ROCKY MOUNTAIN DEALERSHIPS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014

This Management Discussion and Analysis ("MD&A") was prepared as of August 5, 2014 and is provided to assist readers in understanding Rocky Mountain Dealerships Inc.'s financial performance for the three and six months ended June 30, 2014. It should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2014 and the audited consolidated financial statements for the years ended December 31, 2013, and 2012 together with the notes thereto and the auditor's report thereon. The results reported herein have been derived from consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are presented in Canadian dollars.

Unless the context otherwise requires, use in this MD&A of "Rocky", "the Company", "we", "us", or "our" means Rocky Mountain Dealerships Inc. and its wholly owned subsidiaries including Hammer Equipment Ltd., Hi-Way Service Ltd., Miller Equipment Ltd., Rocky Mountain Equipment Canada Ltd. ("RME Canada"), and Rocky Mountain Dealer Group Partnership (the "Partnership").

Rocky's common shares trade on the Toronto Stock Exchange under the symbol 'RME' and on the OTCQX under the symbol 'RCKXF'. Additional information relating to Rocky, including the Company's Annual Information Form, dated March 11, 2014 ("AIF"), is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

This MD&A contains forward-looking statements ("FLS"). Please see the section "Caution Regarding Forward-Looking Information and Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements.

COMPANY OVERVIEW

Headquartered in Calgary, Alberta, Rocky is one of Western Canada's largest equipment dealers with a network of full-service agriculture and construction equipment stores across the Canadian Prairie Provinces operating under the name Rocky Mountain Equipment.

Rocky is Canada's largest retail dealer of CNH Industrial N.V. ("CNH") equipment. We are also a major independent dealer of equipment from a number of other manufacturers, including, but not limited to, Bourgault, Seed Hawk, Kubota, Dynapac, Leeboy and Metso.

We offer our customers a one-stop solution for their equipment needs through new and used equipment sales, parts sales, repairs and maintenance services, and third-party equipment financing and insurance services. In addition, we provide or arrange other ancillary services such as equipment transportation and global positioning satellite (GPS) signal subscriptions.

Historically, our business had been carried on through the Partnership doing business as Rocky Mountain Equipment. Effective January 2, 2014, the Company effected a restructuring whereby the business assets, liabilities, and all other operations of the Partnership were rolled into RME Canada pursuant to an asset transfer agreement. All the Company's operations in Alberta, Saskatchewan and Manitoba are conducted through RME Canada as of January 2, 2014. On February 27, 2014, the Partnership was dissolved. All our equipment dealership locations continue to operate under the name Rocky Mountain Equipment.

SUMMARY OF FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2014

- Total revenues increased by 1.8% to $242.4 million.
- Product support revenues increased by 10.9% to $37.7 million.
- Gross profit increased by 5.2% to $37.8 million (15.6% of sales).
- Inventory decreased by $13.3 million to $522.2 million compared to Q2 2013.
- Diluted earnings per share increased by 30.4% to $0.31.
- EBITDA[(1)] increased by 23.8% to $10.6 million.
- Increased dividend by 15% to $0.115 for the quarter ($0.46 on an annual basis).

(1) See further discussion in "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below.

MARKET FUNDAMENTALS AND OUTLOOK

Agriculture Market

Our agriculture equipment sales are made primarily to grain and oilseed crop farmers in Western Canada. Commodity prices, input costs, regulatory factors and weather are the key demand drivers for equipment among these customers.

Overall, Canadian farmers continue to enjoy exceptionally strong balance sheets and forecasts for the 2014 growing season in most regions appear optimistic.

Crop health in the majority of our regions appears to range between fair to excellent, with crop growth progressing well. The overall crop forecast for the Canadian Prairies remains positive despite some inclement weather in certain regions. Record rainfalls in certain parts of the Canadian Prairies during the second quarter left both seeded and unseeded fields waterlogged or underwater and tempered yield forecasts for the 2014 growing season.

Combined with improvements in railway operating conditions, actions taken by the federal government to ensure the movement of grain inventories have begun to reduce farmer-held grain. In turn, this provides liquidity to the farmer to re-invest in the business. While certain regions are maintaining elevated grain inventories from last year's harvest, we believe the situation has improved significantly.

Improved weather conditions across the U.S. have resulted in increased seeded acreage of highly-rated crops, bolstering 2014 forecasted production to record levels. This forecasted increase in supply has affected grain and oilseed crop prices and is expected to put downward pressure on farmer's margins in the near term.

Agriculture as a whole has always exhibited cyclical surges in demand and profitability. For several consecutive years, the industry has been on an upswing driven by rising commodity prices, increasing yield per acre and the application of new technology that has reduced input costs. As the industry begins to return to more historically normal levels of commodity pricing and equipment sales, Rocky continues to proactively manage its agriculture equipment inventory levels. While relative demand to inventory levels has softened somewhat, maintaining an appropriate range of units at responsible values is a focus of our operations.

Over the next 25 years, global food demand is expected to increase 50% in response to a growing world population and a decrease in arable land per capita. The United Nations' Food and Agriculture Organization predicts that rising demand for agriculture commodities and insufficient investment in productive capacity and infrastructure, especially in developing countries, will keep prices above historical levels for years to come, encouraging farmers to continue improving productivity.

As part of the need to improve productivity, farmers are continually investing in new equipment to drive better results on both the input cost and output efficiency sides of their business. New equipment technology enables lower input costs by reducing the number of field passes, per hour fuel consumption and overlapping seed and spray patterns. New equipment technology on the harvest side of the business also reduces fuel consumption, increases the speed per acre harvested and reduces process waste on the field. The emergence of GPS enabled precision farming techniques acts as a multiplier for all of these advantages as well as a driver of demand and total spend. Within the Canadian agriculture sector, the trend towards larger farms is further benefiting farm equipment sales. According to its most recent census data, Statistics Canada reported a 31.2% increase in the number of Canadian farms managing operations with crop receipts in excess of $1.0 million. These operators require larger, more productive equipment and they tend to replace their equipment more frequently to capitalize on the latest technological advances and equipment efficiencies.

Demand from China and India, crop land dedicated to bio-fuel production, and general GDP growth are all putting pressure on worldwide production. Parts and service demand is also expected to remain strong due to the increased number of units that we have installed within the regions that we operate. Overall, the fundamentals underpinning agriculture equipment demand continue to be strong.

Construction Market

Our construction equipment sales are balanced through residential construction, roadwork (including paving and aggregate production), and commercial, industrial, and municipal construction in the Alberta market. Housing starts, oil rig count, vehicle sales, and GDP growth are all factors that influence construction equipment purchases in Alberta.

Although not directly exposed to fluctuations in capital spending in the mining sector, expected decreases may also have a correlative impact on demand for certain of our product lines.

As part of Rocky's focus on inventory management, we are satisfied with the profile and levels of inventory within our construction segment. Construction equipment dealers across Alberta continue to work through elevated inventory levels.

This has created a highly competitive sales environment which has, and is expected to continue to put pressure on margins.

We are committed to succeeding in the construction market and management has made significant changes to restore our construction results. We intend to leverage our successes in the first 2 quarters of 2014 to gain market acceptance and rebuild our presence in the province.

Alberta remains one of the strongest construction markets in North America. The province is expected to see average growth in real GDP of approximately 3.6% in 2014 and 2015 compared to the national forecast of 2.6% for the same period.

Overall

The outlook for our end-markets, healthy commodity prices, the impact of previously acquired dealerships and trade areas and our strong original equipment manufacturer ("OEM") relationships, position us well to pursue our longer-term revenue and earnings growth initiatives.

Our underlying business fundamentals remain strong. We have exclusive distribution rights for some of the world's leading equipment brands, with significant barriers to entry into this market. Our installed base and customer relationships create an annuity of equipment sales and product support revenue, which help drive dependable earnings and cash flow. It is these strong fundamentals that continue to provide stability in our results and value to our shareholders.

In response to the emission standards recently put in place in Canada and the United States, equipment manufacturers have begun incorporating Tier 4 engines into their equipment lines in order to comply with the new regulations. The adoption of Tier 4 engines has significantly increased the manufacturing costs and related selling prices of these units. The disparity in pricing between tiers can result in a competitive advantage or disadvantage in the marketplace, depending on the overall inventory profiles in the area as compared to individual dealers' profiles. To date, this disparity has been more prevalent on construction equipment which has constrained our construction sales over the past several quarters. In response, we have recently complimented our equipment offering with certain competitively priced Tier 3 compliant machines. Legislative compliance with Tier 4 regulations will ultimately remove these disparities as the industry progresses through the transition period.

The valuation of equipment in the North American market is dictated in US dollars. Recent fluctuations of the Canadian dollar relative to the US dollar is expected to contribute to pricing pressure on new equipment inventory purchased in US dollars. Rocky's success and growth, while predicated on the larger economic conditions and factors discussed above, is also affected by our ability to be a partner of choice for equipment purchasers. To that end, we continue to invest in our people, through training and employee engagement programs and in the communities that we serve.

SELECTED FINANCIAL INFORMATION

$ thousands, except per share amounts	For the three months ended June 30,				For the six months ended June 30,			
	2014		2013		**2014**		2013	
Sales								
New equipment	**133,086**	**54.9%**	131,534	55.2%	**257,355**	**58.4%**	246,609	55.5%
Used equipment	**70,621**	**29.1%**	71,805	30.2%	**121,372**	**27.6%**	143,110	32.2%
Parts	**29,216**	**12.1%**	26,667	11.2%	**44,734**	**10.2%**	39,966	9.0%
Service	**8,478**	**3.5%**	7,310	3.1%	**15,454**	**3.5%**	13,521	3.0%
Other	**953**	**0.4%**	790	0.3%	**1,605**	**0.3%**	1,406	0.3%
	242,354	**100.0%**	238,106	100.0%	**440,520**	**100.0%**	444,612	100.0%
Cost of sales	**204,548**	**84.4%**	202,166	84.9%	**373,482**	**84.8%**	376,181	84.6%
Gross profit	**37,806**	**15.6%**	35,940	15.1%	**67,038**	**15.2%**	68,431	15.4%
Selling, general and administrative	**25,985**	**10.7%**	25,873	10.9%	**51,043**	**11.6%**	51,374	11.6%
Interest on short-term debt	**2,947**	**1.2%**	3,037	1.3%	**5,624**	**1.3%**	5,643	1.3%
Interest on long-term debt	**568**	**0.3%**	597	0.2%	**1,100**	**0.2%**	1,211	0.2%
Earnings before income taxes	**8,306**	**3.4%**	6,433	2.7%	**9,271**	**2.1%**	10,203	2.3%
Provision for income taxes	**2,410**	**1.0%**	1,939	0.8%	**2,771**	**0.6%**	2,871	0.7%
Net earnings	**5,896**	**2.4%**	4,494	1.9%	**6,500**	**1.5%**	7,332	1.6%
Earnings per share								
Basic	**0.31**		0.23		**0.34**		0.38	
Diluted	**0.31**		0.23		**0.34**		0.38	
Dividends per share	**0.1150**		0.1000		**0.2150**		0.1675	
Non-IFRS Measures[(1)]								
EBITDA	**10,615**	**4.4%**	8,572	3.6%	**13,836**	**3.1%**	14,573	3.3%
Operating SG&A	**24,244**	**10.0%**	24,331	10.2%	**47,578**	**10.8%**	48,215	10.8%
Floor Plan Neutral Operating Cash Flow	**207**	**0.1%**	27,343	11.5%	**(41,460)**	**(9.4%)**	(21,714)	(4.9%)

(1) – See further discussion in “Non-IFRS Measures” and “Reconciliation of Non-IFRS Measures to IFRS” sections below.

Segmented Financial Reporting

The Company’s branches have been aggregated on the basis of the primary industry which they serve, being agriculture or construction. Certain branches serve both industries. In cases where branches distribute both agriculture and construction equipment, the primary industry served is agriculture and, therefore, these facilities have been categorized as such. As a result, certain construction related results are included in the agriculture segment for the purposes of segmented financial reporting.

For the three months ended June 30,

$ thousands	**2014**			2013		
	Agriculture	**Construction**	**Total**	Agriculture	Construction	Total
Sales						
New equipment	**120,304**	**12,782**	**133,086**	122,330	9,204	131,534
Used equipment	**69,610**	**1,011**	**70,621**	70,168	1,637	71,805
Parts	**25,670**	**3,546**	**29,216**	23,321	3,346	26,667
Service	**7,111**	**1,367**	**8,478**	5,895	1,415	7,310
Other	**771**	**182**	**953**	566	224	790
	223,466	**18,888**	**242,354**	222,280	15,826	238,106
Gross profit	**34,049**	**3,757**	**37,806**	32,928	3,012	35,940
Gross margin	**15.2%**	**19.9%**	**15.6%**	14.8%	19.0%	15.1%
Net earnings (loss)	**6,097**	**(201)**	**5,896**	5,323	(829)	4,494

For the six months ended June 30,

$ thousands	2014			2013		
	Agriculture	**Construction**	**Total**	Agriculture	Construction	Total
Sales						
New equipment	**228,189**	**29,166**	**257,355**	230,454	16,155	246,609
Used equipment	**120,059**	**1,313**	**121,372**	140,711	2,399	143,110
Parts	**38,225**	**6,509**	**44,734**	33,633	6,333	39,966
Service	**12,766**	**2,688**	**15,454**	10,555	2,966	13,521
Other	**1,268**	**337**	**1,605**	1,083	323	1,406
	400,507	**40,013**	**440,520**	416,436	28,176	444,612
Gross profit	**60,392**	**6,646**	**67,038**	62,567	5,864	68,431
Gross margin	**15.1%**	**16.6%**	**15.2%**	15.0%	20.8%	15.4%
Net earnings (loss)	**7,254**	**(754)**	**6,500**	9,609	(2,277)	7,332

Revenue and Gross Profit

The Company uses the terms "acquired" versus "same store" in assessing its sales results. Each acquired store has an average historical level of sales generated prior to being acquired by Rocky. When the Company discusses "acquired" sales, it is referring to the average historical sales level realized by each acquired store prior to acquisition. This base level of sales continues to be classified as acquired until such time as the acquired store has been included in our dealership for a complete calendar year after which point, all sales are classified as same store. For the three and six months ended June 30, 2014, all acquired sales growth pertains to the agriculture segment of the Company.

Agriculture Segment

$ thousands	For the three months ended June 30,					For the six months ended June 30,				
			Change					Change		
	2014	2013	Total	Acquired	Same Store	**2014**	2013	Total	Acquired	Same Store
Sales										
New equipment	**120,304**	122,330	(2,026)	-	(2,026)	**228,189**	230,454	(2,265)	517	(2,782)
Used equipment	**69,610**	70,168	(558)	-	(558)	**120,059**	140,711	(20,652)	259	(20,911)
Parts	**25,670**	23,321	2,349	171	2,178	**38,225**	33,633	4,592	340	4,252
Service	**7,111**	5,895	1,216	-	1,216	**12,766**	10,555	2,211	26	2,185
Other	**771**	566	205	-	205	**1,268**	1,083	185	3	182
	223,466	222,280	1,186	171	1,015	**400,507**	416,436	(15,929)	1,145	(17,074)
Gross profit	**34,049**	32,928	1,121			**60,392**	62,567	(2,175)		
Gross margin	**15.2%**	14.8%	0.4%			**15.1%**	15.0%	0.1%		

For the three months ended June 30, 2014, total sales for the agriculture segment were $223.5 million representing an increase of $1.2 million or 0.5% over the same period in 2013, with acquired stores contributed $0.2 million. On a year-to-date basis, total sales for the agriculture segment decreased by $15.9 million or 3.8% to $400.5 million.

Equipment sales decreased by $2.6 million or 1.3% and $22.9 million or 6.2% during the three and six months ended June 30, 2014, respectively. The majority of the decrease on a year-to-date bases is attributable to a reduction in used equipment sales. A cold winter, late spring and delays in converting last year's crop into cash all negatively impacted used equipment sales year-to-date. Generally, used equipment sales are more susceptible to changes in these short-term factors than new due to the prevalence of presale arrangements related to new units. As the industry begins to return to more historically normal levels of equipment sales, Rocky will continue to proactively manage its agriculture equipment inventory levels.

Parts sales for the quarter ended June 30, 2014 increased by $2.3 million or 10.1% with acquired parts sales contributing $0.2 million of this increase. Service sales for the quarter increased $1.2 million or 20.6%. On a year-to-date basis, parts sales increased by $4.6 million or 13.7%, with acquired parts sales contributing $0.3 million of this increase while service sales increased $2.2 million or 20.9%. In the quarter, we continued to bolster our parts sales through improved market

penetration, primarily of non-captive product lines. Efforts undertaken by Rocky's management including procurement synergies and sales training have had a positive effect in the quarter.

Service sales have also benefitted from increased management focus on product support activities. Our service departments have increased their technician efficiency, which is a key driver of profitability and a strategy to deal with a constrained market for qualified service technicians. At the same time, marketing efforts to improve the visibility of certain service programs have yielded increased customer activity and shifted the mix of customer to internal work.

Gross profit for the quarter ended June 30, 2014 increased by $1.1 million or 3.4% over 2013 due to improved results from our product support departments. As a percentage of sales, gross profit increased by 0.4% to 15.2%. On a year-to-date basis, gross profit declined by $2.2 million or 3.5%. As a percentage of sales, gross profit increased by 0.1% to 15.1%.

A decline in new equipment sales in the trailing quarters caused the Company to decrease its estimate of annual market share for the purposes of accruing manufacturer incentives. The Company's sales mix also shifted away from incentive-eligible equipment. The combination of these two factors resulted in $1.1 million and $3.1 million declines in manufacturer incentives accrued during the respective three and six month periods ended June 30, 2014. The reduction in accrued manufacturer incentives during the quarter was more than offset by increased gross profit from our product support functions. The gross profit decline on a year-to-date basis is also due to decreased used equipment sales on a year-to-date basis.

Despite the reductions in manufacturer incentives accrued and heightened levels of equipment inventory, Rocky's margins continue to hold, due in part to the diligent assessment and pricing of units taken on trade.

Construction Segment

$ thousands	**For the three months ended June 30,**			**For the six months ended June 30,**		
	2014	2013	Change	**2014**	2013	Change
Sales						
New equipment	**12,782**	9,204	3,578	**29,166**	16,155	13,011
Used equipment	**1,011**	1,637	(626)	**1,313**	2,399	(1,086)
Parts	**3,546**	3,346	200	**6,509**	6,333	176
Service	**1,367**	1,415	(48)	**2,688**	2,966	(278)
Other	**182**	224	(42)	**337**	323	14
	18,888	15,826	3,062	**40,013**	28,176	11,837
Gross profit	**3,757**	3,012	745	**6,646**	5,864	782
Gross margin	**19.9%**	19.0%	0.9%	**16.6%**	20.8%	(4.2%)

For the quarter ended June 30, 2014, total sales for the construction segment were $18.9 million representing an increase of $3.1 million or 19.3% over the same period in 2013. On a year-to-date basis, total sales for the construction segment increased by $11.8 million or 42.0% to $40.0 million. The increases in sales are primarily attributable to increased new equipment sales.

Equipment sales increased by $3.0 million or 27.2% and $11.9 million or 64.3% for the three and six months ended June 30, 2014, respectively. Our investments in our construction management and sales functions as well as the incorporation of certain price competitive Tier 3 compliant machines into our product offering have enabled us to improve our market penetration in the construction sector. The increase in equipment sales on a year-to-date basis is also partially attributable to the disposition of the Company's Terex trucks during the first quarter for proceeds of $7.0 million.

Parts sales increased by $0.2 million for both the three and six months ended June 30, 2014, increases of 6.0% and 2.8%, respectively. Service sales remained relatively flat quarter-over-quarter at $1.4 million. On a year-to-date basis, service sales decreased by $0.3 million or 9.4% as a result of the closure of our Fort McMurray store and management's continued focus on improving overall operational efficiency.

Gross profit for the quarter ended June 30, 2014 increased by $0.7 million or 24.7% over 2013. As a percentage of sales, gross profit increased by 0.9% to 19.9%. On a year-to-date basis, gross profit increased by $0.8 million or 13.3%. As a percentage of sales, gross profit decreased by 4.2% to 16.6%. Despite this decrease, gross profit remained relatively flat period-over-period due to below average margins realized on the disposition of the Terex trucks during the first quarter.

Product Support Revenues

Certain product support activity is performed for the benefit of other departments. This activity is excluded from reported parts and service revenues. Management assesses overall product support activity to ensure that the resources deployed are adequate in light of total activity. Total parts and service activity is reconciled to our reported revenues for the respective departments as follows:

$ thousands	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	**2014**	2013
Parts activity				
Total activity	**33,230**	30,575	**51,752**	46,991
Internal activity eliminated	**(4,014)**	(3,908)	**(7,018)**	(7,025)
Reported revenues	**29,216**	26,667	**44,734**	39,966
Service activity				
Total activity	**15,083**	15,717	**27,155**	28,800
Internal activity eliminated	**(6,605)**	(8,407)	**(11,701)**	(15,279)
Reported revenues	**8,478**	7,310	**15,454**	13,521

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses include sales and marketing expenses, sales commissions, payroll and related benefit costs, insurance expenses, professional fees, rent and other facility costs and administration overhead including depreciation of property and equipment. The majority of these costs are fixed. As we acquire new stores, these costs will increase as we incur additional expenditures related to the direct selling, general and administrative functions. Over time, as these acquisitions are amalgamated into the business, the costs will generally decrease as we incorporate their finance and administrative functions into our corporate resources. Similarly, costs will increase as we add direct customer related resources such as equipment specialists, but will normalize as those positions drive sales and increase the customer base.

Fixed costs are subject to annual price increases primarily driven by both real estate and labour demand in Western Canada. Variable costs included within SG&A expenses consist primarily of sales commissions.

The Company assesses its Operating SG&A relative to total sales in analyzing its results. See the definition and reconciliation of Operating SG&A in the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below.

For the quarter ended June 30, 2014, Operating SG&A was $24.2 million or 10.0% of sales compared to $24.3 million or 10.2% of sales in 2013. On a year-to-date basis, Operating SG&A was $47.6 million or 10.8% of sales compared to $48.2 million or 10.8% of sales for the same period last year. The decrease in Operating SG&A for the year-to-date pertains in part to $0.8 million of gains realized on the disposition of fixed assets.

The Company targets a sub-10% Operating SG&A as a percentage of sales on an annual basis. Given the seasonality of the business, it is not uncommon for Operating SG&A to exceed this target in the first six months of a fiscal year.

Depreciation included in SG&A amounted to $1.7 million and $3.5 million, respectively, for the three and six months ended June 30, 2014, up from $1.5 million and $3.2 million in during the same periods last year.

Interest

The majority of the Company's short-term interest expense is attributable to the floor plan financing associated with our new and used equipment inventory. Interest on long-term debt pertains primarily to the Company's Debenture Repayment, Acquisition and Fleet Facilities. During the three and six months ended June 30, 2014, overall interest expense was relatively flat as compared to the same periods in 2013.

Net Earnings

For the quarter ended June 30, 2014, we generated net earnings of $5.9 million, up $1.4 million from 2013. The increase in net earnings is primarily attributable to increased sales activity and gross margin improvement. Year-to-date earnings are $6.5 million, down $0.8 million from the same period last year due largely to decrease used agriculture equipment sales.

The Company's diluted earnings per share was $0.31 and $0.34 for the three and six months ended June 30, 2014, respectively, compared to $0.23 and $0.38 for the same periods last year.

SUMMARY OF QUARTERLY RESULTS

$ thousands, except per share amounts	**Q2 2014**	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Sales									
New equipment	**133,086**	124,269	179,359	97,554	131,534	115,075	195,813	109,636	131,155
Used equipment	**70,621**	50,751	84,925	130,826	71,805	71,305	79,709	96,653	63,110
Parts	**29,216**	15,518	18,099	34,534	26,667	13,299	16,369	31,377	23,067
Service	**8,478**	6,976	7,403	8,497	7,310	6,211	7,933	8,465	7,421
Other	**953**	652	795	1,158	790	616	956	1,403	988
	242,354	198,166	290,581	272,569	238,106	206,506	300,780	247,534	225,741
Cost of sales	**204,548**	168,934	257,329	233,846	202,166	174,015	254,913	207,836	191,515
Gross profit	**37,806**	29,232	33,252	38,723	35,940	32,491	45,867	39,698	34,226
SG&A	**25,985**	25,058	27,249	26,827	25,873	25,501	26,060	25,181	24,386
Loss on repurchase of Debentures	**-**	-	-	-	-	-	-	-	4,232
Interest and taxes	**5,925**	3,570	3,937	5,981	5,573	4,152	8,037	6,066	4,013
Net earnings	**5,896**	604	2,066	5,915	4,494	2,838	11,770	8,451	1,595
EPS – basic	**0.31**	0.03	0.11	0.31	0.23	0.15	0.63	0.45	0.09
EPS – diluted	**0.31**	0.03	0.11	0.31	0.23	0.15	0.62	0.45	0.08

Fluctuating seasonal revenue cycles are common in both the agriculture and construction industries as a result of weather conditions, the timing of crop receipts and farming cycles and the timing of infrastructure expenditures. As a result, our financial results typically vary between quarters. The first calendar quarter is typically the weakest due to winter shutdowns, while the fourth quarter is the strongest due to conversions of equipment on rent with purchase options, and the post-harvest purchases that are typical in the agriculture sector.

Over time, we expect second and third quarter sales activity to increase relative to the fourth quarter as our increased installed base drives more parts and service activity and our customers decide to trade their equipment earlier in the year to take advantage of advancements in technology before the harvest season.

Weather conditions, such as a late spring, may positively or negatively impact sales activity for any given period.

BALANCE SHEET SUMMARY

$ thousands	June 30, 2014	December 31, 2013
Assets		
Inventory	**522,243**	482,824
Other current assets	**49,157**	74,520
Property and equipment	**31,381**	30,860
Deferred tax asset	**1,108**	-
Goodwill	**14,692**	14,692
Total assets	**618,581**	602,896
Liabilities and equity		
Floor plan payable	**374,264**	342,364
Other current liabilities	**44,354**	56,607
Long-term debt	**37,317**	41,681
Obligations under finance leases	**218**	541
Deferred tax liability	**-**	2,576
Derivative financial instruments	**2,838**	1,706
	458,991	445,475
Shareholders' equity	**159,590**	157,421
Total liabilities and equity	**618,581**	602,896

Current assets at June 30, 2014 consist primarily of new and used equipment inventory of approximately $226.2 million and $249.9 million, respectively (December 31, 2013 – $214.7 million and $230.4 million, respectively). The Company's new and used equipment inventory is comprised predominantly of agriculture equipment. The Company has a diverse customer base for its agriculture equipment and strives to carry an appropriate mix of both new and used equipment to best serve its customers. Typically, our agriculture customers trade in their used equipment when purchasing new equipment. Construction equipment, by contrast, is generally utilized to the end of its useful life by one owner. Trades of used construction equipment are less common and as such, the Company carries less used construction equipment relative to new.

Throughout the past several quarters, the Company implemented a number of sales initiatives to reduce its equipment inventory. The realization of such reduction is not however expected to occur in a linear manner. Inventory balances will fluctuate period-over-period, based on several factors including, but not limited to, the timing of new equipment deliveries from OEMs to coincide with farming cycles and overall customer demand.

Total inventories have decreased by $13.3 million compared to Q2, 2013 and have increased over Q4, 2013 by $39.4 million. During the first half of 2014, inventory increased due to expected seasonal deliveries and trades taken on new equipment sales which have yet to be resold. The Company continues to closely manage its inventory and remains committed to its stated objective of inventory reduction in the coming quarters and years by maintaining an appropriate range of units at responsible values.

Current liabilities consist predominantly of floor plan payable for financed inventory of approximately $374.3 million as at June 30, 2014, up from $342.4 million at December 31, 2013. The increase in floor plan payable corresponds with the increase in equipment inventory carried by the Company. As a percentage of equipment inventory, floor plan payable is 78.6% up 1.7% from December 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

We assess liquidity in terms of our ability to generate sufficient cash flow, along with other sources of liquidity including cash and borrowings, to fund our operations and growth in operations. Net cash flow is affected by the following items:

- Operating activities, including, the levels of accounts receivable, inventory, accounts payable, floor plan payable, and financing provided to customers;
- Financing activities, including bank credit facilities, long-term debt and other capital market activities providing both short- and long-term financing; and,
- Investing activities, including capital expenditures, acquisitions of complementary businesses and divestitures of non-core businesses.

Summary of Cash Flows

$ thousands	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	**2014**	
Net earnings	**5,896**	4,494	**6,500**	7,332
Effect of non-cash items in net earnings and changes in working capital	**3,249**	3,197	**(16,060)**	(4,658)
Cash flows from operating activities	**9,145**	7,691	**(9,560)**	2,674
Cash flows from financing activities	**(4,270)**	(4,199)	**(8,988)**	(6,081)
Cash flows from investing activities	**(3,737)**	(2,233)	**(3,649)**	(8,283)
Net change in cash and cash equivalents	**1,138**	1,259	**(22,197)**	(11,690)
Cash and cash equivalents, beginning of period	**11,387**	21,228	**34,722**	34,177
Cash and cash equivalents, end of period	**12,525**	22,487	**12,525**	22,487
Floor Plan Neutral Operating Cash Flow[1]	**207**	27,343	**(41,460)**	(21,714)

(1) – See further discussion in “Non-IFRS Measures” and “Reconciliation of Non-IFRS Measures to IFRS” sections below.

Cash Flows from Operating Activities

The Company assesses its Floor Plan Neutral Operating Cash Flow in analyzing its cash flows from operating activities. See the definition and reconciliation of Floor Plan Neutral Operating Cash Flow in the “Non-IFRS Measures” and “Reconciliation of Non-IFRS Measures to IFRS” sections below.

Rocky is eligible to finance its equipment inventory using its various floor plan facilities. Floor plan facilities are asset-backed lending arrangements whereby each draw is associated with a specific piece of equipment. The Company is under no obligation to finance any of its equipment inventory and, as a general rule, financed units can be paid out for a period of time and refinanced at a later date. Adjusting cash flows from operating activities for changes in the balance of floor plan payable allows management to isolate and analyze cash flows from operating activities, prior to any sources or uses of cash associated with equipment financing decisions.

For the quarter ended June 30, 2014, we generated Floor Plan Neutral Operating Cash Flow of $0.2 million as compared to $27.3 million in 2013. The decrease in cash generated quarter-over-quarter pertains largely to $33.5 million of additional cash utilized to finance the purchase of inventory during the current quarter.

On a year-to-date basis, Floor Plan Neutral Operating Cash Flow was a net use of cash of $41.5 million compared to $21.7 million for the same period last year. The change in Floor Plan Neutral Operating Cash Flow is largely due to entering the period with less in accounts receivable, and therefore collecting less cash during the six months ended June 30, 2014 compared to the same period last year.

For the quarter ended June 30, 2014, the Company generated $9.1 million in cash flow from operating activities, $1.5 million more than was generated in the same period of 2013. The increase is primarily attributable to increased earnings. On a year-to-date basis, we utilized $9.6 million for operating activities as compare to generating $2.7 million during the same period last year.

Cash Flows from Financing Activities

Cash flows from financing activities during the three and six months ended June 30, 2014 and 2013 pertained primarily to scheduled debt and dividend payments, offset by proceeds received from the issuance of common shares pursuant to the exercise of stock options.

For the quarter ended June 30, 2014, we utilized $4.3 million for financing activities, relatively flat over 2013. For the six months ended June 30, 2014, we utilized $9.0 million for financing activities, up from a $6.1 million use in 2013. The increase in net cash utilized for financing activities during the year-to-date pertains to a reduction in cash inflows associated with the exercise of stock options.

Cash Flows from Investing Activities

Cash utilized for investing activities was the result of our normal capital expenditures and the net cash consideration paid pursuant to business combinations offset by proceeds on the disposition of property and equipment.

For the quarter ended June 30, 2014, we utilized $3.7 million for investing activities, up from $2.2 million in 2013 primarily as a result of the acquisition of York Auto Supply in June of 2014. On a year-to-date basis, we utilized $3.6 million for investing activities, down from $8.3 million in 2013 primarily as a result of cash consideration paid in settlement of the acquisition of Murray's Farm Supply in February of 2013.

ADEQUACY OF CAPITAL RESOURCES

We use operating cash flows to finance the purchase of inventory, service our debt requirements, pay dividends, and fund our operating activities, including working capital, both operating and finance leases and floor plan payable. Our ability to service our debt and distribute dividends to shareholders will depend upon our ability to generate cash, which depends on our future operating performance, general economic conditions, as well as other factors, some of which are beyond our control. Based on our current operational performance, we believe that cash flows from operations, along with existing credit facilities, will provide for our capital needs.

Finance Facilities

The Company has a credit facility with a syndicate of lenders (the "Syndicated Facility"). The Syndicated Facility is secured in favour of the syndicate by a general security agreement. Advances under the Syndicated Facility may be made based on our lenders' prime rate or the US base rate plus 1.0% – 2.5% or based on the banker's acceptance ("BA") rate plus 2.0% – 3.5%. The Company pays standby fees of between 0.4% and 0.7% per annum on any undrawn portion of the Syndicated Facility. The standby fees and premiums on base interest rates within the respective ranges are determined based on the Company's covenant compliance.

During the quarter, the Syndicated Facility was renewed, extending the maturity date until June 1, 2017. It is however the Company's intention to renew this facility prior to its maturity date. During the quarter, the Company also amended the Syndicated Facility, increasing the Flooring Facility limit by $25.0 million and incorporating a $15.0 million facility to fund the acquisition of real estate (the "Real Estate Facility").

The Syndicated Facility consists of:

- The "Operating Facility" – which may be utilized to advance up to the lesser of 50% of eligible inventory plus 75% of eligible accounts receivable or $30.0 million and may be used to finance general corporate operating requirements.
- The "Flooring Facility" – which may be used to finance up to 75% of the value of eligible equipment inventory. Draws against the Flooring Facility are repayable over a term of 24 months however; they become due in full upon the sale of the associated equipment.
- The "Acquisition Facility" – which may be used to finance up to 60% of the cost of future acquisitions with tranches repayable in monthly installments over an amortization period of 60 months.
- The "Fleet Facility" – which may be used to finance the Company's fleet of vehicles with draws repayable in monthly installments over an amortization period of 36-60 months.
- The "Debenture Repayment Facility" – which was used to finance the repurchase of the Debentures. This facility is repayable with quarterly installments of $0.9 million plus interest with the remaining principal to be paid out on September 30, 2017.
- The "Real Estate Facility" – which may be used to finance 65% of the lesser of the purchase price and appraised value of eligible real estate with draws repayable over an amortization period of 15 years.

Including the Syndicated Flooring Facility, we have total floor plan facilities of approximately $613.1 million (inclusive of seasonal increases) from various lending institutions for the purpose of financing inventory. Our equipment inventory is financed by way of floor plan financing, which is made available to Rocky by the equipment manufacturers' captive finance companies or divisions (such as CNH Capital), as well as by banks and specialty lenders.

In addition to our available cash balance of $12.5 million as at June 30, 2014, we have approximately $304.6 million available on our various credit facilities.

$ millions	Facility limit	Amount drawn	Available
Operating Facility	30.0	-	**30.0**
Acquisition Facility	30.0	14.5	**15.5**
Fleet Facility	10.0	4.7	**5.3**
Debenture Repayment Facility	28.0	28.0	**-**
Real Estate Facility	15.0	-	**15.0**
Various floor plan facilities			
OEM floor plan facilities	250.0	101.8	**148.2**
Syndicated Flooring Facility	125.0	77.8	**47.2**
Other floor plan facilities	238.1	194.7	**43.4**
	726.1	421.5	**304.6**

Interest Rate Swaps

The Company utilizes derivative financial instruments to hedge its exposure to changes in interest rates. We do not use derivatives to speculate, but rather as a risk management tool. The Company has four separate interest rate swaps (the "Swaps") related to portions of its Acquisition and Flooring Facilities as well as the Debenture Repayment Facility (collectively the "Hedged Facilities").

The interest rate swap related to the Acquisition Facility amortizes with principal payments on the debt until May 27, 2016. At June 30, 2014, the notional amount of the swap was $6.3 million (December 31, 2013 – $7.9 million). The interest rate swaps related to the Flooring Facility are non-amortizing with $25.0 million maturing on August 31, 2018 and $35.0 million maturing on September 30, 2020. The aggregate notional amount outstanding at June 30, 2014 was $60.0 million (December 31, 2013 – $60.0 million). The interest rate swap on the Debenture Repayment Facility amortizes with principal repayments on the debt until April 27, 2017. At June 30, 2014, the notional amount of the swap was $28.0 million (December 31, 2013 – $29.8 million).

The Hedged Facilities each bear interest at a floating rate based on the prevailing one-month BA rate plus 2.0% – 3.5%. The Swaps hedge our exposure to fluctuations in the BA rate. At June 30, 2014, the effective rates on the hedged portions of the Acquisition, Flooring and Debenture Repayment Facilities were 3.7%, 5.0% and 4.3%, respectively (December 31, 2013 – 3.7%, 5.0% and 4.3%, respectively). We have designated these instruments as hedges and have accounted for them using hedge accounting in our consolidated financial statements.

If we sell or terminate a hedged item, or it matures before the related hedging instrument is terminated, we recognize in income any realized or unrealized gain or loss on the derivative instrument. In accounting for these cash flow hedges, changes in fair value of the Swaps are included in the consolidated statement of other comprehensive income to the extent the hedge continues to be effective. The related other comprehensive amounts are allocated to net earnings in the same period in which the hedged item affects net earnings. For all cash flow hedges, to the extent the change in fair value of the derivative is not completely offset by the change in the fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings.

Dividends

On August 5, 2014, the Board of Directors of Rocky approved a quarterly dividend of $0.115 per common share on its outstanding common shares. The common share dividend is payable on September 30, 2014, to shareholders of record at the close of business on August 29, 2014.

Financial Covenants

Pursuant to agreements with lenders, the Company is required to monitor and report certain financial ratios on a quarterly basis. These measures and the applicable compliance ranges are as follows:

	June 30, 2014	December 31, 2013
Fixed charge coverage of at least	**1.25-1.50:1**	1.25-1.50:1
Debt to tangible net worth less than	**4.00-5.00:1**	4.00-5.00:1
Current ratio of at least	**1.15-1.20:1**	1.15-1.20:1

Each lender has its own definition of which account balances are to be included in these computations. As at June 30, 2014 and December 31, 2013, the Company was in compliance with all externally imposed capital requirements.

SHARE CAPITAL – OUTSTANDING SHARES

Thousands	**June 30, 2014**	June 30, 2013
Opening balance	**19,313**	18,993
Shares issued upon exercise of stock options	**4**	244
Closing balance	**19,317**	19,237

As at August 5, 2014, there were 19,316,753 shares outstanding.

The options outstanding at June 30, 2014 are as follows (expressed in thousands except per option and average life amounts):

Grant date	Options outstanding (thousands)	Options exercisable (thousands)	Weighted average exercise price ($)	Weighted average contractual life (years)
December 29, 2009	59	59	9.22	0.5
March 11, 2011	38	38	10.39	1.7
August 11, 2011	150	87	8.71	2.1
March 28, 2012	265	175	11.96	2.7
March 13, 2013	399	133	12.89	3.7
March 13, 2014	427	-	11.52	4.7
	1,338	492	11.57	3.5

As at August 5, 2014, there were 1,336,000 options outstanding.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations consist primarily of its floor plan payable used to finance the purchase of new, and to a lesser extent, used equipment. The Company has classified its floor plan payable as current as the corresponding inventory to which it relates has also been classified as current. Floor plan payable as well as trade payables, accruals and other form the majority of the Company's contractual obligations which will be discharged within the next 12 months.

Other significant contractual obligations outstanding as at June 30, 2014 include long-term debt consisting predominantly of the Debenture Repayment, Acquisition and Fleet Facilities and operating lease commitments which relate primarily to the Company's facilities. Lease terms are between one and eleven years and most building leases contain five-year renewal options.

The Company assesses its liquidity based on the expected period in which cash flows will occur. The following table summarizes the Company's expected undiscounted cash flows as at June 30, 2014 assuming the Syndicated Facility is renewed prior to maturity on June 1, 2017. The analysis is based on foreign exchange rates and interest rates in effect at the consolidated balance sheet date, and includes both principal and interest cash flows.

$ thousands	Total	Remainder of 2014	2015-2016	2017-2018	Thereafter
Trade payables, accruals and other	**30,142**	30,142	-	-	-
Floor plan payable	**387,951**	193,976	193,975	-	-
Long-term debt	**51,211**	6,251	20,664	24,098	198
Obligations under finance leases	**844**	347	497	-	-
Operating lease obligations	**36,599**	4,313	14,115	9,382	8,789
Derivative financial instruments	**3,055**	580	1,732	603	140
Total contractual obligations	**509,802**	235,609	230,983	34,083	9,127

In the event that the Syndicated Facility is not renewed prior to its maturity, the cash outflow for the long-term debt outstanding as at June 30, 2014 would be $24.2 million in 2017-2018 and $Nil thereafter.

RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, the Company entered into the following transactions with related parties:

$ thousands	**For the three months ended June 30,**		**For the six months ended June 30,**	
	2014	2013	**2014**	2013
Flight costs	**-**	41	**75**	80
Other expenses	**16**	117	**29**	181
Rental payments on Company facilities	**1,363**	1,294	**2,715**	2,635
Equipment sales	**1,301**	1,264	**3,736**	1,303
Equipment purchases	**56**	1,256	**796**	1,331

All related parties are either directly or indirectly owned by a member of senior management of the Company and/or a close family member thereof. These transactions were made on terms equivalent to those that prevail in arm's length transactions and are made only if such terms can be substantiated.

Amounts due from (to) related parties are included in the consolidated balance sheet under trade receivables and other (trade payables, accruals and other) and are as follows:

$ thousands	**June 30, 2014**	December 31, 2013
Due from related parties	**315**	141
Due to related parties	**(3)**	(39)

The amounts due from related parties are not secured and are to be settled in cash. As at June 30, 2014 and December 31, 2013, the amounts due from related parties are considered collectible and therefore have not been provided for in the allowance for doubtful accounts. During the three and six months ended June 30, 2014, $Nil and $Nil has been recognized in bad debt expenses for the respective periods with regards to related party transactions (2013 – $Nil and $Nil, respectively).

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet financing in connection with numerous operating leases. These leases relate to the Company's buildings and certain vehicles with lease terms of between one and eleven years. Most building leases contain renewal options for periods of three to five years. We have paid monthly amounts under these operating leases ranging from $0.1 thousand to $64.2 thousand. The current operating leases expire between July 2014 and July 2023.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed consolidated interim financial statements requires that certain estimates and judgments be made with respect to the reported amounts of sales and expenses and the carrying amounts of assets and liabilities. These estimates are based on historical experience and management's judgment. Anticipating future events involves uncertainty and consequently, the estimates used by management in the preparation of the condensed consolidated

interim financial statements may change as future events unfold, additional information is acquired or the Company's operating environment changes. Management considers the following to be the most significant of these estimates.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is reviewed by management on a monthly basis. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Company takes into consideration the customer's payment history, their creditworthiness and the current economic environment in which the customer operates to assess impairment. The Company's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances.

Net Realizable Value of Inventory

Equipment is valued at the lower of cost and net realizable value, with cost being determined on a specific item, actual cost basis, and net realizable value being determined by the recent sales of the same or similar equipment inventory or market values as established by industry publications, less the costs to sell. Parts inventory is recorded at the lower of cost and net realizable value, with cost being determined on an average cost basis and net realizable value being determined by recent sales of the same or similar parts inventory, less the costs to sell. Work-in-progress is valued on a specific item, actual cost basis.

Manufacturer Incentives

Certain manufacturers offer annual performance incentives which are linked to the Company's market share achievement and annual sales volumes. The Company uses estimated annual market share statistics derived from historical results which have been adjusted for any anticipated changes in the current year, as well as eligible sales volume to date to accrue the proportion of these annual manufacturer incentives earned during the period.

Derivative Financial Instruments

The Company utilizes derivative financial instruments to manage its interest rate exposure. Derivatives are initially recognized on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The fair values of interest rate swaps are calculated as the net present value of the estimated future cash flows expected to arise on the variable and fixed legs, determined using applicable yield curves at each measurement date. Swap curves, which incorporate credit spreads applicable to large commercial banks, are typically used to calculate expected future cash flows and the present values thereof. Adjustments are also made to reflect the Company's own credit risk and the credit risk of the counterparty, if different from the spread implicit in the swap curve.

KEY FINANCIAL STATEMENT COMPONENTS

Equipment Sales

Equipment revenues are derived from the sale of new and used construction and agriculture equipment. Revenue is recognized when the customer has signed the sales agreement, has paid or is credit-approved, and title to and risk of loss for the piece of equipment have transferred. New equipment sales also include certain rental revenues.

Parts Sales

Revenue from parts sales is recognized when title to the product has transferred to the customer and collection is reasonably assured. This is evidenced by the goods being shipped or physically taken by the customer, or in the case of parts drawn to complete service work, when the service work order is completed.

Service Revenue

Revenue from service is recognized by reference to the stage of completion of the contract when the outcome can be estimated reliably.

Other Revenue

Other revenue consists of commission revenue from finance and insurance, recognized when the finance contract is signed; revenue from rentals, recognized on the first day of each month specified in the rental contract on a straight-line basis over the term of the contract; and lease revenue, recognized on a straight-line basis over the term of the lease

independent of the timing of the payments received. Prepayment of any lease is initially set up as a deposit, and is reduced on a monthly basis at a rate reflective of the lease contract.

Cost of Sales

Cost of sales is the accumulation of the costs attributable to the sources of revenue set forth in the financial statements. Revenues are matched to cost of sales attributable to specific revenue sources. The cost of equipment sales is determined based on the actual cost of the equipment. The cost of parts sales is determined based on the average actual cost for those parts. The cost of service revenues is determined based on actual costs to complete the service job, which include, without limitation, wages paid to service technicians and the actual cost of externally sourced labour, plus applicable overheads.

Selling, General and Administrative Expenses

SG&A expenses include sales and marketing expenses, sales commissions, payroll, and related benefit costs, insurance expenses, professional fees, rent, and other facility costs and administrative overhead including depreciation of property and equipment.

Interest Expense

Short-term interest includes the aggregate expense for interest under the current floor plan financing programs associated with financing equipment inventory through numerous creditors, and existing credit facilities. Short-term interest also includes charges related to credit and financing. Long-term interest includes the aggregate expense for interest associated with the Company's various long-term credit facilities and obligations under finance leases.

RISKS AND UNCERTAINTIES

Risk factors faced by Rocky are listed in the Company's AIF, which can be found on SEDAR. These risk factors include industry risks associated with construction and agriculture equipment dealerships and others, including but not limited to: dependence on equipment manufacturers; nature of dealership agreements; weather conditions; consolidations within the equipment manufacturing industry; non-exclusive nature of key geographic markets; inventory management risks; floor plan financing risks; dependence on credit facilities; changing economic conditions; fluctuations in commodity prices; seasonality and cyclicality in our customers' businesses; competition; fluctuations in interest rates; customer credit risks; import product restrictions; foreign trade; foreign exchange exposure; insurance risks; dependence on leasing branch premises and key personnel; labour costs and shortages; labour relations; freight costs; reliance on information systems; government regulation; industry oversupply; future warranty claims; product liability risks; manufacturers' restrictions on dealership acquisitions; growth risks; integration of acquisitions; dividend policy risks; future sales of common shares by existing shareholders; dilution of common shares due to future distributions; conflicts of interest; income tax matters; dependence on subsidiaries; potential unknown liabilities; and unpredictability and volatility of common share price.

Our success largely depends on the abilities and experience of our senior management team and other key personnel. These employees carry a significant amount of the management responsibility of our business and are important for setting strategic direction and dealing with certain significant customers.

Our future performance will also depend on our ability to attract, develop, and retain highly qualified employees in all areas of our business. We face significant competition for individuals with the skills required to develop, market and support our products and services. If we fail to recruit and retain sufficient numbers of these highly skilled employees, we may not be able to achieve our growth objectives and our business may be adversely affected.

RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, market risk (consisting of foreign currency exchange risk and interest rate risk), and liquidity risk.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The creditworthiness of counterparties is determined using information supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of

transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly.

The Company's exposure to credit risk on its cash balance is mitigated as these financial assets are held with major financial institutions with strong credit ratings.

During the three and six months ended June 30, 2014, the Company's allowance for doubtful accounts increased by $0.2 million and $0.2 million, respectively (2013 – decreased by $0.1 million and $0.3 million, respectively). Changes in the carrying amount of the allowance for doubtful accounts, including write-offs, are recognized in selling, general and administrative expenses.

Market Risk

Market risk is the risk from changes in market prices, such as changes in foreign currency exchange rates and interest rates which will affect the Company's earnings or the value of the financial instruments held.

Foreign Currency Exchange Risk

The OEMs we do business with are geographically diversified, requiring us to conduct business in two currencies: U.S. dollars and Canadian dollars. As a result, we have foreign currency exposure with respect to purchases of U.S. dollar denominated products (inventory) and we experience foreign currency gains and losses thereon. The nature of exposure to foreign exchange fluctuations differs between equipment manufacturers and the various dealer agreements with them.

A weakening of the U.S. dollar in comparison to the Canadian dollar will generally have a positive effect on our performance by lowering our cost of goods sold. However, as the markets in which we operate are highly competitive, a declining U.S. dollar also has the effect of reducing sales prices in Canadian dollars and, as a consequence, we cannot capture the entire potential benefit of a declining U.S. dollar environment. By contrast, a strengthening U.S. dollar will increase the cost of equipment purchases. If we are unable to fully offset the increase in cost of goods through price increases, our financial results may be negatively affected. We mitigate some of this risk by occasionally purchasing forward contracts for U.S. dollars on large transactions to cover the period from the time the equipment is ordered from the manufacturer to the delivery date.

Included in selling, general and administrative expenses for the three and six months ended June 30, 2014, are net gains of $0.6 million and $0.4 million, respectively (2013 – net gains of $61 thousand and $29 thousand, respectively), recognized due to foreign currency translation for transactions and balances.

Interest Rate Risk

We finance our purchases of new and, to a lesser extent, used equipment inventory through floor plan borrowing arrangements, under which we are charged interest at floating rates. As a result, rising interest rates have the effect of increasing our overall costs. To the extent that we cannot pass on such increased costs to our customers, our net earnings or cash flow may decrease. In addition, some of our customers finance the equipment they purchase through us. A customer's decision to purchase may be affected by interest rates available to finance the purchase.

The Company manages its interest rate risk by using floating-to-fixed interest rate swaps when appropriate. Generally, the Company will obtain floor plan financing and/or long-term debt at floating rates. When the Company enters into a floating-to-fixed interest rate swap, it agrees with a third party to exchange the difference between the fixed and floating contract rates based on agreed notional amounts.

The ineffective portion of the mark-to-market revaluation for the three and six months ended June 30, 2014 amounted to a gain of $46 thousand and a loss of $31 thousand, respectively (2013 – gains of $0.4 million and $0.4 million, respectively). These gains and losses were recognized in net earnings.

Losses recognized in accumulated other comprehensive loss within equity for the three and six months ended June 30, 2014 were $0.3 million net of income tax of $0.1 million and $1.1 million net of income tax of $0.3 million, respectively (2013 – gains of $0.8 million net of income tax of $0.2 million and $0.7 million net of income tax of $0.2 million). The accumulated net loss will be continuously released to the consolidated statement of net earnings within interest on short- and long-term debt until full repayment of the underlying debt.

Liquidity Risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations as well as available credit facilities to meet its requirements.

Refer to the Finance Facilities section of this MD&A for details on the Company's various credit facilities.

NON-IFRS MEASURES

Throughout this MD&A, we use terms which do not have standardized meanings under IFRS. As these non-IFRS financial measures do not have standardized meanings prescribed by IFRS, they are unlikely to be comparable to similar measures presented by other issuers. Our definition for each term is as follows:

- "**EBITDA**" is a commonly used metric in the dealership industry. EBITDA is calculated by adding interest on long-term debt, income taxes and depreciation to net earnings. Adding back non-operating expenses allows management to consistently compare periods by removing changes in tax rates, long-term assets and financing costs related to the Company's capital structure.
- **"Operating SG&A"** is calculated by adding back depreciation of property and equipment and any non-recurring charges recognized in SG&A during the period to SG&A. Management deems non-recurring charges to be unusual and/or infrequent charges that the Company incurs outside of its common day-to-day operations. Adding back these items allows management to assess discretionary expenses from ongoing operations. Management has changed the calculation of Operating SG&A from previous disclosures by no longer considering the ineffective portion of derivative financial instruments or acquisition transaction costs to be non-recurring charges. For the periods presented, these costs are insignificant in amount and recurring in nature. For the periods presented, no non-recurring charges have been identified. We target a sub-10% Operating SG&A as a percentage of total sales on an annual basis.
- **"Floor Plan Neutral Operating Cash Flow"** is calculated by eliminating the impact of the change in floor plan payable (excluding floor plan assumed pursuant to business combinations) from cash flows from operating activities. Adjusting cash flows from operating activities for changes in the balance of floor plan payable allows management to isolate and analyze operating cash generated during a period, prior to any sources or uses of cash associated with equipment financing decisions.

RECONCILIATION OF NON-IFRS MEASURES TO IFRS

EBITDA

$ thousands	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	**2014**	2013
Net earnings	**5,896**	4,494	**6,500**	7,332
Interest on long-term debt	**568**	597	**1,100**	1,211
Depreciation expense	**1,741**	1,542	**3,465**	3,159
Income taxes	**2,410**	1,939	**2,771**	2,871
EBITDA	**10,615**	8,572	**13,836**	14,573

Operating SG&A

$ thousands	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	**2014**	2013
SG&A	**25,985**	25,873	**51,043**	51,374
Depreciation expense	**(1,741)**	(1,542)	**(3,465)**	(3,159)
Operating SG&A	**24,244**	24,331	**47,578**	48,215

Floor Plan Neutral Operating Cash Flow

$ thousands	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	**2014**	2013
Cash flows from operating activities	**9,145**	7,691	**(9,560)**	2,674
Net (increase) decrease in floor plan payable	**(8,938)**	19,652	**(31,900)**	(27,177)
Floor plan assumed pursuant to business combinations	**-**	-	**-**	2,789
Floor Plan Neutral Operating Cash Flow	**207**	27,343	**(41,460)**	(21,714)

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures, ("DC&P"), to provide reasonable assurance that material information related to the Company is made known. In addition, internal controls over financial reporting ("ICFR") have been designed by or have been caused to be designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO have evaluated the effectiveness of our DC&P and assessed the design of our ICFR, as of June 30, 2014, pursuant to the requirements of National Instrument 52-109, and have concluded that:

(i) The DC&P are effective to provide reasonable assurance that all material or potentially material information about activities of the Company are made known to them; and

(ii) Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Management has concluded that, as of June 30, 2014, the Company has sufficiently documented and tested the effectiveness of the ICFR for the Company and can conclude that these controls are working effectively. It should be noted that while the Company's management believes that the Company's ICFR and DC&P provide a reasonable level of assurance that they are effective, they do not expect these controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

CAUTION REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains FLS within the meaning of applicable securities legislation which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Rocky or industry results, to be materially different from any future results, events, expectations, performance or achievements expressed or implied by such FLS. FLS typically contain words or phrases such as "may", "outlook", "objective", "intend", "estimate", "anticipate", "should", "could", "would", "will", "expect", "believe", "plan", "predict" and other similar terminology suggesting future outcomes or events. FLS involve numerous assumptions and should not be read as guarantees of future performance or results. Such statements will not necessarily be accurate indications of whether or not such future performance or results will be achieved. Readers of this MD&A should not unduly rely on FLS as a number of factors, many of which are beyond the control of Rocky, could cause actual performance or results to differ materially from the performance or results discussed in the FLS.

In particular, FLS in this MD&A include, but are not limited to, the following: (i) disclosure under the heading "Market Fundamentals and Outlook", (ii) continuing demand for Rocky's products and services, and the cyclical nature of agriculture equipment demand, (iii) growth of Rocky's business and operations, including growth in product support, (iv) assertions that forecasts for the 2014 growing season appear optimistic, (v) discussion that the recent mandates from the Canadian Federal Government regarding grain hauling in rail cars, and the reduction in farmer-held grain, will provide liquidity to farmers and accordingly will facilitate reinvestment in their businesses, (vi) the effect on customer buying patterns due to price increases associated with the transition to Tier 4, (vii) that legislative compliance with Tier 4 regulations will ultimately remove pricing disparities between tiers as the industry progresses through the transition period, (viii) discussion on the fundamentals of Rocky's business, including discussion that GDP growth, population growth, increases in global food demand, bio-fuel production, and a decrease in crop land will require farmers to increase productivity, thereby maintaining or improving future demand for heavy equipment, (ix) orders of Tier 3 products should help address pricing differentials with competitors, (x) discussions regarding Rocky's inventory management and any

expected increases or decreases in Rocky's inventory levels and associated financial results, (xi) statements that any anticipated reduction in inventories are not expected to occur in a linear manner, (xii) discussions regarding initiatives to restore our construction results, including statements regarding restoring our construction results, and our intention to leverage our recent successes to gain market acceptance and better market presence, (xiii) discussions that the impact of previously acquired dealerships and trade areas, coupled with our OEM relationships, position us well to pursue our longer-term revenue and earnings growth initiatives, (xiv) statements that we believe cash flow from operations, along with existing credit facilities, will provide for our capital needs, (xv) discussion around SG&A expenses including the seasonal variances and expectations in operating SG&A, (xvi) discussion that our fourth quarter is generally our strongest quarter financially, and discussion that we expect our second and third quarter sales activity to increase as our installed equipment- and customer-base increases, and (xvii) statements that as acquisitions are amalgamated into the business, the associated SG&A costs will generally decrease.

With respect to the FLS listed above and contained in this MD&A, Rocky has made assumptions regarding, among other things: (i) expectations for commodity prices will continue to remain above historical levels, (ii) increasing global food demand over the next 25 years in response to a growing world population and a decrease in arable land per capita, (iii) rising demand for agriculture commodities and insufficient investment in productive capacity and infrastructure, especially in developing countries, (iv) increasing food demand, including increasing demand from China and India for grain and oilseed products, as well as increasing crop land dedicated to bio-fuel production, will cause producers to improve their productivity, and as a result invest in new equipment, (v) expectations that increases in farmer liquidity would generally correlated to farmers making capital re-investments in their business, so as to increase their productivity and lower their input costs, which investments may include Rocky's products and services, (vi) inventory levels will fluctuate during a year, both positively and negatively, based on timing of equipment deliveries, and volume of whole-good sales involving a unit taken in on trade, (vii) general GDP growth and/or relative economic stability in the markets we operate in, (viii) the trend towards larger farms in the agriculture sector will continue to benefit further farm equipment sales as larger farm operations tend to replace their equipment more frequently, (ix) the Company's cash flow will remain sufficient to, in connection with its credit facilities, adequately finance its capital needs, (x) as stores are consolidated, certain functions can be centralized thereby reducing SG&A costs as a result, (xi) the anticipated improvement in ongoing revenue and cash-flow, including parts and service revenue, as our installed base increases, (xii) price increases associated to the transition to Tier 4 equipment will affect buying patterns for both our agriculture and construction customers, and (xiii) expectations that no material change will happen to our OEM relationships and related contractual agreements.

Rocky's actual results could differ materially from those anticipated in the FLS in this MD&A as a result of the risk factors set forth herein under the heading "Risks and Uncertainties" and the risk factors set forth in Rocky's AIF. Although the forward-looking statements contained in this MD&A are based upon what management of Rocky believes are reasonable assumptions, Rocky cannot assure investors that actual performance or results will be consistent with these forward-looking statements. These statements reflect current expectations regarding future events and operating performance and are based on information currently available to Rocky's management. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. All forward-looking statements in this MD&A are qualified in their entirety by the cautionary statements herein and those set forth in Rocky's AIF available on SEDAR at www.sedar.com. These forward-looking statements and outlook are made as of the date of this document and, except as required by applicable law, Rocky assumes no obligation to update or revise them to reflect new events or circumstances.

Condensed Consolidated Interim Financial Statements and Notes

Three and Six Month Periods Ended June 30, 2014 and 2013 (Unaudited)

Consolidated Balance Sheets
Expressed in thousands of Canadian dollars (unaudited)

	Note	**June 30, 2014 $**	December 31, 2013 $
Assets			
Current			
Cash		**12,525**	34,722
Trade receivables and other		**32,906**	29,368
Inventory	**7**	**522,243**	482,824
Income taxes receivable		**-**	4,887
Prepaid expenses		**3,726**	5,543
		571,400	557,344
Non-current			
Property and equipment		**31,381**	30,860
Deferred tax asset	**11.2**	**1,108**	-
Goodwill		**14,692**	14,692
		47,181	45,552
		618,581	602,896
Liabilities			
Current			
Trade payables, accruals and other		**30,142**	41,107
Income taxes payable		**1,287**	-
Floor plan payable		**374,264**	342,364
Deferred revenue and advances		**1,638**	4,021
Current portion of long-term debt		**10,720**	10,656
Current portion of obligations under finance leases		**567**	823
		418,618	398,971
Non-current			
Long-term debt		**37,317**	41,681
Obligations under finance leases		**218**	541
Deferred tax liability		**-**	2,576
Derivative financial instruments	**13**	**2,838**	1,706
		40,373	46,504
		458,991	445,475
Shareholders' Equity			
Common shares		**86,759**	86,695
Contributed surplus		**5,240**	4,662
Accumulated other comprehensive loss		**(1,782)**	(962)
Retained earnings		**69,373**	67,026
		159,590	157,421
		618,581	602,896

APPROVED BY THE BOARD

"Signed" Dennis Hoffman
Dennis Hoffman, Director

"Signed" M.C. (Matt) Campbell
M.C. (Matt) Campbell, Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Consolidated Statements of Net Earnings
For the three and six month periods ended
Expressed in thousands of Canadian dollars except per share amounts (unaudited)

	Note	**Three Months Ended June 30, 2014 $**	Three Months Ended June 30, 2013 $	**Six Months Ended June 30, 2014 $**	Six Months Ended June 30, 2013 $
Sales					
New equipment		**133,086**	131,534	**257,355**	246,609
Used equipment		**70,621**	71,805	**121,372**	143,110
Parts		**29,216**	26,667	**44,734**	39,966
Service		**8,478**	7,310	**15,454**	13,521
Other		**953**	790	**1,605**	1,406
	9	**242,354**	238,106	**440,520**	444,612
Cost of sales		**204,548**	202,166	**373,482**	376,181
Gross profit		**37,806**	35,940	**67,038**	68,431
Selling, general and administrative	**10**	**25,985**	25,873	**51,043**	51,374
Interest on short-term debt		**2,947**	3,037	**5,624**	5,643
Interest on long-term debt		**568**	597	**1,100**	1,211
Earnings before income taxes		**8,306**	6,433	**9,271**	10,203
Income taxes					
Current		**2,513**	2,511	**6,174**	9,471
Deferred	**11.2**	**(103)**	(572)	**(3,403)**	(6,600)
	11.1	**2,410**	1,939	**2,771**	2,871
Net earnings		**5,896**	4,494	**6,500**	7,332
Earnings per share					
Basic		**0.31**	0.23	**0.34**	0.38
Diluted		**0.31**	0.23	**0.34**	0.38

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Consolidated Statements of Comprehensive Income
For the three and six month periods ended
Expressed in thousands of Canadian dollars (unaudited)

	Note	**Three Months Ended June 30, 2014 $**	Three Months Ended June 30, 2013 $	**Six Months Ended June 30, 2014 $**	Six Months Ended June 30, 2013 $
Net earnings		**5,896**	4,494	**6,500**	7,332
Other comprehensive income (loss):					
Items which will subsequently be reclassified to net earnings:					
Unrealized gain (loss) on derivative financial instruments, net of tax	**13**	**(192)**	588	**(820)**	532
Total other comprehensive income (loss) for the period, net of tax		**(192)**	588	**(820)**	532
Comprehensive income		**5,704**	5,082	**5,680**	7,864

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Consolidated Statements of Changes in Equity
Expressed in thousands of Canadian dollars and thousands of common shares (unaudited)

		Common shares					
	Note	Number of shares	Amount $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings $	Total equity $
Balance, December 31, 2013		19,313	86,695	4,662	(962)	67,026	157,421
Shares issued upon exercise of stock options	**8**	4	64	(20)	-	-	44
Share-based payment expense	**10**	-	-	598	-	-	598
Net earnings		-	-	-	-	6,500	6,500
Other comprehensive loss	**13**	-	-	-	(820)	-	(820)
Dividends paid		-	-	-	-	(4,153)	(4,153)
Balance, June 30, 2014		19,317	86,759	5,240	(1,782)	69,373	159,590

		Common shares					
		Number of shares	Amount $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings $	Total equity $
Balance, December 31, 2012		18,993	81,947	4,435	(597)	58,776	144,561
Shares issued upon exercise of stock options	**8**	244	3,699	(970)	-	-	2,729
Share-based payment expense	**10**	-	-	758	-	-	758
Net earnings		-	-	-	-	7,332	7,332
Other comprehensive income	**13**	-	-	-	532	-	532
Dividends paid		-	-	-	-	(3,210)	(3,210)
Balance, June 30, 2013		19,237	85,646	4,223	(65)	62,898	152,702

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Consolidated Statements of Cash Flows
For the three and six month periods ended
Expressed in thousands of Canadian dollars (unaudited)

	Note	**Three Months Ended June 30, 2014 $**	Three Months Ended June 30, 2013 $	**Six Months Ended June 30, 2014 $**	Six Months Ended June 30, 2013 $
Operating activities					
Net earnings		**5,896**	4,494	**6,500**	7,332
Adjustments for:					
Depreciation expense	**10**	**1,741**	1,542	**3,465**	3,159
Deferred tax recovery	**11.2**	**(103)**	(572)	**(3,403)**	(6,600)
Share-based payment expense	**10**	**282**	404	**598**	758
Non-cash impact of credit promissory note		**-**	-	**-**	1
(Gain) loss on disposal of property and equipment		**(9)**	84	**(841)**	30
(Gain) loss on derivative financial instruments	**13**	**(46)**	(359)	**31**	(382)
		7,761	5,593	**6,350**	4,298
Changes in non-cash working capital		**1,384**	2,098	**(15,910)**	(1,624)
		9,145	7,691	**(9,560)**	2,674
Financing activities					
Repayment of long-term debt		**(3,121)**	(2,288)	**(5,695)**	(5,156)
Proceeds of long-term debt		**1,395**	-	**1,395**	-
Net change in obligations under finance leases		**(338)**	(225)	**(579)**	(444)
Dividends paid		**(2,221)**	(1,923)	**(4,153)**	(3,210)
Proceeds from issuance of common shares	**8**	**15**	237	**44**	2,729
		(4,270)	(4,199)	**(8,988)**	(6,081)
Investing activities					
Purchase of property and equipment		**(2,664)**	(2,200)	**(4,358)**	(3,405)
Disposal of property and equipment		**130**	195	**1,912**	324
Purchase of equipment dealerships, net of cash acquired	**6**	**(1,203)**	(228)	**(1,203)**	(5,202)
		(3,737)	(2,233)	**(3,649)**	(8,283)
Net increase (decrease) in cash and cash equivalents		**1,138**	1,259	**(22,197)**	(11,690)
Cash and cash equivalents, beginning of period		**11,387**	21,228	**34,722**	34,177
Cash and cash equivalents, end of period		**12,525**	22,487	**12,525**	22,487
Taxes paid		**-**	6,311	**-**	9,853
Interest paid		**3,515**	3,634	**6,724**	6,853

The accompanying notes are an integral part of these condensed consolidated interim financial statements

1. General information

Rocky Mountain Dealerships Inc. (the “Company”) was incorporated under the Business Corporations Act (Alberta). Through its wholly-owned subsidiaries, the Company sells, leases and provides support for a wide variety of agriculture and construction equipment in Western Canada. All of the Company’s subsidiaries are incorporated in Canada.

Historically, our business has been carried on through the Rocky Mountain Dealer Group Partnership (the “Partnership”) doing business as Rocky Mountain Equipment. Effective January 2, 2014, the Company affected a restructuring whereby the business assets, liabilities, and all other operations of the Partnership were rolled over to Rocky Mountain Equipment Canada Ltd. (“RME Canada”). pursuant to an asset transfer agreement. All the Company’s operations in Alberta, Saskatchewan and Manitoba are conducted through RME Canada as of January 2, 2014. On February 27, 2014, the Partnership was dissolved. All our equipment dealership locations continue to operate under the name “Rocky Mountain Equipment”.

The head office, principal address and registered and records office of the Company are located at Suite 301, 3345 8th Street S.E., Calgary, Alberta, T2G 3A4.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, ‘Interim financial reporting’ and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS. These condensed consolidated interim financial statements were approved by the Board of Directors of the Company (the “Board of Directors”) on August 5, 2014.

3. Summary of significant accounting policies

The accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended December 31, 2013 except for new standards, interpretations and amendments mandatorily effective for the first time from January 1, 2014 and taxes on income in the interim periods which are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

Effective January 1, 2014, the Company adopted the amendment to IAS 32, ‘Financial Instruments: Presentation’. This amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. The adoption of this amendment had no material impact to the Company’s financial statements.

Effective January 1, 2014, the Company adopted IFRIC 21, ‘Levies’, which is an interpretation of IAS 37, ‘Provisions, Contingent Liabilities and Contingent Assets’. IAS 37 sets out criteria for the recognition of a liability to pay a levy imposed by government, other than an income tax. The interpretation requires the recognition of a liability when the event, identified by the legislation as triggering the obligation to pay the levy, occurs. The adoption of IFRIC 21 had no material impact to the Company’s financial statements.

4. Key estimates and judgements

The preparation of interim financial statements requires the use of estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the key estimates and judgements made by management in applying the Company’s accounting policies were the same as those applied to the annual consolidated financial statements for the year ended December 31, 2013.

5. Seasonality

The Company's customers operate in industries that are affected by seasonality. The seasonal nature of our customers' businesses affects their demand for the Company's equipment and services. The Company generally experiences a lower volume of equipment sales during the first quarter of the calendar year, when winter weather makes certain types of agriculture and construction work difficult to perform.

6. Acquisitions

On June 2, 2014, the Company purchased the assets of York Auto Supply ("YAS"), a distributor of automotive & agricultural parts, body shop & industrial supplies, with a store in Yorkton, Saskatchewan. The preliminary purchase price allocation for YAS is as follows:

	$
Purchase Price Allocation	
Cash consideration	
Paid	1,203
Payable	46
Purchase consideration	1,249
Net working capital	
Trade receivables and other	229
Inventory	335
Trade payables, accruals and other	(14)
	550
Property and equipment	699
Net assets	1,249

During the three months ended June 30, 2013, the Company incurred $18 of acquisition related costs. These costs are recognized as administrative expenses within selling, general and administrative expenses in the period in which they were incurred.

Revenue and net loss generated by YAS and included in the consolidated statement of net earnings for both the three and six months ended June 30, 2014 amounted to $116 and $1, respectively. Had this acquisition been effected at January 1, 2014, the Company estimates that consolidated revenue and net income for the six months ended June 30, 2014 would have been $441,100 and $6,496, respectively. The pro forma revenues and income are not necessarily indicative of the results that actually would have occurred if the acquisition had taken place on January 1, 2014 or of the results which may be obtained in the future.

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7. Inventory

	June 30, 2014 $	December 31, 2013 $
New equipment	**226,225**	214,677
Used equipment	**249,929**	230,412
Parts	**43,036**	35,095
Work-in-progress	**3,053**	2,640
	522,243	482,824

For the three and six months ended June 30, 2014, inventory recognized as an expense amounted to $200,899 and $366,990 (2013 – $198,851 and $369,158), which is included in cost of sales in the consolidated statement of net earnings. The write downs and reversals of previously recorded write downs of inventory are as follows:

	Three Months Ended June 30, 2014 $	Three Months Ended June 30, 2013 $	**Six Months Ended June 30, 2014 $**	Six Months Ended June 30, 2013 $
Write downs of inventory to net realizable value	**-**	-	**-**	645
Reversals of previously recorded inventory write downs	**-**	-	**-**	-

The Company's inventory has been pledged as security for its bank indebtedness, floor plan payable and long-term debt.

8. Stock options

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, and employees of the Company at an exercise price equal to the market price of the Company's common shares at the time of the grant. The plan is limited to 10% of the issued and outstanding common shares. Options granted carry neither voting rights nor rights to dividends.

The general terms of stock options granted under the plan include a maximum exercise period of five years and a vesting period of three years with one-third of the grant vesting on each anniversary date.

The fair value of the options granted using the Black-Scholes option pricing model and assumptions used in their determination during the six months ended June 30, are as follows:

	2014	2013
Risk-free interest rate	**1.5%**	1.2%
Expected option life (years)	**3.8 years**	4.0 years
Expected volatility(1)	**27.1%**	50.6%
Expected annual dividend per share	**$0.40**	$0.27
Exercise price	**$11.52**	$12.89
Share price on grant date	**$11.52**	$12.89
Fair value	**$1.81**	$4.46

(1) Expected volatility has been based on the historical volatility of the Company's publicly traded shares

The reconciliation of options outstanding as at June 30, are as follows:

	2014		2013	
	Number of options (thousands)	**Weighted average exercise price $**	Number of options (thousands)	Weighted average exercise price $
January 1,	**945**	**11.61**	1,112	11.04
Granted	**432**	**11.52**	452	12.89
Exercised	**(4)**	**10.93**	(244)	11.19
Forfeited	**(35)**	**12.18**	(38)	12.38
Expired	**-**	**-**	(221)	12.40
June 30,	**1,338**	**11.57**	1,061	11.46

The weighted average share price at the date of exercise for the options exercised during the three and six months ended June 30, 2014 was $11.32 and $12.31 (2013 – $13.55 and $12.78).

Options outstanding at June 30, 2014 are summarized as follows:

Grant date	Options outstanding (thousands)	Options exercisable (thousands)	Weighted average exercise price ($)	Weighted average contractual life (years)
December 29, 2009	59	59	9.22	0.5
March 11, 2011	38	38	10.39	1.7
August 11, 2011	150	87	8.71	2.1
March 28, 2012	265	175	11.96	2.7
March 13, 2013	399	133	12.89	3.7
March 13, 2014	427	-	11.52	4.7
	1,338	492	11.57	3.5

9. Sales

The Company's sales for the three and six months ended June 30 are comprised of:

	Three Months Ended June 30, 2014 $	Three Months Ended June 30, 2013 $	**Six Months Ended June 30, 2014 $**	Six Months Ended June 30, 2013 $
Agriculture equipment sales	**178,526**	185,566	**326,118**	357,659
Construction equipment sales	**25,181**	17,773	**52,609**	32,060
Parts sales	**29,216**	26,667	**44,734**	39,966
Sale of goods	**232,923**	230,006	**423,461**	429,685
Rendering of services	**9,431**	8,100	**17,059**	14,927
Total sales	**242,354**	238,106	**440,520**	444,612

10. Selling, general and administrative

The Company's selling, general and administration expenses for the three and six months ended June 30 are comprised of:

	Three Months Ended June 30, 2014 $	Three Months Ended June 30, 2013 $	**Six Months Ended June 30, 2014 $**	Six Months Ended June 30, 2013 $
Compensation and related expenses	**16,607**	16,960	**32,406**	33,323
Administrative expenses	**3,868**	3,141	**7,534**	6,373
Rent and other facility expenses	**3,487**	3,826	**7,040**	7,761
Depreciation expense	**1,741**	1,542	**3,465**	3,159
Share-based payment expense	**282**	404	**598**	758
Total selling, general and administrative expenses	**25,985**	25,873	**51,043**	51,374

Included in compensation and related expenses for the three and six months ended June 30, 2014 are variable sales commissions of $3,769 and $6,836, respectively (2013 – $3,762 and $7,376). Included in administrative expenses for the six month period are gains on sale of $841 on the disposal of property and equipment that had a net book value of $1,071. Other costs included in administrative expenses are marketing, training, insurance, travel, professional fees and other miscellaneous expenses.

11. Income taxes

11.1 Income tax recognized in net earnings

Total taxes recognized in net earnings were different than the amount computed by applying the combined statutory Canadian and Provincial tax rates to income before taxes. The difference resulted from the following:

	Three Months Ended June 30, 2014 $	Three Months Ended June 30, 2013 $	**Six Months Ended June 30, 2014 $**	Six Months Ended June 30, 2013 $
Earnings before income taxes	**8,306**	6,433	**9,271**	10,203
Computed tax at statutory tax rate of 25% (2013 – 25%)	**2,077**	1,608	**2,318**	2,551
Non-deductible expenses	**99**	141	**218**	310
Adjustment from prior year income tax expenses	**178**	221	**246**	93
Other	**56**	(31)	**(11)**	(83)
	2,410	1,939	**2,771**	2,871

11.2. Deferred tax liabilities (assets)

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Partnership deferral $	DSUs $	Interest rate swaps $	Total $
January 1, 2014	(329)	(171)	103	3,572	(164)	(435)	2,576
Recognized in net earnings	50	16	120	(3,572)	(10)	(7)	(3,403)
Recognized in equity	-	-	-	-	-	(281)	(281)
June 30, 2014	(279)	(155)	223	-	(174)	(723)	(1,108)

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Partnership deferral $	DSUs $	Interest rate swaps $	Total $
January 1, 2013	(571)	(85)	262	7,944	(143)	(365)	7,042
Acquired pursuant to business combinations	-	-	8	-	-	-	8
Recognized in net earnings	121	(103)	(113)	(6,597)	(7)	99	(6,600)
Recognized in equity	-	-	-	-	-	180	180
June 30, 2013	(450)	(188)	157	1,347	(150)	(86)	630

During the six months ended June 30, the Company dissolved the Partnership, recognizing the entire partnership deferral into net earnings in the period. The Company also has an unrecognized deferred tax asset of $788 related to the capital loss on the repurchase of its convertible debentures.

12. Related party transactions

During the three and six months ended June 30, the Company entered into the following transactions with related parties:

	Three Months Ended June 30, 2014 $	Three Months Ended June 30, 2013 $	**Six Months Ended June 30, 2014 $**	Six Months Ended June 30, 2013 $
Flight costs	**-**	41	**75**	80
Other expenses	**16**	117	**29**	181
Rental payment on Company facilities	**1,363**	1,294	**2,715**	2,635
Equipment sales	**1,301**	1,264	**3,736**	1,303
Equipment purchases	**56**	1,256	**796**	1,331

All related parties are either directly or indirectly owned by a member of senior management of the Company and/or a close family member thereof. These transactions were made on terms equivalent to those that prevail in arm’s length transactions and are made only if such terms can be substantiated.

Amounts due from (to) related parties are included in the consolidated balance sheets under trade receivables and other (trade payables, accruals and other) and are as follows:

	June 30, 2014 $	December 31, 2013 $
Due from related parties	**315**	141
Due to related parties	**(3)**	(39)

The amounts due from related parties are not secured and are to be settled in cash. As at June 30, 2014 and December 31, 2013, the amounts due from related parties are considered collectible and therefore have not been provided for in the allowance for doubtful accounts. During the three and six months ended June 30, 2014, $Nil and $Nil has been recognized in bad debt expenses with respect to related party transactions (2013 – $Nil and $Nil).

13. Derivative financial instruments and hedges

The Company has long and short-term debt raised at floating interest rates and hedges a portion of this risk by using floating-to-fixed interest rate swaps. Under the interest rate swaps, the Company hedges interest rate risk by exchanging, at monthly intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The interest rate swaps hedge the Company's exposure to interest rate fluctuations on the Debenture Repayment Facility as well as portions of the Acquisition and Flooring Facilities. Interest rate swaps outstanding at June 30, 2014 mature between May 2016 and September 2020 (December 2013 – May 2016 and September 2020).

The combined notional principal amounts of interest rate swaps outstanding at June 30, 2014 was $94,280 (December 31, 2013 – $97,668). At June 30, 2014 the effective fixed interest rate on the underlying debt was 4.7% (December 31, 2013 – 4.7%) and the effective floating rate using the Bankers' Acceptance rate was 3.5% (December 31, 2013 – 3.5%).

Derivative financial instruments recognized as liabilities are as follows:

	June 30, 2014 $	December 31, 2013 $
Interest rate swaps	**2,838**	1,706

Gains (losses) on derivative financial instruments are as follows:

	Three Months Ended June 30, 2014 $	Three Months Ended June 30, 2013 $	**Six Months Ended June 30, 2014 $**	Six Months Ended June 30, 2013 $
Gain (loss) recognized in net earnings	**46**	359	**(31)**	382
Gain (loss) recognized in accumulated other comprehensive income (loss) – net of tax	**(192)**	588	**(820)**	532
Tax on gain (loss) recognized in accumulated other comprehensive income (loss)	**(66)**	199	**(281)**	180

The accumulated losses will be continuously released to the consolidated statement of net earnings within interest on short- and long-term debt until full repayment of the underlying debt.

14. Segmented Reporting

The Company has two reportable operating segments, the agriculture segment and the construction segment, which are both supported by the corporate office. The business segments are strategic business units that offer different products and services and are managed separately. The corporate office provides finance, treasury, human resource, legal and other administrative support to the business segments. Corporate expenditures are allocated and absorbed in each individual segment on the basis of distribution of assets deployed in the segment.

The agriculture segment primarily includes sales of agricultural equipment, parts and services and the construction segment includes sales of construction equipment, parts and services. The Company's branches have been aggregated based on the primary industry which they serve. In the case where certain branches serve both industries, the primary industry served is agriculture and therefore, these facilities have been categorized as such. As a result, certain construction related results are included in the agriculture segment for the purposes of segmented financial reporting shown below. See note 9 for total construction equipment sales for the three and six months ended June 30, 2014 and 2013.

For the three months ended June 30,

	2014			2013		
	Agriculture $	**Construction $**	**Total $**	Agriculture $	Construction $	Total $
Sales						
New equipment	**120,304**	**12,782**	**133,086**	122,330	9,204	131,534
Used equipment	**69,610**	**1,011**	**70,621**	70,168	1,637	71,805
Parts	**25,670**	**3,546**	**29,216**	23,321	3,346	26,667
Service	**7,111**	**1,367**	**8,478**	5,895	1,415	7,310
Other	**771**	**182**	**953**	566	224	790
	223,466	**18,888**	**242,354**	222,280	15,826	238,106
Cost of Sales	**189,417**	**15,131**	**204,548**	189,352	12,814	202,166
Gross profit	**34,049**	**3,757**	**37,806**	32,928	3,012	35,940
Selling, general and administrative	**22,355**	**3,630**	**25,985**	22,192	3,681	25,873
Interest on short-term debt	**2,685**	**262**	**2,947**	2,536	501	3,037
Interest on long-term debt	**511**	**57**	**568**	522	75	597
Earnings (loss) before income taxes	**8,498**	**(192)**	**8,306**	7,678	(1,245)	6,433
Income taxes	**2,401**	**9**	**2,410**	2,355	(416)	1,939
Net earnings (loss)	**6,097**	**(201)**	**5,896**	5,323	(829)	4,494

For the six months ended June 30,

	2014			2013		
	Agriculture $	**Construction $**	**Total $**	Agriculture $	Construction $	Total $
Sales						
New equipment	**228,189**	**29,166**	**257,355**	230,454	16,155	246,609
Used equipment	**120,059**	**1,313**	**121,372**	140,711	2,399	143,110
Parts	**38,225**	**6,509**	**44,734**	33,633	6,333	39,966
Service	**12,766**	**2,688**	**15,454**	10,555	2,966	13,521
Other	**1,268**	**337**	**1,605**	1,083	323	1,406
	400,507	**40,013**	**440,520**	416,436	28,176	444,612
Cost of Sales	**340,115**	**33,367**	**373,482**	353,869	22,312	376,181
Gross profit	**60,392**	**6,646**	**67,038**	62,567	5,864	68,431
Selling, general and administrative	**44,121**	**6,922**	**51,043**	43,526	7,848	51,374
Interest on short-term debt	**4,937**	**687**	**5,624**	4,623	1,020	5,643
Interest on long-term debt	**988**	**112**	**1,100**	1,046	165	1,211
Earnings (loss) before income taxes	**10,346**	**(1,075)**	**9,271**	13,372	(3,169)	10,203
Income taxes	**3,092**	**(321)**	**2,771**	3,763	(892)	2,871
Net earnings (loss)	**7,254**	**(754)**	**6,500**	9,609	(2,277)	7,332

Selected Balance Sheet Information:

	June 30, 2014			December 31, 2013		
	Agriculture $	**Construction $**	**Total $**	Agriculture $	Construction $	Total $
Inventory	**475,294**	**46,949**	**522,243**	428,532	54,292	482,824
Goodwill	**14,692**	**-**	**14,692**	14,692	-	14,692
Other assets	**68,531**	**13,115**	**81,646**	93,679	11,701	105,380
Total assets	**558,517**	**60,064**	**618,581**	536,903	65,993	602,896