TOROMONT

Toromont Announces Record Results for the Full Year and Fourth Quarter of 2008

TORONTO, ONTARIO, Feb 9, 2009 (Marketwire via COMTEX News Network) -- Toromont Industries Ltd. (TSX:TIH) today reported record annual financial results for 2008. Revenues increased 12% compared to 2007, representing the 16th consecutive year of growth from continuing operations. Net earnings were $140.5 million or $2.16 per share, up 15% from 2007.

$ millions, except per share amounts	Three months ended December 31			Twelve months ended December 31		
	2008	2007	% change	2008	2007	% change
Revenues	$ 609.7	$ 536.2	14%	$ 2,121.2	$ 1,886.8	12%
Operating income	$ 74.5	$ 61.6	21%	$ 207.9	$ 180.1	15%
Net earnings	$ 49.1	$ 39.3	25%	$ 140.5	$ 122.3	15%
Earnings per share - basic	$ 0.76	$ 0.61	25%	$ 2.16	$ 1.89	14%

Full year results for 2007 and 2008 included investment gains and earnings from discontinued operations. Excluding these items in both years, net earnings in 2008 were $134.0 million or $2.06 per share, up 23% from $108.9 million or $1.69 per share in 2007.

Net earnings for the fourth quarter were $49.1 million or $0.76 per share, up 25% from $39.3 million or $0.61 per share reported in the fourth quarter of 2007. Record compression package sales driven by very strong growth of the U.S. compression business was the primary contributor to the higher earnings.

"We are very pleased with our results for 2008, setting new records for revenues and net income," stated Robert M. Ogilvie, Chairman and Chief Executive Officer of Toromont Industries Ltd. "The Compression Group reported strong results, with revenues up 30% over 2007 driven by growth in our U.S. natural gas compression business. The Equipment Group delivered results equivalent to the records set in the prior year."

Highlights:

- For the year, Compression Group revenues increased 30% to $1.0 billion, a new milestone, on higher package sales and product support revenues. Operating income for the year was up 38% on the increased revenue and lower relative expense growth.

- Compression Group revenues were up 39% in the fourth quarter compared to the same period last year on growth in package sales and product support revenues. Operating income for the quarter was up 33% on increased activity levels in U.S. operations partially offset by lower gross margins.

- Compression Group bookings were down 30% in the fourth quarter of 2008 compared to records set in 2007, with declines reported in all areas. Bookings for the full year 2008 were 24% higher than 2007. Backlogs were up 19% over 2007.

- For the year, the Equipment Group delivered revenues and operating income equivalent to the records reported in 2007. Growth in used equipment, rental and product support revenues offset lower new equipment sales. Operating income was unchanged from the prior year, reflecting improved gross margins offset by higher selling and administrative expenses.

- Equipment Group revenues were down 4% in the fourth quarter of 2008 versus the same period of 2007 on lower new machine sales, partially offset by increases in used equipment sales, rental and product support. Operating income in the quarter increased 12% over the same period last year on improved gross margins.

- Equipment Group bookings in the fourth quarter were down 36% from the record levels seen in the comparable period last year, which had included several large mining orders. For the year, bookings were down 10% from 2007 levels. Backlogs were 27% lower than that reported at the end of last year.

- Cash flow in 2008 was strong. Ending cash balance at December 31, 2008 was $137.3 million, Total debt net of cash as a percentage of shareholders' equity at December 31, 2008 was 5% versus 19% reported last year.

- The Board of Directors declared the regular quarterly dividend of $0.14 per common share, paid on January 2, 2009 to shareholders of record on December 12, 2008. The Company has paid dividends every year since going public in 1968.

- During the quarter, 595,600 shares were purchased and cancelled under the normal course issuer bid. Total cash outlay was $12.8 million and average cost was $21.50 per share.

"The slowdown began to show in the fourth quarter as equipment bookings in both Groups dropped off significantly, particularly in December. We entered 2009 with large backlogs in the Compression Group that should provide good momentum through the first half of the year. Equipment Group backlogs were also good, and the spending stimulus announced in the recent Federal Budget could be positive for our operations," continued Mr. Ogilvie. "Toromont has a very strong balance sheet and is well positioned in each of its markets."

Quarterly Conference Call and Webcast

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Monday, February 9, 2009 at 5:00 p.m. (ET). The call may be accessed by telephone at 1-866-299-8690 (toll free) or 416-641-6141 (Toronto area). A replay of the conference call will be available until Monday, February 23, 2009 by calling 1-800-408-3053 or 416-695-5800 and quoting passcode 3280968.

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

About Toromont

Toromont Industries Ltd. operates through two business segments: The Equipment Group and the Compression Group. The Equipment Group includes one of the 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. Toromont employs over 4,500 people in more than 130 locations and is listed on the Toronto Stock Exchange under the symbol TIH. This press release and more information about Toromont Industries can be found on the Web at www.toromont.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the year ended December 31, 2008, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited consolidated financial statements and related notes for the year ended December 31, 2008.

The consolidated financial statements reported herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars. The information in this MD&A is current to February 9, 2009.

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

ADVISORY

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

CORPORATE PROFILE AND BUSINESS SEGMENTATION

Toromont employs over 4,500 people in more than 130 locations, predominately in Canada and the United States. Toromont is listed on the Toronto Stock Exchange under the symbol TIH. The Company serves its customers through two business groups.

The Equipment Group sells, rents and services a broad range of specialized construction equipment and industrial engines. These activities generated 52% of the Company's revenues in 2008 (2007 - 58%). The Equipment Group is comprised of Toromont CAT, one of the world's largest Caterpillar dealerships by revenue and geographic territory, and Battlefield - The CAT Rental Store, an industry-leading rental operation. Performance in the Equipment Group is driven by activity in several industries: road building and other infrastructure-related activities, mining aggregates, residential and commercial construction, waste management, steel, forestry and agriculture. Other significant activities include sales and product support activities for Caterpillar engines used in a variety of applications including industrial, commercial, marine, on-highway trucks and power generation.

The Compression Group is a leading North American business specializing in the design, engineering, fabrication, installation and after-sale support of compression, process and refrigeration systems. These activities generated 48% of the Company's revenues in 2008 (2007 - 42%). The Compression Group is comprised of Toromont Energy Systems Inc., a leader in supplying and servicing compression and process systems used in natural gas, fuel gas and carbon dioxide applications and CIMCO Refrigeration, a leader in industrial and recreational markets. Results in the Compression Group are influenced by conditions in the primary market segments served: natural gas production and transportation; chemical, petrochemical, food and beverage processing; cold storage, food distribution and ice rink construction.

Expansion into the U.S. in recent years has served to diversify the geographic basis of the Company's revenues. Business derived in Canada represented 68% of revenues in 2008, down from 78% in 2007. Revenues derived in the United States increased as a percentage of total revenues to 29% in 2008 from 18% in 2007. Offshore markets represented 3% of revenues in 2008.

PRIMARY OBJECTIVE AND MAJOR STRATEGIES

A primary objective is to build shareholder value through sustainable and profitable growth, founded on a strong financial position. To guide its activities in pursuit of this objective, Toromont works toward specific, long-term financial goals (see "Key Performance Measure") and each of its operating groups consistently employs the following broad strategies:

Expand Markets

Toromont serves a diverse number of markets that offer significant long-term potential for profitable expansion. Each operating group strives to achieve or maintain leading positions in served markets. Incremental revenues are derived from improved coverage, market share gains and geographic expansion. Expansion of the installed base of equipment provides the foundation for future product support growth and leverages the fixed costs associated with the Company's infrastructure.

Strengthen Product Support

Toromont's parts and service business is a significant contributor to overall profitability and serves to stabilize results through economic downturns. Product support activities also represent opportunities to develop closer relationships with customers and differentiate the Company's product and service offering. The ability to consistently meet or exceed customers' expectations for service efficiency and quality is critical, as after-market support is an integral part of the customer's decision-making process when purchasing equipment.

Broaden Product Offerings

Toromont delivers specialized capital equipment to a diverse range of customers and industries. Collectively, thousands of different parts are offered through the Company's distribution channels. The Company expands its customer base through selectively extending product lines and capabilities. In support of this strategy, Toromont represents product lines that are considered leading, and often best-in-class from suppliers and business partners who continually expand and develop their offerings. Strong relationships with suppliers and business partners are critical in achieving growth objectives.

Invest in Resources

The combined knowledge and experience of Toromont's people is a key competitive advantage. Growth is dependent on attracting, retaining and developing employees with values that are consistent with Toromont's. Incentive programs, a strong share ownership and highly-principled culture result in a close alignment of employee, Company and shareholder interests. By investing in employee training and development, the capabilities and productivity of employees continually improve to better serve shareholders, customers and business partners.

Toromont's information technology represents another competitive differentiator in the marketplace. The Company's selective investments in technology, inclusive of e-commerce initiatives, strengthen customer service capabilities, generate new opportunities for growth, drive efficiency and increase returns to shareholders.

Maintain a Strong Financial Position

A strong, well-capitalized balance sheet creates financial flexibility, and has contributed to the Company's long-term track record of profitable growth. It is also fundamental to the Company's future success.

CONSOLIDATED RESULTS OF OPERATIONS

$ thousands, except per share amounts	Twelve months ended December 31 2008	2007	% change
Revenues	$ 2,121,209	$ 1,886,761	12%
Cost of goods sold	1,660,285	1,473,096	13%
Gross profit	460,924	413,665	11%
Selling and administrative expenses	253,070	233,542	8%
Operating income	207,854	180,123	15%
Interest expense	11,753	13,587	(13%)
Interest and investment income	(14,999)	(4,221)	n/m
Gain on sale of property	-	15,990	n/m
Income before income taxes	211,100	186,747	13%
Income taxes	70,247	64,879	8%
Earnings from continuing operations	140,853	121,868	16%
Loss on disposal of discontinued operations	(432)	-	n/m
Earnings from discontinued operations	103	412	n/m
Net earnings	$ 140,524	$ 122,280	15%
Basic earnings per share	$ 2.16	$ 1.89	14%
Key ratios:			
Gross profit as a % of revenues	21.7%	21.9%	
Selling and administrative expenses as a % of revenues	11.9%	12.4%	
Operating income as a % of revenues	9.8%	9.5%	
Income taxes as a % of income before income taxes	33.3%	34.7%	

Revenues increased by $234.4 million or 12% in 2008 compared to a year ago, representing the sixteenth consecutive year of growth. Compression revenues were 30% higher on strong growth in natural gas compression. Natural gas compression package revenues increased 58% year-over-year on strong demand in U.S. markets. Equipment Group revenues were even with the prior year as higher used machine sales, rental and product support business offset lower sales of new machines.

The Canadian/U.S. dollar exchange rate impacts reported revenues on the translation of the financial statements of the Compression Group's growing U.S. operations. While the Canadian dollar was volatile through the year, trading from a low of $0.77 to a high of $1.01, on average, the dollar was 1% stronger in 2008 compared to 2007. As such, the impact in 2008 was relatively minor, reducing revenues by $3.6 million and net income by approximately $0.3 million. In addition, the exchange rate impacts revenues in the Canadian operations of both the Equipment and Compression Groups, as pricing to customers typically reflects movements in the exchange rate on U.S. sourced equipment, components and spare parts, although this will typically lag posted rate changes given age of inventory, timing of orders and hedging practices.

Gross profit increased 11% in 2008, consistent with the year-over-year growth rate in revenues. Gross profit margin in 2008 was 21.7%, compared to 21.9% in 2007. The slight change in gross margin reflected the increased proportion of revenues coming from the relatively lower margin Compression Group. Compression Group gross margins are generally lower due to the lower relative contribution from product support and were also slightly lower in 2008 due to product mix, with several large, lower margin pipeline projects. Equipment Group gross profit margins were 90 basis points higher than in the prior year on improved price realization and a higher proportion of product support business.

Selling and administrative expenses increased $19.5 million or 8% in 2008 versus the prior year in support of the 12% increase in revenue. Compensation costs were $6.0 million higher due to increased profit sharing related to earnings growth, scheduled annual salary increases and higher employment levels in support of U.S. growth. Bad debt expense increased $6.7 million reflecting conservatism in the face of increasing economic uncertainty and an increased aging of accounts receivable. Sales-related expenses such as freight, service costs and marketing were up approximately $1.2 million to support activity levels. Other increases included higher spending on information technology, up $1.4 million, and higher occupancy costs related to increased facilities, up $1.3 million. Selling and administrative expenses as a percentage of revenues were 11.9% for 2008, improved from 12.4% in 2007.

Operating income in 2008 was 15% or $27.7 million higher than the prior year on higher revenues and lower relative expense levels. Operating income as a percentage of revenue improved to 9.8% from 9.5% in 2007.

Interest expense was $1.8 million or 13% lower in 2008 than in the prior year. Certain long-term debt was repaid during the year as scheduled and served to reduce the effective average interest rate.

Interest and investment income in 2008 included gains realized on sale of marketable securities of $8.2 million or $0.10 per share after tax. Excluding this item, interest and investment income increased $2.5 million or 60% from the prior year. The Company had higher cash balances in 2008 as a result of strong cash flow. This was partially offset by lower interest rates.

In 2007, certain property held for future development was sold. Net proceeds were $17.6 million and a gain of $16.0 million ($12.9 million after tax, or $0.20 per share) was realized.

The effective income tax rate for 2008 was 33.3% compared to 34.7% for 2007, reflecting lower corporate income tax rates compared to 2007.

Net earnings in 2008 were $140.5 million, $2.16 basic per share, up 15% from 2007. Excluding gains in both years, net earnings in 2008 were $134.0 million or $2.06 basic per share, up 23% and 22% respectively.

Comprehensive income for the year was $167.6 million, comprised of net earnings of $140.5 million and other comprehensive income of $27.0 million. Other comprehensive income arose primarily on translation of self-sustaining foreign operations ($21.1 million) and an increase in fair value of derivatives designated as cash flow hedges ($7.5 million).

BUSINESS SEGMENT OPERATING RESULTS

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

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

Results of Operations in the Equipment Group

$ thousands	Twelve months ended December 31 2008	2007	% change
Equipment sales and rentals			
New	$ 503,478	$ 528,406	(5%)
Used	145,069	129,989	12%
Rental	151,342	147,427	3%
Total equipment sales and rentals	799,889	805,822	(1%)
Power generation	8,893	11,328	(21%)
Product support	290,431	281,186	3%
Total revenues	$ 1,099,213	$ 1,098,336	-
Operating income	$ 108,672	$ 108,267	-
Capital expenditures	$ 65,835	$ 77,658	(15%)
Key ratios and other statistics:			
Product support revenues as a % of total revenues	26.4%	25.6%	
Group total revenues as a % of consolidated revenues	51.8%	58.2%	
Operating income as a % of revenues	9.9%	9.9%	

The Equipment Group delivered solid revenues and operating income in 2008, matching records set in 2007.

New equipment sales (which had grown 20% between 2006 and 2007) were 5% lower than the record set in 2007 despite growth through the first nine months of 2008. The reduction in the fourth quarter reflected economic uncertainty and the decision by certain customers to purchase used rather than new equipment. Engines for marine applications recorded significant growth.

Used equipment sales were up 12% in the year as opportunities arose with several mining clients that purchased used equipment. Sales of used equipment vary depending on customer buying preferences, exchange rate considerations and product availability.

Total equipment sales, new and used, were down 1.5% from the prior year. Sales of equipment to the heavy construction industry were lower in 2008 on weakness in the underlying market and significant equipment purchases in 2007. Sales to mining clients increased in 2008, reaching a new record on deliveries of equipment ordered in 2007 and early 2008.

Rental revenues were up 3% over 2007, largely due to two new locations in Sault Ste. Marie and Concord, Ontario. At Battlefield - The CAT Rental Store, revenues generated by stores open for more than one year were 5.5% higher year-over-year on an expanded rental fleet.

Power generation revenues from Toromont-owned plants declined 21% over the prior year, reflecting the disposition of power generation assets located near Trenton, Ontario in mid 2007. On a comparable basis, power generation revenues were up 7% over 2007, reflecting increased operating hours and higher average prices for electricity.

Product support revenues were 3% higher than the prior year on increases in both parts and service. Contributing to the growth was an increase in parts sales to mining customers and the resolution of a labour dispute in Newfoundland and Labrador, more than offsetting product support declines in Southern Ontario. Operating income in 2008 was even with 2007. Gross margins were higher in 2008 on improved price realization and a higher proportion of product support activities. Selling and administrative expenses were 7% higher in 2008 than in the prior year on higher compensation costs, bad debt expense and sales related expenses to support volume levels. Operating income was 9.9% of revenues unchanged from the prior year.

New equipment bookings slowed significantly in the latter part of the fourth quarter, in keeping with general economic trends. As a result, bookings for 2008, net of cancellations, were down 10% from the record activity reported in 2007. Bookings were lower across most industries, particularly heavy and general construction and mining, which had received significant new deliveries in 2007 and early 2008.

Backlogs at December 31, 2008 were down 27% year-over-year due to significant customer deliveries in the mining and marine industries in 2008 and on lower bookings in the latter part of the year. Additionally, certain equipment orders were cancelled in the fourth quarter, representing 3% of 2008 bookings. Order cancellations are always part of the sales cycle (fourth quarter 2007 cancellations represented 1% of 2007 bookings), however in the recent quarter cancellations were higher due to reduced project activity related to project viability or restricted access to financing. There were no significant order cancellations in January 2009 and management believes the current backlog to be reasonably secure.

Capital expenditures in the Equipment Group totaled $65.8 million in 2008, of which approximately 77% were for replacement and expansion of the rental fleet. Other capital expenditures included investments in upgrades to existing branches as well as service and delivery vehicles. Capital expenditures in 2007 totaled $77.7 million, 78% of which was for replacement and expansion of the rental fleet.

Results of Operations in the Compression Group

$ thousands	Twelve months ended December 31 2008	2007	% change
Package sales and rentals			
Package sales	$ 792,856	$ 577,810	37%
Rentals	21,149	19,236	10%
Total package sales and rentals	814,005	597,046	36%
Product support	207,991	191,379	9%
Total revenues	$ 1,021,996	$ 788,425	30%
Operating income	$ 99,182	$ 71,856	38%
Capital expenditures	$ 30,640	$ 19,450	58%
Key ratios and other statistics:			
Product support revenues as a % of total revenues	20.4%	24.3%	
Group total revenues as a % of consolidated revenues	48.2%	41.8%	
Operating income as a % of revenues	9.7%	9.1%	

The Compression Group delivered excellent growth in revenues and operating income in 2008 and set new performance records for both. Revenue growth within the Compression Group reflects varied natural gas market conditions across North America. In the U.S., natural gas compression revenues doubled in 2008 from 2007 levels. Market conditions have been favourable and the Company's participation in this market has increased through investment in facilities and people over the last two years. Several significant pipeline orders received in 2007 also contributed to this growth.

In Canada, revenues from natural gas compression packages declined 5% from 2007. Natural gas markets peaked in 2005 and have declined since then due to a number of industry factors including high levels of gas in storage, low commodity prices, higher costs associated with drilling activity and, until recently, a strong Canadian dollar.

Revenues from process system applications increased 8% in 2008. The Company continues to focus on this area as part of its strategy to diversity and grow its revenue base.

Revenues from sales of refrigeration systems were up 2% as growth in Canada was partially offset by lower activity within international markets. Industrial activity within the U.S. has also been slow due to the generally weak economic environment.

Rental revenues were $1.9 million or 10% higher in 2008 than in 2007. The increase was due to the Company's larger rental fleet in the U.S., which was driven by specific customer requirements.

Product support revenues were up 9% in the year, with even growth in natural gas and industrial refrigeration. The growing installed base and additional service technicians continued to strengthen Compression product support activities, particularly in the U.S.

Operating income for the Compression Group increased 38% in the year on the 30% increase in revenues. Gross margins were down slightly over the prior year due to a lower proportion of product support business in 2008. General and administrative expenses increased 11% year-over-year with increases driven by higher bad debt expense and higher compensation and occupancy costs reflecting expanded operations in the U.S. Operating income increased to 9.7% of revenues for the year compared with 9.1% in the prior year.

Compression bookings in 2008, net of cancellations, were up 24% for the year. Natural gas compression bookings were up 45%, with double digit increases in both Canada and the U.S. Industrial and recreational bookings were down 26%, as gains in the recreational sector were more than offset by a weaker industrial sector. End-of-year backlogs were 19% higher than last year. The Compression Group also saw cancellations of certain orders late in the fourth quarter. These cancellations represented 4% of full year bookings. Additional cancellations in January 2009, represented a relatively insubstantial 0.6% of 2008 bookings. There was also a noticeable decline in booking levels in the latter part of the fourth quarter as lower prices for natural gas have led to reductions in the capital spending plans of the major natural gas producers.

Capital expenditures in the Compression Group totaled $30.6 million in 2008. Significant capital expenditures related to the expansion of manufacturing facilities in Casper, Wyoming. Approximately 22% of capital expenditures in 2008 were for natural gas compression package rental fleet in the U.S. in response to specific demand. Capital expenditures in 2007 were $19.4 million. Investments in 2007 were related to the expansion of the Canadian natural gas compression package rental fleet and expansion of Casper, Wyoming fabrication facilities.

CONSOLIDATED FINANCIAL CONDITION

The Company has maintained a strong financial position for many years. At December 31, 2008, the ratio of total debt, net of cash, to equity was 0.05:1 compared to 0.19:1 in the prior year. Total assets were $1.5 billion at December 31, 2008 compared with $1.4 billion at the end of 2007.

Working Capital

The Company's investment in non-cash working capital increased to $372.0 million at December 31, 2008. The major components, along with the changes from December 31, 2007 are identified in the following table.

$ thousands	December 31 2008	December 31 2007	Change $	Change %
Accounts receivable	$ 375,059	$ 339,381	$ 35,678	11%
Inventories	499,360	444,858	54,502	12%
Future income tax assets	34,934	24,362	10,572	43%
Derivative financial instruments	11,246	(3,575)	14,821	n/m
Other current assets	11,381	27,607	(16,226)	-59%
Accounts payable and accrued liabilities	(337,073)	(267,999)	(69,074)	26%
Dividends payable	(9,045)	(7,792)	(1,253)	16%
Deferred revenue	(194,261)	(160,678)	(33,583)	21%
Current portion of long-term debt	(15,363)	(26,874)	11,511	-43%
Income taxes payable, net	(4,236)	(5,945)	1,709	-29%

Total non-cash working capital	$ 372,002	$ 363,345	$ 8,657	2%

Accounts receivable were 11% higher than last year. Approximately half of the increase ($17.5 million) was a result of foreign exchange translation of U.S. subsidiaries. Accounts receivable in the Compression Group were up 33% (23% excluding foreign exchange) on 39% higher fourth quarter revenues in 2008 compared to 2007. Equipment Group accounts receivable were down 12% on 4% lower fourth quarter revenues in 2008 compared to 2007 and a modest improvement in collections.

Inventories were 12% higher than at December 31, 2007. Equipment Group inventory was up 13% from a year ago on higher new machine inventory cost related to the weaker Canadian dollar and supplier price increases, and more equipment on rent with purchase options. Compression Group inventory was up 11%, or 4% excluding the impact of foreign exchange on U.S. subsidiaries. Increases in inventory in the U.S. to support higher volumes and plant expansion were largely offset by decreases in inventory in Canada in light of current and expected sales volumes.

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

Derivative financial instruments represent the fair value of foreign exchange contracts. Given the recent volatility in the Canadian/U.S. dollar exchange rate, the Company's hedging practices have led to a cumulative net opportunity gain of $11.3 million as at December 31, 2008, compared to an opportunity loss of $3.6 million in 2007. This is not expected to affect net income, as the unrealized gain will offset future losses on hedged items.

Other current assets in 2007 included deposits made for equipment ordered for a significant project and scheduled for delivery through 2008. This equipment was received and charged to cost of sales in 2008.

Accounts payable and accrued liabilities were 26% higher than at December 31, 2007. Compression Group accounts payable and accrued liabilities were higher on increased supplier payables and warranty reserves in support of higher volumes. Equipment Group was up on higher key supplier payables.

Dividends payable were 16% higher than in 2007 reflecting the higher dividend rate of $0.14 per share compared to $0.12 per share a year ago.

Deferred revenues increased 21% from December 31, 2007, or 7% excluding the impact of the weaker Canadian dollar in 2008. The Compression Group uses progress billings as a method of funding working capital requirements on long-term contracts. Certain progress billings collected in 2006 on certain long-term contracts scheduled for delivery in 2009 are now classified as current.

Current portion of long-term debt reflects scheduled principal repayments due in 2009. This amount is lower as a result of the maturity of senior debentures in September 2008.

Income taxes payable reflects amounts owing for corporate income taxes less installments made to date. The amount payable decreased from 2007 due to higher installments in 2008.

Goodwill

The Company performs impairment tests on its goodwill balances on an annual basis or as warranted by events or circumstances. The assessment of goodwill entails estimating the fair value of operations to which the goodwill relates using the present value of expected discounted future cash flows. This assessment affirmed goodwill values as at December 31, 2008.

Employee Share Ownership

The Company employs a variety of stock-based compensation plans to align employees' interests with corporate objectives. At December 31, 2008, 1.9 million options to purchase common shares were outstanding, with 0.9 million exercisable at the reporting date (2007 - 1.8 million and 0.8 million respectively). There was a one cent impact on diluted EPS in 2008 and 2007 as per Note 18 to the consolidated financial statements.

The Company offers an Employee Share Ownership Plan whereby employees can purchase shares by way of payroll deductions. In 2008, the Company enhanced this plan to provide a Company match on contributions at a rate of $1 for every

$3 dollars contributed, to a maximum of $1,000 per annum. Company contributions vest to the employee immediately. Company contributions amounting to $0.8 million in 2008 (2007 - nil), were charged to selling and administrative expense when paid. A third party administers the Plan.

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 union-sponsored plans in accordance with respective collective bargaining agreements. In the case of the defined contribution plans, regular contributions are made to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan document. Future expense for these plans will vary based on future participation rates.

Approximately 5% of active employees participate in one of two defined benefit plans:

- Powell Plan - Consists of personnel of Powell Equipment (acquired by Toromont in 2001); and

- Other plan assets and obligations - Provides for certain retirees and terminated vested employees of businesses previously acquired by the Company as well as for retired participants of the defined contribution plan who, in accordance with the plan provisions, have elected to receive a pension directly from the plan.

The downturn in financial markets in 2008 resulted in a loss on opening plan assets of $7.2 million or 13%. The funded status of the plans has declined from a surplus of $4.4 million to zero surplus. The unrecognized actuarial loss at December 31, 2008 increased to $12.4 million from $7.1 million last year. Pension plan accounting requires gains and losses to be effectively smoothed over future periods, beginning in the following period. The actuarial losses in 2008 will not begin to impact the Company's income directly until 2009. The Company expects pension expense to increase in 2009 by approximately $1.5 million to reflect changes in underlying plan assets and obligations. The Company expects 2009 cash pension contributions to be similar to 2008 levels. Pending results of the next scheduled actuarial valuation, cash contribution requirements may change, but this is not expected to have any impact until 2010.

The Company also has a pension arrangement for certain senior executives that provides for a supplementary retirement payout in excess of amounts provided for under the registered plan. This "Executive Plan" is a non-contributory pension arrangement and is solely the obligation of the Company. The Company is not obligated to fund this plan but is obligated to pay benefits under the terms of the plan as they come due. The Company has posted letters of credit to secure the obligations under this plan, which were $21.5 million as at December 31, 2008. As there are only nominal plan assets, the impact of recent volatile markets on pension expense and contributions for this plan are insignificant.

The Company estimates a long-term return on plan assets of 7%. While there is no assurance that the plan will be able to generate this assumed rate of return each year, management believes that it is a reasonable longer-term estimate.

A key assumption in pension accounting is the discount rate. The standard requires that this rate is set with regard to the yield on high quality corporate bonds of similar average duration to the cash flow liabilities of the Plans. Yields are volatile and can deviate significantly from period to period.

Off-Balance Sheet Arrangements

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

Legal and Other Contingencies

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

Normal Course Issuer Bid

Toromont believes that from time to time the purchase of its common shares at prevailing market prices may be a worthwhile investment and in the best interests of both Toromont and its shareholders. As such, the normal course issuer bid with the Toronto Stock Exchange was renewed and expanded in 2008. This issuer bid allows the Company to purchase up to approximately 4.6 million of its common shares, representing 10% of common shares in the public float, in the year ending August 30, 2009. 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 purchased and cancelled 595,600 shares for $12.8 million (average cost of $21.50 per share) in 2008. The shares were purchased for an amount higher than their weighted average book value per share ($1.95 per share) resulting in a reduction of retained earnings of $11.7 million. The Company did not purchase any shares under the normal course issuer bid in 2007.

Outstanding Share Data

As at the date of this MD&A, the Company had 64,694,177 common shares and 1,844,099 share options outstanding.

Dividends

Toromont pays a quarterly dividend on its outstanding common shares and has historically targeted a dividend rate that approximates 30% of trailing earnings from continuing operations. This practice is reviewed from time-to-time, based upon and subject to the Corporation's earnings, financial requirements and general economic circumstances. During 2008, the Company declared dividends of $0.56 per common share ($0.48 per common share in 2007).

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

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

At December 31, 2008, $166.7 million or 96% of long-term debt carried interest at fixed rates. This debt matures at various dates through to 2019 with a current weighted average interest rate of 5.4%. The remaining $6.8 million or 4% of long-term debt carried interest at variable rates from 2.8% to 3.91% with maturities through 2010.

Combined unsecured credit facilities amounted to $249 million at year-end comprised of $225 million in Canada and US $20 million in the United States ($24 million Canadian equivalent). Of these combined credit facilities, $20 million matures in 2010 and the balance matures in 2011. At December 31, 2008, there were no drawings against these credit facilities. Letters of credit in the amount of $62 million were issued against the credit facilities.

The Company expects that continued cash flows from operations in 2009, together with cash and cash equivalents on hand and currently available credit facilities, will be more than sufficient to fund requirements for investments in working capital, capital assets and dividend payments.

Principal Components of Cash Flow

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

	Year ended December 31	
$ thousands	2008	2007
Cash, beginning of year	$ 103,514	$ 58,014
Cash, provided by (used in):		
Operations	174,862	152,191
Change in non-cash working capital and other	(10,150)	24,620
Operating activities	164,712	176,811
Investing activities	(31,940)	(74,615)
Financing activities	(101,255)	(56,696)
Increase in cash in the period	31,517	45,500
Effect of foreign exchange on cash balances	2,243	-
Cash, end of year	$ 137,274	$ 103,514

- -

Cash Flows from Operating Activities

Operating activities provided $164.7 million in the year compared to $176.8 million in 2007. Net earnings, adjusted for items not requiring cash, were up $22.7 million or 15%, reflecting higher revenues, improved operating margins and lower net interest expense. Non-cash working capital and other used $10.1 million in 2008 compared to providing $24.6 million in 2007. The components and changes in working capital are discussed in more detail in this MD&A under the heading "Financial Condition."

Cash Flows from Investing Activities

Investing activities used $31.9 million in the year compared to $74.6 million in 2007. Investing activities for 2008 included net proceeds of $30.1 million on the sale of marketable securities and in 2007, included net proceeds of $17.6 million on the sale of property. Excluding these transactions, investing activities used $62.1 million and $92.2 million in 2008 and 2007 respectively.

Net additions to the rental fleet (additions less proceeds on disposal) in 2008 were $27.4 million compared to $42.7 million in 2007. All of the investments in 2008 and approximately 80% of the investments in 2007 were attributable to the Equipment Group.

Gross investment in property, plant and equipment was $38.6 million, $12.2 million higher than in the prior year. Significant investments in 2008 included the following:

- $16.4 million for further expansion of the compression facilities in Casper, Wyoming;

- $3.5 million to complete expansion of the compression facilities in Houston, Texas;

- $5.8 million for additions to the service vehicle fleet, primarily for the Equipment Group;

- $5.1 million for facilities renovations and expansion in the Equipment Group; and

- $3.0 million for computer technology upgrades.

In 2008, Aero Tech Manufacturing, a wholly owned subsidiary, was sold for proceeds of $4.0 million.

In 2008, a rental operation in Sault Ste. Marie, Ontario was purchased for net cash of $0.6 million. In 2007, a rental operation in Timmins, Ontario was purchased for net cash of $3.1 million.

Cash Flows from Financing Activities

Financing activities used $101.3 million in 2008 compared to $56.7 million in 2007. The significant financing activities and changes from the prior year were as follows:

- Long-term debt decreased $56.8 million in 2008 based on strong cash flow and scheduled debt repayments. In 2007, long-term debt decreased $33.4 million.

- Dividends paid to common shareholders in 2008 totaled $35.1 million, an increase of 18% over 2007 reflecting the higher dividend rate (16.7% higher) and a higher number of common shares outstanding.

- In 2008, the Company purchased and cancelled 595,600 shares under the normal course issuer bid. Total cash outlay was $12.8 million with an average cost of $21.50 per share. No purchases were made in 2007 under the issuer bid.

- Cash received on exercise of share options totaled $3.5 million compared to $6.4 million in 2007. Stock option exercises based on the number of options were down 57% in 2008.

OUTLOOK

Toromont begins 2009 from a strong financial position. Net debt to shareholders' equity of 0.05:1 is at the lowest level since 1997. Toromont is well positioned in each of its diverse markets and both business segments have good growth prospects over the longer term.

The Equipment Group has good order backlog entering 2009. The significant contribution of the parts and service business provides a measure of stability, driven by the larger installed base of equipment in the field. Demand for new equipment in certain markets is expected to be lower in light of current economic conditions and lower commodity prices. However, the construction market should benefit from government spending stimulus outlined in the recent Federal Budget, particularly in the area of infrastructure. Infrastructure projects such as road, bridge and sewer have consistently been the largest market served by Toromont CAT. Power systems applications are also expected to continue to be strong.

Compression equipment backlogs entering 2009 are strong, particularly in the U.S., and should provide support for continued positive results through the first half of the year. It is expected that the Canadian natural gas compression market will continue to be weak in the near term. The U.S. natural gas market in the short term is uncertain, with lower commodity prices and concerns over high storage levels. For the longer term, market fundamentals for natural gas in both Canada and the U.S. are positive given declining reservoir pressures and future supply needs. Although industrial refrigeration markets are expected to be weaker in 2009, recreational refrigeration may be positively impacted by the $500 million recreational infrastructure fund established in the recent Federal Budget.

The global economy is in recession, the duration of which is impossible to predict. This will present challenges. Toromont has a history of performance at a high level for all stakeholders, resulting from consistent application of long-term strategies, a proven business model and a focus on asset management and progressive, profitable improvement. Financially, Toromont has a strong foundation and is well positioned in each of its markets. We will continue to take appropriate actions in response to changing market conditions.

CONTRACTUAL OBLIGATIONS

Contractual obligations are set out in the following table. Management believes that these obligations will be met comfortably through cash on hand, cash generated from operations and existing short and long-term financing facilities.

Payments due by Period	2009	2010	2011	2012	2013	Thereafter	Total
Long-term Debt							
- principal	$ 15,363	$ 14,061	$ 6,889	$ 1,280	$ 1,372	$ 134,510	$ 173,475
- interest	8,991	8,126	7,266	6,986	6,895	14,431	52,695
Operating Leases	6,792	5,310	3,901	2,216	1,364	3,984	23,567
Total	$ 31,146	$ 27,497	$ 18,056	$ 10,482	$ 9,631	$ 152,925	$ 249,737

KEY PERFORMANCE MEASURES

Management reviews and monitors its activities and the performance indicators it believes are critical to measuring success. Some of the key financial performance measures are summarized in the following table. Others include, but are not limited to, measures such as market share, fleet utilization, customer and employee satisfaction and employee health and safety.

Years ended December 31,	2008	2007	2006	2005	2004
Expanding Markets and Broadening Product Offerings					
Revenue growth	12.4%	8.1%	10.2%	12.0%	15.1%
Revenue generated outside North America (millions)	$ 69.0	$ 75.6	$ 80.8	$ 70.0	$ 79.0
Revenues, Equipment Group to Compression Group	52:48	58:42	56:44	57:43	57:43

Strengthening Product Support					
Product support revenue growth	5.5%	6.3%	9.2%	15.8%	10.7%
Investing in Our Resources					
Revenue per employee (thousands)	$ 463	$ 431	$ 407	$ 392	$ 388
Investment in information technology (millions)	$ 14.9	$ 13.6	$ 12.7	$ 13.2	$ 11.7
Return on capital employed	26.4%	24.7%	22.7%	17.8%	20.6%
Strong Financial Position					
Working capital (millions)	$ 509	$ 467	$ 470	$ 411	$ 263
Total debt, net of cash to equity ratio	.05:1	.19:1	.36:1	.42:1	.45:1
Book value (shareholders' equity) per share	$ 12.06	$ 10.08	$ 8.79	$ 7.57	$ 6.59
Build Shareholder Value					
Basic earnings per share growth	14.3%	21.2%	24.8%	12.6%	19.4%
Dividends per share growth	16.7%	20.0%	25.0%	23.1%	23.8%
Return on equity	21.5%	21.6%	20.6%	18.9%	18.7%

Measuring Toromont's results against these strategies over the past five years illustrates that the Company has made significant progress.

Since 2004, revenues increased at an average annual rate of 11.5%, while product support revenue growth has averaged 9.5% annually. Strong revenue growth in continuing operations has been a result of:

- Significant expansion of compression operations in the United States;

- Additional product offerings over the years from Caterpillar and other suppliers;

- Organic growth through increased fleet size and additional branches;

- Increased customer demand for formal product support agreements; and

- Acquisitions, primarily within the Equipment Group's rental operations.

Over the same five-year period, revenue growth has been constrained at times by a number of factors including:

- Declines in underlying market conditions such as depressed natural gas prices in Canada;

- Inability to source equipment from suppliers to meet customer demand or delivery schedules; and

- Lack of skilled workers such as mechanics and journeymen resulting in service revenue and efficiency impacts.

Changes in the Canadian/U.S. exchange rate impacts reported revenues in two ways. First the exchange rate impacts on the translation of results from foreign subsidiaries. Second the exchange rate impacts on the purchase price of equipment that in turn is reflected in selling prices. In 2006 and 2007, the stronger Canadian dollar dampened revenue growth.

Over the past two years the Company's revenue base has been further diversified and in 2008 was fairly evenly split between Compression and Equipment Groups. The underlying diversification - by industrial market, by type of product/service provided and by customer provides a certain amount of balance in a cyclical environment.

Revenues generated outside North America have remained relatively consistent from year to year although do vary in terms of customer and end market. While an important component of the Company's diversification strategy, operating internationally poses challenges and as such, international revenue will continue to be generated in a prudent and measured manner.

With respect to its strategy of investing in its resources, Toromont has generated significant competitive advantage over the past years from such investments while also increasing productivity levels. Revenue per employee has increased 19% since 2004.

Toromont continues to maintain a strong balance sheet. In 2008, book value (shareholders' equity) per share increased 20% over the prior year on strong earnings. Leverage, as represented by the ratio of total debt net of cash to shareholders' equity, also improved over the prior year.

Toromont has a history of progressive earnings per share growth. Earnings per share have increased in nine of the past ten years and since 2004 have increased at an average annual rate of 18.0%.

Toromont has paid dividends consistently since 1968, and has increased the dividend in each of the last 19 years.

CONSOLIDATED RESULTS OF OPERATIONS FOR THE FOURTH QUARTER 2007

$ thousands, except per share amounts	Three months ended December 31 2008	2007	% change
Revenues	$ 609,704	$ 536,230	14%
Cost of goods sold	468,447	412,562	14%
Gross profit	141,257	123,668	14%
Selling and administrative expenses	66,784	62,056	8%
Operating income	74,473	61,612	21%
Interest expense	2,747	2,952	(7%)
Interest and investment income	(1,881)	(1,488)	26%
Income before income taxes	73,607	60,148	22%
Income taxes	24,497	21,164	16%
Earnings from continuing operations	49,110	38,984	26%
Earnings from discontinued operations	-	314	n/m
Net earnings	$ 49,110	$ 39,298	25%
Basic earnings per share	$ 0.76	$ 0.61	25%
Key ratios:			
Gross profit as a % of revenues	23.2%	23.1%	
Selling and administrative expenses as a % of revenues	11.0%	11.6%	
Operating income as a % of revenues	12.2%	11.5%	
Income taxes as a % of income before income taxes	33.3%	35.2%	

The Canadian dollar was down 19% on average for the fourth quarter of 2008 compared to the similar period last year. The impact in Compression included a $29 million increase in revenues due to the translation of foreign subsidiaries, which also increased net income in the Group by approximately $2.4 million.

Revenues were 14% higher in the fourth quarter of 2008 compared to the same period last year. Strong increases in Compression Group package revenues were offset by declines in Equipment Group.

Gross profit increased 14% in the fourth quarter over last year on higher sales volumes. Gross profit margin was 23.2% in

2008 largely unchanged from 23.1% in 2007.

Selling and administrative expenses increased $4.7 million or 8% versus the comparable period of the prior year. Bad debt expense increased $6.0 million reflecting conservatism in the face of increasing economic uncertainty and on increased aging of accounts receivable. Other expenses were lower on strong cost control initiatives implemented in the quarter in light of economic conditions.

Interest expense and income were largely unchanged in the fourth quarter compared to the same period of 2007.

The effective income tax rate was 33.3% compared to 35.2% in the fourth quarter of 2007 reflecting lower Canadian income tax rates.

Net earnings in the quarter were $49.1 million, up 25% from 2007. Basic earnings per share were $0.76 compared with $0.61 in 2007, an increase of 25%.

Comprehensive income was $67.6 million, comprised of net earnings of $49.1 million and other comprehensive income of $18.5 million. Other comprehensive income arose primarily on translation of financial statements of self-sustaining foreign operations.

Fourth Quarter Results of Operations in the Equipment Group

	Three months ended December 31		
$ thousands	2008	2007	% change
Equipment sales and rentals			
New	$ 133,746	$ 171,476	(22%)
Used	49,391	27,602	79%
Rental	43,790	41,758	5%
Total equipment sales and rentals	226,927	240,836	(6%)
Power generation	2,117	2,385	(11%)
Product support	74,859	73,449	2%
Total revenues	$ 303,904	$ 316,670	(4%)
Operating income	$ 39,399	$ 35,324	12%
Key ratios and other statistics:			
Product support revenues as a % of total revenues	24.6%	23.2%	
Group total revenues as a % of consolidated revenues	49.8%	59.1%	
Operating income as a % of revenues	13.0%	11.2%	

Lower revenues resulted from a decline in new tractor unit deliveries. The fourth quarter of any year is typically the strongest quarter due to end-of-year purchasing decisions by customers. However in the fourth quarter of 2008, the global economic uncertainty resulted in fewer year-end purchases and rental conversions.

Used equipment sales were up 79% versus the comparable period of 2007 due to sales in the mining industry. Used equipment sales are dependent on a variety of factors and will fluctuate from quarter to quarter.

On a combined basis, equipment sales (new and used) were down 8% from 2007.

Rental revenues were up 5% compared to the prior year on an expanded rental fleet and two new locations.

Product support revenues were up 2% compared to the prior year.

Operating income was up 12% over last year on improved gross margins. Gross margins improved due to improved price realization on parts and equipment combined with a higher proportion of product support and rental activity, both carrying relatively higher margins than equipment sales. Gross margin improvements were partially offset by higher selling and administrative expenses, largely related to compensation increases and higher bad debt expense. Operating income as a percentage of revenues was 13.0% compared to 11.2% in the fourth quarter of 2007.

Bookings in the fourth quarter were down 36% from the prior year, reflecting the current economic environment and order cancellations.

Fourth Quarter Results of Operations in the Compression Group

	Three months ended December 31		
$ thousands	2008	2007	% change
Package sales and rentals			
Package sales	$ 244,666	$ 164,235	49%
Rentals	4,972	5,034	(1%)
Total package sales and rentals	249,638	169,269	47%
Product support	56,162	50,291	12%
Total revenues	$ 305,800	$ 219,560	39%
Operating income	$ 35,074	$ 26,288	33%
Key ratios and other statistics:			
Product support revenues as a % of total revenues	18.4%	22.9%	
Group total revenues as a % of consolidated revenues	50.2%	40.9%	
Operating income as a % of revenues	11.5%	12.0%	

Revenues in the Compression Group for the fourth quarter of 2008 were up 39% from the similar period last year on growth in package sales and product support activity. Natural gas package sales were up 75% on a doubling of U.S. compression revenues and a 19% increase in Canada. Process compression systems were up 55% in the quarter on timing of customer orders. Industrial and recreational refrigeration revenues for the quarter were 21% lower on weaker international and U.S. industrial activity. Product support revenues in both natural gas and refrigeration markets were higher than a year ago.

Operating income was 33% higher in the fourth quarter of 2008 compared to the similar period last year on increased volume and lower relative selling and administrative expenses. Gross margin was down in 2008 compared to 2007 on product mix. Bad debt expense was higher on aging of accounts receivable.

Bookings, net of cancellations in the fourth quarter were down 31% from the prior year on customer uncertainty due to the current economic environment and lower prices for natural gas. Bookings were down in most lines of business, including U.S. natural gas, process systems and Canadian industrial and recreational refrigeration.

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 2007 annual audited consolidated financial statements.

$ thousands, except per share amounts	2008 Q1	Q2	Q3	Q4
Revenues				
Equipment Group	$ 202,023	$ 285,845	$ 307,441	$ 303,904
Compression Group	195,036	250,632	270,528	305,800
Total revenues	$ 397,059	$ 536,477	$ 577,969	$ 609,704
Net earnings				
Continuing operations	$ 16,417	$ 38,222	$ 37,104	$ 49,110
Discontinued operations	77	(406)	-	-
	$ 16,494	$ 37,816	$ 37,104	$ 49,110
Per share information:				
Basic earnings per share				
Continuing operations	$ 0.25	$ 0.59	$ 0.57	$ 0.76
Discontinued operations	-	(0.01)	-	-
	$ 0.25	$ 0.58	$ 0.57	$ 0.76
Diluted earnings per share				
Continuing operations	$ 0.25	$ 0.59	$ 0.56	$ 0.76
Discontinued operations	-	(0.01)	-	-
	$ 0.25	$ 0.58	$ 0.56	$ 0.76
Dividends per share	$ 0.14	$ 0.14	$ 0.14	$ 0.14

$ thousands, except per share amounts	2007 Q1	Q2	Q3	Q4
Revenues				
Equipment Group	$ 228,306	$ 268,432	$ 284,928	$ 316,670
Compression Group	157,411	197,116	214,338	219,560
Total revenues	$ 385,717	$ 465,548	$ 499,266	$ 536,230
Net earnings				
Continuing operations	$ 14,193	$ 38,094	$ 30,597	$ 38,984
Discontinued operations	58	(24)	64	314
	$ 14,251	$ 38,070	$ 30,661	$ 39,298

Per share information:

Basic earnings per share				
Continuing operations	$ 0.22	$ 0.59	$ 0.47	$ 0.61
Discontinued operations	-	-	-	-
	$ 0.22	$ 0.59	$ 0.47	$ 0.61
Diluted earnings per share				
Continuing operations	$ 0.22	$ 0.58	$ 0.47	$ 0.61
Discontinued operations	-	-	-	-
	$ 0.22	$ 0.58	$ 0.47	$ 0.61
Dividends per share	$ 0.12	$ 0.12	$ 0.12	$ 0.12

Interim period revenues and earnings historically reflect some seasonality.

The Equipment Group has a distinct seasonal trend in activity levels. Lower revenues are recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter has typically been the strongest quarter due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer specific orders and conversions of equipment on rent with a purchase option.

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

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

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

SELECTED ANNUAL INFORMATION

(in thousands, except per share amounts)	2008	2007	2006
Revenues	$ 2,121,209	$ 1,886,761	$ 1,746,162
Net earnings - continuing operations	$ 140,853	$ 121,868	$ 98,761
Net earnings	$ 140,524	$ 122,280	$ 99,421
Earnings per share - continuing operations			
- Basic	$ 2.17	$ 1.89	$ 1.56
- Diluted	$ 2.16	$ 1.88	$ 1.54
Earnings per share			
- Basic	$ 2.16	$ 1.89	$ 1.56
- Diluted	$ 2.15	$ 1.88	$ 1.54
Dividends declared per share	$ 0.56	$ 0.48	$ 0.40

Total assets	$ 1,533,450	$ 1,356,861	$ 1,299,992
Total long-term debt	$ 173,475	$ 230,299	$ 263,662

Revenue growth in continuing operations has been strong with year-over-year increases of 10%, 8% and 12% in 2006, 2007 and 2008 respectively. Strong organic growth was achieved in the Compression Group on increases in package sales and product support activities. Revenue growth within the Equipment Group was strong in 2006 and 2007 on strong demand for new machines and engines. Revenues were flat in 2008 compared to the prior year on lower new machine sales resulting from general market uncertainty. Rental and product support growth with Equipment has been strong over the three-year period above. Organic revenue growth has also been complemented by acquisitions.

Growth in net earnings on a continuing operations' basis, has also been strong, with year-over-year increases of 27%, 23% and 16% in 2006, 2007 and 2008 respectively. Improvements in all years have been the result of higher sales volumes, lower interest expense and gains on sales of assets in 2007 and 2008.

Earnings per share have grown in line with earnings growth, dampened somewhat by an increase in number of shares outstanding due to the exercise of stock options.

Dividends have generally increased in proportion to earnings growth.

Total assets have increased over the three-year period on higher inventories held in light of strong customer demand and short supply of product. Accounts receivable have also increased due to higher reported revenues. The Company has also invested in rental assets and other property, plant and equipment in targeted markets.

Long-term debt decreased in 2008 and represented 22% of total shareholders' equity at year end. In 2007, long-term debt represented 35% of shareholders' equity. The ratio of total debt, net of cash, to shareholders' equity has improved to 5% at December 31, 2008 compared to 19% at the end of 2007.

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.

Business Cycle

Expenditures on capital goods have historically been cyclical, reflecting a variety of factors including interest rates, foreign exchange rates, consumer and business confidence, commodity prices, corporate profits, credit conditions and the availability of capital to finance purchases. Toromont's customers are typically affected, to varying degrees, by these factors and trends in the general business cycle within their respective markets. As a result, Toromont's financial performance is affected by the impact of such business cycles on the Company's customer base.

Commodity prices, and in particular, changes in view on long-term trends, affect demand for the Company's products and services in both operating segments. Commodity price movements in the natural gas, and base metals sectors in particular can have an impact on customers' demands for equipment and customer service. With lower commodity prices, demand is reduced as development of new projects is often stopped and existing projects can be curtailed, both leading to less demand for heavy equipment and compression packages.

Toromont's business is diversified across a wide range of industry market segments and geographic territories, serving to temper the effects of business cycles on consolidated results. Continued diversification strategies such as expanding the Company's customer base, broadening product offerings and geographic diversification are designed to moderate business cycle impacts. Across both operating segments, the Company has focused on the sale of specialized equipment and ongoing support through parts distribution and skilled service. Product support growth has been, and will continue to be, fundamental to mitigation of downturns in the business cycle. The product support business contributes significantly higher profit margins and is typically subject to less volatility than equipment supply activities.

Product and Supply

The Equipment Group purchases most of its equipment inventories and parts from Caterpillar under a dealership agreement that dates back to 1993. As is customary in distribution arrangements of this type, the agreement with Caterpillar can be terminated by either party upon 90 days notice. In the event Caterpillar terminates, it must repurchase substantially all inventories of new equipment and parts at cost. Toromont has maintained an excellent relationship with Caterpillar for 15 years and management expects this will continue going forward.

Toromont is dependent on the continued market acceptance of Caterpillar's products. It is believed that Caterpillar has a solid reputation as a high quality manufacturer, with excellent brand recognition and customer support and leading market shares in many of the markets it serves. However, there can be no assurance that Caterpillar will be able to maintain its reputation and market position in the future. Any resulting decrease in the demand for Caterpillar products could have a material adverse impact on the Company's business, results of operations and future prospects.

Toromont is also dependent on Caterpillar for timely supply of equipment and parts. From time to time during periods of intense demand, Caterpillar may find it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not, in the past, proven to be a significant impediment in the conduct of business. However, there can be no assurance that Caterpillar will continue to supply its products in the quantities and timeframes required by customers.

Competition

The Company competes with a large number of international, national, regional and local suppliers in each of its markets. Although price competition can be strong, there are a number of factors that have enhanced the Company's ability to compete throughout its market areas including: the range and quality of products and services; ability to meet sophisticated customer requirements; distribution capabilities including number and proximity of locations; in certain cases, financial services offered by Caterpillar Finance; e-commerce solutions; reputation and financial strength. Increased competitive pressures or the inability of the Company to maintain the factors that have enhanced its competitive position to date could adversely affect the Company's business, results of operations and financial condition.

Credit Risk

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

Cash equivalents consist mainly of short-term investments, such as money market deposits. No asset backed commercial paper products were held. The Company manages its credit exposure by ensuring there is no significant concentration of credit risk with a single counter-party, and by dealing only with highly rated financial institutions as counter-parties.

The Company has accounts receivable from a large diversified customer base, and is not dependent on any single customer, industry or geographic area. The Company has accounts receivable from customers engaged in various industries including mining, construction, natural gas production, food and beverage, and governmental agencies. These customers are based across North America with a small percentage of accounts receivable held with international clients. Management does not believe that any single industry or geographic region represents significant credit risk.

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

Warranties and Maintenance Contracts

Toromont provides warranties for most of the equipment it sells, typically for a one-year period following sale. The warranty claim risk is generally shared jointly with the equipment manufacturer. Accordingly, liability is generally limited to the service component of the warranty claim, while the manufacturer is responsible for providing the required parts.

The Company also enters into long-term maintenance and repair contracts, whereby it is obligated to maintain equipment for its customers. The length of these contracts varies generally from two to five years. The contracts are typically fixed price with provisions for inflationary adjustments. Due to the long-term nature of these contracts, there is a risk that maintenance costs may exceed the estimate, thereby resulting in a loss on the contract. These contracts are closely monitored for early warning signs of cost overruns. In addition, the manufacturer may, in certain circumstances, share in the cost overruns if profitability falls below a certain threshold.

Foreign Exchange

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

Transaction Exposure

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

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

Foreign exchange contracts reduce volatility by fixing landed costs related to specific customer orders and establishing a level of price stability for high volume goods such as spare parts. The Company does not enter into foreign exchange forward contracts for speculative purposes. The gains and losses on the foreign exchange forward contracts designated as cash flow hedges are intended to offset the translation losses and gains on the hedged foreign currency transactions when they occur.

As a result, the foreign exchange impact on earnings with respect to transactional activity is not significant.

Translation Exposure

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

Foreign currency-based earnings are translated into Canadian dollars each period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income. Such exchange rate fluctuations have historically not been material year over year relative to the overall earnings or financial position of the Company. The impact in 2008 was to reduce revenues by $3.6 million and net income by approximately $0.3 million.

Interest Rate

The Company minimizes its interest rate risk by managing its portfolio of floating and fixed rate debt, as well as managing the term to maturity.

The Company is exposed to changes in interest rates, which may impact on the Company's floating rate borrowing costs. At December 31, 2008, the Company's debt portfolio is comprised of 96% fixed rate and 4% floating rate debt.

Fixed rate debt exposes the Company to future interest rate movements upon refinancing the debt at maturity. The Company's fixed rate debt matures between 2011 and 2019, with 72% maturing in 2015.

Further, the fair value of the Company's fixed rate debt obligations may be negatively affected by declines in interest rates, thereby exposing the Company to potential losses on early settlements or refinancing. The Company does not intend to settle or refinance any existing debt before maturity.

Financing Arrangements

The Company requires capital to finance its growth and to refinance its outstanding debt obligations as they come due for repayment. If the cash generated from the Company's business, together with the credit available under existing bank facilities, is not sufficient to fund future capital requirements, the Company will require additional debt or equity financing in the capital markets. The Company's ability to access capital markets on terms that are acceptable will be dependent upon prevailing market conditions, as well as the Company's future financial condition. Further, the Company's ability to increase its debt financing may be limited by its financial covenants or its credit rating objectives. The Company maintains a conservative leverage structure and although it does not anticipate difficulties, there can be no assurance that capital will be available on suitable terms and conditions, or that borrowing costs and credit ratings will not be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are described in Note 1 to the unaudited consolidated financial statements. The preparation of financial statements in conformity with Canadian GAAP requires estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. The critical accounting policies and estimates described below affect both the Equipment Group and Compression Group similarly and therefore are not discussed on a segmented basis.

Revenue Recognition

The Company reflects revenues generated from the assembly and manufacture of projects using the percentage-of-completion approach of accounting for performance of production-type contracts. This approach to revenue recognition requires management to make a number of estimates and assumptions surrounding the expected profitability of the contract, the estimated degree of completion based on cost progression and other detailed factors. Although these factors are routinely reviewed as part of the project management process, changes in these estimates or assumptions could lead to changes in the revenues recognized in a given period. However, there are many of these projects in process at any given point, the majority of which are in actual construction for a period of three months or less.

Property, Plant and Equipment

Fixed assets are stated at cost less accumulated depreciation, including asset impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of fixed assets are reviewed are on a regular basis. Assessing the reasonableness of the estimated useful lives of fixed assets requires judgment and is based on currently available information.

Fixed assets are also reviewed for potential impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In cases where the undiscounted expected future cash flows are less than the carrying amount, an impairment loss is recognized. Impairment losses on long-lived assets are measured as the amount by which the carrying value of an asset or asset group exceeds its fair value, as determined by the discounted future cash flows of the asset or asset group. In estimating future cash flows, the Company uses its best estimates based on internal plans that incorporate management's judgments as to the remaining service potential of the fixed assets.

Changes in circumstances, such as technological advances and changes to business strategy can result in actual useful lives and future cash flows differing significantly from estimates. The assumptions used, including rates and methodologies, are reviewed on an ongoing basis to ensure they continue to be appropriate. Revisions to the estimated useful lives of fixed assets or future cash flows constitute a change in accounting estimate and are applied prospectively.

Income Taxes

The liability method of accounting for income taxes is used. Future income tax assets and liabilities, measured at substantively enacted tax rates, are recognized for all temporary differences caused when the tax bases of assets and liabilities differ from those reported in the audited consolidated financial statements.

Income tax rules and regulations in the countries in which the Company operates and income tax treaties between these countries are subject to interpretation and require estimates and assumptions in determining the Company's consolidated income tax provision that may be challenged by the taxation authorities.

Changes or differences in these estimates or assumptions may result in changes to the current or future income tax balances on the consolidated balance sheet, a charge or credit to income tax expense in the consolidated statement of earnings and may result in cash payments or receipts. Additional information on income taxes is provided in Note 14 of the accompanying unaudited consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES

Inventories

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

Capital disclosures

Effective January 1, 2008, the Company adopted the CICA Handbook Section 1535 Capital Disclosures. The standard requires disclosure about the Company's capital and how it is managed, as presented in Note 20. This standard has no impact on the classification or measurement of the Company's consolidated financial statements.

Financial instruments disclosures and presentations

Effective January 1, 2008, the Company adopted CICA Handbook Sections 3862 Financial Instruments - Disclosures; and 3863 Financial Instruments - Presentation. These new standards require disclosure on financial instruments and related risks, as presented in Note 14. These standards had no impact on the classification or measurement of the Company's consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

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

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company will adopt this guidance for the fiscal period beginning on January 1, 2009. The Company is in process of evaluating the impact of this new guidance.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chairman & Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting as at December 31, 2008 using the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, they have concluded that the design and operation of the Company's disclosure controls and procedures were adequate and effective as at December 31, 2008 to provide reasonable assurance that a) material information relating to the Company and its consolidated subsidiaries would have been known to them and by others within those entities and b) information required to be disclosed is recorded, processed, summarized and reported within required time periods. They have also concluded that the design and operation of internal controls over financial reporting were adequate and effective as at December 31, 2008 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with GAAP.

There have been no changes in the design of the Company's internal controls over financial reporting during the fourth quarter of 2008 that would materially affect, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

While the Officers of the Company have evaluated the effectiveness of disclosure controls and procedures and internal control over financial reporting as at December 31, 2008 and have concluded that these controls and procedures are being maintained as designed, they expect that the disclosure controls and procedures and internal controls over financial reporting may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

NON-GAAP FINANCIAL MEASURES

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

Operating Income and Operating Margin

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

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

Return on Equity (ROE) and Return on Capital Employed (ROCE)

Return on equity is monitored to assess the profitability of the consolidated Company. ROE is calculated by dividing net earnings by opening shareholders' equity.

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.

TOROMONT INDUSTRIES LTD.
CONSOLIDATED BALANCE SHEETS

unaudited, as at December 31 ($ thousands)	2008	2007
Assets		
Current assets		
Cash and cash equivalents	$ 137,274	$ 103,514
Accounts receivable	375,059	339,381
Inventories (note 5)	499,360	444,858
Income taxes receivables	2,068	-

Future income taxes (note 17)	34,934	24,362
Derivative financial instruments	13,212	-
Other current assets (note 8)	11,381	27,607
Total current assets	1,073,288	939,722
Property, plant and equipment (note 6)	199,370	181,531
Rental equipment (note 7)	203,277	159,628
Derivative financial instruments	1,403	-
Other assets (note 8)	21,312	41,180
Goodwill	34,800	34,800
Total assets	$ 1,533,450	$ 1,356,861
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	$ 346,118	$ 275,791
Deferred revenues	194,261	160,678
Current portion of long-term debt (note 10)	15,363	26,874
Income taxes payable	6,304	5,945
Derivative financial instruments	1,966	3,575
Total current liabilities	564,012	472,863
Deferred revenues	25,480	22,062
Long-term debt (note 10)	158,112	203,425
Accrued pension liability (note 16)	2,322	3,583
Future income taxes (note 17)	4,421	198
Shareholders' equity		
Share capital (note 11)	127,704	124,124
Contributed surplus (note 12)	8,978	7,707
Retained earnings	631,522	539,039
Accumulated other comprehensive income (loss) (note 13)	10,899	(16,140)
Total shareholders' equity	779,103	654,730
Total liabilities and shareholders' equity	$ 1,533,450	$ 1,356,861

See accompanying notes

TOROMONT INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

Years ended December 31($ thousands, except share amounts)	2008	2007
		(restated - note 3)
Revenues	$ 2,121,209	$ 1,886,761
Cost of goods sold	1,660,285	1,473,096
Gross profit	460,924	413,665

Selling and administrative expenses	253,070	233,542
Operating income	207,854	180,123
Interest expense	11,753	13,587
Interest and investment income	(14,999)	(4,221)
Gain on sale of property	-	15,990
Income before income taxes	211,100	186,747
Income taxes	70,247	64,879
Earnings from continuing operations	140,853	121,868
Loss on disposal of discontinued operations (note 3)	(432)	-
Earnings from discontinued operations, net of tax (note 3)	103	412
Net earnings	$ 140,524	$ 122,280
Basic earnings per share (note 18)		
Continuing operations	$ 2.17	$ 1.88
Discontinued operations	(0.01)	0.01
	$ 2.16	$ 1.89
Diluted earnings per share (note 18)		
Continuing operations	$ 2.16	$ 1.87
Discontinued operations	(0.01)	0.01
	$ 2.15	$ 1.88
Weighted average number of shares outstanding - Basic	65,016,778	64,631,140
Weighted average number of shares outstanding - Diluted	65,439,046	65,067,027

See accompanying notes

TOROMONT INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(Unaudited)

Years ended December 31($ thousands)	2008	2007
Retained earnings, beginning of year	$ 539,039	$ 447,820
Net earnings	140,524	122,280
Dividends	(36,391)	(31,061)
Shares purchased for cancellation (note 11)	(11,650)	-

Retained earnings, end of year	$ 631,522	$ 539,039

See accompanying notes

TOROMONT INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

unaudited, Years ended December 31 ($ thousands)	2008	2007
Net earnings	$ 140,524	$ 122,280
Other comprehensive income (loss):		
Unrealized gain (loss) on translation of financial statements of self-sustaining foreign operations	21,072	(9,152)
Loss on translation of financial statements of self-sustaining foreign operations transferred to net income on disposition of operations	1,090	-
Change in fair value of derivatives designated as cash flow hedges, net of income taxes (2008 - $4,062, 2007 - $3,153)	7,547	(5,920)
(Loss) gain on derivatives designated as cash flow hedges transferred to net income in the current period, net of income taxes (2008 - $1,415, 2007 - $1,869)	(2,626)	3,529
Gain on financial assets designated as available-for-sale transferred to net income on realization, net of income taxes of $24	(44)	-
Unrealized gain on financial assets designated as available-for-sale, net of income taxes of $24	-	44
Other comprehensive income (loss)	27,039	(11,499)
Comprehensive income	$ 167,563	$ 110,781

See accompanying notes

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

Years ended December 31 ($ thousands)	2008	2007
Operating activities		
Net earnings	$ 140,524	$ 122,280
Items not requiring cash and cash equivalents		
Depreciation	56,070	52,702
Stock-based compensation	2,494	2,073
Accrued pension liability	(1,261)	(1,900)
Future income taxes	(8,972)	365
Gain on sale of:		
Rental equipment, property, plant, and equipment	(6,191)	(23,329)
Investments	(8,234)	-
Loss on disposal of discontinued operations	432	-
	174,862	152,191
Net change in non-cash working capital and other (note 21)	(10,150)	24,620
Cash provided by operating activities	164,712	176,811
Investing activities		
Additions to:		
Rental equipment	(57,901)	(70,697)
Property, plant and equipment	(38,574)	(26,411)
Investments	(13,811)	(21,972)
Proceeds on disposal of:		
Rental equipment	30,456	27,985
Property, plant and equipment	1,319	18,540
Investments	43,948	-
Disposal of discontinued operations (note 3)	4,038	-
(Increase) decrease in other assets	(786)	1,064
Business acquisitions (note 4)	(629)	(3,124)
Cash used in investing activities	(31,940)	(74,615)
Financing activities		
Decrease in term credit facility debt	(30,000)	(13,686)
Issue of other long-term debt	-	5,836
Repayment of other long-term debt	(26,824)	(25,513)
Dividends	(35,138)	(29,700)
Shares purchased for cancellation	(12,808)	
Cash received on exercise of options	3,515	6,367
Cash used in financing activities	(101,255)	(56,696)
Effect of exchange rate changes on cash denominated in foreign currency	2,243	-
Increase in cash and cash equivalents	33,760	45,500
Cash and cash equivalents at beginning of year	103,514	58,014
Cash and cash equivalents at end of year	$ 137,274	$ 103,514

Supplemental cash flow information (note 21)

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 ($ thousands except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Toromont Industries Ltd. and its subsidiaries (the "Company") operate through two business segments: The Equipment Group and the Compression Group. 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. Toromont employs over 4,500 people in more than 130 locations and is listed on the Toronto Stock Exchange under the symbol TIH.

These consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Estimates are used in accounting for items and matters such as long-term contracts, allowance for uncollectible accounts receivable, allowance for inventory obsolescence, product warranty, estimated useful lives of assets for depreciation, asset and goodwill impairment assessments, employee benefits and income taxes.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, performance requirements are achieved and ultimate collection is reasonably assured. In addition to this general policy, the following describes the specific revenue recognition policies for each major category of revenue.

(a) Revenues from the sale of equipment are recorded when goods are shipped to the customer, at which time title to the equipment and significant risks of ownership have passed.

(b) Revenues from the supply of equipment systems involving design, manufacture, installation and start-up are determined using the percentage-of-completion method, based on total costs incurred as a proportion of expected total costs of the project. Revenues and costs begin to be recognized when progress reaches a stage of completion sufficient to reasonably determine the probable results. Any foreseeable losses on such projects are charged to operations when determined.

(c) Revenues from equipment rentals are recognized in accordance with the terms of the relevant agreement with the customer, generally on a straight-line basis over the term of the agreement.

(d) Product support services include sales of parts and servicing of equipment. For the sale of parts, revenues are recognized when the part is shipped to the customer. For servicing of equipment, revenues are recognized as the service work is completed and billed.

(e) Revenues on extended warranty and long-term maintenance contracts are recognized either on a percentage-of-completion basis proportionate to the service work that has been performed based on the parts and labour service provided, or on a straight-line basis over the life of the warranty. At the completion of the contract, any remaining profit on the contract is recognized as revenue. Any losses estimated during the term of the contract are recognized when identified.

(f) Revenues on equipment sold directly to customers or to third-party lessors for which the Company has provided a guarantee to repurchase the equipment at predetermined residual values and dates are accounted for as operating leases wherein revenue is recognized over the period extending to the date of the residual guarantee. The value of such equipment at December 31, 2008 was $21.0 million (2007 - $19.7 million) and was included in other long-term assets.

Translation of Foreign Currencies

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the time of the transaction. Monetary assets and liabilities are translated into Canadian dollars at the year-end exchange rate. Non-monetary items are translated at historical rates. All exchange gains and losses are included in earnings.

Foreign subsidiaries are financially and operationally self-sustaining. Accordingly, their assets and liabilities are translated into Canadian funds at the year-end exchange rate. Revenue and expense items are translated at the average exchange rate for the year. The foreign exchange impact of these translations is included in accumulated other comprehensive income in shareholders' equity.

Financial Instruments

Financial instruments are measured at fair value on initial recognition. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as held-to-maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost using the interest rate method.

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.

- Investments are classified as available for sale and are recorded at fair value based on quoted market prices. Gains and losses resulting from the periodic revaluation are recorded in other comprehensive income.

- 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.

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading. Transaction costs for financial assets classified as available for sale are added to the value of the instrument at acquisition. Transaction costs related to other financial liabilities are added to the value of the instrument at acquisition and taken into net income using the effective interest rate method.

Derivative Financial Instruments and Hedge Accounting

Derivative financial agreements are used to manage exposure to fluctuations in exchange rates and interest rates. The Company does not enter into derivative financial agreements for speculative purposes.

Derivative financial instruments are measured at their fair value upon initial recognition and on each subsequent reporting date. The fair value of quoted derivatives is equal to their positive or negative market value. If a market value is not available, the fair value is calculated using standard financial valuation models, such as discounted cash flow or option pricing models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company elected to apply hedge accounting for foreign exchange forward contracts for firm commitments and anticipated transactions. These are also designated as cash flow hedges. For cash flow hedges, fair value changes of the effective portion of the hedging instrument are recognized in accumulated other comprehensive income, net of taxes. The ineffective portion of the fair value changes is recognized in net income. Amounts charged to accumulated other comprehensive income are reclassified to the income statement when the hedged transaction affects the income statement.

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

Income Taxes

The liability method of accounting for income taxes is used. Future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in net earnings in the period that includes the date of substantive enactment.

Stock-Based Compensation

The fair value method of accounting for stock options is used. The fair value of option grants are calculated using the Black-Scholes option pricing model and is recognized as compensation expense over the vesting period of those grants with a corresponding adjustment to contributed surplus. On the exercise of stock options, the consideration paid by the employee and the related amounts in contributed surplus are credited to common share capital.

Employee Future Benefits

For defined contribution plans, which cover the majority of employees, the pension expense recorded in earnings is the amount of the contributions the Company is required to pay in accordance with the terms of the plan.

For defined benefit plans, which cover approximately 5% of employees, the Company accrues its obligations and the related costs, net of plan assets. The Company has adopted the following policies for its defined benefit plans:

- The cost of pensions earned by employees is actuarially determined using the projected unit credit method pro-rated on length of service and management's best estimate assumptions to value its pensions using a measurement date of December 31;

- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;

- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendments;

- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized on a straight-line basis over the average remaining service period of the active employees or on the average remaining life in the case of retirees.

Earnings per Share ("EPS")

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

Cash and Cash Equivalents

Cash and cash equivalents, including cash on account, demand deposits and short-term investments with original maturities of three months or less, are recorded at cost, which approximates market value.

Inventories

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

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

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

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

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

Rental Equipment

Rental equipment is recorded at cost. Rental equipment is depreciated over its estimated useful life on a straight-line basis. Estimated useful lives range from 1 to 15 years.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is recognized principally on a straight-line basis to depreciate the cost of these assets over their estimated useful lives. Estimated useful lives range from 20 to 30 years for buildings, 3 to 10 years for equipment and 20 years for power generation assets.

Leasehold improvements and lease inducements are amortized on a straight-line basis over the term of the lease.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In cases where the undiscounted expected future cash flows are less than the carrying amount, an impairment loss is recognized. Impairment losses on long-lived assets are measured as the amount by which the carrying value of an asset group exceeds its fair value, as determined by the discounted future cash flows of the asset group.

Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. In the fourth quarter of 2007 and 2008, annual goodwill assessments were performed and determined that there was no impairment in either year.

Discontinued Operations

The results of discontinued operations are presented net of tax on a one-line basis in the consolidated statements of earnings. Direct corporate overheads and income taxes are allocated to discontinued operations. Interest expense (income) and general corporate overheads are not allocated to discontinued operations.

Comparative Amounts

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

2. CHANGES IN ACCOUNTING POLICIES

Inventories

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

Capital disclosures

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

Financial instruments disclosures and presentations

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

Future accounting standards

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

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company will adopt this guidance for the fiscal period beginning on January 1, 2009. The Company is in process of evaluating the impact of this new guidance.

3. DISCONTINUED OPERATIONS

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

The results of discontinued operations included the following:

	2008	2007
Revenues	$ 7,621	$ 16,219
Income before income taxes	163	664

4. BUSINESS ACQUISITIONS

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

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

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

5. INVENTORIES

	2008	2007
Equipment	$ 232,879	$ 249,399
Repair and distribution parts	80,261	79,630
Direct materials	72,041	60,673
Work-in-process	114,179	55,156

	$ 499,360	$ 444,858

The amount of inventory recognized as an expense and included in cost of goods sold accounted for other than by the percentage-of-completion method during 2008 was $899.7 million (2007: $916.5 million). The amount charged to the income statement and included in cost of goods sold for the write-down of inventory for valuation issues during 2008 was $10.4 million (2007: $0.4 million).

6. PROPERTY, PLANT AND EQUIPMENT

	2008			2007		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Land	$ 39,030	$ -	$ 39,030	$ 38,657	$ -	$ 38,657
Buildings	143,333	51,814	91,519	133,585	44,830	88,755
Equipment	147,554	106,928	40,626	144,434	103,043	41,391
Power generation	36,061	23,264	12,797	34,514	22,326	12,188
Assets under construction	15,398	-	15,398	540	-	540
	$381,376	$ 182,006	$199,370	$351,730	$ 170,199	$ 181,531

Depreciation expense for the year ended December 31, 2008 was $23,423 (2007 - $24,645).

7. RENTAL EQUIPMENT

	2008	2007
Cost	$ 311,619	$ 255,263
Less: Accumulated depreciation	108,342	95,635
	$ 203,277	$ 159,628

Depreciation expense for the year ended December 31, 2008 was $32,647 (2007 - $28,057). Operating income from rental operations for the year ended December 31, 2008 was $31.5 million (2007 - $30.0 million).

8. OTHER ASSETS

	2008	2007

Equipment sold with guaranteed residual values	$ 20,981	$ 19,663
Equipment deposits	-	20,734
Marketable Securities	-	21,972
Other	11,712	6,418
Total other assets	32,693	68,787
Less current portion	11,381	27,607
	$ 21,312	$ 41,180

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Accounts payable and accrued liabilities	$ 337,073	$ 267,999
Dividends payable	9,045	7,792
Total accounts payable and accrued liabilities	$ 346,118	$ 275,791

10. LONG-TERM DEBT

	2008	2007
Drawn on bank term facility (a)	$ -	$ 30,000
Senior debentures (b)	166,659	183,766
Notes payable (c)	6,816	16,533
Total long-term debt	173,475	230,299
Less current portion	15,363	26,874
	$ 158,112	$ 203,425

All debt is unsecured.

(a) The Company maintains $225 million in bank credit in Canada and US $20 million in bank credit in the United States, provided through committed credit facilities. Of this, US $20 million matures in 2010 and $225 million matures in 2011. Bank borrowings bear interest at rates ranging from prime to bankers acceptance rates. At December 31, 2008, the Canadian prime rate was 3.5% and the 30-day bankers acceptance rate was 2.34%. Standby letters of credit issued utilized $62,225 of the credit lines at December 31, 2008 (2007 - $32,240).

(b) Terms of the senior debentures are:

- $26,659, 6.80% senior debentures due March 29, 2011, interest payable semi-annually through March 29, 2007; thereafter, blended principal and interest payments through to maturity;

- $125,000, 4.92% senior debentures due October 13, 2015, interest payable semi-annually, principal due on maturity; and

- $15,000, 7.06% senior debentures due March 29, 2019, interest payable semi-annually through September 29, 2009; thereafter, blended principal and interest payments through to maturity.

(c) Notes payable mature from 2009 to 2010 and bear interest at rates ranging from 2.80% to 3.91%.

These credit arrangements include covenants, restrictions and events of default usual in credit facilities of this nature, including requirements to meet certain financial tests periodically and restrictions on additional indebtedness and encumbrances.

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

	Principal	Interest
2009	$ 15,363	$ 8,991
2010	14,061	8,126
2011	6,889	7,266
2012	1,280	6,986
2013	1,372	6,895
2014 to 2019	134,510	14,431
	$ 173,475	$ 52,695

Interest expense included interest on debt initially incurred for a term greater than one year of $11,042 (2007 - $13,271).

11. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares and preferred shares. No preferred shares have been issued.

Issued

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

	2008		2007	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Balance, beginning of year	64,943,497	$ 124,124	64,310,577	$ 116,848
Exercise of stock options	272,780	4,739	632,920	7,276
Purchase of shares for cancellation	(595,600)	(1,159)	-	-
Balance, end of year	64,620,677	$ 127,704	64,943,497	$ 124,124

Shareholder Rights Plan

The Shareholder Rights Plan is designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. Rights issued under the plan become exercisable when a person, and any related parties, acquires or commences a take-over bid to acquire 20% or more of the Company's outstanding common shares without complying with certain provisions set out in the plan or without approval of the Company's Board of Directors. Should such an acquisition occur, each rights holder, other than the acquiring person and related parties, will have the right to purchase common shares of the Company at a 50% discount to the market price at that time. Unless renewed by shareholders at the Annual and Special Meeting of Shareholders to be held on April 23, 2009, the plan expires in April 2009.

Normal Course Issuer Bid (NCIB)

On August 28, 2008, Toromont announced the renewal and expansion of its NCIB program. The issuer bid allows the Company to purchase up to approximately 4.6 million of its common shares, representing 10% of common shares in the public float, in the year ending August 30, 2009. 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 purchased and cancelled 595,600 shares for $12,808 (average cost of $21.50 per share) in 2008. The shares were purchased for an amount higher than their weighted average book value per share ($1.95 per share) resulting in a reduction of retained earnings of $11,650. The Company did not purchase any shares under the normal course issuer bid in 2007.

	2008
Total shares purchased (number of shares)	595,600
Average purchase price (per share)	$ 21.50
Total cash paid (thousands)	$ 12,808
Book value of shares cancelled	1,158
Reduction to retained earnings	$ 11,650

12. CONTRIBUTED SURPLUS

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

	2008	2007
Balance, beginning of year	$ 7,707	$ 6,543
Stock-based compensation expense, net of forfeitures	2,494	2,073
Value of compensation cost associated with exercised options	(1,223)	(909)
Balance, end of year	$ 8,978	$ 7,707

13. ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in accumulated other comprehensive income were as follows:

	2008	2007
Balance, beginning of year	$ (16,140)	$ (4,641)
Other comprehensive income (loss)	27,039	(11,499)
Balance, end of year	$ 10,899	$ (16,140)

As at December 31, 2008, accumulated other comprehensive income was comprised of the following amounts:

	2008	2007
Unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	$ 7,355	$ (14,807)
Gains (losses) on foreign exchange derivatives designated as cash flow hedges, net of taxes (2008 - $1,909, 2007 - $627)	3,544	(1,168)
Unrealized gain on financial assets designated as available-for-sale, net of taxes of $24	-	44
Loss on interest rate derivative designated as a cash flow hedge, net of taxes of $111	-	(209)
Balance, end of year	$ 10,899	$ (16,140)

The gains and losses on derivative contracts are intended to offset the transaction losses and gains. Of the gains on foreign exchange derivatives, $2,563 will be reclassified to net income within the next twelve months and $981 will be reclassified to net income in 2010. These gains will offset losses recorded on the underlying hedged items, namely foreign denominated accounts payable and accounts receivable. Management intends to hold these foreign currency contracts to maturity.

14. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

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

	2008	2007
Held for trading (1)	$ 137,274	$ 103,514
Loans and receivables (2)	$ 377,127	$ 339,381
Available for sale assets (3)	$ -	$ 21,972
Other financial liabilities (4)	$ 525,897	$ 512,035
Derivatives designated as effective hedges gain (loss) (5)	$ 5,453	$ (2,115)

Derivatives designated as held for trading gain (loss) (6)	$ 7,196	$ (1,460)

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

The estimated fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, income taxes receivable/payable, borrowings under the bank term facility and notes payable approximate their respective carrying values. Derivative financial instruments are carried at fair value determined based on appropriate valuation methodologies. Investments in marketable securities are carried at fair value based on quoted market prices.

The fair values of the senior debentures are based on discounted cash flows using current interest rates for debt with similar terms and remaining maturities. The Company has no plans to prepay these instruments prior to maturity. The fair value and carrying amounts of the senior debentures as at December 31, 2008 were $155,640 and $166,659 respectively (December 31, 2007 - $179,726 and $183,766, respectively).

Derivative financial instruments and hedge accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. The following table summarizes the Company's commitments to buy and sell foreign currencies as at December 31, 2008.

		Notional Amount	Average Exchange Rate	Maturity
Purchase contracts	USD	147,763	$ 1.1231	January 2009 to March 2010
	EUR	10,429	$ 1.5425	January 2009 to June 2010
Sales contracts	USD	24,934	$ 1.1232	January 2009 to December 2009
	EUR	5,531	$ 1.5718	February 2009 to November 2009

Management estimates that a gain of $12,649 would be realized if the contracts were terminated on December 31, 2008. Certain of these forward contracts are designated as cash flow hedges, and accordingly, a gain of $5,453 has been included in other comprehensive income. These gains are not expected to affect net income as the gains will be reclassified to net income within the next twelve months and will offset losses recorded on the underlying hedged items, namely foreign denominated accounts payable and accounts receivable. A gain of $7,196 on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable and accounts receivable.

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

Risks arising from financial instruments and risk management

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

Currency risk

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

Transaction exposure

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

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

The Company maintains a conservative hedging policy whereby all significant transactional currency risks are identified and hedged. As such there is not a material transaction exposure.

Translation exposure

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

Foreign currency based earnings are translated into Canadian dollars each period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income. Such exchange rate fluctuations have historically not been material year-over-year relative to the overall earnings or financial position of the Company. A fluctuation of +/- 5%, provided as an indicative range in a volatile currency environment, would, everything else being equal, have an annualized effect on net income before tax of approximately +/- $3.7 million.

Credit risk

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

Cash equivalents consist mainly of short-term investments, such as money market deposits. No asset-backed commercial paper products were held. The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

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

The Company has credit policies in place and has established various credit controls, including credit checks, deposits on accounts, progress billings and security such as letter of credit and operating liens. The allowance for doubtful accounts is determined by considering a number of factors, including the length of time accounts are past due and the customer's current ability to pay its obligation. As at December 31, 2008, $21.9 million, or 5.7% of accounts receivable were outstanding for more than 90 days (2007 - $13.1 million or 3.8%). The movement in the Company's allowance for doubtful accounts was as follows:

	2008	2007
Balance, beginning of year	$ 6,501	$ 8,954
Change in foreign exchange rates	356	(423)
Provisions and revisions, net	2,917	(2,030)
Balance, end of year	$ 9,774	$ 6,501

The Company minimizes the credit risk of investments by investing in securities that meet minimum requirements for quality and liquidity and as specifically approved by the Company's Board of Directors. No investments were held as at December 31, 2008.

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

Interest rate risk

In relation to its debt financing, the Company has minimal exposure to changes in interest rates.

Floating rate debt exposes the Company to fluctuations in short-term interest rates. As at December 31, 2008, $6.8 million or 4% of the Company's total debt portfolio was subject to movements in floating interest rates. A +/- 2.5% change in interest rates, which is indicative of the change in the prime lending rate over the preceding twelve-month period, would, all things being equal, have an insignificant impact on income before income taxes for the period.

The Company minimizes its interest rate risk by managing its portfolio of floating and fixed rate debt, as well as managing the term to maturity. The Company may use derivative instruments such as interest rate swap agreements to manage its current and anticipated exposure to interest rates.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at December 31, 2008, the Company was holding cash and cash equivalents of $137,274 and had unutilized lines of credit of $191 million.

The contractual maturities of the Company's long-term debt and scheduled interest payments are presented in Note 10.

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

The Company expects that continued cash flows from operations in 2009, together with cash and cash equivalents on hand and currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital, capital assets and dividend payments.

15. STOCK-BASED COMPENSATION

The Company maintains an Executive Stock Option Plan for certain employees and directors. Under the plan, options may be granted for up to 6,096,000 common shares. Stock options have a seven-year term, vest 20% cumulatively 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. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option.

A reconciliation of the outstanding options is as follows:

	Twelve Months ended December 31	
	2008	2007

	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	1,843,359	$ 18.78	2,091,379	$ 14.67
Granted	384,400	28.76	393,900	25.95
Exercised	(272,780)	12.15	(632,920)	9.57
Forfeited	(37,380)	24.28	(9,000)	25.19
Options outstanding, end of period	1,917,599	$ 21.62	1,843,359	$ 18.78
Options exercisable, end of period	906,983	$ 17.06	842,365	$ 14.42

The following table summarizes stock options outstanding and exercisable at December 31, 2008:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
$10.28 - $10.71	327,140	0.9	$ 10.67	327,140	$ 10.67
$16.59 - $22.88	597,219	2.6	19.16	408,431	18.77
$24.58 - $28.84	993,240	5.3	26.70	171,412	25.18
Total	1,917,599	3.7	$ 21.62	906,983	$ 17.06

The fair value of each stock option granted is estimated on the date of grant. The fair value of the stock options was determined using the Black-Scholes option pricing model with the following assumptions:

	Twelve Months ended December 31 2008	2007
Weighted average fair value price per option	$ 6.88	$ 6.66
Expected life of options (years)	5.84	5.82
Expected stock price volatility	25.0%	25.0%
Expected dividend yield	2.0%	1.9%
Risk-free interest rate	3.3%	4.1%

Deferred Share Unit Plan

The Company offers a deferred share unit (DSU) plan for executives and non-employee directors, whereby they may elect on an annual basis to receive all or a portion of their management incentive award or fees, respectively in deferred share units. In addition, the Board may grant discretionary DSUs to executives. A DSU is a notional unit that reflects the market value of a single common share of Toromont and generally vests immediately. The DSUs will be redeemed on termination of employment or resignation from the board, as the case may be. The redemption amount will be based upon the average of the high and low trading prices of the common shares on the TSX for the five trading days preceding the redemption date. The program commenced in 2006 and as at December 31, 2008, 79,476 units were outstanding at a value of $1,671.4 (2007 - 21,405 units at a value of $600.0). The Company records the cost of the DSU Plan as compensation expense. No units were redeemed or cancelled in either fiscal year.

Employee Share Ownership Plan

The Company offers an Employee Share Ownership Plan whereby employees who meet the eligibility criteria can purchase shares by way of payroll deductions. In 2008, the plan was enhanced to provide a Company match of up to $1,000 per employee per annum based on contributions by the Company of $1 for every $3 dollars contributed by the employee. Company contributions vest to the employee immediately. Company contributions amounting to $0.8 million in 2008 (2007 - nil), were charged to selling and administrative expense when paid. The Plan is administered by a third party.

16. 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 union-sponsored plans in accordance with respective collective bargaining agreements. In the case of the defined contribution plans, regular contributions are made to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan document.

Approximately 5% of participating employees are included in defined benefit plans.

a) Powell Plan - Consists of personnel of Powell Equipment (acquired by Toromont in 2001). The plan is a contributory plan that provides pension benefits based on length of service and career average earnings. The last actuarial valuation of the plan was completed as at December 31, 2006. The next valuation is scheduled as at December 31, 2009.

b) Executive Plan - This is a non-contributory pension arrangement for certain senior executives that provides for a supplementary retirement payout in excess of amounts provided for under the registered plan. The most recent actuarial valuation of the plan was completed as at December 31, 2007. The next valuation is scheduled as at December 31, 2008.

c) Other plan assets and obligations - This provides for certain retirees and terminated vested employees of businesses previously acquired by the Company as well as for retired participants of the defined contribution plan that, in accordance with the plan provisions, have elected to receive a pension directly from the plan. The most recent actuarial valuation of the plan was completed as at January 1, 2006. The next valuation is scheduled as at January 1, 2009.

The changes in the fair value of assets and the pension obligations and the funded status of the defined benefit plans were as follows:

	2008	2007
Accrued benefit obligations:		
Balance, beginning of year	$ 71,529	$ 74,196
Transfers	153	-
Service cost	1,570	1,529
Interest cost	3,656	3,590
Actuarial (gain) loss	(7,330)	(841)
Benefits paid	(8,061)	(6,945)
Balance, end of year	$ 61,517	$ 71,529
Plan assets:		
Fair value, beginning of year	$ 58,159	$ 59,594
Transfers	16	21

	2008	2007
Actual return on plan assets	(7,482)	2,439
Company contributions	2,280	2,525
Participant contributions	452	525
Benefits paid	(8,061)	(6,945)
Fair value, end of year	$ 45,364	$ 58,159
Funded status of the plans	$ (16,153)	$ (13,370)
Unrecognized actuarial loss	15,013	11,265
Unrecognized past service benefit	(1,182)	(1,478)
Accrued pension liability	$ (2,322)	$ (3,583)

The funded status of the Company's defined benefit pension plans at year-end are as follows:

	2008 Accrued benefit obligation	2008 Plan assets	2008 Funded status - surplus (deficit)	2007 Accrued benefit obligation	2007 Plan assets	2007 Funded status - surplus (deficit)
Powell Plan	$ 35,937	$ 34,646	$ (1,291)	$ 42,920	$ 44,260	$ 1,340
Executive Plan	17,868	1,724	(16,144)	19,745	2,020	(17,725)
Other plan assets and obligations	7,712	8,994	1,282	8,864	11,879	3,015
Funded status of the plans	$ 61,517	$ 45,364	$ (16,153)	$ 71,529	$ 58,159	$ (13,370)

The Executive Plan is a supplemental pension plan and is solely the obligation of the Company. The Company is not obligated to fund this plan but is obligated to pay benefits under the terms of the plan as they come due. The Company has posted letters of credit in the amount of $21.5 million to secure the obligations under this plan.

The significant annual actuarial assumptions adopted in measuring the accrued benefit obligations were as follows:

	2008	2007
Discount rate	6.25%	5.25%
Expected long-term rate of return on plan assets	7.00%	7.00%
Rate of compensation increase	4.00%	4.00%

The allocations of plan assets are as follows:

	2008	2007
Equity securities	40.5%	44.4%
Debt securities	43.7%	38.2%
Real estate	12.4%	15.8%
Cash and cash equivalents	3.4%	1.6%

No plan assets are directly invested in the Company's securities.

The net pension expense for the years ended December 31 included the following components:

	2008	2007
Defined Benefit Plans		
Service cost	$ 1,118	$ 1,004
Interest cost	3,656	3,590
Actual return on plan assets	7,482	(2,439)
Actuarial loss	(7,330)	(841)
Difference between actual and expected return on assets	(11,406)	(1,570)
Difference between actual and recognized actuarial loss	7,643	1,177
Difference between actual and recognized past service benefits	(296)	(296)
	867	625
Defined Contribution Plans	9,102	8,546
401(k) matched savings plan	818	837
Net pension expense	$ 10,787	$ 10,008

The total cash amount paid or payable for employee future benefits in 2008, including defined benefit and defined contribution plans, was $12,343 (2007 - $11,909).

17. INCOME TAXES

Significant components of the provision for income tax expense were as follows:

	2008	2007
Current income tax expense	$ 79,219	$ 64,514
Future income tax expense (recovery)	(8,972)	365
Total income tax expense	$ 70,247	$ 64,879

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

	2008	2007
Statutory Canadian federal and provincial income tax rates	33.50%	36.12%
Expected taxes on income	$ 70,719	$ 67,453
Increase (decrease) in income taxes resulting from:		
Lower effective tax rates in other jurisdictions	(1,380)	(2,458)
Manufacturing and processing rate reduction	(164)	(203)
Expenses not deductible for tax purposes	1,485	1,211
Non-taxable gains	(794)	(2,817)
Effect of future income tax rate reductions	419	1,925
Other	(38)	(232)
Provision for income taxes	$ 70,247	$ 64,879
Effective income tax rate	33.28%	30.73%

The income tax effects of temporary differences that gave rise to significant portions of the future income tax assets and future income tax liabilities were as follows:

	2008	2007
CURRENT FUTURE INCOME TAX ASSETS		
Accrued liabilities	$ 14,573	$ 10,746
Deferred revenue	5,772	2,648
Accounts receivable	3,029	1,767
Inventories	12,977	8,463
Cash flow hedges in other comprehensive income	(1,417)	738
	$ 34,934	$ 24,362
NON-CURRENT FUTURE INCOME TAX LIABILITIES		
Capital assets	$ (9,250)	$ (7,807)
Other	5,321	7,633
Cash flow hedges in other comprehensive income	(492)	-
Available for sale financial assets in other comprehensive income	-	(24)
	$ (4,421)	$ (198)

18. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share.

	2008	2007
Net earnings available to common shareholders	$ 140,524	$ 122,280
Weighted average common shares outstanding	65,016,778	64,631,140
Dilutive effect of stock option conversion	422,268	435,887
Diluted weighted average common shares outstanding	65,439,046	65,067,027
Basic earnings per share		
Continuing operations	$ 2.17	$ 1.88
Discontinued operations	(0.01)	0.01
	$ 2.16	$ 1.89
Diluted earnings per share		
Continuing operations	$ 2.16	$ 1.87
Discontinued operations	(0.01)	0.01
	$ 2.15	$ 1.88

Excluded from the calculations for the year ended December 31, 2008 are 383,400 (2007 - nil) outstanding stock options with an exercise price range of $27.70 to $28.84 as they are currently anti-dilutive for the period presented.

19. COMMITMENTS

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

2009	$ 6,792
2010	5,310
2011	3,901
2012	2,216
2013	1,364
2014 and thereafter	3,984
	$ 23,567

20. CAPITAL MANAGEMENT

The Company defines capital as the aggregate of shareholders' equity (excluding accumulated other comprehensive income) and long-term debt less cash and cash equivalents. The Company's capital management framework is designed to maintain a flexible capital structure that allows for optimization of the cost of capital at acceptable risk.

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

The above capital management criteria can be illustrated as follows:

	December 31 2008	December 31 2007
Shareholder's equity excluding accumulated OCI	$ 768,204	$ 670,870
Long-term debt	173,475	230,299
Cash and cash equivalents	(137,274)	(103,514)
Capital under management	$ 804,405	$ 797,655
Net debt as a % of capital under management	5%	16%
Net debt to equity ratio	0.05:1	0.19:1

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

21. SUPPLEMENTAL CASH FLOW INFORMATION

	2008	2007
Net change in non-cash working capital and other		
Accounts receivable	$ (37,920)	$ 2,967
Inventories	(97,691)	16,984
Accounts payable and accrued liabilities	61,943	(29,416)
Deferred revenues	33,583	70,082
Other	29,935	(35,997)
	$ (10,150)	$ 24,620
Cash paid during the year for:		
Interest	$ 12,306	$ 14,507
Income taxes	$ 78,604	$ 61,894
Non-cash transactions:		
Capital asset additions included in accounts payable and accrued liabilities	$ 460	$ 447

22. 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 operating income.

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 accounting policies of the reportable operating segments are the same as those described in the summary of 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		Compression Group		Consolidated	
	2008	2007	2008	2007	2008	2007
Equipment/ package sales	$648,547	$ 658,395	$792,856	$577,810	$1,441,403	$1,236,205
Rentals	151,342	147,427	21,149	19,236	172,491	166,663
Product support	290,431	281,186	207,991	191,379	498,422	472,565
Power generation	8,893	11,328	-	-	8,893	11,328
Total revenues	$1,099,213	$1,098,336	$1,021,996	$788,425	$2,121,209	$1,886,761
Operating Income	$108,672	$108,267	$99,182	$71,856	$207,854	$180,123
Interest expense					11,753	13,587
Interest and investment income					(14,999)	(4,221)
Gain on sale of property					-	(15,990)
Income taxes					70,247	64,879
Net earnings from continuing operations					$ 140,853	$ 121,868

Selected Balance Sheet Information

	Equipment Group 2008	Equipment Group 2007	Compression Group 2008	Compression Group 2007	Consolidated 2008	Consolidated 2007
Identifiable assets	$ 731,553	$ 700,050	$ 633,940	$ 513,701	$ 1,365,494	$ 1,213,751
Corporate assets					167,956	$ 143,110
Total assets					$ 1,533,450	$ 1,356,861
Capital expend-itures	$ 65,835	$ 77,658	$ 30,640	$ 19,450	$ 96,475	$ 97,108
Depreciation	$ 44,001	$ 42,172	$ 12,068	$ 10,530	$ 56,070	$ 52,702
Goodwill	$ 13,000	$ 13,000	$ 21,800	$ 21,800	$ 34,800	$ 34,800

Operations are based primarily in Canada and the United States. The following summarizes the final destination of revenues to customers and the assets held in each geographic segment.

	2008	2007
Revenues		
Canada	$ 1,445,302	$ 1,466,553
United States	606,816	344,629
International	69,091	75,579
	$ 2,121,209	$ 1,886,761
Capital Assets and Goodwill		
Canada	$ 379,992	$ 348,707
United States	57,455	26,940
International	-	312
	$ 437,447	$ 375,959

23. ECONOMIC RELATIONSHIP

The Company, through its Equipment Group, sells and services heavy equipment and related parts. Distribution agreements are maintained with several equipment manufacturers, of which the most significant are with subsidiaries of Caterpillar Inc. The distribution and servicing of Caterpillar products account for the major portion of the Equipment Group's operations. Toromont has had a strong relationship with Caterpillar since 1993.

SOURCE: Toromont Industries Ltd.

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