



Toromont Announces Results for the Fourth Quarter and Full Year 2010

TORONTO, ONTARIO -- (MARKET WIRE) -- 02/24/11 -- Toromont Industries Ltd. (TSX: TIH) today reported financial results for the three and twelve-month periods ended December 31, 2010.

	Three months ended			Twelve months ended		
	December 31			December 31		
			%			%
millions, except per						
share amounts	2010	2009	change	2010	2009	change
Revenues	\$ 709.7	\$ 452.8	57%	\$2,332.2	\$1,824.6	28%
Operating income	\$ 60.0	\$ 45.8	31%	\$ 153.7	\$ 182.4	(16%)
Net earnings	\$ 35.4	\$ 31.4	13%	\$ 98.7	\$ 120.5	(18%)
Earnings per share -						
basic	\$ 0.47	\$ 0.48	(2%)	\$ 1.30	\$ 1.86	(30%)
Weighted average						
shares outstanding	77.0	64.8	19%	76.2	64.7	18%

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.

Toromont ended the year on a very strong note. Fourth quarter bookings were up 94%, backlogs increased year-over-year by 135% to \$970 million, revenues were 57% higher and net quarterly earnings, up 13%, exceeded the prior year for the first time since the first quarter of 2009.

The Equipment Group recovered to pre-recession income levels with a 25% increase in revenues, including record product support revenues, and a 77% increase in operating income for the quarter over the prior year. Bookings for the quarter increased 58% and closing backlogs were 133% higher reflecting significant orders for longer delivery mining equipment.

Compression Group bookings in the fourth quarter were up 119% with large orders coming from Australia and Canada. Revenues were up 93% in the quarter reflecting some market recovery and the consolidation of Enerflex Systems Income Fund (ESIF) acquired in the first quarter. Operating income in the fourth quarter of 2010 of \$25.4 million approached last year's fourth quarter results of \$26.3 million.

Toromont closed the year with cash on hand of \$174 million after paying off \$170 million of the \$450 million acquisition loan during the year. Debt net of cash at the end of the year was \$246 million.

"2010 was a transitional year for Toromont," said Robert M. Ogilvie, Chairman and Chief Executive Officer of Toromont Industries Ltd. "Having acquired ESIF for \$700 million in the first quarter, we undertook the challenging task of combining two competitors with different cultures and targeting significant reductions in staff and facilities. Completed in the trough of the global market for compression and process equipment, the additional costs and early distractions associated with acquisition reduced earnings for the year. The integration process is now essentially complete. We have achieved significant synergies and asset reductions. The management team is now able to focus on business profitability and growth. Compression Group earnings have improved each quarter. The new Enerflex is now a global leader in the gas compression and process equipment industry."

Highlights:

- Equipment Group revenues were up 25% in the quarter versus the similar period of 2009 on strong new and used machine sales and higher product support activities. Operating income increased 77% compared to last year on higher revenues and improved margins. For the year, revenues increased 16% and operating income increased 25% from 2009, reflecting increased market activity.
- Equipment Group bookings increased 58% in the fourth quarter and 68% in the year-to-date versus 2009. Mining, power systems and road building have reported improved activity levels. Backlog was \$256 million compared to \$110 at this time last year.
- Compression Group revenues were up 93% in the quarter compared to the same period last year due to the acquisition. Operating income was 3% lower than the fourth quarter of 2009 due primarily to higher combined capacity and overheads. For the year, revenues increased 39% while

operating income decreased 52% due to weak market conditions and costs related to the acquisition, integration and transition.

- Compression Group bookings for the quarter were 119% higher than those reported in the fourth quarter of 2009 and 150% higher on a year-to-date basis. Backlogs ended the year at \$713 million compared to \$301 million at this time last year.

- The integration of the Company's legacy natural gas compression and processing equipment business with the acquired ESIF business to create the new Enerflex was a key focus during the year and has substantially been completed. Actions taken through to the end of 2010 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.

- Net earnings were \$21.8 million or 18% lower compared to 2009. Net earnings in 2010 included (all on an after-tax basis) \$2.2 million in acquisition related costs, \$4.9 million in restructuring expenses and \$8.2 million in amortization of intangible assets acquired as part of the acquisition.

- The Company maintained a strong financial position and ended the year with \$174 million of cash. The company reduced its acquisition debt of \$450 million by \$170 million during the year. During the quarter, the Company renegotiated its term loan and bank credit facilities achieving a one-year extension and reducing interest costs. After completing the largest acquisition in the Company's history, total debt net of cash to

shareholders' equity was 0.20:1, comfortably within stated capital targets.

- The Board of Directors declared the regular quarterly dividend of \$0.16 per common share, paid on January 4, 2011 to shareholders of record on December 13, 2010. The Company has paid dividends every year since going public in 1968.

- The Company continued to complete the actions necessary to prepare for and implement the spinoff of Enerflex Ltd., its natural gas compression and processing equipment subsidiary, to existing shareholders by means of a tax-deferred divestiture for Canadian tax purposes, subject to a favourable ruling from CRA. Post-spinoff, Toromont's operations include Toromont CAT, Battlefield - The CAT Rental Store and CIMCO. The proposed corporate reorganization would be implemented through a court approved plan of arrangement, which is subject to court and shareholder approval. Completion of the spinoff will also be subject to approval of the TSX and fulfillment of certain other conditions.

"With large backlogs and significant momentum in our product support activities our consolidated outlook for 2011 is positive, even though the markets we serve are still in the early stages of recovery," continued Mr. Ogilvie. "We believe that the pending spinoff of our combined gas compression and process equipment group under the name of Enerflex Ltd will open up exciting organic growth and expansion opportunities for Toromont and Enerflex."

Quarterly Conference Call and Webcast

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Thursday, February 24, 2011 at 5:00 p.m. (ET). The call may be accessed by telephone at 1-877-240-9772 (toll free) or 416-340-8530 (Toronto area). A replay of the conference call will be available until Thursday, March 10, 2011 by calling 1-800-408-3053 or 416-694-9451 and quoting passcode 7782377.

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.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the year ended December 31, 2010, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited consolidated financial statements and related notes for the year ended December 31, 2010.

The consolidated financial statements reported herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars. The information in this MD&A is current to February 23, 2011.

For periods prior to January 20, 2010, the consolidated financial statements reported herein do not include the financial position and results of operations for the natural gas compression and processing equipment business acquired by Toromont in connection with its acquisition of Enerflex Systems Income Fund ("ESIF"). For further details, see "Corporate Developments - Acquisition of Enerflex Systems Income Fund" and Note 3 of the Notes to the Consolidated Financial Statements.

The Board of Directors of Toromont has unanimously approved in principle a spinoff of Enerflex Ltd. ("Enerflex") to Toromont's shareholders as a separate, publicly traded company called "Enerflex Ltd." At the time of the spinoff, Enerflex would hold Toromont's natural gas production and processing equipment business, including the business acquired as part of Toromont's acquisition of ESIF. Completion of the spinoff is subject to the receipt of required court and shareholder approval and the satisfaction of certain other conditions. The information presented herein does not give effect to the proposed spinoff. For further details, see "Corporate Developments - Proposed Spinoff of Enerflex". If the proposed spinoff proceeds, there will be a significant and material effect on the operations and results of Toromont. Detailed information as to the proposed spinoff and its effects will be included in a management information circular to be filed in advance of the meeting of Toromont shareholders to vote on the spinoff.

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

ADVISORY

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 are intended to identify forward-looking information and statements. With respect to the forward-looking information contained herein, we have made certain assumptions with respect to general economic and industry growth rates, commodity prices, currency exchange and interest rates, competitive intensity and shareholder and regulatory approvals.

Forward-looking statements are based on current expectations and are influenced by management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. By their nature, forward-looking information and statements 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; and new or amended IFRS or interpretations that become effective prior to the inclusion of the Company's financial statement of position in its first annual audited IFRS financial statements. Forward-looking statements in respect of the spinoff of Enerflex as a separate, publicly traded company also entail various risks and uncertainties, including among others, the potential benefit of the spinoff, the potential for a lower combined trading price of common shares of Toromont and Enerflex after the spinoff, the lack of an established market for common shares of Enerflex, the possibility of a negative effect on trading prices if current shareholders of Toromont are unwilling or unable to hold common shares of Toromont or Enerflex after the spinoff, increased exposure to substantial tax liabilities if tax-deferred spinoff requirements are not met, delays or amendments to the spinoff if certain consents and approvals are not obtained on a timely basis, future factors that may arise making it inadvisable to proceed with, or advisable to delay, all or part of the spin-off, potentially significant indemnification obligations on Toromont and Enerflex following the spinoff and less diverse businesses of the separate companies resulting from the spinoff.

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in or incorporated into this MD&A. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are

materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and the "Outlook" sections of this MD&A. A description of certain risks and uncertainties in respect of the spinoff of Enerflex as a separate, publicly traded company will be included in a management information circular to be filed in advance of the meeting of Toromont shareholders to vote on the spinoff. 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 that are based on assumptions about future economic conditions and courses of action are presented for the purpose of assisting Toromont's shareholders in understanding management's 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 publicly or revise any forward-looking information or statement, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

CORPORATE PROFILE AND BUSINESS SEGMENTATION

As at December 31, 2010, Toromont employed approximately 5,700 people in more than 170 locations, predominantly in Canada and the United States. Toromont is listed on the Toronto Stock Exchange (the "TSX") under the symbol TIH. The Company serves its customers through two business groups.

The Equipment Group sells, rents and services a broad range of specialized construction equipment and industrial engines. These activities generated 44% of the Company's revenues in 2010 (2009 - 48%). The Equipment Group is comprised of Toromont CAT, one of the world's larger Caterpillar dealerships by revenue and geographic territory, and Battlefield - The CAT Rental Store, an industry-leading rental operation. Performance in the Equipment Group is driven by activity in several industries: road building and other infrastructure-related activities; residential and commercial construction; mining; aggregates; waste management; steel; forestry; and agriculture. Other significant activities include sales and product support activities for Caterpillar engines used in a variety of applications including industrial, commercial, marine, on-highway trucks and power generation.

The Compression Group is a leading Global business specializing in the design, engineering, fabrication, installation and after-sale support of compression, process and refrigeration systems. These activities generated 56% of the Company's revenues in 2010 (2009 - 52%). The Compression Group is comprised of Enerflex Ltd., a leader in supplying and servicing compression and process systems used in natural gas, fuel gas and carbon dioxide applications and CIMCO Refrigeration, a leader in industrial and recreational markets. Results in the Compression Group are influenced by conditions in the primary market segments served: natural gas production and transportation; chemical, petrochemical, food and beverage processing; cold storage; food distribution; and ice rink construction.

CORPORATE DEVELOPMENTS

Acquisition of Enerflex Systems Income Fund

On January 20, 2010, Toromont completed its offer for ESIF. ESIF was a supplier of products and services to the global oil and gas production industry, and had operations in Canada, Australia, the Netherlands, the United States, Germany, Pakistan, the United Arab Emirates, Indonesia and Malaysia.

This important transaction brought together ESIF and Toromont Energy Systems, to create a stronger organization named Enerflex Ltd., 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. Attractive synergies and cost savings are already being realized through the elimination of excess fabrication capacity, overlapping service facilities, and duplicate general and administration expenses.

For further information on the accounting for the acquisition, refer to Note 3 of the Notes to the Consolidated Financial Statements.

Sale of Syntech Enerflex

Syntech Enerflex was an electrical, instrumentation and controls business which was acquired as part of the acquisition of ESIF. This business was not considered to be core to the future growth of the Company and was sold effective September 1, 2010. The financial results from Syntech, previously reported in the Compression Group, have been reflected as results from discontinued operations.

For further information on the accounting for the disposition, refer to Note 4 of the Notes to the Consolidated Financial Statements.

Proposed Spinoff of Enerflex

On November 8, 2010, the Board of Directors of Toromont unanimously approved in principle all actions to prepare for and implement a spinoff of Enerflex, Toromont's natural gas compression and processing equipment business, to Toromont's shareholders as a separate, publicly traded company. This business comprises the majority of Toromont's operations within the Compression Group. The spinoff is designed to enhance long term value for the shareholders of Toromont by separating its businesses into two distinct public companies better able to pursue independent strategies and opportunities for growth.

If the transaction is completed, Toromont shareholders will exchange their current Toromont shares for new shares in both Toromont and in Enerflex Ltd.

The spinoff is expected to provide a number of benefits to the existing shareholders of Toromont, including the following benefits.

- Creates distinct market leaders with critical mass and momentum - The spinoff will create two market leaders in their respective industries with the scale and operational strength to compete effectively in their distinct markets.
- Sharper business and strategic focus - The proposed successor companies have different business cycles, serve different markets, sell to different customers, are subject to different competitive forces and require different short term and long term strategies. Their separation into two independent companies, each with its own board of directors, will provide management of each company with a sharper business focus. This will permit them to pursue independent business strategies best suited to their business plans, and allow them to pursue opportunities in their respective markets.
- Independent growth opportunities - Each of the two businesses has attractive opportunities for both organic expansion and external growth through acquisitions, capital investments and geographic expansion. Separating Toromont and Enerflex will enable each to pursue independent growth strategies that may not be available to them as part of a consolidated Toromont.

- Enhanced access to growth capital - As separate companies, Toromont and Enerflex will have separately traded shares and independent balance sheets, which will provide them with enhanced access to the capital necessary to finance their respective growth strategies.

- Improved market understanding and valuation - By establishing two separate public companies with independent public reporting and a simplified corporate structure, investors and analysts will be able to more easily evaluate each one on a stand-alone basis relative to competitors, benchmarks and performance criteria specific to their respective industries. This should improve alignment of the two companies with their direct public company comparables and facilitate sector-specific analyst coverage for each.

- Better ability to attract, retain and motivate key employees - The separation of Toromont into two independent public companies will also enable each to provide business-specific incentives to key employees. Compensation arrangements can more closely align the role of each employee with the performance of the business that employs them, enhancing each company's ability to better attract, retain and motivate key people.

Toromont plans to structure the proposed transaction as a tax-deferred divestiture for Canadian tax purposes, subject to a favourable ruling from Canada Revenue Agency (CRA).

The transaction will be implemented by way of a plan of arrangement, which is subject to court approval, prior approval of the TSX and fulfillment of certain other conditions.

The transaction also requires the approval of the Company's shareholders. In order to proceed with the arrangement it must be approved by two-thirds of the Toromont shares that are voted at the meeting to consider it. If the necessary conditions are met and required approvals are obtained, Toromont anticipates that the spinoff would be completed shortly after receipt of the final court approval. However, notwithstanding the receipt and satisfaction of such approvals and conditions, whether the spinoff is effected, and the timing for effecting the spinoff, will remain in the sole and absolute discretion of Toromont.

Further information on Enerflex and this proposed transaction will be provided in a management information circular to be filed in advance of the meeting of shareholders to vote on the spinoff.

The financial results from Enerflex are reported in the Compression Group. Enerflex will not be considered a discontinued operation until all necessary approvals are received and the spinoff is completed.

PRIMARY OBJECTIVE AND MAJOR STRATEGIES

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

Expand Markets

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

Strengthen Product Support

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

Broaden Product Offerings

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

Invest in Resources

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

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

Maintain a Strong Financial Position

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

CONSOLIDATED RESULTS OF OPERATIONS

Years ended December 31 (\$

thousands, except per share

%

amounts)

2010

2009

change

Revenues	\$	2,332,247	\$	1,824,592	28%
Cost of goods sold		1,843,540		1,415,476	30%

Gross profit		488,707		409,116	19%
Selling and administrative expenses		334,988		226,764	48%

Operating income		153,719		182,352	(16%)
Interest expense		27,076		8,815	207%
Interest and investment income		(2,803)		(6,355)	(56%)
Gain on available-for-sale financial assets		(18,627)		-	n/m
Equity earnings from affiliates		(468)		-	n/m

Income before income taxes		148,541		179,892	(17%)
Income taxes		48,393		59,376	(18%)

Earnings from continuing operations		100,148		120,516	(17%)
Losses on discontinued operations		(1,498)		-	n/m

Net earnings	\$	98,650	\$	120,516	(18%)

Earnings per share (basic)	\$	1.30	\$	1.86	(30%)

Key ratios:					
Gross profit as a % of revenues		21.0%		22.4%	
Selling and administrative expenses as a % of revenues		14.4%		12.4%	

Operating income as a % of revenues	6.6%	10.0%
Income taxes as a % of income		
before income taxes	32.6%	33.0%

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

Revenues increased 28% in 2010 compared to 2009 on higher revenues in both operating groups. Equipment Group revenues were up 16% on higher new and used equipment sales and product support activities. Compression Group revenues were up 39% 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 lows seen in 2009 and the early part of 2010.

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 \$0.97 in 2010 compared to \$0.88 in 2009, a 10% increase. Impacts of this trend 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 \$54 million versus 2009. Net income was also reduced by \$3.8 million 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 margin was 21.0% in 2010 compared with 22.4% in 2009. Within the Compression Group, lower shop utilization contributed to reduced gross profit margins in the current year. Gross profit margins in the Equipment Group in 2010 were down slightly from 2009 on an unfavourable change in mix, with a higher proportion of equipment sales compared to product support revenues.

Selling and administrative expenses increased \$108.2 million from 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 \$9.2 million. Amortization of identifiable intangible assets recorded on acquisition added \$11.0 million in expense in 2010. Selling and administrative expenses as a percentage of revenues were 14.4% in 2010 versus 12.4% in 2009.

Operating income decreased 16% in 2010 compared to the prior year as higher expense levels and lower gross margins more than offset higher revenues.

Interest expense was \$18.3 million higher in 2010. The increase in expense resulted primarily from financing the acquisition of ESIF. Interest expense on debt related to the acquisition was \$18.1 million.

Earnings in 2010 included a gain of \$18.6 million (\$16.3 million after tax and \$0.21 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") in 2009. 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 in 2010 is 32.6% compared to 33% in 2009. The lower rate in 2010 reflects 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 would be 35.5% in 2010, due to a higher proportion of income coming from higher tax jurisdictions.

The losses on discontinued operations related to the aforementioned disposition of Syntech.

Net earnings were down 18% in 2010 compared to 2009. Basic earnings per share ("EPS") were \$1.30 for the year, down 30% from 2009, reflecting lower earnings and a higher number of shares outstanding. The weighted average of shares outstanding in 2010 was 18% higher than 2009 reflecting the issuance of approximately 11.9 million shares in connection with the acquisition of ESIF.

Comprehensive income was \$69.6 million, comprised of net earnings of \$98.7 million and other comprehensive loss of \$29.1 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 \$11.2 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.

Equipment Group

Twelve months ended December 31 (\$			%)
thousands)	2010	2009	change

Equipment sales and rentals					
New	\$	416,922	\$	336,907	24%
Used		144,296		118,273	22%
Rental		143,398		137,536	4%

Total equipment sales and rentals		704,616		592,716	19%
Power generation		11,450		9,692	18%
Product support		306,634		278,938	10%

Total revenues	\$	1,022,700	\$	881,346	16%
----------------	----	-----------	----	---------	-----

Operating income	\$	106,748	\$	85,441	25%
------------------	----	---------	----	--------	-----

Capital expenditures	\$	72,415	\$	37,706	92%
----------------------	----	--------	----	--------	-----

Key ratios:

Product support revenues as a % of				
total revenues		30.0%		31.6%
Group total revenues as a % of				
consolidated revenues		43.9%		48.3%
Operating income as a % of revenues		10.4%		9.7%

An extended period of weaker market conditions dampened results through 2009 and into the first quarter of 2010. Market

conditions began to improve in the second quarter of 2010 and the positive trend continued through the end of 2010, resulting in a strong finish to the year.

New and used equipment sales were 24% and 22% higher in 2010 respectively. Sales increases resulted largely from higher unit sales. Many market segments, notably heavy construction, mining and industrial, were higher.

Rental revenues were 4% higher than 2009. Rental rates were consistently lower in 2010 due to very competitive market conditions; however equipment utilization improved through the latter part of 2010 leading to the increased rental revenues.

Power generation revenues from Toromont-owned plants increased 18% compared to the similar periods of the prior year, reflecting increased operating hours and higher average prices for electricity.

Product support revenues were a record \$307 million in 2010, 10% higher than 2009. On a constant dollar basis (adjusted for all pricing adjustments including those for foreign exchange), product support revenues were up 14%. Product support revenues in 2010 also benefited from a higher installed base of equipment in our territory coupled with higher utilization of equipment in 2010 compared to the prior year which was dampened by market conditions.

Operating income was up 25% in 2010 compared to 2009 reflecting the 16% increase in revenues. Expense ratios were improved from 2009.

Capital expenditures in the Equipment Group totalled \$72.4 million in 2010. Expenditures related to replacement and expansion of the rental fleet accounted for \$39.7 million of total expenditures in 2010. Expenditures of \$25.9 million were made for new and/or expanded facilities to meet current and future growth requirements. Other capital expenditures included \$1.9 on information technology and \$3.4 million on service and delivery vehicles.

(in \$ millions)	2010	2009	change	%

Bookings - twelve months ended				
December 31	\$ 708	\$ 421		68%
Backlogs - as at December 31	\$ 256	\$ 110		133%

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 also reflect increased activity in mining, power systems and construction.

Compression Group

Twelve months ended December 31 (\$ thousands)	2010	2009	change	%

Package sales and rentals					
Natural gas compression	\$	503,418	\$	526,412	(4%)
Process and fuel gas compression		263,506		128,553	105%
Refrigeration systems		106,890		91,776	16%
Compression rentals		32,443		15,238	113%
Other		45,603		-	n/m

Total package sales and rentals		951,860		761,979	25%
---------------------------------	--	---------	--	---------	-----

Product support		357,687		181,267	97%
-----------------	--	---------	--	---------	-----

Total revenues	\$	1,309,547	\$	943,246	39%
----------------	----	-----------	----	---------	-----

Operating income	\$	46,971	\$	96,911	(52%)
------------------	----	--------	----	--------	-------

Capital expenditures	\$	57,709	\$	23,335	147%
----------------------	----	--------	----	--------	------

Key ratios:

Product support revenues as a % of

total revenues	27.3%	19.2%
----------------	-------	-------

Group total revenues as a % of

consolidated revenues	56.1%	51.7%
-----------------------	-------	-------

Operating income as a % of revenues	3.6%	10.3%
-------------------------------------	------	-------

Note - 2009 amounts do not include the financial results of ESIF, which have been included in the consolidated financial statements from date of

acquisition, January 20, 2010.

The integration of the Company's legacy natural gas compression and processing equipment business with the acquired ESIF business to create the new Enerflex was a key focus during the year and has substantially been completed. Significant efforts were focused on integrating the Canadian operations including sales, engineering, fabrication, product support and administration functions. Operations in the U.S. and international locations were largely unaffected.

Actions taken through to the end of 2010 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. This forward-looking information is based on salary and other historical cost data and reflects only actions taken to date. 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.

Other actions taken during the year include the sale of Syntech Enerflex, an electrical, instrumentation and controls business which was acquired as part of the acquisition of Enerflex. This business was not considered to be core to the future growth of the Company and was sold. See Note 4 of the consolidated financial statements.

Due to the integration of the Canadian operations, 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. Reductions in revenues in each of the predecessors to Enerflex have been more than offset in total by the increased revenues derived from the acquired business.

Natural gas package revenues were down 4% in 2010 from the prior year. The stronger Canadian dollar resulted in a decrease of \$33 million on translation of revenues derived at foreign operations. Sales of natural gas compression packages from US operations were down 23% on a US dollar basis due to lower market activity in the first half of 2010. US natural gas compression package sales strengthened in the second half of the year and exceeded 2009 levels during the fourth quarter of 2010. Sales from Canadian operations were significantly higher on revenues added by the acquisition, largely offsetting the declines in the legacy businesses.

Process and fuel gas compression systems revenues were up 105% 2010 on revenues added by the acquisition.

Refrigeration systems revenues were up 16% in 2010 compared to 2009. Recreational refrigeration in Canada has seen good growth due to the Recreational Infrastructure Canada program, while the markets for industrial refrigeration in Canada and refrigeration generally in the US have remained challenged.

Rental revenues increased in 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. Revenues in 2010 include \$40 million related to construction of a natural gas processing facility which was determined to be a sales-type lease.

Product support revenues increased 97% in 2010 compared to 2009 as the acquisition of ESIF resulted in significantly expanded operations. Refrigeration product support revenues were relatively unchanged from the prior year.

The Compression Group reported operating income of \$47.0 million in 2010 compared to \$97.0 million in 2009. The decrease 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 \$9.2 million expense in 2010. Amortization related to identifiable intangible assets recorded on acquisition totalled \$11.0 million.

Capital expenditures totalled \$57.7 million in 2010. Approximately \$30 million of capital expenditures related to completion of a gas processing rental facility for an international customer under a Build-Own-Operate-Maintain agreement. Approximately \$10 million in capital expenditures were related to new sales and service branch locations in the United States required in support of growth of the business.

⌘

(in \$ millions)

2010

2009 change

Bookings - twelve months ended

December 31	\$	1,147	\$	459	150%
Backlogs - as at December 31	\$	713	\$	301	137%

Note - 2009 amounts do not include the financial results of ESIF, 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. Notable successes include orders from QGC PTY Ltd. totalling a record USD \$193 million for natural gas compression and process equipment for use in Australia. Recreational refrigeration bookings were up 26% in 2010 with strong order activity in Canadian recreational markets due to the Recreational Infrastructure Canada program. Industrial refrigeration bookings were down 24% through the same time frame on weaker economic conditions.

CONSOLIDATED FINANCIAL CONDITION

The Company has maintained a strong financial position for many years. At December 31, 2010, the ratio of total debt net of cash to equity was 0.2:1. Total assets were \$2.3 billion at December 31, 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 increased 4% to \$345.7 million at December 31, 2010. The major components, along with the changes from December 31, 2009, are identified in the following table. Generally, the increased December 31, 2010 balances reflect the acquisition of working capital of ESIF.

	December 31		Change	
	2010	2009	\$	%
Accounts receivable	\$ 451,858	\$ 244,759	\$ 207,099	85%
Inventories	447,271	373,110	74,161	20%
Income taxes, net	(4,962)	16,967	(21,929)	-129%
Future income tax assets	41,483	34,326	7,157	21%

Derivative financial instruments	(3,379)	(874)	(2,505)	287%
Other current assets	25,356	6,037	19,319	320%
Accounts payable and accrued liabilities	(397,362)	(228,436)	(168,926)	74%
Dividends payable	(12,305)	(9,728)	(2,577)	26%
Deferred revenue	(195,388)	(89,810)	(105,578)	118%
Current portion of long-term debt	(6,889)	(14,044)	7,155	-51%

Total non-cash working capital	\$ 345,683	\$ 332,307	\$ 13,376	4%

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

Accounts receivable as at December 31, 2010 reflect higher trailing activity levels. Revenues in both operating groups were higher in the fourth quarter of 2010 than in the fourth quarter of 2009. Higher revenues will generally result in higher accounts receivable balances.

Inventories increased \$74.2 million or 20% from 2009. Equipment Group inventories are 8% higher to support higher sales volumes and the increased service business. Compression Group inventories are 33% higher. The ESIF acquisition completed in early 2010 included inventories of approximately \$136 million. Reductions in inventories of parts and direct materials were realized as part of the integration of the two legacy businesses.

Income taxes (payable) receivable reflect amounts owing for current corporate income taxes less installments made to date as well as refunds to be received for prior taxation years' corporate income tax.

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

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar have led to a cumulative net loss of \$3.4 million as at December 31, 2010. This is not expected to affect net income, as the unrealized losses will offset future gains on the related hedged items.

Accounts payable and accrued liabilities at December 31, 2010 were higher than at December 31, 2009 on higher activity levels, including purchases of inventories. Extended terms of payment have been offered by certain suppliers. Accruals for profit-sharing payments increased year-over-year on the expanded operations and special bonuses related to transition efforts.

Dividends payable were 26% higher at December 31, 2010 compared to last year 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 in 2010 to \$0.16 per share, compared to \$0.15 per share dividend in 2009, an increase of 7%.

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 which increased year-over-year on increased activity levels. 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 in 2011. This amount is lower as a result of the maturity of certain senior debentures in 2010.

Goodwill

The Company performs impairment tests on its goodwill balances on an annual basis or as warranted by events or circumstances. The assessment of goodwill entails estimating the fair value of operations to which the goodwill relates using the present value of expected discounted future cash flows. This assessment affirmed goodwill values as at December 31, 2010.

Employee Share Ownership

The Company employs a variety of stock-based compensation plans to align employees' interests with corporate objectives.

The Company maintains an Executive Stock Option Plan for certain employees and directors. Stock options have a seven-year term, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price. At December 31, 2010, 2.1 million options to purchase common shares were outstanding, of which 0.8 million were exercisable.

The Company offers an Employee Share Ownership Plan whereby employees can purchase shares by way of payroll deductions. Under the terms of this plan, eligible employees may purchase common shares of the Company in the open market at the then current market price. The Company pays a portion of the purchase price, matching contributions at a rate of \$1 for every \$3 dollars contributed, to a maximum of \$1,000 per annum per employee. Company contributions vest to the employee immediately. Company contributions amounting to \$1.0 million in 2010 (2009 - \$0.9 million) were charged to selling and administrative expense when paid. A third party administers the Plan.

The Company also offers a deferred share unit (DSU) plan for certain employees 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. A DSU is a notional unit that reflects the market value of a single Toromont common share and generally vests immediately. DSUs will be redeemed on termination of employment or resignation from the Board, as the case may be. DSUs have dividend equivalent rights, which are expensed as earned. The Company records the cost of the DSU Plan as compensation expense.

As at December 31, 2010, 87,969 DSUs were outstanding at a value of \$2,747 (2009 - 68,723 units at a value of \$1,882). During 2010, 864 DSUs were redeemed for \$25 (2009 - 47,086 DSUs were redeemed for \$1,098). The liability for DSUs is included in Accounts Payable and Accrued Liabilities.

Employee Future Benefits

The Company sponsors pension arrangements for substantially all of its employees, primarily through defined contribution plans in Canada and a 401(k) matched savings plan in the United States. Certain unionized employees do not participate in Company-sponsored plans, and contributions are made to these union-sponsored plans in accordance with respective collective bargaining agreements. In the case of the defined contribution plans, regular contributions are made to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan document. Future expense for these plans will vary based on future participation rates.

Approximately 150 employees participate in one of two defined benefit plans:

-- Powell Plan - Consists of personnel of Powell Equipment (acquired by

Toromont in 2001); and

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

Financial markets continued to be volatile in 2010. This resulted in a gain on plan assets of \$4.7 million or 10%. The funded status of the plans has declined from a deficit of \$0.4 million to a deficit of \$1.8 million. The unrecognized actuarial loss at December 31, 2010, was \$15.3 million, compared to an unrecognized actuarial loss of \$12.4 million at December 31, 2009. Pension plan accounting requires gains and losses to be effectively smoothed over future periods, beginning in the following period. The Company expects pension expense and cash pension contributions to be similar to 2010 levels, before consideration of the spinoff of Enerflex.

The Company also has a defined benefit pension arrangement for certain senior executives that provides for a supplementary retirement payout in excess of amounts provided for under the registered plan. This "Executive Plan" is a non-contributory pension arrangement and is solely the obligation of the Company. The Company is not obligated to fund this plan but is obligated to pay benefits under the terms of the plan as they come due. The Company has posted letters of credit to secure the obligations under this plan, which were \$19.8 million as at December 31, 2010. As there are only nominal plan assets, the impact of volatility in financial markets on pension expense and contributions for this plan are insignificant.

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

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

Off-Balance Sheet Arrangements

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

Legal and Other Contingencies

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

Normal Course Issuer Bid

Toromont believes that, from time to time, the purchase of its common shares at prevailing market prices may be a worthwhile investment and in the best interests of both Toromont and its shareholders. As such, the normal course issuer bid with the TSX was renewed in 2010. This issuer bid allows the Company to purchase up to approximately 5.6 million of its common shares, representing 10% of common shares in the public float, in the year ending August 30, 2011. 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.

No shares were purchased under the NCIB in 2010 and in light of the proposed spinoff, the Company has suspended the repurchase of its common shares pursuant to its NCIB. In 2009, the Company purchased and cancelled 43,400 shares for \$0.9 million (average cost of \$19.77 per share).

Outstanding Share Data

As at the date of this MD&A, the Company had 77,158,736 common shares and 2,121,750 share options outstanding.

Dividends

Toromont pays a quarterly dividend on its outstanding common shares and has historically targeted a dividend rate that approximates 30% of trailing earnings from continuing operations. It is intended that the initial dividends paid by Toromont and Enerflex to their respective shareholders after the spinoff will, in the aggregate, equal the dividend that Toromont would have otherwise paid had the spinoff not occurred. After this initial dividend, the boards of directors of each of Toromont and Enerflex will re-examine whether this dividend policy is appropriate for their respective companies in future periods.

During 2010, the Company declared dividends of \$0.62 per common share (\$0.60 per common share in 2009).

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

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

Toromont arranged a \$450 million term loan facility in January 2010 in connection with the acquisition of ESIF. In addition to two required quarterly repayments of \$16.875 million, the Company made a voluntary repayment, without penalty, of \$83.125 million during the third quarter of 2010.

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 together with cash-on-hand. Debt incurred under the new facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. Toromont intends to utilize this facility primarily through the issuance of bankers' acceptances with acceptance fees ranging from 150 to 275 basis points, determined based on Toromont's leverage ratio.

At December 31, 2010, \$144 million or 34% 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 5.5%. The remaining \$280 million or 66% of long-term debt carried interest at a variable rate of approximately 3.2% at December 31, 2010.

Combined unsecured credit facilities amounted to \$620 million at year-end comprised of \$600 million in Canada and US\$20 million in the United States (\$20 million Canadian equivalent). These credit facilities mature in 2012. At December 31, 2010, there were no drawings against the US credit facility and \$280 million was drawn against the Canadian facility. Letters of credit in the amount of \$64 million were issued against the credit facilities.

The Company expects that continued cash flows from operations in 2011, cash and cash equivalents on hand and currently available credit facilities will be more than sufficient to fund requirements for investments in working capital and capital assets.

It is expected that subsequent to the spinoff, Enerflex will repay outstanding intercompany debt owed to Toromont. Toromont will apply the funds it receives to repay amounts outstanding under Toromont's credit facilities and expects to amend the credit agreement governing these credit facilities to reduce the available amount.

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:

Twelve months ended December 31

\$ thousands

2010

2009

Cash, beginning of period	\$	206,957	\$	137,274
Cash, provided by (used in):				
Operations		151,917		176,945
Change in non-cash working capital				
and other		103,736		19,308

Operating activities		255,653		196,253
Investing activities		(340,909)		(73,904)
Financing activities		54,453		(51,014)

(Decrease) increase in cash in the				
period		(30,803)		71,335
Effect of foreign exchange on cash				
balances		(2,065)		(1,652)

Cash, end of period	\$	174,089	\$	206,957

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

Cash Flows from Operating Activities

Operating activities provided \$255.7 million in the year compared to \$196.3 million in 2009. Net earnings adjusted for items not requiring cash were down 14% on lower operating margins including expenses related to the acquisition of ESIF. Non-cash working capital and other provided \$103.7 million in 2010 compared to \$19.3 million in 2009. The components and changes in working capital are discussed in more detail in this MD&A under the heading "Consolidated Financial Condition."

Cash Flows from Investing Activities

Investing activities in 2010 used \$340.9 million and comprised the following items:

- Cash purchase price for the acquisition of ESIF was \$292.5 million;
- Proceeds on sale of discontinued operations, Syntech, of \$3.5 million cash and \$3.5 million note receivable;
- Rental fleet additions included \$38.4 million for a natural gas processing plant which was accounted for as a sales type lease,
- The balance of rental fleet additions of \$31.3 million was directed largely at the Equipment Group; and
- Additions to property, plant and equipment of \$60.4 million.

Investments in property, plant and equipment in 2010 were related largely to additional land and buildings acquired for new branch locations (\$36.2 million).

Investing activities in 2009 used \$73.9 million and comprised the following items:

- Cash used for purchase of units of ESIF;
- Net additions to the rental fleet (additions less proceeds on disposal) of \$9.6 million;
- Gross investment in property, plant and equipment was \$21.3 million.

Cash Flows from Financing Activities

Financing activities provided \$54.5 million in 2010 and used \$51.1 million in 2009.

Net increase in long-term debt totalled \$92.8 million in 2010. Borrowings of \$450 million were drawn during the year in order to finance the acquisition of ESIF, including repayments on ESIF senior secured notes payable and bank facilities. Strong cash flow during 2010 and substantial cash on hand entering the year allowed the Company to make total net repayments on this and other long-term debt of \$348 million. In 2009, total debt decreased by \$15.4 million.

Dividends paid to common shareholders totalled \$45.1 million and were 18% higher than that paid in the prior year. The number of shares outstanding increased 11.9 million (18% based on December 31, 2009 number of shares) as a result of common shares issued to acquire ESIF. The regular quarterly dividend rate was increased 7% from \$0.15 per share to \$0.16 per share effective with the October 2010 dividend payment.

There were no shares purchased under the normal course issuer bid (NCIB) during 2010 and, in light of the proposed spinoff, the Company has suspended the repurchase of its common shares pursuant to its NCIB. During 2009, 43,400 shares were purchased and cancelled under the Company's NCIB at a cost of \$858 thousand.

Cash received on the exercise of share options totalled \$6.7 million compared to \$3.4 million in the prior year. The increase reflects a higher number of stock options exercised and a higher weighted average exercise price.

OUTLOOK

Toromont has a history of performance at a high level for all stakeholders, resulting from consistent application of long-term strategies, a proven business model and a focus on asset management and progressive, profitable improvement. Toromont is well positioned in each of its diverse markets and both business segments have good growth prospects over the longer term.

The new Enerflex is a well capitalized global leader in the compression market, built on the complementary strengths of its predecessor organizations, with a strong leadership team in place. Toromont believes that the prospects for this business are excellent.

The global economy appears to be recovering from the recent recession. We entered 2011 with significantly stronger backlog than we had entering 2010.

Our Equipment Group is experiencing improved bookings in many markets, including mining, road building and power systems. While the government stimulus spending for Canadian infrastructure is winding down, we believe that investment levels will continue to remain high in the infrastructure markets we serve, significantly road building. The parts and service business has seen a recent resumption of growth and provides a measure of stability, driven by the larger installed base of equipment in the field.

Our Compression Group has seen quarter-over-quarter increase in bookings. Toromont believes that the long term market fundamentals for natural gas in Canada and the U.S. are positive. Process and international markets also provide opportunity. Recreational refrigeration markets in Canada have been buoyed by governmental infrastructure spending programs which will carry over into 2011. Industrial markets remain weak.

Our management teams have been successful in adjusting to changing market conditions. Our focus on staffing, asset management, discretionary spending and capital investment have left us in good position to capitalize on opportunities going forward.

We believe that the proposed spinoff of Enerflex will increase long-term value for shareholders.

CONTRACTUAL OBLIGATIONS

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

Payments due by

Period	2011	2012	2013	2014

Long-term Debt				
- principal	\$ 6,889	\$ 281,280	\$ 1,372	\$ 1,471
- interest	16,226	11,466	6,895	6,796
Operating Leases	17,136	13,626	10,395	7,430

	\$ 40,251	\$ 306,372	\$ 18,662	\$ 15,697

Payments due by

Period	2015	Thereafter	Total

Long-term Debt			
- principal	\$ 126,576	\$ 6,463	\$ 424,051
- interest	5,342	944	47,669
Operating Leases	4,931	14,182	67,700

	\$ 136,849	\$ 21,589	\$ 539,420

It is expected that concurrent with the spinoff, Enerflex will repay all outstanding intercompany debt owed to Toromont. Toromont will apply the funds it receives to repay amounts outstanding under Toromont's credit facilities and expects to amend the credit agreement governing these credit facilities to reduce the available credit.

KEY PERFORMANCE MEASURES

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

Years ended December 31,	2010	2009	2008	2007	2006

Expanding Markets and					
Broadening Product					
Offerings					
Revenue growth	27.8%	-14.0%	12.4%	8.1%	10.2%
Revenue generated outside					
North America (millions)	\$ 312.1	\$ 87.9	\$ 69.0	\$ 75.6	\$ 80.8

Strengthening Product

Support

Product support revenue

growth	44.4%	-7.7%	5.5%	6.3%	9.2%
--------	-------	-------	------	------	------

Investing in Our Resources

Revenue per employee

(thousands)	\$ 421	\$ 422	\$ 463	\$ 431	\$ 407
-------------	--------	--------	--------	--------	--------

Investment in information

technology (millions)	\$ 19.4	\$ 15.3	\$ 14.9	\$ 13.6	\$ 12.7
-----------------------	---------	---------	---------	---------	---------

Return on capital employed	10.3%	21.1%	26.4%	24.7%	22.7%
----------------------------	-------	-------	-------	-------	-------

Strong Financial Position

Working capital (millions)	\$ 520	\$ 539	\$ 509	\$ 467	\$ 470
----------------------------	--------	--------	--------	--------	--------

Total debt, net of cash to

equity ratio	.20:1	n/m	.05:1	.19:1	.36:1
--------------	-------	-----	-------	-------	-------

Book value (shareholders'

equity) per share	\$ 15.63	\$ 13.17	\$ 12.06	\$ 10.08	\$ 8.79
-------------------	----------	----------	----------	----------	---------

Build Shareholder Value

Basic earnings per share

growth	-30.1%	-13.9%	14.3%	21.2%	24.8%
--------	--------	--------	-------	-------	-------

Dividends per share growth	3.3%	7.1%	16.7%	20.0%	25.0%
----------------------------	------	------	-------	-------	-------

Return on equity	8.5%	15.5%	21.5%	21.6%	20.6%
------------------	------	-------	-------	-------	-------

n/m - not meaningful

While the global recession interrupted the steady string of growth across key performance measures, profitability endured and the balance sheet continued to strengthen. This has been discussed at length throughout this MD&A.

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

Since 2006, revenues increased at an average annual rate of 8.9%. Product support revenue growth has averaged 11.5% annually. Revenue growth in continuing operations has been a result of:

- Acquisition of ESIF in 2010;
- Significant expansion of compression operations in the United States;
- Additional product offerings over the years from Caterpillar and other suppliers;
- Organic growth through increased fleet size and additional branches;
- Increased customer demand for formal product support agreements; and
- Other acquisitions, primarily within the Equipment Group's rental operations.

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

- General economic weakness, which has negatively impacted revenues since the latter part of 2008;
- Declines in underlying market conditions such as depressed natural gas prices in Canada;
- Inability to source equipment from suppliers to meet customer demand or delivery schedules; and
- Lack of skilled workers such as mechanics and journeymen resulting in service revenue and efficiency impacts.

Changes in the Canadian/U.S. exchange rate impacts reported revenues in two ways. First the exchange rate impacts on the translation of results from foreign subsidiaries. Second the exchange rate impacts on the purchase price of equipment that in turn is reflected in selling prices.

Revenues generated outside North America have increased substantially as a result of the acquisition of ESIF.

Toromont has generated significant competitive advantage over the past years by investing in its resources, in part to increase productivity levels.

Toromont continues to maintain a strong balance sheet. In 2010, book value (shareholders' equity) per share increased 19% over the prior year on the ESIF acquisition and strong earnings. Leverage, as represented by the ratio of total debt, net of cash, to shareholders' equity, is within targeted levels.

Toromont has a history of progressive earnings per share growth. This trend was not continued in 2009 due to the weak economic environment, which reduced revenues. In 2010, earnings per share were negatively impacted by the acquisition, with

higher overheads and expenses during the transition year. EPS in 2010 was also negatively impacted by shares issued for the acquisition of ESIF.

Toromont has paid dividends consistently since 1968, and has increased the dividend in each of the last 21 years.

CONSOLIDATED RESULTS OF OPERATIONS FOR THE FOURTH QUARTER 2010

Three months ended December 31 (\$

thousands, except per share

amounts)

	2010	2009	% change

Revenues	\$ 709,710	\$ 452,838	57%
Cost of goods sold	554,662	352,485	57%

Gross profit	155,048	100,353	55%
Selling and administrative expenses	95,071	54,532	74%

Operating income	59,977	45,821	31%
Interest expense	5,076	2,450	107%
Interest and investment income	(1,210)	(2,913)	(58%)
Equity earnings from affiliates	(138)	-	n/m

Income before income taxes	56,249	46,284	22%
Income taxes	20,895	14,934	40%

Earnings from continuing operations	35,354	31,350	13%
Losses on discontinued operations	-	-	n/m

Net earnings	\$ 35,354	\$ 31,350	13%

Earnings per share (basic)	\$	0.47	\$	0.48	(2%)
----------------------------	----	------	----	------	------

Key ratios:

Gross profit as a % of revenues		21.8%		22.2%
Selling and administrative expenses as a % of revenues		13.4%		12.0%
Operating income as a % of revenues		8.5%		10.1%
Income taxes as a % of income before income taxes		37.1%		32.3%

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

Results in the fourth quarter were good and represented the first year-over-year increase in operating income and net income since early 2008. The improved results in the quarter largely reflect improved economic conditions in Canada which has driven by higher activity in the Equipment Group.

The Canadian dollar was 4% stronger on average for the fourth quarter of 2010 compared to the similar period last year. The impact on revenues and net income on translation of foreign subsidiaries, all reported in the Compression Group, were decreases of \$4 million and \$0.4 million respectively.

Revenues were 57% higher in the fourth quarter of 2010 compared to the same period last year. Increases were reported in both Compression and Equipment.

Gross profit increased 55% in the fourth quarter over last year on the higher sales volumes. Gross profit margin was 21.8% in 2010 compared to 22.2% in 2009. Higher margins were reported in the Equipment Group on improved price realization. The Compression Group reported lower margins on lower shop efficiencies related to the expanded operations.

Selling and administrative expenses increased \$40.5 million or 74% versus the comparable period of the prior year. Most of the increase was due to the recurring costs assumed with the acquisition including amortization of identifiable intangible assets. Selling and administrative expenses as a percentage of revenues were 13.4% compared to 12% in the comparable period last year.

Interest expense was \$2.6 million higher in the quarter compared to the similar period last year on interest on financing for the acquisition of ESIF.

Interest income in the fourth quarter of 2009 included distributions received on investment in ESIF trust units held prior to the acquisition of the entire business.

The effective income tax rate was 37.1% compared to 32.3% in the fourth quarter of 2009. The tax rate has been skewed higher due to profits generated in higher tax jurisdictions while losses were generated in certain lower tax international markets.

Net earnings in the quarter were \$35.4 million, up 13% from 2009. Basic earnings per share were \$0.47, down just one cent from the fourth quarter of 2009, despite a 19% increase in the number of shares outstanding.

Comprehensive income was \$24.7 million, comprised of net earnings of \$35.4 million and other comprehensive loss of \$10.7 million. Other comprehensive loss arose primarily on unrealized exchange loss on translation of the Company's foreign operations.

Fourth Quarter Results of Operations in the Equipment Group

Three months ended December 31 (\$

thousands)	2010	2009	% change

Equipment sales and rentals			
New	\$ 130,633	\$ 99,632	31%
Used	38,584	32,492	19%
Rental	43,553	38,065	14%

Total equipment sales and rentals	212,770	170,189	25%
Power generation	3,758	2,482	51%
Product support	81,410	66,338	23%

Total revenues	\$ 297,938	\$ 239,009	25%

Operating income	\$ 34,534	\$ 19,558	77%

Bookings (\$ millions)	\$ 207	\$ 131	58%

Key ratios:

Product support revenues as a % of		
total revenues	27.3%	27.8%
Group total revenues as a % of		
consolidated revenues	42.0%	52.8%
Operating income as a % of revenues	11.6%	8.2%

New and used equipment sales increased 31% and 19% respectively compared to the fourth quarter of 2009. Market conditions were much stronger in the fourth quarter of 2010 versus the generally weaker economy seen in 2009.

Rental revenues were up 14% in the quarter compared to the prior year on higher fleet utilization. Rental rates have been consistently lower this year due to very competitive market conditions.

Power generation revenues from Toromont-owned plants increased 51% in the quarter. Higher revenues reflect certain 'catch up' payments with respect to revised operating contracts with certain customers which were recently finalized. Excluding these remedial payments, revenues would have still increased 3%.

Product support revenues were up 23% compared to the prior year and represented a new record level for any quarter. Improved market conditions and a growing installed base of equipment in territory have driven higher activity levels.

Operating income was up 77% over last year on higher revenues and improved gross margins. Selling and administrative expenses increased 19% on the higher volumes. Profit sharing accruals were higher in 2010 on the higher operating income.. Operating income as a percentage of revenues was 11.6% compared to 8.2% in the fourth quarter of 2009.

Fourth Quarter Results of Operations in the Compression Group

Three months ended December 31 (\$

thousands)	2010	2009	% change

Package sales and rentals			
Natural gas compression	\$ 150,549	\$ 123,554	22%
Process and fuel gas compression	111,527	16,172	590%
Refrigeration systems	25,976	26,474	(2%)
Compression rentals	8,441	3,322	154%
Other	10,275	-	n/m

Total package sales and rentals	306,768	169,522	81%
Product support	105,004	44,307	137%

Total revenues	\$	411,771	\$	213,829	93%
----------------	----	---------	----	---------	-----

Operating income	\$	25,443	\$	26,263	(3%)
------------------	----	--------	----	--------	------

Bookings (\$ millions)	\$	397	\$	181	119%
------------------------	----	-----	----	-----	------

Key ratios:

Product support revenues as a % of

total revenues	25.5%	20.7%
----------------	-------	-------

Group total revenues as a % of

consolidated revenues	58.0%	47.2%
-----------------------	-------	-------

Operating income as a % of revenues

6.2%	12.3%
------	-------

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

Revenues in the Compression Group for the fourth quarter of 2010 were up 93% from the similar period last year, 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 up 22% in the quarter, benefiting from increased revenues from the acquired operations.

Process compression systems were significantly higher in the quarter. Process system sales depend on timing of customer orders and requirements.

Refrigeration revenues for the quarter were 2% lower on timing of construction work. Recreational refrigeration in Canada has seen good growth due to the Recreational Infrastructure Canada program, which has driven record results for the year for CIMCO. As the deadline for completion of projects under this program was extended in the fourth quarter, construction schedules have slowed somewhat leading to the year-over-year decline.

Product support revenues increased 137% in the quarter as the acquisition of ESIF significantly expanded operations. Canadian refrigeration product support revenues were 6% lower than the prior year as customers focused on new construction, while US product support revenues were significantly higher.

Operating income was 3% lower in the fourth quarter of 2009 compared to the similar period last year on lower margins, partially offset by higher volumes. Gross margins were lower in 2010 compared to 2009 on lower shop utilization from the expanded operations. Selling and administrative expenses were up significantly from the prior year due to the acquisition, integration costs and amortization of intangibles.

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	Q1 2010	Q2 2010	Q3 2010	Q4 2010

Revenues				
Equipment Group	\$ 176,635	\$ 264,538	\$ 283,588	\$ 297,938
Compression Group	249,838	312,086	335,852	411,772

Total revenues	\$ 426,473	\$ 576,624	\$ 619,440	\$ 709,710

Net earnings - continuing				
operations	\$ 16,227	\$ 22,369	\$ 26,198	\$ 35,354
Net earnings	\$ 15,365	\$ 21,832	\$ 26,099	\$ 35,354
Per share information:				
Earnings per share - continuing				
operations				
Basic	\$ 0.22	\$ 0.29	\$ 0.34	\$ 0.47
Diluted	\$ 0.22	\$ 0.29	\$ 0.34	\$ 0.46

Earnings per share								
Basic	\$	0.21	\$	0.28	\$	0.34	\$	0.47
Diluted	\$	0.21	\$	0.28	\$	0.34	\$	0.46
Dividends per share								
	\$	0.15	\$	0.15	\$	0.16	\$	0.16
Weighted average common shares								
outstanding - Basic (in								
thousands)								
		73,866		76,881		76,896		76,962

\$ thousands, except per share

amounts

	Q1 2009	Q2 2009	Q3 2009	Q4 2009
--	---------	---------	---------	---------

Revenues

Equipment Group	\$	191,693	\$	217,015	\$	233,629	\$	239,009
Compression Group		265,966		267,158		196,293		213,829
Total revenues								
	\$	457,659	\$	484,173	\$	429,922	\$	452,838

Net earnings	\$	23,718	\$	33,525	\$	31,923	\$	31,350
--------------	----	--------	----	--------	----	--------	----	--------

Per share information:

Basic earnings per share	\$	0.37	\$	0.51	\$	0.50	\$	0.48
Diluted earnings per share	\$	0.37	\$	0.51	\$	0.50	\$	0.48
Dividends per share	\$	0.15	\$	0.15	\$	0.15	\$	0.15

Weighted average common shares

outstanding - Basic (in

thousands)

64,678

64,698

64,718

64,771

Note - 2009 amounts do not include the financial results of ESIF, 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 altered somewhat in recent years given changes in economic conditions, product availability and other market specific factors. Management expects the seasonality trend to resume as market conditions improve.

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. Generally, higher revenues are reported in the fourth quarter of each year. This trend has not been evident in the last two years due to deteriorating natural gas markets, general economic conditions and the acquisition of ESIF. Geographic and product mix diversification has also served to mitigate this seasonality. Management expects the seasonality trend to resume as natural gas market fundamentals improve.

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

SELECTED ANNUAL INFORMATION

(in thousands, except per share

amounts)

2010

2009

2008

Revenues \$ 2,332,247 \$ 1,824,592 \$ 2,121,209

Net earnings - continuing

operations \$ 100,148 \$ 120,516 \$ 140,853

Net earnings \$ 98,650 \$ 120,516 \$ 140,524

Earnings per share - continuing

operations				
- Basic	\$	1.32	\$	1.86
			\$	2.17
- Diluted	\$	1.31	\$	1.86
			\$	2.16
Earnings per share				
- Basic	\$	1.30	\$	1.86
			\$	2.16
- Diluted	\$	1.29	\$	1.86
			\$	2.15
Dividends declared per share	\$	0.62	\$	0.60
			\$	0.56
Total assets	\$	2,269,238	\$	1,364,667
			\$	1,533,450
Total long-term debt	\$	419,929	\$	158,095
			\$	173,475
Weighted average common shares				
outstanding, basic (millions)		76.2		64.7
				65.0

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

The global economic crisis of late 2008 and 2009 served to reduce revenues in 2009 as activity levels in end markets slowed. Revenues grew 28% in 2010 on the acquisition of ESIF and improved market conditions within the Equipment Group.

Net earnings declined 14% in 2009 on lower revenues. Net earnings in 2010 declined 18% on lower profitability within in the Compression Group due to the significant acquisition, transition and integration of ESIF.

Earnings per share have generally followed earnings. This was impacted in 2010 as the number of common shares outstanding increased 19% due to shares issued in connection with the acquisition of ESIF.

Dividends have generally increased in proportion to trailing earnings growth.

Total assets increased in 2010 on the acquisition of ESIF. Total assets acquired were approximately \$1 billion.

Long-term debt increased in 2010 and represented 20% of total shareholders' equity (net of cash) at year end, within the Company's target levels.

RISKS AND RISK MANAGEMENT

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

Business Cycle

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

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

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

Product and Supply

Equipment Group

The Equipment Group purchases most of its equipment inventories and parts from Caterpillar under a dealership agreement that dates back to 1993. As is customary in distribution arrangements of this type, the agreement with Caterpillar can be terminated by either party upon 90 days' notice. In the event Caterpillar terminates, it must repurchase substantially all inventories of new equipment and parts at cost. Toromont has maintained an excellent relationship with Caterpillar for 16 years and management expects this will continue going forward.

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

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

Compression Group

Some of the components used in the products of the Compression Group are obtained from a single source or a limited group of suppliers. The Compression Group's reliance on these suppliers involves several risks, including price increases, inferior component quality and a potential inability to obtain an adequate supply of required components in a timely manner. The partial or complete loss of certain of these sources could have a negative impact on Toromont's results of operations and could damage its customer relationships. Further, a significant increase in the price of one or more of these components could have a negative impact on Toromont's results of operations.

One of the Compression Group's strategic assets is its distribution and OEM agreements with leading manufacturers, notably the Waukesha Engine division of Dresser Inc. for engines, Finning (Caterpillar) for engines and parts, Ariel Corporation for compressors and parts, and The Frick Company (Johnson Controls Inc.) for compressors and parts. In the event that one or more of these agreements were to be terminated, Toromont would lose a competitive advantage.

Competition

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

maintain the factors that have enhanced its competitive position to date could adversely affect the Company's business, results of operations or financial condition.

The Compression Group requires skilled engineering and design professionals in order to maintain customer satisfaction and engage in product innovation. Toromont competes for these professionals, not only with other companies in the same industry, but also with oil and gas producers and other industries. In periods of high energy activity, demand for the skills and expertise of these professionals increases, making the hiring and retention of these individuals more difficult.

Toromont also relies on the skills and availability of trained and experienced tradesmen and technicians in both the Equipment and Compression Groups in order to provide efficient and appropriate services to customers. Hiring and retaining such individuals is critical to the success of these businesses. Demographic trends are reducing the number of individuals entering the trades, making access to skilled individuals more difficult. The Company has several remote locations which could make attracting and retaining skilled individuals more difficult.

Credit Risk

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

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

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

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

Warranties and Maintenance Contracts

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

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

Foreign Exchange

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

Transaction Exposure

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

In addition, pricing to customers is customarily adjusted to reflect changes in the Canadian dollar landed cost of imported goods.

The Company also sells compression packages in foreign currencies, primarily the U.S. dollar, the Euro and the Australian dollar, and enters into foreign currency contracts to reduce these exchange rate risks. Foreign exchange contracts reduce volatility by fixing landed costs related to specific customer orders and establishing a level of price stability for high-volume goods such as spare parts. The Company does not enter into foreign exchange forward contracts for speculative purposes. The gains and losses on the foreign exchange forward contracts designated as cash flow hedges are intended to offset the translation losses and gains on the hedged foreign currency transactions when they occur.

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

Translation Exposure

At December 31, 2010 all of the Company's foreign operations are considered self-sustaining. Accordingly, assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the balance sheet dates. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income. The cumulative currency translation adjustments are recognized in income when there has been a reduction in the net investment in the foreign operations.

Foreign currency-based earnings are translated into Canadian dollars each period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income. Such exchange rate fluctuations have historically not been material year-over-year relative to the overall earnings or financial position of the Company. The impact in 2010 was to reduce revenues by \$54 million and net income by approximately \$3.8 million.

Exchange rate fluctuations may be more significant in future periods as a result of expected growth in Enerflex's Australian operations.

Interest Rate

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

At December 31, 2010, the Company's debt portfolio is comprised of 34% fixed rate and 66% floating rate debt. Fixed rate debt exposes the Company to future interest rate movements upon refinancing the debt at maturity. Floating rate debt exposes the Company to fluctuations in short-term interest rates by causing related interest payments and finance expense to vary.

The Company's fixed rate debt matures between 2011 and 2019, with 87% maturing in 2015.

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

Financing Arrangements

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

Spinoff Transaction Risk

On November 8, 2010, the Company announced a proposal to spinoff Enerflex, Toromont's natural gas compression and processing equipment business, to Toromont's shareholders as a separate, publicly traded company. This business comprises the majority of Toromont's operations within the Compression Group.

The proposed spinoff of Enerflex as a separate, publicly traded company entails various risks and uncertainties, including the following:

- The combined trading prices of common shares of Toromont and Enerflex after the spinoff may be less than the trading price of Toromont's common shares immediately prior to the spinoff.
- There is currently no established market for the common shares of Enerflex to be issued as part of the spinoff and even if a market does develop current shareholders of Toromont may be unwilling or unable to hold common shares of Toromont and/or Enerflex after the spinoff, which could have a negative effect on their trading prices.
- Toromont and Enerflex could be exposed to substantial tax liabilities if the tax-deferred spinoff requirements are not met.
- Toromont may delay or amend the implementation of all or part of the spinoff or may proceed with the spinoff even if certain consents and approvals are not obtained on a timely basis.
- Toromont and Enerflex will have indemnification obligations to each other following the spinoff that could be significant.
- As separate companies, the respective businesses of Toromont and Enerflex will be less diversified.

Further information on Enerflex Ltd. and this proposed transaction will be provided in the a management information circular to be filed in advance of the meeting of shareholders to vote on the spinoff. This document is expected to be filed in mid-March and will be available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

Environmental Regulation

Toromont's customers, particularly in North America, Europe and Australia, are subject to significant and ever-increasing environmental legislation and regulation. This legislation can impact Toromont in two ways. First, it may increase the technical difficulty in meeting environmental requirements in product design, which could increase the cost of these businesses' products. Second, it may result in a reduction in activity by Toromont's customers in environmentally sensitive areas, in turn reducing the sales opportunities available to Toromont.

Toromont is also subject to a broad range of environmental laws and regulations. These may, in certain circumstances, impose strict liability for environmental contamination, which may render Toromont liable for remediation costs, natural resource damages and other damages as a result of conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior owners, operators or other third parties. In addition, where contamination may be present, it is not uncommon for neighbouring land owners and other third parties to file claims for personal injury, property damage and recovery of response costs. Remediation costs and other damages arising as a result of environmental laws and regulations, and costs associated with new information, changes in existing environmental laws and regulations or the adoption of new environmental laws and regulations could be substantial and could negatively impact Toromont's business, results of operations or financial condition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Revenue Recognition

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

Property, Plant and Equipment

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

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

Fixed assets are also reviewed for potential impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In cases where the undiscounted expected future cash flows are less than the carrying amount, an impairment loss is recognized. Impairment losses on long-lived assets are measured as the amount by which the carrying value of an asset or asset group exceeds its fair value, as determined by the discounted future cash flows of the asset or asset group. In estimating future cash flows, the Company uses its best estimates based on internal plans that incorporate management's judgments as to the remaining service potential of the fixed assets. Changes in circumstances, such as technological advances and changes to business strategy can result in actual useful lives and future cash flows differing significantly from estimates. The assumptions used, including rates and methodologies, are reviewed on an ongoing basis to ensure they continue to be appropriate. Revisions to the estimated useful lives of fixed assets or future cash flows constitute a change in accounting estimate and are applied prospectively.

Income Taxes

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

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

Changes or differences in these estimates or assumptions may result in changes to the current or future income tax balances on the consolidated balance sheet, a charge or credit to income tax expense in the consolidated statement of earnings and may result in cash payments or receipts. Additional information on income taxes is provided in Note 18 to the accompanying unaudited consolidated financial statements.

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 December 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, current and 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 consisted 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 and largely complete. 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 the Audit Committee.
Analyze and select ongoing policies where alternatives are permitted	Initial accounting policy selections preliminarily approved by senior management and the Audit Committee.
Revise accounting policy and procedures manuals	Revisions to accounting manuals are in process.
Financial Statement Preparation	

Preparation of Opening Balance Sheet on transition to IFRS as at January 1, 2010 including required reconciliations	Management has completed the opening balance sheet and the Company's external auditors have substantially completed their procedures.
---	---

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. Testing is ongoing. 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 IFRS is not expected to have any material impact on the company's contracts.

Transitional Impacts

IFRS 1 - First-Time Adoption of International 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

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

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 \$16 million.

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 impact the Company's income statement expense associated with the defined benefit pension plans as actuarial gains/losses are no longer amortized. Variability in OCI will increase as actuarial gains/losses are recorded.

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 significant.

Impairment of Assets	<p>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.</p> <p>IFRS requires the assessment of asset impairment to be based on discounted future cash-flows.</p> <p>IFRS allows the reversal of impairment losses, other than for goodwill and indefinite life intangible assets, while GAAP does not.</p>	<p>The Company has identified more cash generating units than the reporting units currently used to assess for impairment under Canadian GAAP.</p> <p>Whether the Company will be materially impacted by this change will depend upon the facts at the time of each impairment test.</p> <p>Impairment reversal calculations have been prepared and the Company's external auditors have substantially completed their procedures.</p>
----------------------	--	--

Borrowing Costs	<p>Under IFRS, borrowing costs will be capitalized to assets which take a substantial time to develop or</p>	<p>The impact of this policy change will be dependent on the magnitude of capital spend on qualifying</p>
-----------------	--	---

construct using a	assets in the future.
capitalization rate	Generally, this will
based on all of the	reduce finance costs and
company's outstanding	increase property, plant
third-party debt.	and equipment balances
	and associated
	depreciation for those
	assets.

Financial Statement	IFRS requires	Financial statement
Presentation and	significantly more	formats have been
Disclosure	disclosure than GAAP for	drafted for both interim
	certain standards.	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.

Impact of Adoption - Reconciliation from Canadian GAAP to IFRS

The following table provides a summary of the Canadian GAAP to IFRS transitional impact to opening shareholders' equity as at January 1, 2010, the date of transition, and as at December 31, 2010. The amounts presented were prepared using the above-noted transitional exemptions and accounting policy choices. The ultimate opening shareholders' equity impact as presented in the financial statements for the year ending December 31, 2011, may differ from the figures presented in the foregoing tables if there are any changes to the underlying IFRS.

				Accumulated
				Other
(\$	Share	Contributed	Retained	Comprehensive

thousands)	Capital	Surplus	Earnings	Income	Total
------------	---------	---------	----------	--------	-------

Canadian GAAP

- January 1,

2010	\$ 132,261 \$	10,012 \$	704,512 \$	(628) \$	846,157
------	---------------	-----------	------------	----------	---------

IFRS

adjustments

a) Employee

future

benefits			(11,174)		(11,174)
----------	--	--	----------	--	----------

b) Currency

translation

account			(15,954)	15,954	-
---------	--	--	----------	--------	---

	-	-	(27,128)	15,954	(11,174)
--	---	---	----------	--------	----------

IFRS -

January 1,

2010	\$ 132,261 \$	10,012 \$	677,385 \$	15,326 \$	834,984
------	---------------	-----------	------------	-----------	---------

Canadian GAAP

- December

31, 2010	\$ 469,080 \$	10,882 \$	755,447 \$	(29,717)	\$1,205,692
----------	---------------	-----------	------------	----------	-------------

IFRS

adjustments				
a) Employee				
future				
benefits		(10,724)	(3,887)	(14,612)
b) Currency				
translation				
account		(15,954)	15,954	-
c) Reversal				
of asset				
impairment		4,812		4,812

	-	-	(21,866)	12,067
				(9,800)

IFRS -

December 31,

2010	\$ 469,080	\$ 10,882	\$ 733,581	\$ (17,650)	\$1,195,892
------	------------	-----------	------------	-------------	-------------

a) Employee Future Benefits

- Unfunded Pension Obligation - Under Canadian GAAP, accrued pension benefit obligation in excess of plan assets for defined benefit pension plans was only required to be disclosed in the notes to the consolidated financial statements. Under IFRS, the obligation in excess of plan assets is required to be recorded as a liability on the balance sheet.

- Actuarial Gains and Losses - Under Canadian GAAP, actuarial gains and losses were recognized on a systematic and consistent basis, subject

to a minimum required amortization based on a "corridor" approach. Unrecognized actuarial gains and losses below the corridor were deferred. Under IFRS, in accordance with the Company's IFRS I election, any deferred actuarial gains and losses are immediately recognized in shareholders' equity. Post adoption, the Company elected to immediately recognize all actuarial gains and losses in shareholders' equity.

b) Cumulative Translation Account

- Upon transition to IFRS, the Company elected to reset all cumulative translation differences to zero.

c) Reversal of Asset Impairment

- Under Canadian GAAP, asset impairments are not reversed. Under IFRS, asset impairments are required to be reversed when there has been a change in estimates used to determine the recoverable amount.

In 2010, revised pricing under certain electricity supply contracts triggered an assessment of the recoverable amount of certain power generation assets. The value in use was based on cash flow forecast in real terms and discounted at a pre-tax rate of 3.3 per cent. This led to a reversal of \$6.7 million of asset impairment provision previously recorded in 2005.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chairman & Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting as at December 31, 2009, using the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, they have concluded that the design and operation of the Company's disclosure controls and procedures were adequate and effective as at December 31, 2010, to provide reasonable assurance that a) material information relating to the Company and its consolidated subsidiaries would have been known to them and by others within those entities, and b) information required to be disclosed is recorded, processed,

summarized and reported within required time periods. They have also concluded that the design and operation of internal controls over financial reporting were adequate and effective as at December 31, 2010, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with GAAP.

There have been no changes in the design of the Company's internal controls over financial reporting during the fourth quarter of 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 evaluated the effectiveness of disclosure controls and procedures and internal control over financial reporting as at December 31, 2010 and have concluded that these controls and procedures are being maintained as designed, they expect that the disclosure controls and procedures and internal controls over financial reporting may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

NON-GAAP FINANCIAL MEASURES

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

Operating Income and Operating Margin

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

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

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

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

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

Working Capital and Non-Cash Working Capital

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

TOROMONT INDUSTRIES LTD.

CONSOLIDATED BALANCE SHEETS

(unaudited)

as at December 31 (\$ thousands)

2010

2009

Assets

Current assets

Cash and cash equivalents (note 22)	\$	174,089	\$	206,957
Accounts receivable		451,858		244,759
Inventories (note 5)		447,271		373,110
Income taxes receivable		2,656		16,967
Future income taxes (note 18)		41,483		34,326
Derivative financial instruments		1,272		-
Other current assets		25,356		6,037

Total current assets		1,143,985		882,156

Property, plant and equipment (note 6)		314,201		186,491
Rental equipment (note 7)		236,106		183,175
Future income taxes		22,895		-
Other assets (note 8)		22,818		78,045
Intangible assets (note 9)		33,127		-
Goodwill		496,106		34,800

Total assets	\$	2,269,238	\$	1,364,667

Liabilities

Current liabilities

Accounts payable and accrued liabilities (note 10)	\$	409,667	\$	238,164
Deferred revenues		195,388		89,810
Current portion of long-term debt (note 11)		6,889		14,044
Income taxes payable		7,618		-

Derivative financial instruments	4,651	874

Total current liabilities	624,213	342,892
Deferred revenues	14,137	13,386
Derivative financial instruments	1,839	-
Long-term debt (note 11)	413,040	144,051
Accrued pension liability (note 17)	358	2,351
Future income taxes (note 18)	9,014	7,924
Shareholders' equity		
Share capital (note 12)	469,080	132,261
Contributed surplus (note 13)	10,882	10,012
Retained earnings	755,447	712,418
Accumulated other comprehensive loss		
(note 14)	(29,717)	(628)

Total shareholders' equity	1,205,692	854,063

Non-controlling interest	945	-

Shareholders' equity	1,206,637	854,063

Total liabilities and shareholders'		
equity	\$ 2,269,238	\$ 1,364,667

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited)

Years ended December 31 (\$ thousands,

except share amounts)

2010

2009

Revenues	\$	2,332,247	\$	1,824,592
Cost of goods sold		1,843,540		1,415,476
<hr/>				
Gross profit		488,707		409,116
Selling and administrative expenses		334,988		226,764
<hr/>				
Operating income		153,719		182,352
Interest expense		27,076		8,815
Interest and investment income		(2,803)		(6,355)
Gain on available-for-sale financial assets on business acquisition		(18,627)		-
Equity earnings from affiliates		(468)		-
<hr/>				
Income before income taxes		148,541		179,892
Income taxes		48,393		59,376
<hr/>				
Earnings from continuing operations		100,148		120,516
Losses from discontinued operations (note 4)		(1,498)		-
<hr/>				
Net earnings	\$	98,650	\$	120,516
<hr/>				
<hr/>				

Net earnings attributable to non-

controlling interests	\$	462	\$	-
-----------------------	----	-----	----	---

Basic earnings per share (note 19)

Continuing operations	\$	1.32	\$	1.86
-----------------------	----	------	----	------

Discontinued operations		(0.02)		-
-------------------------	--	--------	--	---

	\$	1.30	\$	1.86
--	----	------	----	------

Diluted earnings per share (note 19)

Continuing operations	\$	1.31	\$	1.86
-----------------------	----	------	----	------

Discontinued operations		(0.02)		-
-------------------------	--	--------	--	---

	\$	1.29	\$	1.86
--	----	------	----	------

Weighted average number of shares

outstanding

Basic	76,170,972	64,716,775
-------	------------	------------

Diluted	76,361,949	64,830,866
---------	------------	------------

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF RETAINED

EARNINGS

(unaudited)

Years ended December 31 (\$ thousands)	2010	2009
Retained earnings, beginning of year	\$ 712,418	\$ 631,522
Change in accounting policy (note 2)	(7,906)	-
	\$ 704,512	\$ 631,522
Net earnings	98,650	120,516
Dividends	(47,715)	(38,848)
Shares purchased for cancellation (note 12)	-	(772)
Retained earnings, end of year	\$ 755,447	\$ 712,418

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF

COMPREHENSIVE INCOME

(unaudited)

Years ended December 31 (\$ thousands)	2010	2009
--	------	------

Net earnings	\$	98,650	\$	120,516
Other comprehensive income (loss):				
Unrealized loss on translation of financial statements of self-sustaining foreign operations		(11,220)		(23,308)
Change in fair value of derivatives designated as cash flow hedges, net of income tax recovery (2010 - \$1,848; 2009 - \$2,181)		(3,380)		(4,063)
Loss on derivatives designated as cash flow hedges transferred to net income in the current period, net of income tax (2010 - \$621; 2009 - \$122)		1,126		229
Unrealized gain on financial assets designated as available-for-sale, net of income taxes of \$3,090		-		15,615
Reclassification to net income of gain on available-for-sale financial assets as a result of business acquisition, net of income taxes of \$3,090		(15,615)		-

Other comprehensive loss		(29,089)		(11,527)

property, plant, and equipment	(6,124)	(7,147)
Gain on available-for-sale financial instruments on business acquisition	(18,627)	-

	151,917	176,945
Net change in non-cash working capital and other (note 22)	103,736	19,308

Cash provided by operating activities	255,653	196,253

Investing activities		
Additions to:		
Rental equipment	(69,690)	(39,712)
Property, plant and equipment	(60,434)	(21,329)
Investments	-	(37,797)
Proceeds on disposal of:		
Rental equipment	79,238	30,078
Property, plant and equipment	5,290	5,128
Disposal of discontinued operations (note 4)	3,500	-
Decrease (increase) in other assets	(6,280)	(10,272)
Business acquisitions (note 3)	(292,533)	-

Cash used in investing activities	(340,909)	(73,904)

Financing activities		
Increase in term credit facility debt	280,000	-
Increase in term loan facility	450,000	-
Repayment of term loan facility	(450,000)	-

Repayment of long-term debt	(178,854)	(15,380)
Financing costs	(8,330)	-
Dividends	(45,099)	(38,165)
Shares purchased for cancellation	-	(858)
Cash received on exercise of options	6,736	3,389

Cash provided by (used in) financing activities	54,453	(51,014)

Effect of exchange rate changes on cash denominated in foreign currency	(2,065)	(1,652)
(Decrease) increase in cash and cash equivalents	(32,868)	69,683
Cash and cash equivalents at beginning of year	206,957	137,274

Cash and cash equivalents at end of year	\$ 174,089	\$ 206,957

Supplemental cash flow information

(note 22)

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

December 31, 2010

(\$ thousands except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Toromont Industries Ltd. and its subsidiaries (the "Company") operate through two business segments: the Equipment Group and the Compression Group. The Equipment Group includes one of the world's 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 natural gas compression units and hydrocarbon and petrochemical process systems and industrial and recreational refrigeration systems. Both groups offer comprehensive product support capabilities. Toromont is listed on the Toronto Stock Exchange (the "TSX") under the symbol TIH.

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Company, wholly owned subsidiaries, majority owned subsidiaries and the proportionate share of the accounts of joint ventures. Non-controlling interests exist in less than wholly-owned subsidiaries of the Company and represent the outside interest's share of the carrying value for the subsidiaries. All significant inter-company accounts and transactions have been eliminated.

Equity Investments

Investments in entities where the Company exercises significant influence, generally defined as greater than 20% interest, 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.

Use of Estimates

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

Revenue Recognition

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

- a. Revenues from the sale of equipment are recorded when goods are shipped to the customer, at which time title to the equipment and significant risks of ownership have passed.
- b. Revenues from the supply of equipment systems involving design, manufacture, installation and start-up are determined using the percentage-of-completion method, based on total costs incurred as a

proportion of expected total costs of the project. Revenues and costs begin to be recognized when progress reaches a stage of completion sufficient to reasonably determine the probable results. Any foreseeable losses on such projects are charged to operations when determined.

- c. Revenues from equipment rentals are recognized in accordance with the terms of the relevant agreement with the customer, generally on a straight-line basis over the term of the agreement.
- d. Product support services include sales of parts and servicing of equipment. For the sale of parts, revenues are recognized when the part is shipped to the customer. For servicing of equipment, revenues are recognized as the service work is completed and billed.
- e. Revenues on extended warranty and long-term maintenance contracts are recognized either on a percentage-of-completion basis proportionate to the service work that has been performed based on the parts and labour service provided, or on a straight-line basis over the life of the warranty. At the completion of the contract, any remaining profit on the contract is recognized as revenue. Any losses estimated during the term of the contract are recognized when identified.
- f. Revenues on equipment sold directly to customers or to third-party lessors for which the Company has provided a guarantee to repurchase the equipment at predetermined residual values and dates are accounted for as operating leases wherein revenue is recognized over the period extending to the date of the residual guarantee.

If an arrangement involves the provision of multiple elements, the total arrangement value is allocated to each element as a separate unit of accounting based on their fair values if:

1. The delivered item has value to the client on a stand-alone basis;
2. There is objective and reliable evidence of the fair value of the undelivered item; and,
3. The arrangement includes a general right of return relative to the delivered item and delivery or performance of the undelivered item is considered probable and substantially in the control of the Company.

Translation of Foreign Currencies

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

The assets and liabilities of foreign subsidiaries which are considered to be financially and operationally self-sustaining are translated into Canadian funds at the exchange rate in effect at the balance sheet dates. Revenue and expense items are translated using the average exchange rates for the year. The foreign exchange impact of these translations is included in accumulated other comprehensive income in shareholders' equity.

The monetary assets and liabilities of foreign subsidiaries which are not considered to be financially and operationally self-sustaining are translated into Canadian funds at the exchange rate in effect at the balance sheet dates. Non-monetary assets and liabilities are translated into Canadian dollars using the exchange rates at the date of the transactions. Revenue and expense items are translated using the average exchange rates for the year. The foreign exchange impact of these translations is included in net income of the period.

Financial Instruments

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

The Company primarily applies the market approach for recurring fair value measurements. Three levels of inputs may be used to measure fair value:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 - observable inputs other than Level 1 prices that are observable or can be corroborated by observable market data for substantially the full term of asset or liability
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The Company has made the following classifications:

- Cash and cash equivalents are classified as assets held for trading and are measured at fair value. Gains and losses resulting from the periodic revaluation are recorded in net income.
- Accounts receivable and net investment in sales-type leases are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method.
- Investments are classified as available for sale and are recorded at fair value based on quoted market prices. Gains and losses resulting from the periodic revaluation are recorded in other comprehensive income. No investments were held at December 31, 2010.
- Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

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

Derivative Financial Instruments and Hedge Accounting

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

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

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

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

Income Taxes

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

Stock-Based Compensation

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

Employee Future Benefits

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

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

- The cost of pensions earned by employees is actuarially determined using the projected unit credit method pro-rated on length of service and management's best estimate assumptions to value its pensions using a measurement date of December 31;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendments;
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized on a straight-line basis over the average remaining service period of the active employees or on the average remaining lifetime in the case of retirees.

Earnings per Share ("EPS")

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

common shares at the average market price during the year.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and money market instruments including bankers acceptances and term deposits with an original term of three months or less at date of purchase. Cash and equivalents are recorded at cost, which approximates market value.

Allowance for Doubtful Accounts

Trade receivables carried at amortized cost are subject to periodic impairment review and are classified as impaired when, in the opinion of management, there is a reasonable doubt that credit-related losses are expected to be incurred taking into consideration all circumstances known at the date of review. When the recovery of any recognized impairment is considered unlikely, the amount of the impairment is removed from the consolidated balance sheet, without prejudice to any actions that the Company may initiate to seek collection of the amount receivable.

Inventories

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

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

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

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

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

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed.

Rental Equipment

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

Property, Plant and Equipment

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

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

Lease receivables

Equipment under terms which transfer substantially all of the benefits and risks of ownership to customers are accounted for as sales-type leases and the amounts due to these leases are presented in Other Assets. The receivable will be accreted to the nominal amount over the remaining term of the lease.

Intangible Assets

Intangible assets represent the fair value of assets assigned to contractual or other legal rights at the date of acquisition, including customer relationships, long-term contracts, distribution agreements and order backlog. Intangible assets are amortized on a straight line basis over their estimated economic lives, ranging from 1 to 5 years.

Impairment of Long-lived Assets

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

Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. In the fourth quarter of 2009 and 2010, annual goodwill assessments were performed establishing that there were no impairments in either year.

Discontinued Operations

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

Comparative Amounts

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

2. CHANGES IN ACCOUNTING POLICIES

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. These standards shall be applied prospectively to business combinations whose acquisition date is on or after the date of adoption.

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 December 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 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 did not early adopt EIC-175. The Company 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. BUSINESS ACQUISITIONS

On January 20, 2010, the Company completed its offer for the units of Enerflex Systems Income Fund ("ESIF"). ESIF was a supplier of products and services to the global oil and gas production industry, and had 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 an additional 1,907,500 Trust Units in the 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 final 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 finite life		
Customer relationships		38,400
Other		5,700
Long term liabilities		(181,388)

Net identifiable 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.

Acquisition-related costs, primarily for advisory services, were incurred during the year ended December 31, 2009 and 2010. Costs totaling \$9,035 (\$7,906 net of tax) were incurred and deferred at December 31, 2009 and have been charged to opening retained earnings on adoption of CICA Section 1582 (see note 2). Costs totaling \$2,559 have been incurred during the year ended December 31, 2010 and were included in selling and administrative expenses.

The consolidated revenues and pre-tax earnings for the year ended December 31, 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 \$2,323 million and \$145 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.

4. 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 ESIF; 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, including transactions costs, also totalled \$7.0 million, comprised of \$6.0 million of non-cash working capital and \$1.0 million of capital assets. Revenues and loss before income taxes from discontinued operations in 2010 were \$41,887 and \$2,003 respectively.

5. INVENTORIES

	2010	2009
Equipment	\$ 173,988	\$ 164,744
Repair and distribution parts	101,142	74,809
Direct materials	56,294	75,740
Work-in-process	115,847	57,817

\$ 447,271 \$ 373,110

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 2010 was \$987 million (2009: \$705 million). The cost of goods sold includes inventory write-down pertaining to obsolescence and aging together with recoveries of past write-down upon disposition. A reversal write-down of \$3.7 million was recorded in 2010. The amount charged to the income statement and included in cost of goods sold for the write-down of inventory for valuation issues during 2009 was \$10.5 million.

6. PROPERTY, PLANT AND EQUIPMENT

	2010		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 93,651	\$ -	\$ 93,651
Buildings	209,997	64,087	145,910
Equipment	151,789	105,029	46,760
Power generation	37,737	25,468	12,269
Assets under construction	15,611	-	15,611
	\$ 508,785	\$ 194,584	\$ 314,201

	2009		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 41,269	\$ -	\$ 41,269

Buildings	157,830	58,679	99,151
Equipment	129,987	97,774	32,213
Power generation	37,714	24,353	13,361
Assets under construction	497	-	497
	-----	-----	-----
	\$ 367,297	\$ 180,806	\$ 186,491
	-----	-----	-----
	-----	-----	-----

Depreciation expense for the year ended December 31, 2010 was \$29,148 (2009 - \$22,668).

7. RENTAL EQUIPMENT

		2010	2009
	-----	-----	-----
Cost	\$	367,885	\$ 301,489
Less: Accumulated depreciation		131,779	118,314
	-----	-----	-----
	\$	236,106	\$ 183,175
	-----	-----	-----
	-----	-----	-----

Depreciation expense for the year ended December 31, 2010 was \$41,167 (2009 - \$35,497). Operating income from rental operations for the year ended December 31, 2010 was \$27.0 million (2009 - \$17.2 million).

8. OTHER ASSETS

	2010	2009
	-----	-----

Equipment sold with guaranteed residual values	\$	8,451	\$	10,940
Investment in affiliate		3,146		-
Net investment in sales-type lease		10,651		
Investment in Enerflex units		-		56,502
Deferred transaction costs		-		10,160
Other		570		443

	\$	22,818	\$	78,045

The Company owns a 40% interest in Total Production Services Inc.

The Company entered into a contract to build, own, maintain and operate a natural gas compression facility. This contract contained multiple deliverables, one of which was considered a sales-type lease for accounting purposes. The contract terminates in 2013.

The value of the net investment is comprised of the following:

Net investment in sales-type lease	-----			
Minimum future lease payments	\$			23,202
Unearned finance income				(1,900)

				21,302
less current portion				(10,651)

	\$			10,651

Finance lease income included in interest income in 2010 was \$0.3 million (2009 - nil) based on a 9% interest rate implicit in the lease.

9. INTANGIBLE ASSETS

as at December 31,			Accumulated		
2010	Acquired Value		Amortization	Net Book Value	
Customer relationships	\$ 38,400	\$	7,657	\$	30,743
Other	5,700		3,315		2,385
	\$ 44,100	\$	10,973	\$	33,127

Amortization expense for the year ended December 31, 2010 was \$10,973 (2009 - \$Nil).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
Accounts payable and accrued liabilities	\$ 397,325	\$ 228,436
Dividends payable	12,342	9,728
Total accounts payable and accrued liabilities	\$ 409,667	\$ 238,164

11. LONG-TERM DEBT

	2010	2009

Bank Credit Facility (a)	\$ 280,000	\$ -
Senior debentures (b)	144,051	155,999
Notes payable	-	2,096
Debt issuance costs, net of amortization	(4,122)	-

Total long-term debt	419,929	158,095
Less current portion	6,889	14,044

	\$ 413,040	\$ 144,051

All debt is unsecured.

(a) 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. Debt incurred under the new facility is unsecured and ranks pari 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.

The Company also maintains a US \$20 million committed credit facility in the United States which matures in 2012. The facility bears interest at prime which was 3.25% at December 31, 2010.

Standby letters of credit issued utilized \$64,221 of the credit facilities at December 31, 2010 (2009 - \$33,248).

(b) Terms of the senior debentures are:

-- \$5,694, 6.80% senior debentures due March 29, 2011, interest payable semi-annually through March 29, 2007; thereafter, blended principal and interest payments through to maturity;

- \$125,000, 4.92% senior debentures due October 13, 2015, interest payable semi-annually, principal due on maturity; and
- \$13,357, 7.06% senior debentures due March 29, 2019, interest payable semi-annually through September 29, 2009; thereafter, blended principal and interest payments through to maturity.

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

In January 2010, Toromont established a term loan facility 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 conjunction with the refinancing of the Canadian credit facility noted above, amounts outstanding under the term loan facility were repaid in full on November 5, 2010.

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.

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

	Principal	Interest
2011	\$ 6,889	\$ 16,226
2012	281,280	11,466
2013	1,372	6,895
2014	1,471	6,796
2015	126,576	5,342
2016 to 2019	6,463	944
	\$ 424,051	\$ 47,669

Interest expense included interest on debt initially incurred for a term greater than one year of \$25,968 (2009 - \$8,636).

12. SHARE CAPITAL

Authorized

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

Issued

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

	2010		2009	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Balance, beginning of year	64,867,467	\$ 132,261	64,620,677	\$ 127,704
Exercise of stock options	406,909	8,872	290,190	4,643
Shares issued for Enerflex acquisition	11,875,250	327,947	-	-
Purchase of shares for cancellation	-	-	(43,400)	(86)
Balance, end of year	77,149,626	\$ 469,080	64,867,467	\$ 132,261

Shareholder Rights Plan

The Shareholder Rights Plan is designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. Rights issued under the plan become exercisable when a person, and any related parties, acquires or commences a take-over bid to acquire 20% or more of the Company's outstanding common shares without complying with certain provisions set out in the plan or without approval of the Company's Board of Directors. Should such an acquisition

occur, each rights holder, other than the acquiring person and related parties, will have the right to purchase common shares of the Company at a 50% discount to the market price at that time. The Shareholder Rights Plan was continued and amended in 2009. Amendments were largely administrative in nature. The plan expires in April 2012.

Normal Course Issuer Bid (NCIB)

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 2010. In 2009, the Company purchased and cancelled 43,400 shares under its NCIB program for \$858 (average cost of \$19.77 per share),

13. 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:

	2010	2009

Balance, beginning of year	\$ 10,012	\$ 8,978
Stock-based compensation expense, net of forfeitures	3,005	2,289
Value of compensation cost associated with exercised options	(2,135)	(1,255)

Balance, end of year	\$ 10,882	\$ 10,012

14. ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in accumulated other comprehensive income were as follows:

2010	2009

Balance, beginning of year	\$	(628)	\$	10,899
Other comprehensive loss		(29,089)		(11,527)

Balance, end of year	\$	(29,717)	\$	(628)

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

		2010		2009

Unrealized losses on translation of financial statements of self- sustaining foreign operations	\$	(27,173)	\$	(15,954)
Losses on foreign exchange derivatives designated as cash flow hedges, net of income taxes (2010 - \$1,378; 2009 - \$150)		(2,544)		(289)
Unrealized gain on financial assets designated as available-for-sale (income taxes - \$3,090)		-		15,615

Balance, end of year	\$	(29,717)	\$	(628)

The gains and losses on derivative contracts are intended to offset the transaction losses and gains. The losses of \$2,544 will be reclassified to net income within the next twelve months. These losses will offset gains recorded on the underlying hedged items, namely foreign denominated accounts payable and accounts receivable. Management intends to hold these foreign currency contracts to maturity.

15. FINANCIAL INSTRUMENTS

Categories of financial assets and liabilities

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

	2010	2009

Held for trading (1)	\$ 174,089	\$ 206,957
Loans and receivables (2)	\$ 473,160	\$ 244,759
Available for sale assets (3)	\$ -	\$ 56,502
Other financial liabilities (4)	\$ 829,596	\$ 396,259
Derivatives designated as effective hedges (5)	\$ (3,922)	\$ (440)
Derivatives designated as held for trading (6)	\$ (1,296)	\$ (434)

(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 net investment in sales-type lease.

(3) Comprised of investment in marketable securities which are 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

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis

as at December 31, 2010 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value.

Fair Value					

Carrying					
Value	Level 1	Level 2	Level 3	Total	

 Liabilities					
 Derivative financial					
instruments	\$ 5,218	-	\$ 5,218	-	\$ 5,218
Senior debentures	\$ 144,051	-	\$ 151,181	-	\$ 151,181

The estimated fair values of 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 given their short term maturities.

The estimated fair value of net investment in sales-type lease is measured using the discounted value of the minimum future lease payments discounted at the rate implicit in the lease. There has been no change since recognition of the net investment and as such the fair value approximates the carrying value.

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 December 31, 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.

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.

Derivative financial instruments and hedge accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products.

The following table summarizes the Company's commitments to buy and sell foreign currencies as at December 31, 2010.

Average	
Notional	Exchange

		Amount		Rate	Maturity

Canadian dollar					
denominated					
contracts					
Purchase contracts	USD	214,813	\$	1.0288	January 2011 to October 2012
	EUR	11,191	\$	1.3318	January 2011 to January 2012
Sales contracts	USD	(13,822)	\$	(3.2728)	January 2011 to November 2011
	EUR	1,568	\$	1.3910	January 2011 to May 2011
Australian dollar					
denominated					
contracts					
Purchase contracts	USD	3,461	\$	1.1303	January 2011 to December 2011
	CDN	2,000	\$	0.9980	January 2011

Management estimates that a loss of \$5,218 would be realized if the contracts were terminated on December 31, 2010. Certain of these forward contracts are designated as cash flow hedges, and accordingly, a loss of \$3,922 has been included in other comprehensive income. These losses are not expected to affect net income as the losses will be reclassified to net income and will offset gains recorded on the underlying hedged items, namely foreign denominated accounts payable and accounts receivable. A loss of \$1,296 on forward contracts not designated as hedges is included in net income which offsets gains recorded on the foreign-denominated items, namely accounts payable and accounts receivable.

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

Risks arising from financial instruments and risk management

In the normal course of business, Toromont is exposed to financial risks that may potentially impact its operating results in either or both of its business segments. The Company 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, 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 year ended December 31, 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 reasonably possible change in currency in a volatile environment.

Cdn dollar weakens by 5%	USD	Euro	AUD

Net income before tax	\$ 2,788	\$ (95)	\$ (551)

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 December 31, 2010 and for the year 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. This sensitivity analysis is provided as reasonably possible change in currency in a volatile environment.

Cdn dollar weakens by 5%	USD	Euro	AUD	Total
--------------------------	-----	------	-----	-------

Financial instruments

held in foreign

operations:

Other comprehensive

Income	\$	3,312	\$	678	\$	1,660	\$	5,650
--------	----	-------	----	-----	----	-------	----	-------

Financial instruments

held in Canadian

operations:

Net earnings	\$	1,942	\$	21	\$	1	\$	1,964
--------------	----	-------	----	----	----	---	----	-------

Other comprehensive

Income	\$	4,512	\$	441	\$	(69)	\$	4,884
--------	----	-------	----	-----	----	------	----	-------

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, net investment in sales-type lease 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 December 31, 2010, \$29.5 million or 6.4% of accounts receivable were outstanding for more than 90 days (2009 - \$14.3 million or 5.7%). The movement in the Company's allowance for doubtful accounts was as follows:

	2010	2009

Balance, beginning of year	\$ 7,096	\$ 9,774
Change in foreign exchange rates	(69)	(437)
Provisions and revisions, net	4,285	(2,241)

Balance, end of year	\$ 11,312	\$ 7,096

The credit risk associated with net investment in sales-type lease arises from the possibility that the counterparty may default on their obligations. In order to minimize this risk, the Company enters into sales-type lease transactions only in select circumstances. Close contact is maintained with the customer over the duration of the lease to ensure visibility to issues as and if they arise.

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 December 31, 2010, \$280 million or 66% 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 \$2.8 million on an annualized basis. A 1.0% decrease in interest rates, all things being equal, would have an equal but opposite effect. This sensitivity analysis is provided as reasonably possible change in interest rates.

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 December 31, 2010.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at December 31, 2010, the Company was holding cash and cash equivalents of \$174 million and had unutilized lines of credit of \$276 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 2011, 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.

16. 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. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option.

A reconciliation of the outstanding options is as follows:

	Twelve Months ended December 31			
	2010		2009	
	Number of	Weighted	Number of	Weighted
	Options	Average	Options	Average
		Exercise		Exercise
		Price		Price

Options outstanding,				
beginning of year	1,961,809	\$ 22.91	1,917,599	\$ 21.62
Granted	610,050	29.71	508,000	22.05
Exercised	(406,909)	16.37	(290,190)	11.53
Forfeited	(20,090)	21.25	(173,600)	25.14

Options outstanding, end				
of year	2,144,860	\$ 26.04	1,961,809	\$ 22.91

Options exercisable, end				
of year	811,824	\$ 24.51	900,607	\$ 20.85

The following table summarizes stock options outstanding and exercisable at December 31, 2010:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
\$16.59 - \$23.34	672,140	3.8	21.97	312,620	21.87
\$24.58 - \$29.71	1,472,720	4.4	27.90	499,204	26.16
Total	2,144,860	4.2	\$ 26.04	811,824	\$ 24.51

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

	Twelve Months ended December 31	
	2010	2009
Weighted average fair value price per option	\$ 6.59	\$ 4.13
Expected life of options (years)	5.84	5.80
Expected stock price volatility	25.0%	25.0%
Expected dividend yield	2.0%	2.7%
Risk-free interest rate	2.6%	2.0%

Deferred Share Unit Plan

The Company offers a deferred share unit (DSU) plan for executives and non-employee directors, whereby they may elect on an annual basis to receive all or a portion of their management incentive award or fees, respectively in deferred share units. In addition, the Board may grant discretionary DSUs to executives. A DSU is a notional unit that reflects the market value of a single common share of Toromont and generally vests immediately. The DSUs will be redeemed on termination of employment or resignation from the board, as the case may be. The redemption amount will be based upon the average of the high and low trading prices of the common shares on the TSX for the five trading days preceding the redemption date. As at December 31, 2010, 87,969 units were outstanding at a value of \$2,747 (2009 - 68,723 units at a value of \$1,882). The Company records the cost of the DSU Plan as compensation expense. During 2010, 864 units (2009 - 47,086 units) were redeemed for \$25 (2009 - \$1,098).

Employee Share Ownership Plan

The Company offers an Employee Share Ownership Plan whereby employees who meet the eligibility criteria can purchase shares by way of payroll deductions. There is a Company match of up to \$1,000 per employee per annum based on contributions by the Company of \$1 for every \$3 dollars contributed by the employee. Company contributions vest to the employee immediately. Company contributions amounting to \$1.0 million in 2010 (2009 - \$0.9 million), were charged to selling and administrative expense when paid. The Plan is administered by a third party.

17. 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.

a) Powell Plan - This is a legacy plan whose members were employees of Powell Equipment when it was acquired by Toromont in 2001. The plan is a contributory plan that provides pension benefits based on length of service and career average earnings. The last actuarial valuation of the plan was completed as at December 31, 2009. The next valuation is scheduled as at December 31, 2010.

b) Executive Plan - This is a non-contributory pension arrangement for certain senior executives that provides for a supplementary retirement payout in excess of amounts provided for under the registered plan. The most recent actuarial valuation of the plan was completed as at December 31, 2010. The next valuation is scheduled as at December 31, 2011.

c) Other plan assets and obligations - This provides for certain retirees and terminated vested employees of businesses previously acquired by the Company as well as for retired participants of the defined contribution plan that, in accordance with the plan provisions, have elected to receive a pension directly from the plan. The most recent actuarial valuation of the plan was completed as at January 1, 2009. The next valuation is scheduled as at January 1, 2012.

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

2010

2009

Accrued benefit obligations:

Balance, beginning of year	\$	65,649	\$	61,517
Transfers		-		-
Service cost		1,262		1,412
Interest cost		3,732		3,685
Actuarial (gain) loss		6,658		4,538
Benefits paid		(5,137)		(5,503)

Balance, end of year	\$	72,164	\$	65,649
----------------------	----	--------	----	--------

Plan assets:

Fair value, beginning of year	\$	48,400	\$	45,364
Transfers		4		15
Actual return on plan assets		4,865		5,867
Company contributions		3,771		2,235
Participant contributions		408		422
Benefits paid		(5,135)		(5,503)

Fair value, end of year	\$	52,313	\$	48,400
-------------------------	----	--------	----	--------

Funded status of the plans	\$	(19,851)	\$	(17,249)
Unrecognized actuarial loss		20,084		15,785
Unrecognized past service benefit		(591)		(887)

Accrued pension liability	\$	(358)	\$	(2,351)
---------------------------	----	-------	----	---------

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

	2010		
	Accrued		Funded status
	benefit		- surplus
	obligation	Plan assets	(deficit)

Powell Plan	\$ 43,525	\$ 40,364	\$ (3,161)
Executive Plan	20,342	2,252	(18,090)
Other plan assets and			
obligations	8,297	9,697	1,400

Funded status of the plans	\$ 72,164	\$ 52,313	\$ (19,851)

	2009		
	Accrued		Funded status
	benefit		- surplus
	obligation	Plan assets	(deficit)

Powell Plan	\$ 38,392	\$ 36,583	\$ (1,809)
Executive Plan	18,923	2,071	(16,852)
Other plan assets and			
obligations	8,334	9,746	1,412

Funded status of the plans	\$	65,649	\$	48,400	\$	(17,249)
----------------------------	----	--------	----	--------	----	----------

The Executive Plan is a supplemental pension plan and is solely the obligation of the Company. The Company is not obligated to fund this plan but is obligated to pay benefits under the terms of the plan as they come due. The Company has posted letters of credit in the amount of \$19.8 million to secure the obligations under this plan.

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

	2010	2009
Discount rate	5.00%	5.75%
Expected long-term rate of return on plan assets	7.00%	7.00%
Rate of compensation increase	4.00%	4.00%

The allocations of plan assets are as follows:

	2010	2009
Equity securities	45.3%	44.2%
Debt securities	43.1%	43.9%
Real estate	11.5%	11.9%
Cash and cash equivalents	0.1%	0.0%

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

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

	2010	2009

Defined Benefit Plans		
Service cost	\$ 854	\$ 990
Interest cost	3,732	3,685
Actual return on plan assets	(4,865)	(5,867)
Actuarial loss (gain)	6,658	4,538
Difference between actual and expected return on assets	1,468	2,877
Difference between actual and recognized actuarial loss	(5,773)	(3,663)
Difference between actual and recognized past service benefits	(296)	(296)
	1,778	2,264

Defined Contribution Plans	14,580	8,788
401(k) matched savings plan	690	787

Net pension expense	\$ 17,048	\$ 11,839

The total cash amount paid or payable for employee future benefits in 2010, including defined benefit and defined contribution plans, was \$19,066 (2009 - \$12,116).

Defined contribution pension expense increased in 2010 due to an increase in the number of employees resulting from the acquisition of ESIF (see note 2).

18. INCOME TAXES

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

	2010	2009

Current income tax expense	\$ 50,281	\$ 56,283
Future income tax expense (recovery)	(1,888)	3,093

Total income tax expense	\$ 48,393	\$ 59,376

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

	2010	2009

Statutory Canadian federal and provincial income tax rates	31.0%	33.0%

Expected taxes on income	\$ 46,048	\$ 59,364
Increase (decrease) in income taxes resulting from:		
Higher (lower) effective tax rates in other jurisdictions	1,702	(102)
Manufacturing and processing rate reduction	(198)	(147)
(Income) expenses not (taxable) deductible for tax purposes	(1,769)	1,138
Non-taxable gains	(2,552)	(93)

Effect of future income tax rate				
reductions		2,471		814
Other		2,691		(1,598)

Provision for income taxes	\$	48,393	\$	59,376
----------------------------	----	--------	----	--------

Effective income tax rate		32.6%		33.0%
---------------------------	--	-------	--	-------

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

		2010		2009
<hr/>				
CURRENT FUTURE INCOME TAX ASSETS				
Accrued liabilities	\$	15,462	\$	12,761
Deferred revenue		2,753		2,358
Accounts receivable		3,844		2,490
Inventories		14,480		16,554
Other		4,188		-
Cash flow hedges in other comprehensive				
income		756		163
<hr/>				
	\$	41,483	\$	34,326
<hr/>				

NON-CURRENT FUTURE INCOME TAX ASSETS

Loss carryforwards	\$	33,343	\$	-
Capital assets		(14,571)		
Other		3,394		-
Cash flow hedges in other comprehensive income		729		

	\$	22,895	\$	-

NON-CURRENT FUTURE INCOME TAX

LIABILITIES

Capital assets	\$	10,325	\$	9,047
Other		(1,311)		(4,213)
Available for sale financial assets in other comprehensive income		-		3,090

	\$	9,014	\$	7,924

As at December 31, 2010, the Company had the following income tax losses available to reduce future year's income for income tax purposes, noted by tax jurisdiction and year of expiry:

Year of Expiry

(in \$millions)

	Canada	US	Foreign
--	--------	----	---------

2015	\$	1.6	\$	1.9
2017			\$	5.1
2018			\$	6.5
2019			\$	5.8
2023		\$	1.6	
2024	\$	10.0	\$	2.8
2025	\$	48.5		
2026	\$	41.4	\$	0.8
2027	\$	3.4		
indefinite			\$	21.9

19. EARNINGS PER SHARE

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

	2010	2009

Net earnings available to common		
shareholders	\$ 98,650	\$ 120,516

Weighted average common shares		
outstanding	76,170,972	64,716,775
Dilutive effect of stock option		
conversion	190,977	114,091

Diluted weighted average common shares		
outstanding	76,361,949	64,830,866

Basic earnings per share

Continuing operations	\$	1.32	\$	1.86
Discontinued operations		(0.02)		-

\$ 1.30 \$ 1.86

Diluted earnings per share

Continuing operations	\$	1.31	\$	1.86
Discontinued operations		(0.02)		-

\$ 1.29 \$ 1.86

In 2010, 936,920 outstanding stock options with an exercise price range of \$28.84 to \$29.71 were excluded from the calculation of diluted earnings per share as these options were anti-dilutive. In 2009, 884,240 outstanding stock options were excluded from the calculation.

20. COMMITMENTS

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

2011	\$	17,136
2012		13,626
2013		10,395
2014		7,430
2015		4,931
2016 and thereafter		14,182

\$ 67,700

21. 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:

	December 31	December 31
	2010	2009
Shareholder's equity excluding		
accumulated OCI	\$ 1,235,409	\$ 854,691
Long-term debt	419,929	158,095
Cash and cash equivalents	(174,089)	(206,957)
Capital under management	\$ 1,481,249	\$ 805,829
Net debt as a % of capital under		
management	17%	n/m
Net debt to equity ratio	0.20:1	n/m

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 year.

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

22. SUPPLEMENTAL CASH FLOW INFORMATION

	2010	2009

Net change in non-cash working capital		
and other		
Accounts receivable	\$ (97,875)	\$ 130,300
Inventories	57,006	126,250
Accounts payable and accrued		
liabilities	77,941	(101,028)
Deferred revenues	53,320	(104,451)
Other	13,344	(31,763)

	\$ 103,736	\$ 19,308

Cash paid during the year for:

Interest	\$ 23,208	\$ 9,818
Income taxes	\$ 23,462	\$ 77,204

Non-cash transactions:

Capital asset additions included in

accounts payable and accrued

liabilities	\$	2,657	\$	467
-------------	----	-------	----	-----

Cash	\$	174,089	\$	90,357
------	----	---------	----	--------

Cash equivalents		-		116,600
------------------	--	---	--	---------

Cash and cash equivalents	\$	174,089	\$	206,957
---------------------------	----	---------	----	---------

23. INTEREST IN JOINT VENTURE

The following summarized the Company's share of assets, liabilities, revenues and expenses of its joint venture as at and for the year ended December 31, 2010. The Company purchased the joint venture as part of the acquisition of ESIF (see note 3).

As at December 31, 2010

Current assets			\$	2,477
----------------	--	--	----	-------

Long-term assets				518
------------------	--	--	--	-----

Total assets			\$	2,995
--------------	--	--	----	-------

Current liabilities			\$	894
---------------------	--	--	----	-----

Long-term liabilities and equity				2,101
----------------------------------	--	--	--	-------

Total liabilities and equity			\$	2,995
------------------------------	--	--	----	-------

Year ended December 31, 2010

Revenue	\$	2,192
Expenses	\$	2,938
Net loss	\$	(747)
Cash flow from operating activities	\$	(1,738)
Cash flow from investing activities	\$	(501)
Cash flow from financing activities	\$	(12)

24. SEGMENTED 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 first quarter of 2010, 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 the summary of significant accounting policies. Each reportable operating segment's performance is measured based on operating income. No reportable operating segment is reliant on any single external customer.

Segmented information excludes results from discontinued operations.

Equipment Group		Compression Group		Consolidated	
2010	2009	2010	2009	2010	2009

Equipment/
package

sales	\$ 561,218	\$455,180	\$ 873,814	\$746,741	\$1,435,032	\$1,201,921
Rentals	143,398	137,536	32,443	15,238	175,841	152,774
Product						
support	306,634	278,938	357,687	181,267	664,321	460,205
Power						
generation	11,450	9,692	-	-	11,450	9,692
Other	-	-	45,603	-	45,603	-

Total

revenues	\$1,022,700	\$881,346	\$1,309,547	\$943,246	\$2,332,247	\$1,824,592
----------	-------------	-----------	-------------	-----------	-------------	-------------

Operating

Income	\$ 106,748	\$ 85,441	\$ 46,971	\$ 96,911	\$ 153,719	\$ 182,352
--------	------------	-----------	-----------	-----------	------------	------------

Interest

expense					27,076	8,815
---------	--	--	--	--	--------	-------

Interest and

investment						
income					(2,803)	(6,355)

Gain on

available-

for-sale

financial

assets on

business

acquisition					(18,627)	
-------------	--	--	--	--	----------	--

Equity

earnings		
from		
affiliates	(468)	
Income taxes	48,393	59,376

Net earnings		
from		
continuing		
operations	\$ 100,148	\$ 120,516

Selected Balance Sheet information

	Equipment Group		Compression Group		Consolidated	
	2010	2009	2010	2009	2010	2009

Identifiable						
assets	\$ 655,338	\$599,358	\$1,461,658	\$459,572	\$2,116,996	\$ 1,058,930

Corporate						
assets					152,242	\$ 305,737

Total assets					\$2,269,238	\$ 1,364,667
--------------	--	--	--	--	-------------	--------------

Capital

expenditures	\$	72,415	\$	37,706	\$	57,709	\$	23,335	\$	130,124	\$	61,041
--------------	----	--------	----	--------	----	--------	----	--------	----	---------	----	--------

Depreciation	\$	41,345	\$	43,104	\$	28,970	\$	15,061	\$	70,315	\$	58,165
--------------	----	--------	----	--------	----	--------	----	--------	----	--------	----	--------

Amortization

of

Intangible

assets	\$	-	\$	-	\$	10,973	\$	-	\$	10,973	\$	-
--------	----	---	----	---	----	--------	----	---	----	--------	----	---

Goodwill	\$	13,000	\$	13,000	\$	483,106	\$	21,800	\$	496,106	\$	34,800
----------	----	--------	----	--------	----	---------	----	--------	----	---------	----	--------

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

	2010	2009
--	------	------

Revenues

Canada	\$	1,550,922	\$	1,127,929
--------	----	-----------	----	-----------

United States		469,272		608,798
---------------	--	---------	--	---------

International	312,053	87,865
---------------	---------	--------

	\$ 2,332,247	\$ 1,824,592
--	--------------	--------------

Capital Assets and Goodwill

Canada	\$ 749,315	\$ 350,596
--------	------------	------------

United States	106,272	53,870
---------------	---------	--------

International	190,826	-
---------------	---------	---

	\$ 1,046,413	\$ 404,466
--	--------------	------------

25. ECONOMIC RELATIONSHIP

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

26. 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, which is subject to court and shareholder approval. Completion of the spinoff will also be subject to prior approval of the TSX and fulfillment of certain other conditions. If the necessary conditions are met and required approvals are obtained, the Company anticipates that the spinoff would be completed shortly after receipt of the final court approval. However, notwithstanding the receipt and satisfaction of such approvals and conditions, whether the spinoff is effected, and the timing for effecting the spinoff, will remain in the sole and absolute discretion of the Company. It is not practicable to estimate the impact of this transaction at this time.

Contacts:

Toromont Industries Ltd.

Robert M. Ogilvie

Chairman and Chief Executive Officer

(416) 667-5554

Toromont Industries Ltd.

Paul R. Jewer

Vice President Finance and Chief Financial Officer

(416) 667-5638

www.toromont.com

Source: Toromont Industries Ltd.

News Provided by Acquire Media