 2007, of which $183 million was unutilized.

Management expects that the Company's available credit facilities, together with cash flows from operations, are more than sufficient to fund its cash flow requirements including operations, debt-servicing obligations, capital expenditures and dividends to its shareholders.

	Three months ended September 30			Nine months ended September 30		
($ thousands)	**2007**	2006	$ Variance	**2007**	2006	$ Variance
Cash provided by operating activities	**$ 38,017**	$ (21,283)	$ 59,300	**$ 71,790**	$ 32,917	$ 38,873
Cash used in investing activities	**(13,025)**	(17,969)	4,944	**(35,956)**	(64,891)	28,935
Cash used in financing activities	**(10,191)**	(6,668)	(3,523)	**(45,639)**	(16,744)	(28,895)
Change in cash and cash equivalents	**$ 14,801**	$ (45,920)	$ 60,721	**$ (9,805)**	$ (48,718)	$ 38,913

Operating activities provided $38.0 million in the quarter compared to using $21.3 million in the same period last year. Cash from operations increased 13% over the prior year on higher volumes and operating margins. Non-cash working capital used $2.2 million in the quarter compared to $56.7 million in 2006 on improved working capital management, namely decreases in accounts receivable and inventories.

For the first nine months, operating activities provided $71.8 million, up more than 100% from $32.9 million provided in the same period last year. The increase in cash provided was partly attributable to increased cash from operations, up 11% from 2006 on higher volumes and operating margins. The Company made substantial investments in inventories in 2006, largely in light of product availability constraints and extended delivery-time constraints from certain suppliers at that time.

Investing activities used $13.0 million in the quarter, down from $18.0 million in the similar period last year. Gross investment in property, plant and equipment of $6.4 million included expansion of the Equipment Group branch network ($2.4 million), vehicles to support business growth ($1.4 million) and various other investments. Net investment in rental equipment was $7.5 million, $0.8 million lower than that reported in the same period last year on the timing of fleet investments in the Equipment Group.

Investing activities for the first nine months of 2007 included net proceeds of $17.6 million on the sale of property. Excluding this item, the Company invested $53.6 million, compared to $64.9 million in the prior year. Net investment in rental equipment was $31.2 million, down from $37.1 million last year. Additions to the rental fleet in the Equipment Group are lower in 2007 than in 2006 following two years of significant investment. Gross investment in property, plant and equipment was $20.7 million, comprised of facility expansion in U.S. natural gas compression operations ($3.1 million), vehicles to support business growth ($6.4 million), information technology equipment and systems ($2.1 million) and branch additions and renovations in the Equipment Group ($5.0 million).

Financing activities used $10.2 million in the third quarter of 2007 versus $6.7 million in the comparable period of 2006. The Company paid dividends of $7.8 million in the quarter, up 21% from the same period in 2006, reflecting the higher dividend rate per share.

Through September 2007, financing activities used $45.6 million compared to $16.7 million in the comparable period of 2006. The Company paid dividends of $21.9 million, up 23% from the same period in 2006 on the higher dividend rate per share. Bank and other long-term debt was reduced by a net $27.6 million from the positive cash flows of the Company.

Outlook

The overall outlook for Toromont's business continues to be positive. The balance in the Company's products and markets, combined with after-market support activity, provides a strong operating foundation.

Backlogs were at record levels entering the fourth quarter, for both the Equipment and Compression Groups, indicating excellent prospects well into 2008.

The fourth quarter outlook for the Equipment Group is for strong order activity and deliveries partially offset by currency challenges. Infrastructure spending, mine development and power systems should continue to be strong and sustain the momentum in overall revenue growth.

The Compression Group has excellent momentum in all areas except for the Canadian gas compression operations.

In summary, good results are anticipated for the fourth quarter and the year but they are likely to fall short of the exceptional earnings reported in the fourth quarter of last year.

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 2006 Annual Report and 2007 Annual Information Form.

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 2006 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. There have been no material changes to the critical accounting estimates as described in the Company's 2006 Annual Report.

Changes in accounting policies

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530 *Comprehensive Income*, Section 3855 *Financial Instruments – Recognition and Measurement* and Section 3865 *Hedges*. The adoption of these new standards resulted in changes in the accounting for financial instruments and hedges, as well as the recognition of certain transition adjustments. As provided under the standards, the comparative consolidated financial statements have not been restated, except for the presentation of translation gains or losses on self-sustaining foreign operations.

The adoption of these Sections is done retroactively without restatement of the consolidated financial statements of prior periods. As a January 1, 2007, the impact on the consolidated balance sheet of measuring derivatives at fair value as at January 1, 2007 was an increase in: accounts receivable $27,000; derivative financial instrument assets $6,143,000; current future income tax assets $300,000; accounts payable and accrued liabilities $3,753,000; long-term future income tax liabilities $846,000; derivative financial instrument liabilities $857,000 and opening accumulated other comprehensive income $1,014,000.

The effect of these changes in accounting policies on net income for the three and nine month periods ending September 30, 2007 is not significant.

Effective January 1, 2007, the Company adopted the revised Section 1506 *Accounting Changes,* relating to changes in accounting policies, changes in accounting estimates, and errors. Adoption of these recommendations had no effect on the consolidated financial statements for the three month and nine month periods ending September 30, 2007, except for the disclosure of accounting changes that have been issued by the CICA but have not yet been adopted by the Company because they are not effective until a future date (refer to Future Accounting Standards below).

The reader is referred to Note 2 in the accompanying unaudited interim consolidated financial statements for the quarter ended September 30, 2007 for further details regarding the adoption of these standards.

Future accounting standards

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures; Handbook Section 3862 *Financial Instruments - Disclosures*; and Handbook Section 3863 *Financial Instruments - Presentation*. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In March 2007, the CICA approved Handbook Section 3031 *Inventories*, which replaces the existing Section 3030 *Inventories*. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, with earlier application encouraged. The standard provides more guidance on the measurement and disclosure requirements for inventories.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

Selected quarterly information

	2005		2006				2007		
$ thousands, except per share amounts	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenues									
Equipment Group	$ 231,086	$ 266,015	$ 187,188	$ 262,057	$ 247,898	$ 290,725	$ 228,306	$ 268,432	$ 284,928
Compression Group	196,802	209,473	182,240	181,546	208,061	205,118	161,849	200,956	217,850
Total revenues	$ 427,888	$ 475,488	$ 369,428	$ 443,603	$ 455,959	$ 495,843	$ 390,155	$ 469,388	$ 502,778
Net earnings (loss)									
from continuing operations	$ 23,943	$ 27,296	$ 11,722	$ 24,910	$ 25,898	$ 36,891	$ 14,251	$ 38,070	$ 30,661
from discontinued operations	742	-	-	-	-	-	-	-	-
Total net earnings	$ 24,685	$ 27,296	$ 11,722	$ 24,910	$ 25,898	$ 36,891	$ 14,251	$ 38,070	$ 30,661
Basic earnings (loss) per share									
from continuing operations	$ 0.38	$ 0.43	$ 0.18	$ 0.39	$ 0.41	$ 0.58	$ 0.22	$ 0.59	$ 0.47
from discontinued operations	0.01	-	-	-	-	-	-	-	-
Total basic EPS	$ 0.39	$ 0.43	$ 0.18	$ 0.39	$ 0.41	$ 0.58	$ 0.22	$ 0.59	$ 0.47
Diluted earnings (loss) per share									
from continuing operations	$ 0.37	$ 0.43	$ 0.18	$ 0.38	$ 0.40	$ 0.58	$ 0.22	$ 0.58	$ 0.47
from discontinued operations	0.01	-	-	-	-	-	-	-	-
Total diluted EPS	$ 0.38	$ 0.43	$ 0.18	$ 0.38	$ 0.40	$ 0.58	$ 0.22	$ 0.58	$ 0.47
Dividends per share	$ 0.08	$ 0.08	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.12	$ 0.12	$ 0.12

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 softest 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.

TOROMONT INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEETS
(unaudited)

($ thousands)	**September 30 2007**	December 31 2006	September 30 2006
Assets			
Current assets			
Cash and cash equivalents	**$ 48,209**	$ 58,014	$ 1,998
Accounts receivable	**311,315**	341,470	340,077
Inventories	**497,533**	461,672	476,929
Income taxes receivable	**-**	-	789
Future income taxes	**26,946**	24,305	25,769
Other current assets (note 7)	**20,368**	7,753	9,479
Total current assets	**904,371**	893,214	855,041
Property, plant and equipment	**182,180**	185,290	179,497
Rental equipment	**156,898**	138,214	139,441
Goodwill	**34,800**	34,800	34,800
Future income taxes	**2,997**	-	-
Other assets (note 7)	**28,771**	48,474	26,645
Total assets	**$ 1,310,017**	$ 1,299,992	$ 1,235,424
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 8)	**$ 402,147**	$ 398,158	$ 383,448
Current portion of long-term debt (note 9)	**31,487**	25,194	25,595
Income taxes payable	**3,055**	224	-
Derivative financial instruments (note 14)	**12,466**	-	-
Total current liabilities	**449,155**	423,576	409,043
Deferred revenues (note 8)	**34,680**	66,419	65,747
Long-term debt (note 9)	**204,558**	238,468	225,724
Accrued pension liability	**4,249**	5,483	6,046
Future income taxes	**-**	490	74
Shareholders' equity			
Share capital (note 10)	**121,404**	116,848	112,001
Contributed surplus (note 11)	**7,404**	6,543	7,088
Retained earnings	**507,532**	447,820	417,359
Accumulated other comprehensive income (note 12)	**(18,965)**	(5,655)	(7,658)
Total shareholders' equity	**617,375**	565,556	528,790
Total liabilities and shareholders' equity	**$ 1,310,017**	$ 1,299,992	$ 1,235,424

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)

$ thousands, except per share amounts	Three months ended September 30 **2007**	2006	Nine months ended September 30 **2007**	2006
Revenues	**$ 502,778**	$ 455,959	**$ 1,362,321**	$ 1,268,990
Cost of goods sold	**395,326**	356,192	**1,070,748**	995,236
Gross profit	**107,452**	99,767	**291,573**	273,754
Selling and administrative expenses	**57,029**	56,524	**172,928**	167,067
Operating income	**50,423**	43,243	**118,645**	106,687
Interest expense	**3,445**	3,522	**10,637**	10,872
Interest and investment income	**(1,047)**	(664)	**(2,759)**	(2,353)
Gain on sale of property	**-**	-	**15,990**	-
Income before income taxes	**48,025**	40,385	**126,757**	98,168
Income taxes	**17,364**	14,487	**43,775**	35,638
Net earnings	**$ 30,661**	$ 25,898	**$ 82,982**	$ 62,530
Earnings per share (note 4)				
Basic	**$ 0.47**	$ 0.41	**$ 1.28**	$ 0.98
Diluted	**$ 0.47**	$ 0.40	**$ 1.27**	$ 0.96
Weighted average number of shares outstanding	**64,679,897**	63,938,222	**64,582,842**	63,814,484
End of period number of shares outstanding (note 10)	**64,698,967**	63,969,599	**64,698,967**	63,969,599

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)

($ thousands)	Three months ended September 30 **2007**	2006	Nine months ended September 30 **2007**	2006
Retained earnings, beginning of period	**$ 484,638**	$ 397,857	**$ 447,820**	$ 373,993
Net earnings	**30,661**	25,898	**82,982**	62,530
Dividends	**(7,767)**	(6,396)	**(23,270)**	(19,164)
Retained earnings, end of period	**$ 507,532**	$ 417,359	**$ 507,532**	$ 417,359

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

($ thousands)	Three months ended September 30 **2007**	2006	Nine months ended September 30 **2007**	2006
Net earnings	**$ 30,661**	$ 25,898	**$ 82,982**	$ 62,530
Other comprehensive (loss) income:				
Change in fair value of derivatives designated as cash flow hedges, net of income taxes ($1,878, $4,822)	**(3,487)**	-	**(8,957)**	-
Losses on derivatives designated as cash flow hedges transferred to net income in the current period, net of income taxes ($1,495, $1,812)	**2,728**	-	**3,316**	-
Unrealized loss on translation of financial statements of self-sustaining foreign operations	**(4,029)**	224	**(8,683)**	(1,437)
Other comprehensive (loss) income	**(4,788)**	224	**(14,324)**	(1,437)
Comprehensive income	**$ 25,873**	$ 26,122	**$ 68,658**	$ 61,093

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ thousands)	Three months ended September 30 **2007**	2006	Nine months ended September 30 **2007**	2006
Operating activities				
Net earnings	**$ 30,661**	$ 25,898	**$ 82,982**	$ 62,530
Items not requiring cash and cash equivalents				
Depreciation	**14,162**	12,612	**38,008**	34,882
Stock-based compensation	**524**	(89)	**1,506**	1,161
Accrued pension liability	**(303)**	265	**(1,234)**	29
Future income taxes	**(3,069)**	(2,103)	**(3,663)**	(6,068)
Gain on sale of rental equipment and property, plant, and equipment	**(1,791)**	(1,123)	**(21,394)**	(5,490)
	40,184	35,460	**96,205**	87,044
Net change in non-cash working capital and other	**(2,167)**	(56,743)	**(24,415)**	(54,127)
Cash provided by (used in) operating activities	**38,017**	(21,283)	**71,790**	32,917
Investing activities				
Additions to:				
Rental equipment	**(15,751)**	(12,417)	**(54,566)**	(56,929)
Property, plant and equipment	**(6,374)**	(10,249)	**(20,682)**	(23,128)
Proceeds on disposal of:				
Rental equipment	**8,274**	4,119	**23,410**	19,820
Property, plant and equipment	**295**	352	**18,345**	660
Business acquisition (note 3)	**-**	-	**(3,124)**	(5,481)
Decrease in other assets	**531**	226	**661**	167
Cash used in investing activities	**(13,025)**	(17,969)	**(35,956)**	(64,891)
Financing activities				
Decrease in term credit facility debt	**-**	-	**(13,686)**	-
Issue of other long-term debt	**4,249**	5,032	**5,836**	9,801
Repayment of other long-term debt	**(7,116)**	(5,815)	**(19,767)**	(12,575)
Dividends	**(7,761)**	(6,392)	**(21,934)**	(17,858)
Shares issued on exercise of options	**437**	507	**3,912**	3,888
Cash used in financing activities	**(10,191)**	(6,668)	**(45,639)**	(16,744)
Increase (decrease) in cash and cash equivalents	**14,801**	(45,920)	**(9,805)**	(48,718)
Cash and cash equivalents at beginning of period	**33,408**	47,918	**58,014**	50,716
Cash and cash equivalents at end of period	**$ 48,209**	$ 1,998	**$ 48,209**	$ 1,998

Supplemental cash flow information (note 13)

See accompanying notes

TOROMONT INDUSTRIES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(unaudited)
($ thousands except where otherwise indicated)

(1) Significant accounting policies

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the preparation of interim financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with those used in the Company's 2006 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, 2006.

(2) Changes in accounting policies

Financial Instruments

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 1530 *Comprehensive Income*, Section 3855 *Financial Instruments – Recognition and Measurement* and Section 3865 *Hedges*. The adoption of these new standards resulted in changes in the accounting for financial instruments and hedges, as well as the recognition of certain transition adjustments. As provided under the standards, the comparative interim consolidated financial statements have not been restated, except for the presentation of translation gains or losses on self-sustaining foreign operations. The principal changes in the accounting for financial instruments and hedges due to the adoption of these accounting standards are described below.

(a) Sections 1530 *Comprehensive Income*
This Section describes the reporting and disclosure standards with respect to comprehensive income and its components. Comprehensive income is composed of net income and other comprehensive income. The Company's other comprehensive income includes unrealized gains and losses on translation of self-sustaining foreign operations and changes in the fair value of derivative instruments designated as cash flow hedges, net of income taxes. The components of comprehensive income are disclosed in the consolidated statement of comprehensive income.

(b) Section 3855 *Financial Instruments – Recognition and Measurement*
This Section sets out the standards for the recognition and measurements of financial assets and financial liabilities. Depending on their balance sheet classification, fair value or cost-based measures are used. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in either net income or other comprehensive income.

The Company has made the following classifications:

- Cash and cash equivalents are classified as "assets held for trading" and are measured at fair value. Gains and losses resulting from the periodic revaluation are recorded in net income.

- Accounts receivable are classified as “loans and receivables” and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities and long-term debt are classified as “other financial liabilities” and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

(c) Section 3865 *Hedges*
This Section sets out the standards on the use of hedge accounting. This standard offers different reporting options other than those set out in Section 3855 *Financial Instruments – Recognition and Measurement*, to qualifying transactions designated as hedges for accounting purposes.

The Company elected to apply hedge accounting for its interest rate swap and foreign exchange forward contracts. The interest rate swap is designated as a cash flow hedge. It is measured at fair value at the end of each period and the effective portion of the gain or loss resulting from remeasurement is recognized in other comprehensive income. The ineffective portion is recognized in net income in the period. Foreign exchange forward contracts are designated as either cash flow or fair value hedges, depending on the facts of the transaction. These derivatives are measured at fair value at the end of each period. The resulting gain or loss is recognized in other comprehensive income for cash flow hedges and in net income for fair value hedges,

The adoption of these Sections is done retroactively without restatement of the consolidated financial statements of prior periods. As at January 1, 2007, the impact on the consolidated balance sheet of measuring derivatives at fair value was an increase in: accounts receivable $27, derivative financial instrument assets $6,143, current future income tax assets $300, accounts payable and accrued liabilities $3,753, long-term future income tax liabilities $846, derivative financial instrument liabilities $857 and opening accumulated other comprehensive income $1,014.

The effect of these changes in accounting policies on net income for the three month and nine month periods ending September 30, 2007 is not significant.

Accounting Changes

Effective January 1, 2007, the Company adopted the revised Section 1506 *Accounting Changes,* relating to changes in accounting policies, changes in accounting estimates, and errors. Adoption of these recommendations had no effect on the consolidated financial statements for the three and nine month periods ending September 30, 2007, except for the disclosure of accounting changes that have been issued by the CICA but have not yet been adopted by the Company because they are not effective until a future date (refer to Future Accounting Standards below).

Future accounting standards

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 *Capital Disclosures*; Handbook Section 3862 *Financial Instruments – Disclosures*; and Handbook Section 3863 *Financial Instruments – Presentation*. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008. Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments — Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In March 2007, the CICA approved Handbook Section 3031 *Inventories*, which replaces the existing Section 3030 *Inventories*. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, with earlier application encouraged. The standard provides more guidance on the measurement and disclosure requirements for inventories.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

(3) Business acquisitions

Effective March 6, 2007, certain assets of Sunrise Rentals Corporation, a privately owned rental operation in Timmins, Ontario, were purchased. In 2006, land, plant and equipment in Casper, Wyoming were purchased.

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

	2007	2006
Non-cash working capital	$ 1,048	$ 135
Property, plant and equipment	188	5,346
Rental equipment	1,888	-
Purchase price	$ 3,124	$ 5,481

(4) 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.

	Three months ended September 30		**Nine months ended September 30**	
	2007	2006	**2007**	2006
Net earnings available to common shareholders	**$ 30,661**	$ 25,898	**$ 82,982**	$ 62,530
Weighted average common shares outstanding	**64,679,897**	63,938,222	**64,582,842**	63,814,484
Dilutive effect of stock option conversion	**679,422**	899,086	**614,363**	1,008,961
Diluted weighted average common shares outstanding	**65,359,319**	64,837,308	**65,197,205**	64,823,445
Basic earnings per share	**$ 0.47**	$ 0.41	**$ 1.28**	$ 0.98
Diluted earnings per share	**$ 0.47**	$ 0.40	**$ 1.27**	$ 0.96

(5) 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					
	2007			2006		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Options outstanding, beginning of period	**2,091,379**	**$**	**14.67**	2,689,795	$	12.72
Granted	**343,900**		**25.80**	370,380		24.58
Exercised	**(388,390)**		**9.76**	(344,663)		11.10
Forfeited	**(9,000)**		**25.19**	(283,155)		17.98
Options outstanding, end of period	**2,037,889**	**$**	**17.44**	2,432,357	$	14.15
Options exercisable, end of period	**1,082,895**	**$**	**13.22**	1,338,801	$	10.70

The following table summarizes stock options outstanding and exercisable as at September 30, 2007:

	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**
$8.04 - $10.71	780,920	1.5	$	10.03	708,356	$	9.96
$16.59 - $22.78	655,309	3.9		19.07	321,523		18.52
$24.58 - $27.70	601,660	6.0		25.26	53,016		24.58
Total	2,037,889	3.6	$	17.44	1,082,895	$	13.22

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			
		2007		2006
Weighted average fair value price per option	**$**	**6.63**	$	6.51
Expected life of options (years)		**5.82**		5.78
Expected stock price volatility		**25.0%**		25.0%
Expected dividend yield		**1.9%**		1.6%
Risk-free interest rate		**4.1%**		4.1%

The Company offers a deferred share unit (DSU) plan to non-employee directors. A DSU is a notional unit that reflects the market value of a single common share of Toromont. Each director may elect to take all or a portion of his board retainer and meeting fees in DSUs. Each DSU fully vests upon award. The DSUs will be redeemed for cash upon a director leaving the board. 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, 2007, the total DSUs held by participating directors was 7,014.

(6) 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 7% 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	
	2007	2006	2007	2006
Defined benefit plans	$ 234	$ 555	$ 701	$ 1,665
Defined contribution plans	2,314	2,143	6,326	6,375
401(k) matched savings plans	184	162	654	480
Net pension expense	$ 2,732	$ 2,860	$ 7,681	$ 8,520

(7) Other assets

	September 30 2007	December 31 2006	September 30 2006
Equipment sold with guaranteed residual values	**$ 21,693**	$ 25,521	$ 26,187
Equipment deposits	**19,276**	22,413	-
Other	**8,170**	8,293	9,937
Total other assets	**49,139**	56,227	36,124
Less current portion	**20,368**	7,753	9,479
	$ 28,771	$ 48,474	$ 26,645

In accordance with GAAP, equipment sold directly to customers or to third-party lessors for which the Company has provided a guarantee to repurchase at a predetermined residual value and dates are accounted for as operating leases wherein revenue is recognized over the period extending to the date of the residual guarantee.

Equipment deposits represent payments made for equipment on order relating to a significant project with deliveries scheduled through to the latter half of 2008.

(8) Accounts payable and accrued liabilities

	September 30 2007	December 31 2006	September 30 2006
Accounts payable and accrued liabilities	$ 256,849	$ 301,131	$ 270,329
Dividends payable	7,767	6,431	6,396
Deferred revenues	172,211	157,015	172,470
Total	436,827	464,577	449,195
Less long-term portion of deferred revenues	34,680	66,419	65,747
Total accounts payable and accrued liabilities	$ 402,147	$ 398,158	$ 383,448

Deferred revenue represents unearned income associated with warranty and service agreements, contract advances, and any other situations where payments are received in advance of revenue recognition.

(9) Long-term debt

	September 30 2007	December 31 2006	September 30 2006
Drawn on bank term facility	**$ 30,000**	$ 43,686	$ 30,000
Senior debentures	**188,272**	199,673	199,673
Notes payable	**17,773**	20,303	21,646
Total long-term debt	**236,045**	263,662	251,319
Less current portion	**31,487**	25,194	25,595
	$ 204,558	$ 238,468	$ 225,724

The committed bank term facilities are unsecured. These facilities permit drawings of up to $245 million, with $20 million maturing in 2009 and the balance of $225 million maturing in 2011.

(10) Share capital

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

	Three months ended September 30, 2007		Nine months ended September 30, 2007	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
Balance, beginning of period	**64,662,207**	**$ 120,817**	64,310,577	$ 116,848
Exercise of stock options	**36,760**	**587**	388,390	4,556
Balance, end of period	**64,698,967**	**$ 121,404**	64,698,967	$ 121,404

(11) Contributed surplus

The changes in contributed surplus were as follows:

	Three months ended September 30		Nine months ended September 30	
	2007	2006	**2007**	2006
Contributed surplus, beginning of period	**$ 7,031**	$ 7,188	**$ 6,543**	$ 6,692
Stock-based compensation	**524**	(89)	**1,506**	1,161
Value of compensation cost associated with exercised options	**(151)**	(11)	**(645)**	(765)
Contributed surplus, end of period	**$ 7,404**	$ 7,088	**$ 7,404**	$ 7,088

(12) Accumulated Other Comprehensive Income

	Three months ended September 30		Nine months ended September 30	
	2007	2006	**2007**	2006
Balance, beginning of period, as previously reported	**$ (14,177)**	$ -	**$ -**	$ -
Unrealized losses on translation of financial statements of self-sustaining operations	**-**	(7,882)	**(5,655)**	(6,221)
Cumulative impact of accounting changes relating to financial instruments (note 2)	**-**	-	**1,014**	-
Restated balance, beginning of period	**(14,177)**	(7,882)	**(4,641)**	(6,221)
Other comprehensive loss (income)	**(4,788)**	224	**(14,324)**	(1,437)
Balance, end of period	**$ (18,965)**	$ (7,658)	**$ (18,965)**	$ (7,658)

As at September 30, 2007, losses on foreign currency derivatives designated as cash flow hedges of $4,379 net of income taxes of $2,332, are reported in Accumulated Other Comprehensive Income. These losses are not expected to affect net income as the losses will be reclassified to net income within the next twelve months and will offset gains recorded on the underlying hedged items, namely foreign denominated accounts payable and accounts receivable. Management intends to hold these foreign currency contracts to maturity.

The Company does not enter into foreign exchange forward contracts for speculative purposes. The gains and losses on the foreign exchange forward contracts are intended to offset the transaction losses and gains on the foreign currency transactions.

The interest rate swap is designated as a cash flow hedge. The loss on this contract as at September 30, 2007 is $248, net of income taxes of $133. This loss is not expected to affect net income as management intends to hold the interest rate swap contract to maturity.

The unrealised loss on translation of financial statements of self-sustaining operations at September 30, 2007 was $14,338 (December 30, 2006 - $5,655).

(13) Supplemental Cash Flow Information

	Three months ended September 30 2007	2006	Nine months ended September 30 2007	2006
Net change in non-cash working capital and other				
Accounts receivable	**$ 1,659**	$ (16,344)	**$ 31,033**	$ (2,696)
Inventories	**1,364**	(17,719)	**(35,691)**	(96,952)
Accounts payable and accrued liabilities	**(11,694)**	(26,339)	**8,027**	24,405
Other	**6,504**	3,659	**(27,784)**	21,116
	$ (2,167)	$ (56,743)	**$ (24,415)**	$ (54,127)
Cash paid during the period for:				
Interest	**$ 3,196**	$ 3,550	**$ 10,776**	$ 11,293
Income taxes	**$ 15,318**	$ 15,605	**$ 49,171**	$ 56,973

(14) Financial instruments

	September 30 2007	December 31 2006	September 30 2006
Foreign exchange contracts	**$ 12,085**	$ -	$ -
Interest rate swap contract	**381**	-	-
Total derivative financial instruments	**12,466**	-	-

Foreign Exchange Contracts

In the normal course of business, 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, 2007.

		Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	USD	154,864	$ 1.0745	October 2007 to July 2008
	EUR	9,923	$ 1.4987	October 2007 to August 2008
	GBP	10	$ 2.2200	January 2008
Sales contracts	USD	29,447	$ 1.0414	October 2007 to March 2008

Management estimates that a loss of $12,085 would be realized if the contracts were terminated on September 30, 2007. Certain of these forward contracts are designated as hedges, in accordance with the new standards, and accordingly, a loss of $6,711 has been included in other comprehensive income. These losses are not expected to affect net income as the losses will be reclassified to net income within the next twelve months and will offset gains recorded on the underlying hedged items, namely foreign denominated accounts payable and accounts receivable. A loss of $5,374 on forward contracts not designated as hedges is included in net income which offsets gains recorded on the underlying hedged item, namely foreign denominated accounts payable and accounts receivable.

Interest Rate Swap Contract

An interest rate swap is held which converts $30,000 (September 30, 2006 - $30,000) of floating rate debt into fixed rate debt at 5.88%. This transaction is with a Canadian chartered bank and matures September 1, 2008. This swap partially offsets exposure to Canadian floating interest rates.

Management estimates that a loss of $381 would be realized if the contract was terminated on September 30, 2007. This contract is designated as a hedge, in accordance with the new standards, and therefore this loss has been included in other comprehensive income. This loss is not expected to affect net income as management intends to hold the interest rate swap contract to maturity.

(15) Segmented financial information

The Company has two reportable operating segments, each supported by the corporate office. The Equipment Group includes one of the world's largest Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. The Compression Group 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	2007	2006	2007	2006	2007	2006
Equipment /package sales	$ 170,814	$ 138,781	$ 163,238	$ 155,704	$ 334,052	$ 294,485
Rentals	45,204	40,194	4,616	5,149	49,820	45,343
Product support	66,789	65,281	49,996	47,208	116,785	112,489
Power Generation	2,121	3,642	-	-	2,121	3,642
Revenues	$ 284,928	$ 247,898	$ 217,850	$ 208,061	$ 502,778	$ 455,959
Operating Income	$ 32,213	$ 22,371	$ 18,210	$ 20,872	$ 50,423	$ 43,243
Operating income as a % of revenues	11.3%	9.0%	8.4%	10.0%	10.0%	9.5%

	Equipment Group		Compression Group		Consolidated	
Nine months ended September 30	2007	2006	2007	2006	2007	2006
Equipment /package sales	$ 459,317	$ 382,516	$ 425,365	$ 429,390	$ 884,682	$ 811,906
Rentals	105,669	97,136	14,202	15,113	119,871	112,249
Product support	207,737	206,017	141,088	127,344	348,825	333,361
Power Generation	8,943	11,474	-	-	8,943	11,474
Revenues	$ 781,666	$ 697,143	$ 580,655	$ 571,847	$ 1,362,321	$ 1,268,990
Operating Income	$ 72,944	$ 61,447	$ 45,701	$ 45,240	$ 118,645	$ 106,687
Operating income as a % of revenues	9.3%	8.8%	7.9%	7.9%	8.7%	8.4%

Selected balance sheet information:

	Equipment Group			Compression Group			Consolidated		
	September 30 2007	December 31 2006	September 30 2006	September 30 2007	December 31 2006	September 30 2006	September 30 2007	December 31 2006	September 30 2006
Goodwill	$ 13,000	$ 13,000	$ 13,000	$ 21,800	$ 21,800	$ 21,800	$ 34,800	$ 34,800	$ 34,800
Identifiable assets	$ 738,869	$ 702,455	$ 722,256	$ 500,645	$ 519,144	$ 487,459	$ 1,239,514	$ 1,221,599	$ 1,209,715
Corporate assets							70,503	78,393	25,709
Total assets							$ 1,310,017	$ 1,299,992	$ 1,235,424

Operating income from rental operations for the quarter ended September 30, 2007 was $10.8 million (2006 - $8.6 million). For the nine months ended September 30, 2007, operating income from rental operations was $20.8 million (2006 - $17.2 million).

(16) 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.

(17) Comparative amounts

Certain comparative figures have been restated to conform with the current year’s presentation.

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