TOROMONT

For immediate release

TOROMONT ANNOUNCES RESULTS FOR THE THIRD QUARTER OF 2010

Toronto, Ontario (November 9, 2010) - Toromont Industries Ltd. (TSX: TIH) today reported financial results for the three and nine-month periods ended September 30, 2010.

	Three months ended September 30			Nine months ended September 30		
millions, except per share amounts	**2010**	2009	**% change**	**2010**	2009	**% change**
Revenues	**$ 619.4**	$ 429.9	**44%**	**$ 1,622.5**	$ 1,371.8	**18%**
Operating income	**$ 45.9**	$ 47.4	**(3%)**	**$ 93.7**	$ 136.5	**(31%)**
Net earnings	**$ 26.2**	$ 31.9	**(18%)**	**$ 64.8**	$ 89.2	**(27%)**
Earnings per share - basic	**$ 0.34**	$ 0.50	**(32%)**	**$ 0.83**	$ 1.38	**(40%)**
Weighted average shares outstanding	**76.9**	64.7	**19%**	**75.9**	64.7	**17%**

Note - In the first quarter of 2010, Toromont completed the acquisition of Enerflex Systems Income Fund and its results have been consolidated from January 20, 2010, the date of acquisition.

Revenues increased 44% in the third quarter and 18% in the first nine months of 2010 compared to 2009, with increases reported in both operating groups. Equipment Group revenues increased 21% in the quarter with growth in every revenue category reflecting generally improved business conditions and bookings increased 118%. Compression Group revenues increased 71% in the third quarter due to growth at CIMCO and revenues generated as a result of the acquisition of Enerflex Systems Income Fund (“ESIF”). On a comparable basis, Enerflex revenues declined in all geographic areas reflecting weak natural gas prices in North America and capital investment deferrals in International markets. Recent activity indicates that some International markets may be resuming their capital investment programs, as bookings were 311% higher in the Compression Group in the third quarter of 2010 versus a year ago. Consolidated order backlogs at September 30, 2010 were $809 million, approximately double those of 2009.

Operating income increased year-over-year in the Equipment Group reflecting the increased activity levels. While quarter-over-quarter results continued to show improvement, the Compression Group reported lower operating income relative to the prior year period as Enerflex continued the process of integrating and rationalizing the two legacy businesses while operating with reduced backlogs carried over from weak markets conditions in prior quarters. Net earnings in the third quarter and first nine months of 2010 were down 18% and 27% respectively versus the comparable periods of 2009. Earnings per share (basic) were $0.34 for the third quarter and $0.83 through September, down 32% and 40% from the respective comparable periods in 2009, reflecting lower earnings and a higher number of shares outstanding.

“Bookings were a record $582 million in the third quarter, up 68% from the second quarter of 2010,” said Robert M. Ogilvie, Chairman and Chief Executive Officer of Toromont Industries Limited. “The Equipment Group reported growth in revenues and net income over the prior year, and continues to perform above the comparable period last year. Cimco remains on track to deliver a standout year, with strong revenue growth and record profitability. As management continues the process of rationalizing facilities, working capital and cost structures at Enerflex, we are beginning to see the results of their efforts in improving operating results."

Highlights for the Third Quarter:

- Equipment Group revenues were up 21% in the quarter versus the similar period of 2009 on strong new and used machine sales and higher product support activities. Operating income increased 26% compared to last year on higher revenues.

- Equipment Group bookings increased 118% in the third quarter and 73% in the year-to-date versus 2009. This included a $125 million order from Detour Gold Corporation. In addition to mining, improved activity levels have also been experienced in power systems and road building.

- Compression Group revenues were up 71% in the quarter compared to the same period last year due to the acquisition. Operating income decreased 35% from the third quarter of 2009 as lower shop utilization, higher combined overheads, rationalization costs and acquisition-related transaction costs impacted results.

- Compression Group bookings for the quarter were three times those reported in the third quarter of 2009 and 71% higher than those reported in the second quarter of 2010. Backlogs ended the quarter at levels twice those reported both at this time last year and as at December 31, 2009.

- Subsequent to the end of the quarter, Enerflex announced orders from QGC totalling a record USD $193 million for natural gas compression and process equipment for the Queensland Curtis LNG project and domestic Australian natural gas production.

- The operations of Syntech, an electrical, instrumentation and control business, were sold effective September 1, 2010. Syntech was a component of the ESIF acquisition however it was not considered to be core to the growth strategy of Enerflex and its assets were sold.

- Estimated savings achieved from actions completed through the end of the quarter have risen to $30 million including reductions of 310 people. These savings will be increasingly reflected in future quarters as termination payments diminish and the carrying costs related to surplus facilities are eliminated with their disposal.

- After reducing acquisition debt by $100 million in the quarter, the Company maintained a strong financial position and ended the quarter with $86 million of cash and cash equivalents. After completing the largest acquisition in the Company's history earlier this year, total debt net of cash to shareholders' equity was 0.33:1, comfortably within stated capital targets.

- As previously announced, the Board of Directors approved a 7% increase in Toromont's regular quarterly dividend marking twenty-one consecutive years of increasing dividends. The quarterly dividend at the new rate of $0.16 per common share was paid on October 1, 2010 to shareholders of record on September 16, 2010.

- Subsequent to the end of the quarter, the Company renegotiated its term loan and bank credit facilities achieving a one-year extension and reducing interest costs.

- On November 8, 2010, the Company announced its intention to spin off Enerflex Ltd., its natural gas compression and processing equipment subsidiary, to existing shareholders by means of a tax-deferred divestiture for Canadian tax purposes. After the spinoff, Toromont's remaining operations will include the business of Toromont CAT, Battlefield – The CAT Rental Store and CIMCO. The proposed corporate reorganization would be implemented through a court approved Plan of Arrangement and is subject to regulatory and shareholder approval. If approved, the spinoff is expected to be completed in the spring or early summer of 2011.

"We should continue the pattern of steady improvement at Enerflex in the fourth quarter that we have experienced this year to date," continued Mr. Ogilvie. "Increased bookings are driving higher shop loading, and coupled with savings from integration, will eventually lead to better results. CIMCO and the Equipment Group are expected to continue to deliver good results as the underlying economy and specific markets we serve continue to strengthen. Much higher backlogs will provide momentum for both Groups so that we expect to enter 2011 with a significantly better outlook than we had entering 2010."

Quarterly Conference Call and Webcast

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Tuesday, November 9, 2010 at 5:00 p.m. (ET). The call may be accessed by telephone at 1-866-223-7781 (toll free) or 416-340-8018 (Toronto area). A replay of the conference call will be available until Tuesday, November 23, 2010 by calling 1-800-408-3053 or 416-695-5800 and quoting passcode 3102015.

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

About Toromont

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

-30-

For more information contact:

Robert M. Ogilvie
Chairman and
Chief Executive Officer
Toromont Industries Ltd.
Tel: (416) 667-5554

Paul R. Jewer
Vice President Finance and
Chief Financial Officer
Toromont Industries Ltd.
Tel: (416) 667-5638

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three-month and nine-month periods ended September 30, 2010, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited interim consolidated financial statements and related notes for the three-month and nine-month periods ended September 30, 2010, the annual MD&A contained in the 2009 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2009.

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

The operations of Syntech have been sold effective September 1, 2010. This MD&A has been prepared on a continuing operations basis, with Syntech reflect as a discontinued operation. Additional disclosure has been provided in Note 3 to the unaudited interim consolidated financial statements.

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

The consolidated financial statements reported herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars. The information in this MD&A is current to November 8, 2010.

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

ACQUISITION OF ENERFLEX SYSTEMS INCOME FUND

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

This transaction brought together ESIF and Toromont Energy Systems, to create a stronger organization named Enerflex Ltd. ("Enerflex"), better able to serve customers and compete in both North American and international markets. The new Enerflex benefits from more comprehensive global market coverage and a broader suite of products as well as a more robust capital structure. Toromont also expects to realize attractive synergies and cost savings through the elimination of excess fabrication capacity, overlapping service facilities, and duplicate general and administration expenses.

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

CONSOLIDATED RESULTS OF OPERATIONS

$ thousands, except per share amounts	Three months ended September 30 **2010**	2009	% change	Nine months ended September 30 **2010**	2009	% change
Revenues	**$ 619,440**	$ 429,922	44%	**$ 1,622,537**	$ 1,371,754	18%
Cost of goods sold	**487,140**	328,072	48%	**1,288,878**	1,062,991	21%
Gross profit	**132,300**	101,850	30%	**333,659**	308,763	8%
Selling and administrative expenses	**86,445**	54,473	59%	**239,917**	172,232	39%
Operating income	**45,855**	47,377	(3%)	**93,742**	136,531	(31%)
Interest expense	**7,281**	1,922	279%	**22,000**	6,365	246%
Interest and investment income	**(331)**	(1,438)	(77%)	**(1,593)**	(3,442)	(54%)
Gain on available-for-sale financial assets	**-**	-	-	**(18,627)**	-	n/m
Equity earnings from affiliates	**(140)**	-	n/m	**(330)**	-	n/m
Income before income taxes	**39,045**	46,893	(17%)	**92,292**	133,608	(31%)
Income taxes	**12,847**	14,970	(14%)	**27,498**	44,442	(38%)
Earnings from continuing operations	**26,198**	31,923	(18%)	**64,794**	89,166	(27%)
Losses on discontinued operations	**(99)**	-	n/m	**(1,498)**	-	n/m
Net earnings	**$ 26,099**	$ 31,923	(18%)	**$ 63,296**	$ 89,166	(29%)
Earnings per share (basic)	**$ 0.34**	$ 0.50	(32%)	**$ 0.83**	$ 1.38	(40%)
Key ratios:						
Gross profit as a % of revenues	**21.4%**	23.7%		**20.6%**	22.5%	
Selling and administrative expenses as a % of revenues	**14.0%**	12.7%		**14.8%**	12.6%	
Operating income as a % of revenues	**7.4%**	11.0%		**5.8%**	10.0%	
Income taxes as a % of income before income taxes	**32.9%**	31.9%		**29.8%**	33.3%	

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

Revenues increased by 44% in the third quarter and 18% through September 2010 compared to the same periods in the prior year on higher revenues in both operating groups. Equipment Group revenues were up 21% in the quarter and 13% year-to-date, driven by higher new and used equipment sales and product support activities. Compression Group revenues were up 71% in the third quarter and 23% through September as continued growth in Canadian recreational refrigeration, together with revenues from the acquired business more than offset declines in certain Canadian and international markets. Economic conditions generally and natural gas compression markets specifically, have shown improvement from the low point reported in the third quarter of 2009.

Significant volatility in the rate of exchange between the Canadian and U.S. dollar has also had a meaningful impact on revenue trends. The Canadian dollar averaged $0.96 in the third quarter and through September 2010, representing 6% and 13% increases from the averages seen in the comparable periods of 2009. Impacts of these trends include:

- The Canadian/U.S. dollar exchange rate impacts reported revenues on the translation of the financial statements of foreign subsidiaries. Simple translation of the U.S. dollar reduced reported revenues by $4 million in the third quarter of 2010 and $43 million in the year-to-date versus 2009. Net income was also reduced by $0.3 million and $2.5 million, respectively due to translation.
- Nearly all of the equipment and parts sold in the Equipment Group are sourced in U.S. dollars. The Canadian dollar sales prices generally reflect changes in the rate of exchange. The impact on equipment revenues is not readily estimable as it is largely dependent on when customers order the equipment versus when it was sold. Bookings in a given period would more closely follow period-over-period changes in exchange rates. Sales of parts come from inventories maintained to service customer

requirements. As a result, constant parts replenishment means that there is a lagging impact of changes in exchange rates.

- In the Compression Group, revenues from foreign subsidiaries are impacted by the translation of results, noted above. Sales in Canada are largely impacted by the same factors as those impacting the Equipment Group.

Gross profit margins in the third quarter and through September 2010 were lower than reported in the comparable periods of 2009. Gross profit margins in the Equipment Group in 2009 benefited from the rapid devaluation of the Canadian dollar, which was not repeated in 2010. Within the Compression Group, lower shop utilization contributed to reduced gross profit margins in the current year.

Selling and administrative expenses increased by $32.0 million in the third quarter of 2010 and $67.7 million year-to-date versus the comparable periods of 2009. Most of the increase was due to the recurring costs assumed with the acquisition. Selling and administrative expenses in 2010 also included costs related to the acquisition and integration of ESIF of $0.9 million in the quarter and $8.5 million year-to-date. Amortization of identifiable intangible assets recorded on acquisition added $2.9 million and $8.1 million in expense in the quarter and year-to-date respectively. Selling and administrative expenses as a percentage of revenues were 14.0% in the third quarter of 2010 and 14.8% year-to-date versus 12.7% and 12.6% in the comparable periods of 2009.

Operating income decreased 3% in the third quarter and 31% through September 2010 compared to the similar period in 2009 as higher expense levels and lower gross margins more than offset higher revenues.

Interest expense was $5.4 million higher in the quarter and $15.6 million higher through September 2010 compared to the similar periods of 2009. The increase in expense resulted primarily from interest on a $450 million term loan facility sourced to finance the acquisition of ESIF.   Interest on this facility totalled $5.4 million in the quarter and $14.6 million through September.

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

The effective income tax rate through the first nine months of 2010 is lower than that in the comparable periods of 2009 reflecting the favourable capital gains tax rate used for the unrealized gain on units reclassified out of OCI and into income on acquisition. Excluding this, the effective income tax rate is higher in 2010 reflecting a change in distribution of taxable income and loss by tax jurisdiction.

Effective September 1, 2010, certain assets of Syntech, acquired as part of the ESIF acquisition and included in the Compression Group, were sold at book value. The financial statements for 2010 have been restated to reflect Syntech as a discontinued operation.

Net earnings were down 18% in the third quarter and 29% through September 2010 compared to the similar periods of 2009, largely reflecting lower gross margins and higher expenses post acquisition. Basic earnings per share (“EPS”) were $0.34 for the quarter and $0.83 year-to-date, down 32% and 40% from the respective comparable periods of 2009, both reflecting lower earnings and a higher number of shares outstanding.

Comprehensive income for the third quarter was $24.7 million, comprised of net earnings of $26.1 million and other comprehensive loss of $1.4 million. The other comprehensive loss arose on the reclassification to earnings of unrealized gains on cash flow hedges.

Comprehensive income through September 2010 was $44.9 million, comprised of net earnings of $63.3 million and other comprehensive loss of $18.4 million. The other comprehensive loss arose from the reclassification to earnings of unrealized gains on available-for-sale financial assets in the period of $15.6 million and a loss on translation of self-sustaining foreign operations of $3.0 million.

BUSINESS SEGMENT OPERATING RESULTS

The accounting policies of the segments are the same as those of the consolidated entity. Management evaluates overall business segment performance based on revenue growth and operating income relative to revenues. Corporate expenses are allocated based on each segment’s revenue. Previously, corporate overheads were allocated to the business segments based on operating income. The change in allocation method has been applied prospectively from January 1, 2010. Prior periods have not been restated as the impact is insignificant. Interest expense and interest and investment income are not allocated.

Results of Operations in the Equipment Group

	Three months ended September 30			Nine months ended September 30		
$ thousands	**2010**	2009	% change	**2010**	2009	% change
Equipment sales and rentals						
New	**$ 120,668**	$ 94,959	27%	**$ 286,288**	$ 237,275	21%
Used	**43,455**	29,766	46%	**105,712**	85,781	23%
Rental	**43,134**	40,032	8%	**99,845**	99,471	-
Total equipment sales and rentals	**207,257**	164,757	26%	**491,845**	422,527	16%
Power generation	**2,565**	2,501	3%	**7,692**	7,210	7%
Product support	**73,766**	66,371	11%	**225,224**	212,600	6%
Total revenues	**$ 283,588**	$ 233,629	21%	**$ 724,761**	$ 642,337	13%
Operating income	**$ 30,984**	$ 24,608	26%	**$ 72,214**	$ 65,883	10%
Key ratios:						
Product support revenues as a % of total revenues	**26.0%**	28.4%		**31.1%**	33.1%	
Group total revenues as a % of consolidated revenues	**45.8%**	54.3%		**44.7%**	46.8%	
Operating income as a % of revenues	**10.9%**	10.5%		**10.0%**	10.3%	

Results in the third quarter of 2010 continued to strengthen after an extended period of weaker market conditions dampened results through 2009 and into the first quarter of 2010. Stronger results in the third quarter continue the positive trend first experienced in the second quarter of 2010.

New equipment sales were 27% higher in the third quarter of 2010 and 21% higher through September compared to the similar periods of 2009 on higher unit sales. Many market segments, notably heavy construction and industrial, were higher.

Used equipment sales were 46% higher in the quarter and 23% higher in the nine month period ended September 30.

Rental revenues were 8% higher in the quarter bringing year-to-date revenues to a level comparable to 2009 after a slower start to 2010. Rental rates have been consistently lower this year due to very competitive market conditions; however equipment utilization has improved through the second and third quarters of 2010 leading to the increased rental revenues.

Power generation revenues from Toromont-owned plants increased 3% in the quarter and 7% through September 30, 2010 compared to the similar periods of the prior year, reflecting increased operating hours and higher average prices for electricity.

Product support revenues were 11% higher in the third quarter and 6% higher through the first nine months of 2010 compared to the similar periods of 2009. On a constant dollar basis (adjusted for all pricing adjustments including those for foreign exchange), product support revenues were up 14% and 11% respectively.

Operating income was up 26% in the third quarter of 2010 compared to the similar period of 2009 reflecting the 21% increase in revenues. Gross margins and expense ratios were marginally improved from the third quarter of 2009.

Operating income was 10% higher through September 2010 compared to the prior year on the 13% increase in revenues. Gross margins declined 1.9 percentage points from the prior year. Gross margins during the first half of 2009 benefitted from lagging costs associated with foreign currency hedges during a period of rapid devaluation of the Canadian dollar. Selling and administrative expenses increased 2% compared to the prior year, compared to a 13% increase in revenues, reflecting continued focus on expense control.

Bookings ($ millions)	**2010**	**2009**	**% change**
Q1	$ 135	$ 78	74%
Q2	$ 138	$ 107	28%
Q3	$ 228	$ 105	118%
September ytd	$ 501	$ 290	73%

	September 30, 2010	**December 31, 2009**	**September 30, 2009**
Backlog ($ millions)	$ 219	$ 110	$ 111

Equipment bookings and backlog benefited from a significant order of $125 million received from Detour Gold Corporation for a fleet of mining trucks and support equipment, to be delivered in 2011 and 2012. Bookings on a year-to-date basis are up 73%, reflecting increased activity in mining, power systems and construction.

Results of Operations in the Compression Group

$ thousands		Three months ended September 30 2010		2009	% change		Nine months ended S[cut off] 2010		2009
Package sales and rentals									
Natural gas compression	**$**	**126,746**	$	97,400	30%	**$**	**352,869**	$	408,570
Process and fuel gas compression		**67,406**		26,385	155%		**151,981**		106,670
Refrigeration systems		**30,276**		24,360	24%		**80,913**		65,301
Compression rentals		**7,948**		3,416	133%		**24,002**		11,916
Other		**12,318**		-	n/m		**35,328**		-
Total package sales and rentals		**244,694**		151,561	61%		**645,093**		592,457
Product support		**91,158**		44,732	104%		**252,683**		136,960
Total revenues	**$**	**335,852**	$	196,293	71%	**$**	**897,776**	$	729,417
Operating income	**$**	**14,871**	$	22,769	(35%)	**$**	**21,528**	$	70,648
Key ratios:									
Product support revenues as a % of total revenues		**27.1%**		22.8%			**28.1%**		18.8%
Group total revenues as a % of consolidated revenues		**54.2%**		45.7%			**55.3%**		53.2%
Operating income as a % of revenues		**4.4%**		11.6%			**2.4%**		9.7%

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

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

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

Actions taken through to the date of this MD&A have reduced 310 employee positions and eliminated 320,000 sq. ft. of excess capacity. Cost savings achieved through these actions is estimated at $30 million on an annualized basis. Continued focus is being placed on facilities requirements, surplus real estate and excess inventory and these efforts are expected to reduce capital employed and lead to additional cost savings.

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

Natural gas package revenues were up 30% in the quarter, benefiting from increased revenues from the acquired operations. Revenues generated in the US were relatively strong in the quarter while international markets declined year-over-year.

Natural gas package revenues were down 14% through September 2010 compared to 2009. The stronger Canadian dollar resulted in a decrease of $26 million on translation of revenues derived at foreign operations. Sales of natural gas compression packages from US operations were down 33% on a US dollar basis due to significantly lower market activity in the first half of 2010. Sales from Canadian operations were significantly higher on revenues added by the acquisition, more than offsetting declines in the legacy businesses.

Process and fuel gas compression systems revenues were up 155% and 42% in the quarter and through September 2010 respectively.

Refrigeration systems revenues were up 24% in the third quarter and on a year-to-date basis compared to the similar period of 2009. Recreational refrigeration in Canada has seen good growth due to the Federal Recreational Infrastructure in Canada program, while the markets for industrial refrigeration in Canada and refrigeration generally in the US have remained challenged.

Rental revenues increased in the quarter and through September 2010 due to the addition of the rental operation of the acquired ESIF business.

Other revenues include revenues from businesses acquired in the acquisition of ESIF, including combined heat and power and project engineering.

Product support revenues increased 104% in the third quarter of 2010 and 84% through September 2010 compared to 2009 as the acquisition of ESIF resulting in significantly expanded operations. Refrigeration product support revenues were relatively unchanged from the prior year for the quarter and year-to-date.

The Compression Group reported operating income of $14.9 million in the third quarter of 2010 compared to $22.8 million in the similar period of 2009. Through September, operating income was $21.5 million compared to $70.6 million in the similar period of 2009. The decrease in both periods reflects the higher fixed overheads and excess capacity in fabrication facilities which continued to be under absorbed on lower activity levels on a combined pro forma basis. Transaction related costs and restructuring activities resulted in $0.9 million expense in the third quarter of 2010, $8.5 million through September. Amortization related to identifiable intangible assets recorded on acquisition totalled $2.9 million in the quarter and $8.1 million year-to-date.

Bookings ($ millions)	**2010**	**2009**	**% change**
Q1	$ 188	$ 81	132%
Q2 *	$ 208	$ 111	87%
Q3	$ 354	$ 86	311%
September ytd	$ 750	$ 278	170%

	September 30, 2010	**December 31, 2009**	**September 30, 2009**
Backlog ($ millions)	$ 590	$ 301	$ 298

* The 2010 number has been increased from the previous report to properly reflect Q2 bookings

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

Compression bookings were up significantly year-over-year, reflecting the larger integrated Enerflex business and success in certain key markets. Recreational refrigeration bookings were up 36% on a year-to-date basis with strong order activity in Canadian recreational markets significantly due to the Recreational Infrastructure Canada program. Industrial refrigeration bookings were down 32% through the same time frame on weaker economic conditions. Backlogs at September 30, 2010 were up from those reported at September 30 and December 31, 2009. Approximately $140 million in backlog was assumed on acquisition of ESIF.

Subsequent to the end of the quarter, Enerflex announced orders from QGC PTY Ltd. totalling a record USD $193 million for natural gas compression and process equipment for use in the Queensland Curtis LNG project and domestic Australian natural gas compression. These orders are not included in the bookings or backlog figures reported above.

CONSOLIDATED FINANCIAL CONDITION

At September 30, 2010, the ratio of total debt net of cash to equity was 0.33:1, within the Company's targeted range. Total assets were $2.3 billion at September 30, 2010, compared with $1.4 billion at December 31, 2009. Total assets purchased in the acquisition of ESIF were approximately $1 billion.

Working Capital

The Company's investment in non-cash working capital was $431.4 million at September 30, 2010. The major components, along with the changes from December 31, 2009, and September 30, 2009 are identified in the following table. The September 30, 2010 balances reflect the acquisition of working capital of ESIF.

$ thousands	September 30 2010	December 31 2009	Change $	Change %	September 30 2009	Change $	Change %
Accounts receivable	$ 465,422	$ 244,759	$ 220,663	90%	$ 259,076	$ 206,346	80%
Inventories	480,939	373,110	107,829	29%	428,201	52,738	12%
Income taxes, net	3,735	16,967	(13,232)	-78%	8,227	(4,492)	-55%
Future income tax assets	38,612	34,326	4,286	12%	39,577	(965)	-2%
Derivative financial instruments	490	(874)	1,364	n/m	(2,364)	2,854	n/m
Other current assets	17,569	6,037	11,532	n/m	12,033	5,536	46%
Accounts payable and accrued liabilities	(346,827)	(228,436)	(118,391)	52%	(205,530)	(141,297)	69%
Dividends payable	(12,305)	(9,728)	(2,577)	26%	(9,709)	(2,596)	27%
Deferred revenue	(209,097)	(89,810)	(119,287)	133%	(99,640)	(109,457)	110%
Current portion of long-term debt	(6,889)	(14,044)	7,155	-51%	(14,276)	7,387	-52%
Total non-cash working capital	$ 431,649	$ 332,307	$ 99,342	30%	$ 415,595	$ 16,054	4%

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

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

There are a number of significant factors which need to be considered in comparing inventory balances at these three points in time. One factor is seasonality which leads to a build of inventories early in a calendar year in preparation for anticipated deliveries through the latter part of the year. The other factor is the ESIF acquisition completed in early 2010, which included inventories of approximately $136 million.

Income taxes receivable reflects refunds to be received for prior taxation years' corporate income tax as well as amounts owing for current corporate income taxes less installments made to date. The amount receivable in 2010 is lower than in 2009 as higher tax refunds have been received.

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

Derivative financial instruments represent the fair value of foreign exchange contracts and embedded derivatives. Fluctuations in the value of the Canadian dollar have led to a cumulative net gain of $0.5 million as at September 30, 2010. This is not expected to affect net income, as the unrealized gain will offset future losses on the related hedged items.

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

Dividends payable were higher at September 30, 2010 compared to both September 30 and December 31, 2009 reflecting the higher number of shares outstanding after the acquisition. Approximately 11.9 million shares were issued as partial consideration in the acquisition of ESIF, representing an increase in the number of shares outstanding from December 31, 2009 of 18%. The quarterly dividend rate was increased by the Board of Directors during the third quarter of 2010. The new quarterly rate of $0.16 per share was affected with the October 1, 2010 dividend payment, compared to $0.15 per share dividend for each quarter through 2009.

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

The current portion of long-term debt reflects scheduled principal repayments due through to June 30, 2011. Subsequent to quarter-end, the Company refinanced its term loan facility and credit facility. Please refer to further discussion under the title "Sources of Liquidity" in this MD&A and to Note 22 to the unaudited interim consolidated financial statements.

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

In August 2010, the Company renewed its normal course issuer bid (NCIB) with the Toronto Stock Exchange (TSX). Pursuant to the NCIB, the Company may purchase for cancellation up to 5,597,914 of its common shares during the 12-month period commencing August 31, 2010 and ending August 30, 2011. The total shares that may be purchased under this issuer bid represents 10% of Toromont's issued and outstanding common shares in the public float. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont. All shares purchased under the NCIB will be cancelled. Shareholders may contact our Corporate Secretary to obtain, without charge, a copy of our notice to the TSX regarding the NCIB.

No shares were repurchased through September 2010. The Company purchased and cancelled 43,400 shares for $0.9 million (average cost of $19.77 per share) in the first quarter of 2009. The shares were purchased for an amount higher than their weighted average book value per share ($1.97 per share) resulting in a reduction of retained earnings of $0.8 million.

Outstanding Share Data

As at the date of this MD&A, the Company had 76,910,476 common shares and 2,384,010 share options outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

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

Toromont arranged a term loan facility in January 2010 in connection with the acquisition of ESIF. Borrowings of $450 million were drawn down under this facility, with principal repayments of $16.875 million due quarterly and a lump sum final repayment due in July 2011 (eighteen month term). In addition to the required quarterly repayment of $16.875 million, the Company made a voluntary repayment, without penalty, of $83.125 million during the third quarter of 2010.

The Company had available $225 million in bank credit in Canada and US$20 million in bank credit in the United States, provided through committed credit facilities. There were no amounts drawn on either of the facilities as at any of the above reporting dates. The US$20 million facility matures in July 2011. At September 30, 2010, standby letters of credit issued under these facilities utilized $65 million of the credit lines (December 31, 2009 - $33 million; September 30, 2009 - $38 million).

Effective November 5, 2010, the Company completed a refinancing of its Canadian committed credit facility. The new committed credit facility, with a maturity date of June 30, 2012, provides $600 million in available financing and includes covenants, restrictions and events of default that are substantially the same as the corresponding provisions in Toromont's previous facilities. In conjunction with the new financing, the $333.125 million outstanding under the term loan facility was repaid in full and cancelled using proceeds of the new financing and cash. Debt incurred under the new facility is unsecured and ranks parri passu with debt outstanding under Toromont's existing debentures. Outstanding loans under the facility bear interest at a rate equal to the Canadian prime rate plus a specified margin ranging from 50 to 175 basis points. Toromont intends to utilize this facility primarily through the issuance of bankers' acceptances with acceptance fees ranging from 150 to 275 basis points. The applicable margin or acceptance fee will, in each case, be determined based on Toromont's leverage ratio.

At September 30, 2010, $333.1 million or 70% of the Company's total debt portfolio was subject to movements in floating interest rates, with maturity in 2011. The remaining $144.1 million or 30% 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 5.2%.

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

Principal Components of Cash Flow

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

	Three months ended September 30		**Nine months ended September 30**	
$ thousands	**2010**	2009	**2010**	2009
Cash, beginning of period	$ 159,067	$ 62,150	$ 206,957	$ 137,274
Cash, provided by (used in):				
Operations	35,897	43,992	93,720	126,492
Change in non-cash working capital and other	15,436	44,262	25,403	(57,427)
Operating activities	51,333	88,254	119,123	69,065
Investing activities	(4,690)	(20,740)	(356,268)	(56,940)
Financing activities	(118,439)	(22,840)	117,107	(42,575)
(Decrease) increase in cash in the period	(71,796)	44,674	(120,038)	(30,450)
Effect of foreign exchange on cash balances	(1,128)	(1,457)	(776)	(1,457)
Cash, end of period	$ 86,143	$ 105,367	$ 86,143	$ 105,367

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

Cash Flows from Operating Activities

Operating activities provided $51.3 million in the third quarter of 2010 compared to $88.3 million in the comparable period of 2009. Net earnings adjusted for items not requiring cash were down 18% on lower operating margins including expenses related to the acquisition of ESIF. Non-cash working capital and other provided $15.4 million in the quarter compared to $44.3 million in the similar period of 2009. The components and changes in working capital are discussed in more detail in this MD&A under the heading "Consolidated Financial Condition."

Through September 2010, operating activities provided $119.1 million compared to $69.1 million in the comparable period of 2009. While net earnings adjusted for items not requiring cash was down 26%, working capital management activities have been stronger.

Cash Flows from Investing Activities

Investing activities in the third quarter of 2010 used $4.7 million and comprised the following items:

- Proceeds on sale of discontinued operations, Syntech, of $3.5 million cash and $3.5 million note receivable;
- Gross rental fleet additions of $5.9 million, directed largely at the Equipment Group; and
- Additions to property, plant and equipment of $6.7 million.

Investing activities through September 2010 used $356.3 million and comprised the following items:

- Cash used as partial payment for the ESIF acquisition in the first quarter of 2010 of $292.5 million, net of cash acquired;
- Net rental fleet additions of $7.8 million, directly largely at the Equipment Group;
- Additions to property, plant and equipment of $59.4 million; and
- Proceeds on sale of discontinued operations, Syntech of $3.5 million cash and $3.5 million note receivable.

Investments in property, plant and equipment through September 2010 were related largely to on-going construction of a gas processing facility in Oman. This facility and related 'build-own-operate-maintain' customer agreement, was acquired as part of the acquisition of ESIF. The facility, with a net book value at September 30, 2010 of $49 million, is expected to be operational within the fourth quarter of 2010.

Investing activities in 2009 included cash used for purchase of units of ESIF.

Cash Flows from Financing Activities

Financing activities used $118.4 million in the third quarter of 2010. Repayments of long-term debt totalled $107.1 million and included an additional principal re-payment on the term loan credit facility in advance of its refinancing. Dividends used $11.5 million in the third quarter.

Through September 2010, financing activities provided $117.1 million on a net increase in long-term debt of $147.4 million. Long-term debt increased $443 million borrowings (net of financing costs) under a new term loan facility entered into to acquire ESIF. Through September 2010, repayments of $295.7 million of long-term debt have been made, including repayment of $164.9 million in ESIF's senior secured notes payable and bank facilities, including penalties, which were required to be repaid subsequent to completing the acquisition. Dividends used $32.8 million in the period.

Dividends paid to common shareholders were up 19% in the third quarter and through September 2010, reflecting the higher number of shares outstanding as a result of the acquisition.

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

OUTLOOK

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

The global markets for compression and processing equipment have been slow to recover from the recession and liquidity crisis. In North America, low natural gas prices continue to discourage investment.

Enerflex is continuing to reduce costs. We expect that revenue growth generated by recent bookings should eventually produce operating profits more in line with our expectations and the results traditionally achieved by the predecessor companies.

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

The Equipment Group has seen a steady increase in business and we expect to see this continue as long as the economic recovery continues.

With the recent strength in bookings and backlogs, our outlook for the remainder of this year and next year is improving.

On November 8, 2010, Toromont announced its intention to spin off Enerflex Ltd., its natural gas compression and processing equipment supply subsidiary, to existing shareholders by means of a tax-deferred divestiture for Canadian tax purposes. We believe this transaction will provide compelling long term value for our shareholders. Both companies will be leaders in their respective markets and this spinoff will position each for more robust growth opportunities and enhanced profitability.

CONTRACTUAL OBLIGATIONS

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

Payments due by Period	remainder of 2010	2011	2012	2013	2014	Thereafter	Total
Long-term Debt							
- principal	$ -	$ 6,904	$334,420	$ 1,372	$ 1,471	$ 133,039	$ 477,206
- interest	6,077	17,859	12,283	6,895	6,796	7,635	57,545
Operating Leases	5,802	14,351	10,959	8,393	6,917	14,727	61,149
	$ 11,879	$ 39,114	$357,662	$ 16,660	$ 15,184	$ 155,401	$ 595,900

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2009 annual audited consolidated financial statements.

$ thousands, except per share amounts	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Revenues				
Equipment Group	$ 239,009	$ 176,635	$ 264,538	$ 283,588
Compression Group	213,829	249,838	312,086	335,852
Total revenues	$ 452,838	$ 426,473	$ 576,624	$ 619,440
Net earnings - continuing operations	$ 31,350	$ 16,227	$ 22,369	$ 26,198
Net earnings	$ 31,350	$ 15,365	$ 21,832	$ 26,099
Per share information:				
Earnings per share - continuing operations				
Basic	$ 0.48	$ 0.22	$ 0.29	$ 0.34
Diluted	$ 0.48	$ 0.22	$ 0.29	$ 0.34
Earnings per share				
Basic	$ 0.48	$ 0.21	$ 0.28	$ 0.34
Diluted	$ 0.48	$ 0.21	$ 0.28	$ 0.34
Dividends per share	$ 0.15	$ 0.15	$ 0.15	$ 0.16
Weighted average common shares outstanding - Basic (in thousands)	64,771	73,866	76,881	76,896

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

$ thousands, except per share amounts	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Revenues				
Equipment Group	$ 303,904	$ 191,693	$ 217,015	$ 233,629
Compression Group	305,800	265,966	267,158	196,293
Total revenues	$ 609,704	$ 457,659	$ 484,173	$ 429,922
Net earnings	$ 49,110	$ 23,718	$ 33,525	$ 31,923
Per share information:				
Basic earnings per share	$ 0.76	$ 0.37	$ 0.51	$ 0.50
Diluted earnings per share	$ 0.76	$ 0.37	$ 0.51	$ 0.50
Dividends per share	$ 0.14	$ 0.15	$ 0.15	$ 0.15
Weighted average common shares outstanding - Basic (in thousands)	64,865	64,678	64,698	64,718

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

Interim period revenues and earnings historically reflect some seasonality.

The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenues are recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter has typically been the strongest quarter due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. This pattern has been changing in recent years given changes in economic conditions, product availability and other market specific factors, such that the seasonality impact in the second, third and fourth quarter has been relatively neutral.

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

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

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to risks that may potentially impact its financial results in either or both of its business segments. The Company and each operating segment employ risk management strategies with a view to mitigating these risks on a cost-effective basis.

There have been no material changes to the operating and financial risk assessment and related risk management strategies as described in the Company's 2009 Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

The preparation of financial statements in conformity with Canadian GAAP requires estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. There have been no material changes to the critical accounting estimates as described in the Company's 2009 Annual Report.

CHANGES IN ACCOUNTING POLICIES

Business Combinations

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

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

FUTURE ACCOUNTING STANDARDS

Financial Instruments Recognition and Measurement

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

Multiple Deliverable Revenue Arrangements

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Project Management

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

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

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

The Company's IFRS transition project is on schedule. We are in the solution development and implementation phase and have established issue-specific work teams to focus on quantification of impact, generating options and making recommendations in the identified risk areas. Quarterly updates are provided to the Audit Committee. The following table indicates the key elements of the Company's plan for transitioning to IFRS and the progress made against each activity.

Key Activity	**Status**
Accounting Policies and Procedures	
Identify differences between IFRS and the Company's existing policies and procedures	Completed
Analyze and determine which IFRS 1 exemptions will be taken on transition to IFRSs	Transitional exemptions analyzed and decisions preliminarily approved by senior management and presented to the Audit Committee in August 2010.
Analyze and select ongoing policies where alternatives are permitted	Initial accounting policy selections preliminarily approved by senior management and presented to the Audit Committee in August 2010.
Revise accounting policy and procedures manuals	Revisions to accounting manuals are being drafted as work on each area of IFRS progresses.
Financial Statement Preparation	
Preparation of Opening Balance Sheet on transition to IFRS as at January 1, 2010 including required reconciliations	Significant progress made during the third quarter of 2010. Audit procedures have commenced on the opening balance sheet. Management anticipates that quantitative opening balance sheet impacts will be finalized in the fourth quarter of 2010.

Key Activity	Status
Prepare 2010 comparative interim financial statements and note disclosures in compliance with IFRSs	Preparation of 2010 comparative financials is well underway. External auditor review procedures have commenced on 2010 comparative financials. Management anticipates that the 2010 quarterly comparative preparation and review process will be finalized in early 2011.
Training and Communication	
Design and implement IFRS training to affected personnel and to our external stakeholders	Key employees involved with implementation have completed in-depth training and attend update courses each year. High level 'overview' training provided to financial personnel in all business units. Communication to external stakeholders has been ongoing through our MD&A disclosures. Further refinement of expected impacts of the IFRSs conversion will occur in each period up to adoption of IFRSs
Systems	
Identify changes required to IT systems for dual reporting and additional data gathering, and implement solutions	Required changes to IT systems have been identified and implemented. Currently being tested. Additional data required for IFRS has been implemented within the company's financial information system and will continue to be tested and refined through to early 2011
Control Environment	
For all changes to policies and procedures identified, assess effectiveness of internal controls over financial reporting and disclosure controls and procedures and implement any necessary changes	Relevant controls are being assessed as each work stream progresses.
Other Business Impacts	
Identify other potential impacts of conversion to IFRS	Identification of impacts of transition to IFRS is on-going. Adoption of IFRSs is not expected to have any material impact on the company's contracts

Transitional Impacts

IFRS 1 – First-Time Adoption of Intenational Financial Reporting Standards provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented which will be January 1, 2010.

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

Area of IFRS	**Summary of Exemption Available**
Business Combinations	Choices: The Company may elect on transition to IFRS to either restate all past business combinations in accordance with IFRS 3 "Business Combinations" or to apply an elective exemption from applying IFRS to past business combinations. Policy selection: The Company will elect, on transition to IFRS, to apply the elective exemption such that transactions entered into prior to the transition date will not be restated. In addition, the Company adopted Canadian Handbook Section 1582, 1601 and 1602 effective January 1, 2010. These new standards are considered to be IFRS compliant. Expected transition impact: None
Property, Plant and Equipment	Choices: The Company may elect to report items of property, plant and equipment in its opening balance sheet on the transition date at a deemed cost instead of the actual cost that would be determined under IFRS. The deemed cost of an item may be either its fair value at the date of transition to IFRS or an amount determined by a previous revaluation under Canadian GAAP (as long as that amount was close to either its fair value, cost or adjusted cost). The exemption can be applied on an asset-by-asset basis. Policy selection: The Company will not elect to report any items of property, plant and equipment in its opening balance sheet on the transition date, at a deemed cost instead of the actual cost that would be determined under IFRSs. The Company will instead report the items at cost Expected transition impact: None
Share-Based Payments	Choices: The Company may elect not to apply IFRS 2 "Share-Based Payments" to equity instruments granted on or before November 7, 2002 or which vested before the Company's date of transition to IFRS. Policy selection: The Company will elect to apply IFRS 2 to equity instruments granted on or before November 7, 2002 or which vested before the Company's date of transition to IFRS. Expected transition impact: Not significant

Area of IFRS	Summary of Exemption Available
Employee Benefits	Choices: The Company may elect to recognize all cumulative gains and losses through opening retained earnings at the date of transition to IFRS. Actuarial gains and losses would have to be recalculated under IFRS from the inception of the defined benefit plan if the exemption is not taken. Policy selection: The Company will elect to recognize all cumulative actuarial gains and losses at the date of transition. Expected transition impact: Increase total liabilities, increase future income tax assets and decrease retained earnings
Foreign Exchange	Choices: On transition, cumulative translation gains or losses in accumulated other comprehensive income (OCI) can be reclassified to retained earnings. If not elected, all cumulative translation differences must be recalculated under IFRS from inception. Policy selection: The Company will elect to reclassify all cumulative translation gains and losses at the date of transition to retained earnings. Expected transition impact: Reclassification of all cumulative translation gains and losses in OCI results in a charge to retained earnings of $15,954.
Borrowing Costs	Choices: On transition, the Company must select a commencement date for capitalization of borrowing costs related to all qualifying assets which is on or before January 1, 2010. Policy selection: The Company will elect to capitalize borrowing costs on all qualifying assets commencing on January 1, 2010.

Accounting Policy Changes

In addition to the one time transitional impacts described above, there are several accounting policy differences which may impact the Company on a go-forward basis. The significant accounting policy differences are presented below. This is not an exhaustive list.

Accounting Area	Key Difference from GAAP	Status
Employee Benefits	Under Canadian GAAP, the Company applies the ‘corridor’ method of accounting, whereby actuarial gains and losses are deferred and amortized over time. Under IFRS, a Company may elect to recognize actuarial gains and losses: • In full, as they arise, in the income statement • Over a longer period, using the ‘corridor’ method, or • In full as they arise, outside profit or loss, in OCI	The Company has elected to record actuarial gains and losses arising from its defined benefit pension plans in OCI. This will likely reduce the Company’s income statement expense associated with the defined benefit pension plans as actuarial losses are no longer amortized, and increase variability in OCI.

Accounting Area	Key Difference from GAAP	Status
Stock Based Compensation	The valuation of stock options under IFRS requires individual 'tranche based' valuations for those option plans with graded vesting, whilst Canadian GAAP allows a single valuation for all tranches.	The impact of these changes is not anticipated to be significant.
Impairment of Assets	IFRS requires impairment testing to be done at the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other groups of assets ('cash generating unit'), rather than the reporting unit level considered by Canadian GAAP. IFRS requires the assessment of asset impairment to be based on discounted future cash-flows. IFRS allows the reversal of impairment losses, other than for goodwill and indefinite life intangible assets, while GAAP does not.	The Company has identified more cash generating units than the reporting units currently used to assess for impairment under Canadian GAAP. Whether the Company will be materially impacted by this change will depend upon the facts at the time of each impairment test. Impairment calculations have been prepared and are currently being reviewed.
Borrowing Costs	Under IFRSs, borrowing costs will be capitalized to assets which take a substantial time to develop or construct using a capitalization rate based on all of the company's outstanding third-party debt.	The impact of this policy change will be dependent on the magnitude of capital spend on qualifying assets in the future. Generally, this will reduce finance costs and increase property, plant and equipment balances and associated depreciation for those assets.
Financial Statement presentation and Disclosure	IFRS requires significantly more disclosure than GAAP for certain standards.	Financial statement formats have been drafted for both interim and annual reporting purposes. Formats and disclosures will be revised through to early 2011.

The International Accounting Standards Board (IASB) work plan anticipates the completion of several projects in calendar years 2010 and 2011. The projects on financial instruments, post-employment benefits, financial statement presentation, revenue recognition and leases are most relevant to the Company's IFRS transition plans. Management will be monitoring any changes to these standards closely.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit

Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the accompanying consolidated financial statements. The Audit Committee is also responsible for determining that management fulfills its responsibilities in the financial control of operations, including disclosure controls and procedures and internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Additionally, they have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with GAAP.

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

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

There have been no significant changes in the design of the Company's internal controls over financial reporting during the three-month period ended September 30, 2010 that would materially affect, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

NON-GAAP FINANCIAL MEASURES

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

Operating Income and Operating Margin

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

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

Working Capital and Non-Cash Working Capital

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

Bookings and Backlog

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

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

ADVISORY

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

Forward-looking information and statements contained herein are based on, among other things, Toromont management's current assumptions, expectations, estimates, objectives, plans and intentions regarding projected revenues and expenses, the economic, industry and regulatory environments in which Toromont operates or which could affect its activities, Toromont's ability to attract and retain customers as well as Toromont's operating costs and raw materials supply. By their nature, forward-looking information and statements, and the factors upon which they are based, are subject to risks and uncertainties which may be beyond Toromont's ability to control or predict. Actual results or events could differ materially from those expressed or implied by forward-looking information and statements. Factors that could cause actual results or events to differ from current expectations include, among others: business cycle risk, including general economic conditions in the countries in which Toromont operates; risk of commodity price changes including precious and base metals and natural gas; risk of changes in foreign exchange rates, including the Cdn$/US$ exchange rate; risk of the termination of distribution or original equipment manufacturer agreements; risk of equipment product acceptance and availability of supply; risk of increased competition; credit risk related to financial instruments; risk of additional costs associated with warranties and maintenance contracts; interest rate risk on financing arrangements; risk of availability of financing; risk of environmental regulation; risks related to the integration of ESIF's operations with those of Toromont; and risks related to the realization of identified synergies. Additional information on these factors and other risks and uncertainties that could cause actual results or events to differ from current expectations can be found in the “Risks and Risk Management” and “Outlook” section of this MD&A and the “Risks and Risk Management” and “Outlook” sections of Toromont’s MD&A for the year ended December 31, 2009. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by forward-looking information and statements.

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

TOROMONT INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEETS
(unaudited)

($ thousands)	September 30 2010	December 31 2009	September 30 2009
Assets			
Current assets			
Cash and cash equivalents	$ **86,143**	$ 206,957	$ 105,367
Accounts receivable	**465,422**	244,759	259,076
Inventories (note 5)	**480,939**	373,110	428,201
Income taxes receivable	**5,316**	16,967	9,596
Future income taxes	**38,612**	34,326	39,577
Derivative financial instruments	**1,623**	-	-
Other current assets	**17,569**	6,037	12,033
Total current assets	**1,095,624**	882,156	853,850
Property, plant and equipment	**355,174**	186,491	187,215
Rental equipment	**233,178**	183,175	191,160
Future income taxes	**34,727**	-	-
Other assets (note 6)	**13,308**	78,045	50,768
Intangible assets (note 7)	**36,038**	-	-
Goodwill	**496,106**	34,800	34,800
Total assets	$ **2,264,155**	$ 1,364,667	$ 1,317,793
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 8)	$ **359,132**	$ 238,164	$ 215,239
Deferred revenues	**209,097**	89,810	99,640
Current portion of long-term debt (note 9)	**6,889**	14,044	14,276
Income taxes payable	**1,581**	-	1,369
Derivative financial instruments	**1,133**	874	2,364
Total current liabilities	**577,832**	342,892	332,888
Deferred revenues	**10,992**	13,386	15,105
Derivative financial instruments	**186**	-	-
Long-term debt (note 9)	**466,724**	144,051	144,051
Accrued pension liability	**783**	2,351	2,420
Future income taxes	**18,923**	7,924	4,681
Shareholders' equity			
Share capital (note 10)	**463,603**	132,261	130,192
Contributed surplus (note 11)	**11,428**	10,012	10,057
Retained earnings	**732,436**	712,418	690,796
Accumulated other comprehensive loss (note 12)	**(19,056)**	(628)	(12,397)
Shareholders' equity before non-controlling interest	**1,188,411**	854,063	818,648
Non-controlling interest	**304**	-	-
Shareholders' equity	**1,188,715**	854,063	818,648
Total liabilities and shareholders' equity	$ **2,264,155**	$ 1,364,667	$ 1,317,793

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)

$ thousands, except per share amounts	Three months ended September 30 2010	2009	Nine months ended September 30 2010	2009
Revenues	**$ 619,440**	$ 429,922	**$ 1,622,537**	$ 1,371,754
Cost of goods sold	**487,140**	328,072	**1,288,878**	1,062,991
Gross profit	**132,300**	101,850	**333,659**	308,763
Selling and administrative expenses	**86,445**	54,473	**239,917**	172,232
Operating income	**45,855**	47,377	**93,742**	136,531
Interest expense	**7,281**	1,922	**22,000**	6,365
Interest and investment income	**(331)**	(1,438)	**(1,593)**	(3,442)
Gain on available-for-sale financial assets on business acquisition	**-**	-	**(18,627)**	-
Equity earnings from affiliates	**(140)**	-	**(330)**	-
Income before income taxes	**39,045**	46,893	**92,292**	133,608
Income taxes	**12,847**	14,970	**27,498**	44,442
Earnings from continuing operations	**26,198**	31,923	**64,794**	89,166
Losses from discontinued operations (note 3)	**(99)**	-	**(1,498)**	-
Net Earnings	**$ 26,099**	$ 31,923	**$ 63,296**	$ 89,166
Basic earnings per share				
Continuing operations	**$ 0.34**	$ 0.50	**$ 0.85**	$ 1.38
Discontinued operations	**-**	-	**(0.02)**	-
	$ 0.34	$ 0.50	**$ 0.83**	$ 1.38
Diluted earnings per share				
Continuing operations	**$ 0.34**	$ 0.50	**$ 0.85**	$ 1.38
Discontinued operations	**-**	-	**(0.02)**	-
	$ 0.34	$ 0.50	**$ 0.83**	$ 1.38
Weighted average number of shares outstanding				
Basic	**76,896,069**	64,718,162	**75,895,887**	64,698,354
Diluted	**77,096,497**	64,931,554	**76,151,736**	64,844,261

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(Unaudited)

($ thousands)	Three months ended September 30 2010	2009	Nine months ended September 30 2010	2009
Retained earnings, beginning of period	**$ 718,643**	$ 668,582	**$ 712,418**	$ 631,522
Change in accounting policy (note 2)	**-**	-	**(7,906)**	-
	$ 718,643	$ 668,582	**$ 704,512**	$ 631,522
Net earnings	**26,099**	31,923	**63,296**	89,166
Dividends	**(12,306)**	(9,709)	**(35,372)**	(29,120)
Shares purchased for cancellation (note 10)	**-**	-	**-**	(772)
Retained earnings, end of period	**$ 732,436**	$ 690,796	**$ 732,436**	$ 690,796

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended September 30, 2010			Nine months ended September 30, 2010		
$ thousands	Before Income Taxes	Income Taxes	Net of Income Taxes	Before Income Taxes	Income Taxes	Net of Income Taxes
Net earnings			$ 26,099			$ 63,296
Other comprehensive income (loss):						
Change in fair value of derivatives designated as cash flow hedges	$ (1,625)	$ 573	$ (1,052)	$ (1,166)	$ 420	$ (746)
(Gains) losses on derivatives designated as cash flow hedges transferred to net income in the current period	(51)	20	(31)	1,476	(515)	961
Unrealized loss on translation of financial statements of self-sustaining foreign operations	(344)	-	(344)	(3,028)	-	(3,028)
Reclassification to net income of gain on available-for-sale financial assets as a result of business acquisition	-	-	-	(18,705)	3,090	(15,615)
Other comprehensive income (loss)	$ (2,020)	$ 593	$ (1,427)	$ (21,423)	$ 2,995	$ (18,428)
Comprehensive income			$ 24,672			$ 44,868

	Three months ended September 30, 2009			Nine months ended September 30, 2009		
$ thousands	Before Income Taxes	Income Taxes	Net of Income Taxes	Before Income Taxes	Income Taxes	Net of Income Taxes
Net earnings			$ 31,923			$ 89,166
Other comprehensive (loss) income:						
Change in fair value of derivatives designated as cash flow hedges	$ (2,925)	$ 1,023	$ (1,902)	$ (5,771)	$ 2,019	$ (3,752)
Losses (gains) on derivatives designated as cash flow hedges transferred to net income in the current period	1,466	(513)	953	(530)	186	(344)
Unrealized loss on translation of financial statements of self-sustaining foreign operations	(13,193)	-	(13,193)	(20,252)	-	(20,252)
Unrealized (loss) gain on financial assets designated as available-for-sale	(336)	56	(280)	1,260	(208)	1,052
Other comprehensive (loss) income	$ (14,988)	$ 566	$ (14,422)	$ (25,293)	$ 1,997	$ (23,296)
Comprehensive income			$ 17,501			$ 65,870

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ thousands)	Three months ended september 30 2010	2009	Nine months ended September 30 2010	2009
Operating activities				
Net earnings	**$ 26,099**	$ 31,923	**$ 63,296**	$ 89,166
Items not requiring cash and cash equivalents				
Depreciation and amortization	**23,919**	15,789	**65,029**	43,169
Equity earnings from affiliates	**(140)**	-	**(330)**	-
Stock-based compensation	**771**	566	**2,260**	1,767
Accrued pension liability	**(1,376)**	59	**(1,568)**	98
Future income taxes	**(11,240)**	(2,570)	**(8,373)**	(2,386)
Gain on sale of rental equipment, property, plant and equipment	**(2,136)**	(1,775)	**(7,967)**	(5,322)
Gain on available-for-sale financial instruments on business acquisition	**-**	-	**(18,627)**	-
	35,897	43,992	**93,720**	126,492
Net change in non-cash working capital and other (note 18)	**15,436**	44,262	**25,403**	(57,427)
Cash provided by operating activities	**51,333**	88,254	**119,123**	69,065
Investing activities				
Additions to:				
Rental equipment	**(5,932)**	(8,240)	**(36,319)**	(30,768)
Property, plant and equipment	**(6,717)**	(2,811)	**(59,400)**	(15,692)
Investments	**-**	(19,265)	**-**	(35,489)
Proceeds on disposal of:				
Rental equipment	**6,461**	6,104	**28,537**	20,988
Property, plant and equipment	**2,736**	4,398	**3,246**	5,003
Disposal of discontinued operations (note 3)	**3,500**	-	**3,500**	-
Increase in other assets	**(4,738)**	(926)	**(3,299)**	(982)
Business acquisition, net of cash (note 4)	**-**	-	**(292,533)**	-
Cash used in investing activities	**(4,690)**	(20,740)	**(356,268)**	(56,940)
Financing activities				
Decrease in term credit facility debt	**-**	(5,985)	**-**	-
Issue of long-term debt	**-**	-	**450,000**	-
Repayment of other long-term debt	**(107,144)**	(7,416)	**(295,699)**	(15,148)
Financing costs	**-**	-	**(6,951)**	-
Dividends	**(11,535)**	(9,708)	**(32,794)**	(28,456)
Shares purchased for cancellation	**-**	-	**-**	(858)
Cash received on exercise of stock options	**240**	269	**2,551**	1,887
Cash (used in) provided by financing activities	**(118,439)**	(22,840)	**117,107**	(42,575)
Effect of exchange rate changes on cash denominated in foreign currency	**(1,128)**	(1,457)	**(776)**	(1,457)
(Decrease) increase in cash and cash equivalents	**(71,796)**	44,674	**(120,038)**	(30,450)
Cash and cash equivalents at beginning of period	**159,067**	62,150	**206,957**	137,274
Cash and cash equivalents at end of period	**$ 86,143**	$ 105,367	**$ 86,143**	$ 105,367

Cash and cash equivalents at end of period		
Cash	**$ 86,143**	$ 33,373
Cash equivalents	**-**	71,994
	$ 86,143	$ 105,367

Supplemental cash flow information (note 18)

See accompanying notes

TOROMONT INDUSTRIES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010
(unaudited)
($ thousands except where otherwise indicated)

1. Significant accounting policies

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

2. Changes in accounting policies

Current Accounting Changes

Business Combinations

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

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

Future Accounting Changes

Financial Instruments - Recognition and Measurement

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

Multiple Deliverable Revenue Arrangements

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

International Financial Reporting Standards

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

3. Discontinued operations

Effective September 1, 2010, the Company sold certain assets and the operations of Syntech Enerflex, an electrical, instrumentation and controls business. Syntech was a component of the January 20, 2010 acquisition of Enerflex Systems Income Fund; however it was considered not to be core to the future growth of the Company.

Total consideration received was $7.0 million comprised of $3.5 million in cash and $3.5 million in a note receivable due in twelve equal monthly installments, plus interest, commencing January 2011. Net assets disposed of, including transactions costs, also equaled $7.0 million, comprised of $6.0 million of non-cash working capital and $1.0 million of capital assets.

The results of discontinued operations included the following:

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Revenues	**$ 10,058**	$ -	**$ 41,887**	$ -
Loss before income taxes	**(133)**	-	**(2,003)**	-

4. Business acquisition

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

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

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

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

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

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

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

Cash used in the investment is determined as follows:

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

The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon their fair value at the date of acquisition. The Company determined the fair values based on discounted cash flows, market information, independent valuations and management's estimates.

The preliminary allocation of the purchase price is as follows:

Purchase price allocation		
Cash	$	23,006
Non-cash working capital		125,742
Property, plant and equipment		135,400
Rental equipment		67,587
Other long term assets		24,315
Intangible assets with a definite life		
Customer relationships		38,400
Other		5,700
Long term liabilities		(181,388)
Net identifable assets		238,762
Residual purchase price allocated to goodwill		461,306
	$	700,068

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

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

Changes to the purchase price allocation during the quarter resulted in an increase in goodwill of $8,722 . The adjustments to the preliminary purchase price allocation during the three and nine-month periods ended September 30, 2010 are noted below.

		Three-months ended September 30, 2010		Nine-months ended September 30, 2010
Non-cash working capital	$	(6,382)	$	(7,364)
Property, plant and equipment		-		1,900
Rental equipment		-		(1,485)
Other long-term assets		(2,340)		3,029
Long-term liabilities		-		(214)
Net adjustment	$	(8,722)	$	(4,134)

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

Acquisition-related costs, primarily for advisory services, were incurred during the year ended December 31, 2009 and during the nine month period ended September 30, 2010 in the amount of $9,035 and $2,559 respectively. No costs were incurred in the three-month period ended September 30, 2010. Costs incurred and deferred at December 31, 2009 have been charged to opening retained earnings on adoption of CICA Section 1582 (see note 2). Costs incurred during the nine-month period ended September 30, 2010 were included in selling and administrative expenses in the unaudited consolidated interim statement of earnings.

The consolidated revenues and pre-tax earnings for the nine-month period ended September 30, 2010 as though the acquisition date had been January 1, 2010, excluding purchase accounting adjustments and one-time costs related to change of control, are estimated at $1,651 million and $94 million respectively. These are unaudited pro forma figures and are not necessarily indicative of the combined results that would have been attained had the acquisition taken place at January 1, 2010, nor is it necessarily indicative of future results.

5. Inventories

	September 30 2010	December 31 2009	September 30 2009
Equipment	**$ 187,564**	$ 164,744	$ 204,755
Repair and distribution parts	**106,122**	74,809	83,262
Direct materials	**66,831**	75,740	93,614
Work-in-process	**120,422**	57,817	46,570
	$ 480,939	$ 373,110	$ 428,201

The amount of inventory recognized as an expense and included in cost of goods sold accounted for other than by the percentage-of-completion method during the third quarter and first nine months of 2010 were $260 million and $712 million respectively (2009 - $183 million and $511 million respectively). The amount charged to the income statement and included in cost of goods sold for write down of inventory for valuation issues during the quarter and first nine months of 2010 were $12.0 million and $9.9 million respectively (2009 – $7.9 million and $11.6 million, respectively).

6. Other long-term assets

		September 30 2010		December 31 2009		September 30 2009
Equipment sold with guaranteed residual values	**$**	**9,060**	$	10,940	$	12,706
Investment in affiliate		**3,714**		-		-
Investment in Enerflex units		**-**		56,502		36,749
Deferred transaction costs		**-**		10,160		899
Other long-term assets		**534**		443		414
	$	**13,308**	$	78,045	$	50,768

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

7. Intangible assets

as at September 30, 2010		Acquired Value		Accumulated Amortization		Net Book Value
Customer relationships	$	38,400	$	5,068	$	33,332
Other		5,700		2,994		2,706
	$	44,100	$	8,062	$	36,038

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

8. Accounts payable and accrued liabilities

		September 30 2010		December 31 2009		September 30 2009
Accounts payable and accrued liabilities	**$**	**346,827**	$	228,436	$	205,530
Dividends payable		**12,305**		9,728		9,709
Total accounts payable and accrued liabilities	**$**	**359,132**	$	238,164	$	215,239

9. Long-term debt

	September 30 2010	December 31 2009	September 30 2009
Term loan facility	**$ 333,125**	$ -	$ -
Senior debentures	**144,051**	155,999	155,998
Notes payable	**30**	2,096	2,329
Debt issuance costs, net of amortization	**(3,593)**	-	-
Total long-term debt	**473,613**	158,095	158,327
Less current portion	**6,889**	14,044	14,276
	$ 466,724	$ 144,051	$ 144,051

All debt is unsecured.

Toromont established a term loan facility in January 2010 in connection with the acquisition of ESIF. Borrowings of $450 million were drawn down under this facility, with principal repayments of $16.875 million due quarterly beginning June 30, 2010, and a lump sum final repayment due in July 2011 (eighteen month term). Debt issuance costs of $6.9 million were adjusted against the carrying value of the debt. In addition to the required quarterly repayment of $16.875 million, the Company made a voluntary repayment, without penalty, of $83.125 million during the third quarter of 2010.

The Company had available $225 million in bank credit in Canada and US$20 million in bank credit in the United States, provided through committed credit facilities. There were no amounts drawn on either of the facilities as at any of the above reporting dates. The US$20 million facility matures in July 2011.

Subsequent to quarter-end (see also Note 22), Toromont refinanced the Canadian committed credit facility and repaid the outstanding term loan debt. The new committed credit facility, with a maturity date extending until June 30, 2012, provides $600 million in financing.

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

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

		Principal		Interest
2010	$	-	$	6,077
2011		6,904		17,859
2012		334,420		12,283
2013		1,372		6,895
2014		1,471		6,796
2015 to 2019		133,039		7,635
	$	477,206	$	57,545

At September 30, 2010, standby letters of credit issued utilized $65 million of the credit lines (December 31, 2009 – $33 million; September 30, 2009 - $38 million).

10. Share capital

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

	Three months ended September 30, 2010			Nine months ended September 30, 2010		
	Number of Common Shares		**Common Share Capital**	Number of Common Shares		Common Share Capital
Balance, beginning of period	**76,890,317**	**$**	**463,290**	64,867,467	$	132,261
Issue of shares re Enerflex acquisition	**-**		**-**	11,875,250		327,947
Exercise of stock options	**13,900**		**313**	161,500		3,395
Balance, end of period	**76,904,217**	**$**	**463,603**	76,904,217	$	463,603

Normal Course Issuer Bid

Toromont renewed its NCIB program in 2010. The current issuer bid allows the Company to purchase up to approximately 5.6 million of its common shares in the 12 month period ending August 30, 2011, representing 10% of common shares in the public float, as estimated at the time of renewal. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont. All shares purchased under the bid will be cancelled.

The Company did not purchase any shares under the normal course issuer bid in the first nine months of 2010. In the nine-month period ended September 30, 2009, the Company purchased and cancelled 43,400 shares for $858 (average cost of $19.77 per share) under its NCIB program.

11. Contributed surplus

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

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Contributed surplus, beginning of period	**$ 10,731**	$ 9,586	**$ 10,012**	$ 8,978
Stock-based compensation	**771**	566	**2,260**	1,767
Value of compensation cost associated with exercised options	**(74)**	(95)	**(844)**	(688)
Contributed surplus, end of period	**$ 11,428**	$ 10,057	**$ 11,428**	$ 10,057

12. Accumulated other comprehensive Income

The changes in accumulated other comprehensive income were as follows:

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Balance, beginning of period	**$ (17,629)**	$ 2,025	**$ (628)**	$ 10,899
Other comprehensive loss	**(1,427)**	(14,422)	**(18,428)**	(23,296)
Balance, end of period	**$ (19,056)**	$ (12,397)	**$ (19,056)**	$ (12,397)

Accumulated other comprehensive income was comprised of the following amounts:

	Before income taxes	Income taxes	Net of income taxes
As at September 30, 2010			
Unrealized losses on translation of financial statements of self-sustaining foreign operations	$ (18,981)	$ -	$ (18,981)
Lossess on foreign exchange derivatives designated as cash flow hedges	(130)	55	(75)
	$ (19,111)	$ 55	$ (19,056)
As at December 31, 2009			
Unrealized losses on translation of financial statements of self-sustaining foreign operations	$ (15,954)	$ -	$ (15,954)
Unrealized gain on financial assets designated as available-for-sale	18,705	(3,090)	15,615
Losses on foreign exchange derivatives designated as cash flow hedges	(439)	150	(289)
	$ 2,312	$ (2,940)	$ (628)
As at September 30, 2009			
Unrealized losses on translation of financial statements of self-sustaining foreign operations	$ (12,897)	$ -	$ (12,897)
Unrealized gain on financial assets designated as available-for-sale	1,260	(208)	1,052
Losses on foreign exchange derivatives designated as cash flow hedges	(848)	296	(552)
	$ (12,485)	$ 88	$ (12,397)

13. Financial instruments

Categories of financial assets and liabilities

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

	September 30 2010	December 31 2009	September 30 2009
Held for trading (1)	**$ 86,143**	$ 206,957	$ 105,367
Loans and receivables (2)	**$ 468,922**	$ 244,759	$ 259,076
Available for sales assets (3)	**$ -**	$ 56,502	$ 36,749
Other financial liabilities (4)	**$ 832,745**	$ 396,259	$ 373,566
Derivatives designated as effective hedges (5) - loss	**$ (75)**	$ (440)	$ (848)
Derivatives designated as held for trading (6) - gain (loss)	**$ 379**	$ (434)	$ (1,516)

(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 notes receivable.
(3) Comprised of investments in marketable securities, reported in other assets.
(4) Comprised of accounts payable and accrued liabilities and long-term debt.
(5) Comprised of the Company's foreign exchange forward contracts designated as hedges
(6) Comprised of the Company's foreign exchange forward contracts that are not designated as hedges for accounting purposes.

Fair Value Measurements

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

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

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

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

The fair value of senior debentures is measured using the discounted cash flow method, a generally accepted valuation technique. The discount factor is based on market rates for debt with similar terms and remaining maturities and that has been adjusted for our credit quality. The Company has no plans to prepay these instruments prior to maturity. Fair value measurement of the senior debentures is classified as Level 2 in the hierarchy of fair value measurements. Fair value and carrying value of senior debentures are outlined below:

	Fair Value	Carrying value
as at September 30, 2010	$ 152,238	$ 144,051
as at December 31, 2009	$ 156,993	$ 155,998

Derivative financial instruments and hedge accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. The following table summarizes the Company's commitments to buy and sell foreign currencies as at September 30, 2010.

		Notional Amount	Average Exchange Rate	Maturity
Canadian dollar denominated contracts				
Purchase contracts	USD	197,652	$ 1.0413	October 2010 to October 2012
	EUR	6,188	$ 1.3703	October 2010 to December 2010
Sales contracts	USD	54,024	$ 1.0319	October 2010 to December 2011
	EUR	3,977	$ 1.4128	October 2010 to May 2011
Australian dollar denominated contracts				
Purchase contracts	USD	3,555	$ 1.1296	November 2010 to December 2011

Management estimates that a net gain of $304 would be realized if the contracts were terminated on September 30, 2010. Certain of these forward contracts are designated as cash flow hedges, and accordingly, a loss of $75 has been included in other comprehensive income. This loss is not expected to affect net income as the losses will be reclassified to net income within the next twelve months and will offset gains recorded on the underlying hedged items, namely foreign denominated accounts payable and accounts receivable. A gain of $379 on forward contracts not designated as hedges is included in net income which offsets losses recorded on the foreign-denominated items, namely accounts payable and accounts receivable.

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

Risks arising from financial instruments and risk management

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

Currency risk

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

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

Transaction exposure

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

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

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

Translation exposure

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

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

Earnings at foreign operations are translated into Canadian dollars each period at current exchange rates for the period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income. Such exchange rate fluctuations have historically not been material year-over-year relative to the overall earnings or financial position of the Company. The following table shows the effect on net income before tax for the nine-month period ended September 30, 2010 of a 5% weakening of the Canadian dollar against the US dollar, Euro and Australian dollar, everything else being equal. A 5% strengthening of the Canadian dollar would have an equal and opposite effect. This sensitivity analysis is provided as an indicative range in a volatile currency environment.

Fluctuation of 5%	USD	Euro	AUD	Total
Net income before tax	$ 1,509	$ (183)	$ (258)	$ 1,068

Sensitivity analysis

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

Cdn dollar weakens by 5%	USD	Euro	AUD	Total
Financial instruments held in foreign operations:				
Other comprehensive Income	$ 1,615	$ 412	$ 1,100	$ 3,126
Financial instruments held in Canadian operations:				
Net earnings	$ 1,731	$ 77	$ 8	$ 1,816
Other comprehensive Income	$ 3,499	$ 109	$ 138	$ 3,746

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

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

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

Credit risk

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

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

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

As at September 30, 2010, $32 million or 6.8% of accounts receivable were outstanding for more than 90 days from original invoice. The movement in the Company's allowance for doubtful accounts is identified below.

	Three months ended Sept 30		Nine months ended Sept 30	
	2010	2009	**2010**	2009
Balance, beginning of period	**$ 9,459**	$ 10,656	**$ 7,096**	$ 9,774
Change in foreign exchange rates	**(46)**	(160)	**(26)**	(386)
Provisions and revisions, net	**3,364**	1,435	**5,706**	1,887
Balance, end of period	**$ 12,776**	$ 11,276	**$ 12,776**	$ 11,276

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

Interest rate risk

In relation to its debt financing, the Company is exposed to changes in interest rates, which may impact on the Company's borrowing costs. Floating rate debt exposes the Company to fluctuations in short-term interest rates. As at September 30, 2010, $333.1 million or 70% of the Company's total debt portfolio was subject to movements in floating interest rates. A 1.0% increase in interest rates, all things being equal, would reduce income before taxes by $3.3 million on an annualized basis.

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

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at September 30, 2010, the Company was holding cash and cash equivalents of $86 million and had unutilized lines of credit of $181 million.

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

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

14. Earnings per share ("EPS")

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

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Net earnings available to common shareholders	**$ 26,099**	$ 31,923	**$ 63,296**	$ 89,166
Weighted average common shares outstanding	**76,896,069**	64,718,162	**75,895,887**	64,698,354
Dilutive effect of stock option conversion	**200,428**	213,392	**255,849**	145,907
Diluted weighted average common shares outstanding	**77,096,497**	64,931,554	**76,151,736**	64,844,261
Basic earnings per share				
Continuing operations	**$ 0.34**	$ 0.50	**$ 0.85**	$ 1.38
Discontinued operations	**-**	-	**(0.02)**	-
	$ 0.34	$ 0.50	**$ 0.83**	$ 1.38
Diluted earnings per share				
Continuing operations	**$ 0.34**	$ 0.50	**$ 0.85**	$ 1.38
Discontinued operations	**-**	-	**(0.02)**	-
	$ 0.34	$ 0.50	**$ 0.83**	$ 1.38

In the three-month period ended September 30, 2010, 991,920 outstanding stock options with an exercise price range of $26.15 to $29.71 were excluded from the calculation of diluted EPS as these options were anti-dilutive. The diluted EPS calculations for the nine-month period ended September 30, 2010 excluded 946,920 outstanding stock options with an exercise price range of $27.70 to $29.71 as they were anti-dilutive. The diluted EPS calculations for the three and nine-month periods ended September 30, 2009 excluded 907,240 outstanding stock options with an exercise price range of $23.34 to $28.84 as they were anti-dilutive.

15. Stock based compensation

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

A reconciliation of the outstanding options is as follows:

	Nine Months ended September 30				
	2010			2009	
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Options outstanding, beginning of period	**1,961,809**	**$**	**22.91**	1,917,599	$	21.62
Granted	**610,050**		**29.71**	508,000		22.05
Exercised	**(161,500)**		**15.58**	(154,660)		11.97
Forfeited	**(20,090)**		**21.25**	(158,600)		25.07
Options outstanding, end of period	**2,390,269**	**$**	**25.11**	2,112,339	$	22.17
Options exercisable, end of period	**1,053,233**	**$**	**22.76**	1,044,337	$	19.64

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

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Life (years)**		**Weighted Average Exercise Price**	**Number Outstanding**		**Weighted Average Exercise Price**
$16.59 - $23.34	912,829	3.1		20.61	549,309		19.66
$24.58 - $29.71	1,477,440	4.7		27.89	503,924		26.15
Total	2,390,269	4.1	$	25.11	1,053,233	$	22.76

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

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

Deferred Share Unit Plan

The Company offers a deferred share unit (DSU) plan for executives and non-employee directors, whereby they may elect on an annual basis to receive all or a portion of their management incentive award or fees, respectively, in deferred share units. In addition, the Board may grant discretionary DSUs to executives. As at September 30, 2010, 86,143 units were outstanding at a value of $2,416 (December 31, 2009 – 68,723 units at a value of $1,882; September 30, 2009 – 66,485 units at a value of $1,516). The Company records the cost of the DSU Plan as compensation expense.

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 retirement programs in accordance with respective collective bargaining agreements. In the case of defined contribution plans, regular contributions are made to the individual employee accounts, which are administered by a plan trustee in accordance with the plan document. The cost of pension benefits for defined contribution plans are expensed as the contributions are paid.

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

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

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Defined benefit plans	**$ 438**	$ 562	**$ 1,327**	$ 1,693
Defined contribution plans	**3,699**	2,300	**10,529**	6,851
401(k) matched savings plans	**190**	206	**617**	777
Net pension expense	**$ 4,327**	$ 3,068	**$ 12,473**	$ 9,321

17. Capital Management

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

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

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

The above capital management criteria can be illustrated as follows:

	September 30 2010	December 31 2009	September 30 2009
Shareholders' equity	**$ 1,188,411**	$ 854,063	$ 818,648
Accumulated other comprehensive loss	**19,056**	628	12,397
Long-term debt	**473,613**	158,095	158,327
Cash and cash equivalents	**(86,143)**	(206,957)	(105,367)
Capital under management	**$ 1,594,937**	$ 805,829	$ 884,005
Net debt as a % of capital under management	**24%**	n/m	6%
Net debt to equity ratio	**0.33:1**	n/m	0.06:1

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

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

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

18. Supplemental cash flow information

	Three months ended September 30 **2010**	2009	Nine months ended September 30 **2010**	2009
Net change in non-cash working capital and other				
Accounts receivable	**$ (37,964)**	$ 38,050	**$ (111,439)**	$ 115,983
Inventories	**12,830**	58,295	**23,338**	71,159
Accounts payable and accrued liabilities	**3,647**	(40,155)	**92,720**	(217,453)
Other	**36,923**	(11,928)	**20,784**	(27,116)
	$ 15,436	$ 44,262	**$ 25,403**	$ (57,427)
Cash paid during the period for:				
Interest	**$ 4,829**	$ 1,475	**$ 16,961**	$ 6,323
Income taxes	**$ (3,719)**	$ 11,613	**$ 12,470**	$ 59,855

19. Commitments

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

Remainder of 2010	$ 5,802
2011	14,351
2012	10,959
2013	8,393
2014	6,917
2015 and thereafter	14,727
	$ 61,149

20. Segmented financial information

The Company has two reportable operating segments, each supported by the corporate office. The Equipment Group includes one of the world's largest Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. The Compression group of segments, collectively, is a global leader specializing in the design, engineering, fabrication, and installation of compression systems for natural gas, coal bed methane, fuel gas and carbon dioxide in addition to process systems and industrial and recreational refrigeration systems. Both groups offer comprehensive product support capabilities. The corporate office provides finance, treasury, legal, human resources and other administrative support to the business segments.

Corporate overheads are allocated to the business segments based on revenue. Previously, corporate overheads were allocated to the business segments based on operating income. Due to the operating loss reported by the Compression Group in the quarter, management determined that it would be appropriate to reconsider this allocation approach. The change in allocation method has been applied prospectively from January 1, 2010. Prior periods have not been restated as the impact is insignificant.

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

	Equipment Group		Compression Group		Consolidated	
Three months ended September 30	2010	2009	2010	2009	2010	2009
Equipment /package sales	$ 164,123	$ 124,725	$ 224,428	$ 148,145	$ 388,551	$ 272,870
Rentals	43,134	40,032	7,948	3,416	51,082	43,448
Product support	73,766	66,371	91,158	44,732	164,924	111,103
Power Generation	2,565	2,501	-	-	2,565	2,501
Other	-	-	12,318	-	12,318	-
Revenues	$ 283,588	$ 233,629	$ 335,852	$ 196,293	$ 619,440	$ 429,922
Operating Income	$ 30,984	$ 24,608	$ 14,871	$ 22,769	$ 45,855	$ 47,377
Operating income as a % of revenues	10.9%	10.5%	4.4%	11.6%	7.4%	11.0%

	Equipment Group		Compression Group		Consolidated	
Nine months ended September 30	2010	2009	2010	2009	2010	2009
Equipment /package sales	$ 392,000	$ 323,056	$ 585,763	$ 580,541	$ 977,763	$ 903,597
Rentals	99,845	99,471	24,002	11,916	123,847	111,387
Product support	225,224	212,600	252,683	136,960	477,907	349,560
Power generation	7,692	7,210	-	-	7,692	7,210
Other	-	-	35,328	-	35,328	-
Revenues	$ 724,761	$ 642,337	$ 897,776	$ 729,417	$ 1,622,537	$ 1,371,754
Operating Income	$ 72,214	$ 65,883	$ 21,528	$ 70,648	$ 93,742	$ 136,531
Operating income as a % of revenues	10.0%	10.3%	2.4%	9.7%	5.8%	10.0%

Selected balance sheet information:

	Equipment Group			Compression Group			Consolidated		
	September 30 2010	December 31 2009	September 30 2009	September 30 2010	December 31 2009	September 30 2009	September 30 2010	December 31 2009	September 30 2009
Goodwill	$ 13,000	$ 13,000	$ 13,000	$ 483,106	$ 21,800	$ 21,800	$ 496,106	$ 34,800	$ 34,800
Identifiable assets	$ 665,427	$ 599,358	$ 645,972	$ 1,504,177	$ 459,572	$ 495,754	$ 2,169,604	$ 1,058,930	$ 1,141,726
Corporate assets							94,551	305,737	176,067
Total assets							$ 2,264,155	$ 1,364,667	$ 1,317,793

Operating income from rental operations for the quarter ended September 30, 2010 was $8.7 million (2009 - $7.1 million). For the nine months ended September 30, 2010, operating income from rental operations was $16.8 million (2009 - $12.7 million)

21. Seasonality of business

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

22. Subsequent Event

Credit Facility Refinancing

Effective November 5, 2010, the Company completed a refinancing of its Canadian committed credit facility. The new committed credit facility, with a maturity date of June 30, 2012, provides $600 million in available financing and includes covenants, restrictions and events of default that are substantially the same as the corresponding provisions in Toromont's previous facilities. In conjunction with the new financing, the $333.125 million outstanding under the term loan facility was repaid in full and cancelled using proceeds of the new financing and cash. Debt incurred under the new facility is unsecured and ranks parri passu with debt outstanding under Toromont's existing debentures. Outstanding loans under the facility bear interest at a rate equal to the Canadian prime rate plus a specified margin ranging from 50 to 175 basis points. Toromont intends to utilize this facility primarily through the issuance of bankers' acceptances with acceptance fees ranging from 150 to 275 basis points. The applicable margin or acceptance fee will, in each case, be determined based on Toromont's leverage ratio.

Enerflex Spinoff

On November 8, 2010, Toromont announced its intention to spin off Enerflex Ltd., its natural gas compression and processing equipment supply subsidiary, to existing shareholders by means of a tax-deferred divestiture for Canadian tax purposes. After the spinoff, Toromont's remaining operations will include the business of Toromont CAT, Battlefield – The CAT Rental Store and CIMCO. The proposed corporate reorganization would be implemented through a court approved Plan of Arrangement and is subject to regulatory and shareholder approval. If approved, the spinoff could be completed in the spring or early summer of 2011.