ROCKY MOUNTAIN DEALERSHIPS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

This Management's Discussion and Analysis ("MD&A") was prepared as of November 12, 2015 and is provided to assist readers in understanding Rocky Mountain Dealerships Inc.'s financial performance for the three and nine months ended September 30, 2015. It should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2015 and the audited consolidated financial statements for the years ended December 31, 2014, and 2013 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 Rocky Mountain Equipment Canada Ltd. ("RME Canada") and Rocky Mountain Dealer Acquisition Corp. ("RMDAC").

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 10, 2015 ("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 industrial equipment stores across the Canadian Prairie Provinces.

Rocky is Canada's largest retail dealer of CNH Industrial N.V. ("CNH") equipment, which includes Case IH, New Holland, and Case Construction. We are also a major independent dealer of equipment from a number of other manufacturers, including, but not limited to, Bourgault, Seed Hawk, 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 GPS signal subscriptions and geomatic services.

The Company's operations in Alberta, Saskatchewan and Manitoba are conducted through RME Canada under the name Rocky Mountain Equipment. On January 1, 2015, Hammer Equipment Ltd., Hi-Way Service Ltd., and Miller Equipment Ltd. were amalgamated to form RMDAC.

On February 12, 2015, the Company acquired 100% of the issued and outstanding common shares of NGF Geomatics Inc. ("NGF"), a geomatics company specializing in the collection of geospatial survey data using unmanned aerial vehicles. NGF is a start-up company with minimal assets and liabilities and is included in our agriculture segment.

On April 1, 2015, the Company acquired 100% of the issued and outstanding shares of the entities forming Chabot Implements ("Chabot"), a Manitoba-based dealer of Case IH agriculture equipment with locations in Portage La Prairie, Steinbach and Elie. Chabot also sells Kubota equipment through its Neepawa, Manitoba location.

SUMMARY OF FINANCIAL RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

- Total revenues increased by 10.9% to $256.0 million from $230.8 million.
- Same store revenues increased by 6.5% to $245.7 million.
- Operating SG&A[(1)] declined by $2.2 million or 8.8%, excluding $1.9M of acquired expenses.
- Inventory decreased by $51.3 million or 9.5% to $489.7 million during the quarter.
- Product support revenues increased by 6.6% to $48.6 million from $45.6 million.
- Adjusted Diluted Earnings per Share[(1)] increased by $0.03 to $0.35.
- Adjusted EBITDA[(1)] increased by 8.7% to $11.7 million from $10.8 million.
- Floor Plan Neutral Operating Cash Flow increased to $48.5 million from $10.6 million in Q3 2014.
- Amended the Syndicated Facility, positioning the Company for growth and providing additional headroom on the fixed charge coverage covenant.

(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. Demand for our equipment is largely driven by agricultural commodity prices, input costs and weather. Customer buying patterns can shift with changes in these demand drivers. Equipment utilization rates, by contrast, are comparatively less volatile as agricultural equipment incurs hours in the field regardless of weather or economic concerns. Farmers are required to work their fields each year but may opt for used equipment in lieu of new or elect to maintain rather than replace their fleets in response to market conditions. The breadth of Rocky's product offering enables us to meet these shifts in buying patterns and provides a measure of stability within our agriculture segment's financial results.

Across the Canadian Prairies, and particularly in Alberta and Saskatchewan, farmers contended with a warm and exceptionally dry growing season. Despite some improvement in groundwater levels brought on by late summer rainfalls, the arid conditions tempered expected yields for this year's harvest. Statistics Canada is estimating year-over-year reductions in the production of both wheat and canola across the prairie provinces of 17% and 19%, respectively. The late summer rainfall has, however, helped to restore moisture levels and improved the overall outlook for the 2016 growing season.

Prices for key Western Canadian crops, although down from the all-time highs experienced some years ago, remain strong. Depreciation in the Canadian dollar, relative to the U.S. dollar, is expected to continue to support higher prices in Canada, while sustained cost reductions in fuel and fertilizer prices are providing relief to farmers from an input cost perspective.

As of the end of September, 2015, the Association of Equipment Manufacturers reported a 12% decrease, in the number of tractors and self-propelled combines sold in Canada, year-to-date, as compared to the same period last year. The lack of moisture, the softening in commodity prices and the impact of exchange rates on new equipment pricing have all put pressure on new equipment demand. As a result, we have seen our equipment sales mix shift towards used equipment and have also experienced strong product support demand as some customers are electing to repair rather than replace their fleets. We expect a similar mix to persist for the duration of 2015 and into 2016.

Agriculture, as a whole, exhibits cyclical surges in demand and profitability driven by the aforementioned macroeconomic and other factors. At present, we remain at the low end of the demand cycle but reiterate the stability of the fundamentals underlying the agriculture industry.

Over the longer-term, demand from China and India, crop land dedicated to bio-fuel production, and general GDP growth are expected to continue to drive worldwide demand for agriculture commodities.

Within the Canadian agriculture sector, the trend towards larger farms continues to support 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 typically require larger, more productive equipment along with specialized support. Furthermore, these operators tend to replace their equipment more frequently to capitalize on the latest technological advances and equipment efficiencies.

As part of their drive to improve productivity and reduce cost per acre, 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.

Industrial Market

Our industrial 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 industrial equipment purchases in Alberta.

The success of Rocky's industrial segment is largely correlated to investment in residential housing as well as overall infrastructure spending in Alberta. The significant decline in oil prices has tempered spending, particularly in the oil and gas sector, and we continue to feel the effects on our industrial business.

The weakening economic environment has also curtailed housing starts in Alberta. The Canadian Mortgage and Housing Corporation reported a 5% decline in Alberta housing starts during the first nine months of 2015 as compared to the same period last year.

As these industry headwinds persist, it is anticipated that overall infrastructure and residential housing investment may be further curtailed which, in turn, is likely to negatively impact our industrial segment results.

In response, we have implemented a number of cost rationalization measures which should help to offset the expected reduction in gross profit in the coming quarters. Given the size of the Company's industrial segment relative to the agriculture segment, our overall exposure to the drop in oil prices is substantially mitigated.

We remain committed to succeeding in the industrial market and management has made significant changes to restore our industrial delivery and results.

Overall

In response to emission standards implemented in recent years, equipment manufacturers have incorporated technologies to improve fuel efficiency and emissions handling into their product offerings. In some instances, these technologies have brought with them pricing increases of between 20% – 40%. Additionally, the recent weakening of the Canadian dollar relative to the U.S. dollar has, and is expected to continue contributing to, a further premium on new equipment pricing.

For some customers, these pricing increases have altered their historical buying patterns as they reassess the economic viability of purchasing new equipment. In many cases, these customers are electing instead to populate their fleets with used equipment due to its lower relative cost, or alternatively, maintaining their existing fleets longer. To the extent we are able to convert new customers to used, we are able to reduce our overall equipment procurement thereby decreasing overall equipment inventory and balance sheet risk.

The depreciation in the Canadian dollar relative to the U.S. dollar is also expected to continue to generate incremental demand for used equipment from U.S. customers looking to capitalize on the favourable exchange rate.

Rocky's success and growth, while predicated on the larger economic conditions and factors discussed above, are also affected by our continued 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.

The outlook for our end-markets, long-term health in agricultural 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.

SELECTED FINANCIAL INFORMATION

$ thousands, except per share amounts	For the three months ended September 30,				For the nine months ended September 30,			
	2015		2014		**2015**		2014	
Sales								
New equipment	**80,432**	**31.4%**	81,837	35.5%	**287,573**	**41.7%**	339,192	50.5%
Used equipment	**125,534**	**49.0%**	102,354	44.3%	**284,806**	**41.3%**	223,726	33.3%
Parts	**37,918**	**14.8%**	35,568	15.4%	**86,895**	**12.6%**	80,302	12.0%
Service	**10,711**	**4.2%**	10,041	4.4%	**27,151**	**3.9%**	25,495	3.8%
Other	**1,391**	**0.6%**	995	0.4%	**3,444**	**0.5%**	2,600	0.4%
	255,986	**100.0%**	230,795	100.0%	**689,869**	**100.0%**	671,315	100.0%
Cost of sales	**215,944**	**84.4%**	191,680	83.1%	**585,426**	**84.9%**	565,162	84.2%
Gross profit	**40,042**	**15.6%**	39,115	16.9%	**104,443**	**15.1%**	106,153	15.8%
Selling, general and administrative	**30,334**	**11.8%**	27,165	11.8%	**84,327**	**12.2%**	78,208	11.6%
Interest on short-term debt	**3,276**	**1.3%**	2,903	1.3%	**9,435**	**1.4%**	8,527	1.3%
Interest on long-term debt	**519**	**0.2%**	558	0.1%	**1,559**	**0.2%**	1,658	0.3%
Earnings before income taxes	**5,913**	**2.3%**	8,489	3.7%	**9,122**	**1.3%**	17,760	2.6%
Provision for income taxes	**1,561**	**0.6%**	2,285	1.0%	**2,409**	**0.3%**	5,056	0.7%
Net earnings	**4,352**	**1.7%**	6,204	2.7%	**6,713**	**1.0%**	12,704	1.9%
Earnings per share								
Basic	**0.23**		0.32		**0.35**		0.66	
Diluted	**0.23**		0.32		**0.35**		0.66	
Dividends per share	**0.115**		0.115		**0.345**		0.330	
Non-IFRS Measures(1)								
Adjusted Diluted Earnings per Share	**0.35**		0.32		**0.47**		0.65	
Adjusted EBITDA	**11,707**	**4.6%**	10,772	4.7%	**19,656**	**2.8%**	24,557	3.7%
Operating SG&A	**25,059**	**9.8%**	25,440	11.0%	**75,352**	**10.9%**	73,069	10.9%
Floor Plan Neutral Operating Cash Flow	**48,534**	**19.0%**	10,645	4.6%	**85,349**	**12.4%**	(30,815)	(4.6%)

(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 industrial. Certain of our branches serve both industries. In cases where branches distribute both agriculture and industrial equipment, the primary industry served is agriculture and, therefore, these facilities have been categorized as such. As a result, certain industrial related results are included in the agriculture segment for the purposes of segmented financial reporting.

For the three months ended September 30,

$ thousands	**2015**			2014		
	Agriculture	**Industrial**	**Total**	Agriculture	Industrial	Total
Sales						
New equipment	**71,591**	**8,841**	**80,432**	72,503	9,334	81,837
Used equipment	**124,481**	**1,053**	**125,534**	101,914	440	102,354
Parts	**34,298**	**3,620**	**37,918**	31,503	4,065	35,568
Service	**9,397**	**1,314**	**10,711**	8,668	1,373	10,041
Other	**1,086**	**305**	**1,391**	846	149	995
	240,853	**15,133**	**255,986**	215,434	15,361	230,795
Gross profit	**36,802**	**3,240**	**40,042**	35,783	3,332	39,115
Gross margin	**15.3%**	**21.4%**	**15.6%**	16.6%	21.7%	16.9%
Net income (loss)	**4,910**	**(558)**	**4,352**	6,481	(277)	6,204

For the nine months ended September 30,

$ thousands	**2015**			2014		
	Agriculture	**Industrial**	**Total**	Agriculture	Industrial	Total
Sales						
New equipment	**265,617**	**21,956**	**287,573**	300,692	38,500	339,192
Used equipment	**281,260**	**3,546**	**284,806**	221,973	1,753	223,726
Parts	**76,518**	**10,377**	**86,895**	69,728	10,574	80,302
Service	**23,321**	**3,830**	**27,151**	21,434	4,061	25,495
Other	**2,947**	**497**	**3,444**	2,114	486	2,600
	649,663	**40,206**	**689,869**	615,941	55,374	671,315
Gross profit	**95,879**	**8,564**	**104,443**	96,175	9,978	106,153
Gross margin	**14.8%**	**21.3%**	**15.1%**	15.6%	18.0%	15.8%
Net income (loss)	**8,850**	**(2,137)**	**6,713**	13,735	(1,031)	12,704

Revenue and Gross Profit

The Company uses the terms “acquired” versus “same store” in assessing its revenue. Each acquired store has an average historical level of sales prior to being acquired by Rocky. When the Company discusses “acquired” results, it is referring to these average historical levels. This base level of activity continues to be classified as acquired until such time as the acquired store has been included in our dealership network for a complete calendar year after which point, all activity is classified as same store. For the three and nine months ended September 30, 2015, all acquired growth pertains to the agriculture segment of the Company. As a start-up entity, the historical sales for NGF Geomatics were negligible and have not been presented as acquired sales.

Agriculture Segment

$ thousands	**For the three months ended September 30,**					**For the nine months ended September 30,**				
			Change					Change		
	2015	2014	Total	Acquired	Same Store	**2015**	2014	Total	Acquired	Same Store
Sales										
New equipment	**71,591**	72,503	(912)	6,343	(7,255)	**265,617**	300,692	(35,075)	12,685	(47,760)
Used equipment	**124,481**	101,914	22,567	2,085	20,482	**281,260**	221,973	59,287	4,170	55,117
Parts	**34,298**	31,503	2,795	1,489	1,306	**76,518**	69,728	6,790	3,480	3,310
Service	**9,397**	8,668	729	337	392	**23,321**	21,434	1,887	618	1,269
Other	**1,086**	846	240	-	240	**2,947**	2,114	833	-	833
	240,853	215,434	25,419	10,254	15,165	**649,663**	615,941	33,722	20,953	12,769
Gross profit	**36,802**	35,783	1,019			**95,879**	96,175	(296)		
Gross margin	**15.3%**	16.6%	(1.3%)			**14.8%**	15.6%	(0.8%)		

For the three and nine months ended September 30, 2015, total sales for the agriculture segment increased by $25.4 million or 11.8% and $33.7 million or 5.5%, respectively. These increases are inclusive of $10.3 million and $21.0 million of acquired sales for the respective three and nine months ended September 30, 2015.

During the three and nine months ended September 30, 2015, same store equipment sales increased by $13.2 million or 7.6% and $7.4 million or 1.4%, respectively, over the comparative periods in 2014.

The mix of new and used equipment sales has shifted towards used equipment during both the quarter- and year-to-date. New equipment pricing increases associated with improved emissions standards have been compounded by a depreciating Canadian dollar. Meanwhile, arid weather conditions throughout the late spring and early summer tempered anticipated crop receipts, as yield and overall production forecasts declined. These factors combined to alter the economics of purchasing new equipment for many farmers who have opted instead to invest in lightly-used equipment.

As a result of the appreciating U.S. dollar relative to the Canadian dollar, demand from U.S. based customers has increased, contributing to the growth in used equipment sales on a quarter- and year-to-date basis. We continue to see this as a driver towards incremental used equipment sales in the near term.

We also continue to see growth in used equipment revenues associated with sales strategies targeting the rightsizing of inventory levels relative to sales volumes.

For the three and nine months ended September 30, 2015, acquired equipment sales amounted to $8.4 million and $16.9 million, respectively.

Same store product support sales for the three and nine months ended September 30, 2015 increased by $1.7 million or 4.2% and $4.6 million or 5.0%, respectively, over the comparative periods in 2014. Increases in same store product support revenues reflect continued market penetration, primarily of non-captive product lines. Efforts undertaken by Rocky's management, including procurement synergies, sales training and initiatives geared toward technician efficiency continue to have a positive effect on our results. Strong product support demand was also supported by our increased installed base in the market place. Acquired sales contributed an additional $1.8 million and $4.1 million for the three and nine months ended September 30, 2015, respectively.

Gross profit increased by $1.0 million or 2.8% and decreased by $0.3 million or 0.3%, during the three and nine months ended September 30, 2015 over the respective comparative periods in 2014. As a percentage of sales, gross margin for the respective three and nine months ended September 30, 2015 declined by 1.3% and 0.8%.

During the quarter- and year-to-date, the Company's equipment sales mix shifted towards used equipment relative to the comparative periods last year. As used equipment sales typically generate lower margins than new, our overall margins were diluted.

Accrued manufacturer incentives on new equipment sales also declined by $1.6 million during the quarter ended September 30, 2015 as compared to the third quarter last year, further reducing gross margin.

Industrial Segment

$ thousands	**For the three months ended September 30,**			**For the nine months ended September 30,**		
	2015	2014	Change	**2015**	2014	Change
Sales						
New equipment	**8,841**	9,334	(493)	**21,956**	38,500	(16,544)
Used equipment	**1,053**	440	613	**3,546**	1,753	1,793
Parts	**3,620**	4,065	(445)	**10,377**	10,574	(197)
Service	**1,314**	1,373	(59)	**3,830**	4,061	(231)
Other	**305**	149	156	**497**	486	11
	15,133	15,361	(228)	**40,206**	55,374	(15,168)
Gross profit	**3,240**	3,332	(92)	**8,564**	9,978	(1,414)
Gross margin	**21.4%**	21.7%	(0.3%)	**21.3%**	18.0%	3.3%

For the three and nine months ended September 30, 2015, total sales for the industrial segment decreased by $0.2 million or 1.5% and $15.2 million or 27.4%, respectively.

Equipment sales for the three and nine months ended September 30, 2015 increased by $0.1 million or 1.2% and decreased by $14.8 million or 36.6%, respectively, over the comparative periods in 2014. Persistent low oil prices have reduced demand for and use of industrial equipment during the quarter- and year-to-date. Although our business is not heavily concentrated in the oil and gas sector, the impact of low oil prices has had a negative impact on Alberta's overall GDP.

The year-to-date decrease in equipment revenues is also attributable to the disposition of the Company's rock truck inventory during the first quarter of 2014 for proceeds of $7.0 million, which increased sales in the comparative period.

Product support sales for the three and nine months ended September 30, 2015 decreased by $0.5 million or 9.3% and $0.4 million or 2.9%, respectively, over the comparative periods in 2014. The reduction in product support revenues during the quarter- and year-to-date reflect the slowing of the Alberta economy driven largely by depressed oil prices.

Gross profit for the three and nine months ended September 30, 2015 decreased by $0.1 million or 2.8% and $1.4 million or 14.2%, respectively, over the comparative periods in 2014. The decrease on a year-to-date basis is primarily due to the aforementioned reduction in equipment sales.

As a percentage of revenues, gross margin during the three and nine months ended September 30, 2015 declined by 0.3% and increased by 3.3%, respectively. The year-to-date increase in gross margin pertains to the disposition of the Company's rock truck inventory during the first quarter of 2014. These assets were disposed of for proceeds of $7.0 million at negligible margins, depressing gross margin for the comparative period.

Product Support Revenues

Certain product support activity is performed for the benefit of other departments within the Company. 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 September 30,		For the nine months ended September 30,	
	2015	2014	**2015**	2014
Parts activity				
Total activity	**41,666**	39,816	**97,638**	91,568
Internal activity eliminated	**(3,748)**	(4,248)	**(10,743)**	(11,266)
Reported revenues	**37,918**	35,568	**86,895**	80,302
Service activity				
Total activity	**15,522**	15,923	**44,150**	43,078
Internal activity eliminated	**(4,811)**	(5,882)	**(16,999)**	(17,583)
Reported revenues	**10,711**	10,041	**27,151**	25,495

Strategic procurement initiatives and a continued focus on technician efficiency have provided stable growth in our product support business, which reported a tenth consecutive quarter of increases, in a challenging market, over the comparative period during the three months ended September 30, 2015.

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. Many of these costs are fixed. When we acquire new stores, these costs typically 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 generally decrease as we incorporate their finance and other administrative functions into our centralized corporate resources. Similarly, our costs will increase as we add direct customer-related resources such as equipment specialists, but will normalize relative to sales volumes as those positions drive incremental revenue and increase our customer base.

Fixed costs are subject to price increases driven primarily by 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. 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 nine months of a fiscal year.

For the three and nine months ended September 30, 2015, Operating SG&A decreased by $0.4 million or 1.5% and increased $2.3 million or 3.1%, respectively, over the comparative periods in 2014.

Operating SG&A for the quarter- and year-to-date includes $1.9 million and $3.7 million, respectively, of Operating SG&A associated with our four new Chabot locations as well as a $0.8 million gain on the disposition of property and equipment during the first quarter of 2014 which reduced Operating SG&A in the comparative year-to-date period.

In response to market conditions in both the agriculture and industrial segments of our business, we implemented a number of cost containment initiatives to better align our resources deployed with industry demand. During the quarter, we realized these cost reductions which served to offset the additional Operating SG&A incurred by our four new Chabot locations.

We also continue to scale the business by amalgamating facilities were appropriate. Typically, we expect to generate a minimum of $20.0 – $25.0 million in revenue per location in order to meet our customers’ needs and expectations and to appropriately scale the necessary costs associated with a facility. During the year-to-date, we successfully completed the consolidation of our two facilities in Westlock, Alberta, and are in the process of amalgamating stores in Edmonton, Alberta and Bow Island, Alberta.

As a percentage of sales, Operating SG&A for the three and nine months ended September 30, 2015 declined by 1.2% and was flat at 10.9%, respectively, over the comparative periods in 2014.

Depreciation included in SG&A for the three and nine months ended September 30, 2015 amounted to $2.1 million and $5.8 million, respectively, as compared to $1.8 million and $5.2 million in the respective comparative periods.

Interest

The Company's short-term interest expense is attributable to the floor plan financing associated with its new and used equipment inventory as well as interest on its Operating Facility. Interest on long-term debt pertains primarily to the Company's former Debenture Repayment, Acquisition, Real Estate and Fleet Facilities as well as its current Term Facility. During the three and nine month ended September 30, 2015, interest on short-term debt increased by $0.4 million or 12.8% and $0.9 million or 10.6%, respectively, over the comparative periods in 2014, as a result of a higher average balance of floor plan payable outstanding as well as draws on our Operating Facility utilized to extinguish debt assumed as part of the Chabot acquisition.

Interest on long-term debt remained relatively flat for the three and nine months ended September 30, 2015, as compared to the respective periods in 2014.

Net Earnings

For the three and nine months ended September 30, 2015, net earnings decreased by $1.9 million or $0.09 per share and $6.0 million or $0.31 per share, over the comparative periods in 2014. As a result of the decline in the Company's share price as at September 30, 2015, the Company recognized non-cash charges associated with marking its total return swaps to market of $3.5 million and $3.2 million during the respective three and nine month periods ended September 30, 2015. The Company expects this charge to reverse over future periods as its stock price recovers.

Adjusted Diluted Earnings per Share, which excludes the loss on the total return swaps, amounted to $0.35 and $0.47 for the three and nine months ended September 30, 2015, respectively (2014 - $0.32 and $0.65, respectively). See the definition and reconciliation of Adjusted Diluted Earnings per Share in the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below.

SUMMARY OF QUARTERLY RESULTS

$ thousands, except per share amounts	**Q3 2015**	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Sales									
New equipment	**80,432**	95,393	111,748	182,555	81,837	133,086	124,269	179,359	97,554
Used equipment	**125,534**	75,487	83,785	79,810	102,354	70,621	50,751	84,925	130,826
Parts	**37,918**	31,989	16,988	21,320	35,568	29,216	15,518	18,099	34,534
Service	**10,711**	9,387	7,053	9,569	10,041	8,478	6,976	7,403	8,497
Other	**1,391**	1,204	849	838	995	953	652	795	1,158
	255,986	213,460	220,423	294,092	230,795	242,354	198,166	290,581	272,569
Cost of sales	**215,944**	180,519	188,963	254,623	191,680	204,548	168,934	257,329	233,846
Gross profit	**40,042**	32,941	31,460	39,469	39,115	37,806	29,232	33,252	38,723
Gross margin	**15.6%**	15.4%	14.3%	13.4%	16.9%	15.6%	14.8%	11.4%	14.2%
SG&A	**30,334**	26,363	27,630	27,548	27,165	25,985	25,058	27,249	26,827
Interest and taxes	**5,356**	4,549	3,498	5,700	5,746	5,925	3,570	3,937	5,981
Net earnings	**4,352**	2,029	332	6,221	6,204	5,896	604	2,066	5,915
EPS – basic	**0.23**	0.10	0.02	0.32	0.32	0.31	0.03	0.11	0.31
EPS – diluted	**0.23**	0.10	0.02	0.32	0.32	0.31	0.03	0.11	0.31

Fluctuating seasonal revenue cycles are common in both the agriculture and industrial 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 quarter is generally the weakest due to the lack of agriculture activity and 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, excess moisture or drought conditions may positively or negatively impact sales activity for any given period. The early spring in 2015 drove a considerable amount of equipment sales activity associated with seeding and other spring work into the first quarter, whereas much of this activity was deferred until the second quarter of 2014.

BALANCE SHEET SUMMARY

$ thousands	**September 30, 2015**	December 31, 2014	September 30, 2014
Assets			
Inventory	**489,690**	526,003	535,584
Other current assets	**83,380**	69,049	55,837
Total current assets	**573,070**	595,052	591,421
Property and equipment	**36,295**	32,886	32,196
Deferred tax asset	**1,685**	1,186	1,141
Derivative financial assets	**-**	-	7
Intangible assets	**712**	-	-
Goodwill	**18,910**	14,692	14,692
Total assets	**630,672**	643,816	639,457
Liabilities and equity			
Floor plan payable	**352,135**	382,081	377,005
Other current liabilities	**65,859**	57,261	60,872
Total current liabilities	**417,994**	439,342	437,877
Long-term debt	**40,050**	32,776	34,718
Obligations under finance leases	**-**	9	97
Derivative financial liabilities	**4,765**	3,282	2,695
	462,809	475,409	475,387
Shareholders' equity	**167,863**	168,407	164,070
Total liabilities and equity	**630,672**	643,816	639,457

Current assets at September 30, 2015, consisted primarily of new and used equipment inventory of approximately $204.1 million and $240.1 million, respectively (December 31, 2014 – $213.7 million and $273.3 million, respectively). The Company's new and used equipment inventory is comprised predominantly of agriculture equipment. Rocky 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 our customers. Typically, our agriculture customers trade in their used equipment when making equipment purchases. Industrial equipment, by contrast, is generally utilized to the end of its useful life by one owner. Trades of used industrial equipment are less common and as such, the Company carries less used industrial equipment relative to new.

Excluding $43.6 million of inventory acquired pursuant to the acquisition of Chabot, total inventories have decreased by $79.9 million or 15.2% since December 31, 2014 and $89.5 million or 16.7% over September 30, 2014, due largely to the recent shift in our equipment sales mix towards used equipment. To the extent that customers elect to buy used instead of new equipment, we are able to reduce our equipment procurement and consequently, our overall inventory and balance sheet risk.

These reductions in the total value of inventory come despite the recent increases in equipment valuation driven by the incorporation of more stringent emissions standards and the depreciation of the Canadian dollar. These factors have combined to increase equipment prices by upwards of 30% in recent years, and have partially offset progress made on our inventory reduction initiatives over the same period.

Rightsizing our inventory levels to our sales volume continues to be a top priority for Rocky. The realization of such rightsizing is not 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 market cycles, trades taken as consideration for new and used equipment sales and overall customer demand. The Company anticipates that its used equipment inventory levels will increase during the fourth quarter as we take possession of trades taken on the seasonal pre-sale activity.

The Company continues to closely manage its inventory and remains committed to its stated objective of inventory rightsizing 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 $352.1 million as at September 30, 2015, compared to $382.1 million at December 31, 2014 and $377.0 at September 30, 2014. As a percentage of equipment inventory, floor plan payable has increased to 79.3% as at September 30, 2015, up 0.8% from December 31, 2014, and 2.3% from September 30, 2014, respectively.

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 and floor plan payable;
- 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, dispositions of fixed assets and acquisitions of complementary businesses.

Summary of Cash Inflows (Outflows)

$ thousands	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	**2015**	2014
Net earnings	**4,352**	6,204	**6,713**	12,704
Non-cash items and changes in working capital	**17,015**	7,182	**15,908**	(8,878)
Cash flows from operating activities	**21,367**	13,386	**22,621**	3,826
Cash flows from financing activities	**(9,224)**	(4,881)	**(10,523)**	(13,869)
Cash flows from investing activities	**(3,947)**	(2,645)	**(25,513)**	(6,294)
Net change in cash	**8,196**	5,860	**(13,415)**	(16,337)
Cash, beginning of period	**1,341**	12,525	**22,952**	34,722
Cash, end of period	**9,537**	18,385	**9,537**	18,385
Floor Plan Neutral Operating Cash Flow(1)	**48,534**	10,645	**85,349**	(30,815)

(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 three and nine months ended September 30, 2015, Floor Plan Neutral Operating Cash Flow increased by $37.9 million and $116.2 million, respectively, over the comparative periods in 2014. These increases are primarily attributable to $64.3 million and $135.8 million of additional cash generated from inventory during the three and nine months ended September 30, 2015, over the respective comparative periods.

For the three and nine months ended September 30, 2015, cash flows from operating activities increased by $8.0 million and $18.8 million, respectively, over the comparative periods in 2014. Cash generated from inventory, net of floor plan, increased by $34.4 million and $38.4 million, but was offset by net increases in the use of cash associated with changes in other non-cash working capital balances during the respective periods.

Cash Flows from Financing Activities

Cash flows from financing activities pertained primarily to scheduled debt and dividend payments as well as net proceeds associated with the financing of the acquisition of Chabot and certain real estate assets.

For the three and nine months ended September 30, 2015, cash outflows from financing activities increased by $4.3 million and decreased by $3.3 million, respectively, over the comparative periods in 2014. As part of an amendment to the Syndicated Facility during the third quarter of 2015, the Company repaid $5.1 million outstanding on it former Fleet Facility with a draw on its Operating Facility. On a year-to-date basis, the Company also drew $4.1 million to finance the acquisition of Chabot and $8.8 million to finance certain real estate assets. These draws were offset by the repayment of $4.9 million in debt assumed pursuant to the Chabot acquisition.

Cash Flows from Investing Activities

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

During the three and nine months ended September 30, 2015, cash utilized for investing activities increased by $1.3 million and $19.2 million, respectively, over the comparative periods in 2014. The year-to-date increase is primarily the result of $15.8 million paid on the acquisition of Chabot, inclusive of $7.1 million of bank indebtedness assumed.

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, availability of adequate credit facilities, compliance with debt covenants, 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 a revolving facility, 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 U.S. 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% – 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 third quarter, the Syndicated Facility was amended. As part of the amendment, the Company consolidated and re-termed its former Acquisition, Real Estate and Debenture Repayment Facilities into one term facility (the “Term Facility”). The $45.0 balance on the Term Facility has an interest-only period for the first six months, followed by a seven year repayment period, effectively reducing the Company’s fixed charge commitments.

As part of the amendment, the maturity date was also extended until September 24, 2018.

The Company incurred debt issue costs of $0.8 million, $0.5 million of which was allocated to and offset against the Flooring Facility with the remainder allocated to and offset against the Term Facility. The costs allocated to the Flooring and Term Facilities will be amortized into short- and long-term interest, respectively, over the term of the Syndicated Facility using the effective interest method.

Subsequent to the amendment, the Syndicated Facility consists of:

- The “Operating Facility” – which may be utilized to advance up to the lesser of the established borrowing base and $70.0 million. The borrowing base is supported by otherwise unencumbered assets including certain accounts receivable, inventory and items of property and equipment, less priority payables. This facility 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 to a maximum of $125.0 million. Draws against the Flooring Facility are repayable over a term of 28 months however; they become due in full upon the sale of the associated equipment.
- The “Term Facility” – which may be used to finance up to 60% of the cost of acquisitions and 75% of the cost of real estate to a maximum of $75.0 million. Draws are repayable in quarterly installments with acquisition and real estate related draws amortized over periods of 7 and 15 years, respectively.

Including the syndicated Flooring Facility, we have total floor plan facilities of approximately $592.0 million (inclusive of seasonal increases) from various lending institutions for the purpose of financing equipment 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. The Company also has an additional $75.0 million of floor plan availability with its OEMs, to be made available to the Company if required as a result of business combinations.

In addition to our available cash balance of $19.9 million as at September 30, 2015, we have approximately $329.0 million available on our various credit facilities.

$ millions	Facility limit	Amount drawn	**Available**
Operating Facility	70.0	10.3	**59.7**
Term Facility	75.0	45.0	**30.0**
Various floor plan facilities			
OEM floor plan facilities	205.0	59.1	**145.9**
Syndicated Flooring Facility	125.0	83.8	**41.2**
Other floor plan facilities	262.0	209.8	**52.2**
	737.0	408.0	**329.0**

In addition to having undrawn funds available under our pre-established limits, our ability to draw on our various facilities depends on the Company's profile of assets available to support such draws and the fundable proportion of said assets as outlined by the various credit agreements. The extent to which the Company is able to draw on its available credit facilities may also be limited by our compliance with financial and other covenants.

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:

	September 30, 2015	December 31, 2014
Fixed charge coverage of at least	**1.20-1.50:1**	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. Failing to meet these covenants would constitute a default event which may result in, among other restrictions and remedies, the associated debt becoming due and restrictions on the Company's ability to draw on its facilities or make distributions to shareholders.

The amendment to the Syndicated Facility in the third quarter of 2015 has resulted in a significant improvement in the Company's compliance with its fixed charge coverage ratio by re-terming the debt and reducing our fixed charge commitments going forward. Furthermore, the fixed charge coverage ratio under the Syndicated Facility is to be calculated using proforma debt repayments for the first four quarters following the amendment, to better assess the Company's ability to meet its reduced fixed charge commitments. After the first four quarters, the calculation reverts back to a trailing four-quarter assessment.

As at September 30, 2015 and December 31, 2014, the Company was in compliance with all externally imposed capital requirements.

We expect to remain in compliance with these financial covenants, however, our estimated results are subject to numerous risks and uncertainties, some of which are beyond our control. The Company will continue to monitor its financial covenants, accordingly.

Derivative Financial Instruments

The Company utilizes derivative financial instruments to hedge its exposure to changes in interest rates and fluctuations in the valuation of its common shares. We do not use derivatives to speculate, but rather as a risk management tool. The Company's portfolio of derivative financial instruments consists of interest rate and total return swaps.

Losses (gains) on derivative financial instruments are as follows:

$ thousands	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	**2015**	2014
Loss (gain) recognized in net earnings	**3,438**	(40)	**3,274**	(9)
Loss (gain) recognized in other comprehensive income (loss) – net of tax	**175**	(82)	**976**	738
Loss (gain) recognized in deferred tax position	**62**	(28)	**348**	253

Interest Rate Swaps

The Company has four separate interest rate swaps related to portions of its Term and Flooring Facilities (collectively, the "Hedged Facilities").

The Hedged Facilities each bear interest at a floating rate based on the prevailing one-month BA rate plus 2.0% – 3.5%. The interest rate swaps hedge our exposure to fluctuations in the BA rate. The Company's hedged and at risk positions are summarized as follows:

$ thousands			September 30, 2015		December 31, 2014	
	Maturity	Type	**Effective rate**	**Amount**	Effective rate	Amount
Hedged position						
Current debt						
Flooring Facility #1	August, 2018	Non-amortizing	**4.5%**	**25,000**	4.2%	25,000
Flooring Facility #2	September, 2020	Non-amortizing	**5.3%**	**35,000**	5.1%	35,000
			5.0%	**60,000**	4.7%	60,000
Long-term debt						
Term Facility #1[(1)]	May, 2016	Amortizing	**3.7%**	**2,184**	3.5%	4,642
Term Facility #2[(2)]	April, 2017	Amortizing	**4.3%**	**23,625**	4.1%	26,250
			4.3%	**25,809**	4.0%	30,892
			4.8%	**85,809**	4.5%	90,892
Position at risk						
Floating-rate debt				**338,773**		309,219
Position hedged				**25.3%**		29.4%

(1) Formerly the Acquisition Facility

(2) Formerly the Debenture Repayment Facility

At inception, these instruments were designated as hedges and were accounted for using hedge accounting. Subsequently, the interest rate swaps on the Term Facility failed their effectiveness testing and as such, hedge accounting was discontinued. The $0.1 million accumulated loss recognized within accumulated other comprehensive loss will be reversed into net earnings over the remainder of terms of these derivatives. Future changes in the fair value of these derivatives will be recognized within net earnings in the period in which they arise.

The two interest rate swaps on the Flooring Facility continue to remain effective and as such, we continue to account for these cash flow hedges using hedge accounting. 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 these 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.

During the three and nine months ended September 30, 2015, we recognized in net earnings, a mark-to-market gain of $43 thousand and a loss of $0.1 million, respectively, on our interest rate swaps (2014 – gains of $33 thousand and $3 thousand, respectively).

Total Return Swaps

The Company has entered into several total return swap arrangements to hedge the exposure associated with increases in its share price on its outstanding Director Share Units ("DSUs") and Share Appreciation Rights ("SARs"). By design, the hedging relationship with the SARs is not effective to the extent that the Company's share price falls below the strike price of the SARs.

During the vesting period, the accounting treatment of the SARs also creates an inherent discrepancy from the total return swaps in terms of the timing of the impact on net earnings. Changes in the Company's share price are factored into the Black-Scholes option pricing model to determine the fair value of the SARs at each reporting date. This fair value will then be expensed over the remainder of the vesting period. Once vested, the SARs are market-to-market at each reporting period, eliminating the timing discrepancy.

As a result of the decline in the Company's share price during the quarter, we recognized losses for the three and nine months ended September 30, 2015 of $3.5 million and $3.2 million, respectively, related to the total return swaps (2014 – gains of $7 thousand and $7 thousand, respectively). The Company anticipates that this charge will be reversed in subsequent periods as its share price returns to a more typical range.

The Company does not apply hedge accounting to these relationships and as such, gains and losses arising from marking these derivatives to market are recognized in net earnings in the period in which they arise.

The Company's hedged and at risk positions are summarized as follows:

In thousands of shares/units except per share amounts	**September 30, 2015**		December 31, 2014	
	Weighted average price/share $	**Shares/ units**	Weighted average price/share $	Shares/ units
Hedged position				
DSUs	**10.54**	**100**	10.54	100
SARs	**9.21**	**1,170**	9.52	191
	9.31	**1,270**	9.87	291
Position at risk				
DSUs		**69**		75
SARs		**1,157**		550
		1,226		625
Position hedged		**103.6%**		46.6%

Dividends

On November 10, 2015, 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 December 31, 2015, to shareholders of record at the close of business on November 30, 2015.

SHARE CAPITAL – OUTSTANDING SHARES

Thousands	**2015**	2014
January 1,	**19,384**	19,313
Shares issued upon exercise of stock options	**-**	20
September 30,	**19,384**	19,333

As at November 12, 2015, there were 19,384,086 shares outstanding.

The options outstanding at September 30, 2015 are as follows:

Grant date	Options outstanding (thousands)	Options exercisable (thousands)	Weighted average exercise price ($)	Weighted average contractual life (years)
March 11, 2011	30	30	10.39	0.4
August 11, 2011	142	142	8.71	0.9
March 28, 2012	239	239	11.96	1.5
March 13, 2013	364	243	12.89	2.5
March 13, 2014	394	131	11.52	3.5
	1,169	785	11.67	2.3

As at November 12, 2015, there were 1,164,833 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 September 30, 2015 include long-term debt consisting predominantly of the Term Facility 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 renewal options for periods ranging from three to five years.

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 September 30, 2015 assuming the Syndicated Facility is renewed prior to maturity on September 24, 2018. 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 2015	2016-2017	2018-2019	Thereafter
Trade payables, accruals and other	**45,362**	45,362	-	-	-
Floor plan payable	**366,824**	91,706	275,118	-	-
Liabilities associated with assets held for sale	**2,595**	2,595	-	-	-
Long-term debt	**47,950**	217	11,976	13,871	21,886
Obligations under finance leases	**94**	89	5	-	-
Operating lease obligations	**32,084**	2,350	15,766	7,676	6,292
Derivative financial liabilities	**8,216**	680	4,446	2,843	247
Total contractual obligations	**503,125**	142,999	307,311	24,390	28,425

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 September 30, 2015 would be $33.8 million in 2018-2019 and $Nil thereafter.

RELATED PARTY TRANSACTIONS

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

$ thousands	**For the three months ended September 30,**		**For the nine months ended September 30,**	
	2015	2014	**2015**	2014
Equipment sales	**446**	114	**1,315**	3,850
Expenditures				
Rental payments on Company facilities	**1,442**	1,360	**4,192**	4,075
Equipment purchases	**93**	17	**662**	813
Flight costs	**16**	7	**72**	82
Other expenses	**-**	19	**92**	48

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	**September 30, 2015**	December 31, 2014
Due from related parties	**103**	61
Due to related parties	**(2)**	(112)

The amounts due from related parties are not secured and are to be settled in cash. As at September 30, 2015 and December 31, 2014, 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 nine months ended September 30, 2015, $Nil and $Nil has been recognized in bad debt expenses for the respective periods with regards to related party transactions (2014 – $Nil and $Nil, respectively).

The Company has contractual obligations to related parties in the form of facility leases. As at September 30, 2015, these contractual obligations and due dates are as follows:

$ thousands	**Total**	Remainder of 2015	2016-2017	2018-2019	Thereafter
Operating lease obligations	**22,749**	1,398	10,340	4,886	6,125

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 of up to $64.2 thousand. In some instances, the counterparty to the Company's operating lease obligations is a related party. Refer to the "Related Party Transactions" section of this MD&A for a discussion of the terms and amounts of such arrangements. The current operating leases expire between October 2015 and July 2023.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated 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 consolidated 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 and settlement 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 and settlement volumes to date to accrue the proportion of these annual manufacturer incentives earned during the period. The manufacturer incentives received by the Company are primarily associated with agriculture equipment and as such, the majority of such incentives are accrued within the financial results of the agriculture segment.

Derivative Financial Instruments

The Company utilizes floating-to-fixed interest rate swaps to manage its interest rate exposure. These derivatives are initially recognized on the date the contract is entered into and are subsequently re-measured at their fair values. The fair values of the 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.

Business Combinations

Assets acquired and liabilities assumed pursuant to business combinations are measured at their acquisition date fair values. Where appropriate, management bases its fair value estimates on observable third-party data as reported by sources deemed both reputable and qualified. In the case of inventory acquired, management estimates the value in the manner discussed within the "Net Realizable Value of Inventory" section above.

Goodwill is measured as the excess of the fair value of consideration transferred over the acquisition-date fair value of the net identifiable assets acquired.

The purchase price allocation is subject to change throughout the duration of the measurement period. The measurement period is the period from the date of acquisition, to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

KEY FINANCIAL STATEMENT COMPONENTS

Equipment Sales

Equipment revenues are derived from the sale of new and used industrial 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

Parts revenue 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.

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. Long-term interest includes the aggregate expense for interest associated with the Company's various long-term credit facilities and obligations under finance leases. Short- and long-term interest also includes charges related to credit and financing.

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 industrial and agriculture equipment dealerships and others, including but not limited to: economic conditions; weather and climate conditions; commodity prices; inventory risks; industry oversupply; the seasonality and cyclicality of the industries we service; interest rate changes; government regulations in the areas we operate; competition within our industry; credit facilities; foreign exchange exposure; reliance on key manufacturers; consolidation within the equipment manufacturing industry; the nature of our dealership agreements; the non-exclusive nature of key geographic markets; customer credit risks; our information systems; the availability of floor plan financing and other forms of credit to the Company; unfavorable conditions (economic, weather or otherwise) in key geographic markets; our continued ability to pay our dividend; import restrictions and foreign trade risks; insurance matters; branch leases; the retention of key personnel; labour costs and shortages; labour relations; freight costs; future warranty claims; product liability risks; restrictions and impediments on acquisitions; growth risks; our ability to successfully integrate our acquisitions and aviation risks.

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

Through its financial instruments, the Company has exposure to the following risks: credit risk, market risk (consisting of foreign currency exchange risk, interest rate risk and equity price 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 nine months ended September 30, 2015, the Company recognized $0.1 million and $0.3 million, respectively, in bad debt expense (2014 - $0.2 and $0.5 million, respectively). Bad debt expense is 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, interest rates and the market price of the Company's common shares, 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 will 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 payment date.

Included in selling, general and administrative expenses are losses recognized due to foreign currency translation for transactions and balances aggregating $0.6 million and $0.6 million for the three and nine months ended September 30, 2015, respectively (2014 – loss of $0.1 million and gain of $0.2 million, respectively).

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 from 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 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.

Refer to the "Derivative Financial Instruments" section of this MD&A for additional information and gains (losses) on derivative financial instruments.

Equity Price Risk

As part of its overall compensation of directors, officers and employees, the Company has issued cash-settled share-based payments in the form of DSUs and SARs. The DSUs are valued on a per DSU basis at an amount equal to the volume weighted average trading price of the Company's common shares over the immediately preceding 20 day trading period. The SARs are revalued at each reporting date using the Black-Scholes option pricing model. Increases in the Company's share value result in additional compensation expense to the Company related to these two programs. As cash-settled share-based payments, the DSUs and SARs are not accounted for as financial instruments.

The Company has entered into several total return swaps to hedge the exposure associated with increases in its share value on its outstanding DSUs and SARs. The total return swaps are classified as derivative financial instruments. The intent of these derivatives is to offset the incremental cost to the Company associated with increases in its common share price on its cash-settled share-based payments.

Refer to the "Derivative Financial Instruments" section of this MD&A for additional information and gains (losses) on derivative financial instruments.

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 "Adequacy of Capital Resources" section of this MD&A for a discussion of the liquidity risks faced by the Company as well as 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:

- **"Adjusted Diluted Earnings per Share"** is calculated by eliminating from net earnings, the after-tax impact of the losses (gains) arising from the Company's derivative financial instruments and DSUs, as well as the expense (recovery) associated with its SARs. These items arise from changes in the Company's share price as well as fluctuations in interest rates and are not reflective of the Company's core operations.

  The Company also adjusts for any non-recurring charges (recoveries) recognized in net earnings. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that the Company incurs outside of its common day-to-day operations. Adjusting for these items allows management to isolate and analyze diluted earnings per share from core business operations. For the periods presented, no non-recurring charges (recoveries) have been identified.

- "**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.

- **"Adjusted EBITDA"** is calculated by eliminating from EBITDA, the impact of the losses (gains) arising from the Company's derivative financial instruments and DSUs, as well as the expense (recovery) associated with its SARs. These items arise from changes in the Company's share price as well as fluctuations in interest rates and are not reflective of the Company's core operations.

  The Company also adjusts for any non-recurring charges (recoveries) recognized in EBITDA. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that the Company incurs outside of its common day-to-day operations. Adjusting for these items allows management to isolate and analyze EBITDA from core business operations. For the periods presented, no non-recurring charges (recoveries) have been identified.

- **"Operating SG&A"** is calculated by eliminating from SG&A, the impact of the losses (gains) arising from the Company's derivative financial instruments and DSUs, as well as the expense (recovery) associated with its SARs. These items arise from changes in the Company's share price as well as fluctuations in interest rates and are not reflective of the Company's core operations.

  The Company also adjusts for depreciation of property and equipment and any non-recurring charges (recoveries) recognized in SG&A. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that the Company incurs outside of its common day-to-day operations. Adjusting for these items allows management to assess discretionary expenses from ongoing operations. For the periods presented, no non-recurring charges (recoveries) have been identified. We target a sub-10% Operating SG&A as a percentage of total sales on an annual basis.

  During the quarter, the Company changed this metric such that the aforementioned charges (recoveries) on its derivative financial instruments, DSUs and SARs are also eliminated from SG&A in calculating Operating SG&A.

- **"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 flows during a period, prior to any sources or uses of cash associated with equipment financing decisions.

RECONCILIATION OF NON-IFRS MEASURES TO IFRS

Adjusted Diluted Earnings per Share

$ thousands, except share and per share amounts	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	**2015**	2014
Earnings used in the calculation of diluted earnings per share	**4,352**	6,204	**6,713**	12,704
Loss (gain) on derivative financial instruments	**3,438**	(40)	**3,274**	(9)
Gain on DSUs	**(155)**	(14)	**(158)**	(96)
SAR expense (recovery)	**(92)**	-	**18**	-
Tax effect of adjustments (2015 - 27%, 2014 – 25%)	**(862)**	14	**(846)**	26
Earnings used in the calculation of Adjusted Diluted Earnings per Share	**6,681**	6,164	**9,001**	12,625
Weighted average diluted shares used in the calculation of diluted earnings per share (in thousands)	**19,299**	19,273	**19,334**	19,332
Adjusted Diluted Earnings per Share	**0.35**	0.32	**0.47**	0.65

EBITDA and Adjusted EBITDA

$ thousands	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	**2015**	2014
Net earnings	**4,352**	6,204	**6,713**	12,704
Interest on long-term debt	**519**	558	**1,559**	1,658
Depreciation expense	**2,084**	1,779	**5,841**	5,244
Income taxes	**1,561**	2,285	**2,409**	5,056
EBITDA	**8,516**	10,826	**16,522**	24,662
Loss (gain) on derivative financial instruments	**3,438**	(40)	**3,274**	(9)
Gain on DSUs	**(155)**	(14)	**(158)**	(96)
SAR expense (recovery)	**(92)**	-	**18**	-
Adjusted EBITDA	**11,707**	10,772	**19,656**	24,557

Operating SG&A

$ thousands	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	**2015**	2014
SG&A	**30,334**	27,165	**84,327**	78,208
Depreciation expense	**(2,084)**	(1,779)	**(5,841)**	(5,244)
Gain (loss) on derivative financial instruments	**(3,438)**	40	**(3,274)**	9
Gain on DSUs	**155**	14	**158**	96
SAR (expense) recovery	**92**	-	**(18)**	-
Operating SG&A	**25,059**	25,440	**75,352**	73,069

Floor Plan Neutral Operating Cash Flow

$ thousands	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	**2015**	2014
Cash flows from operating activities	**21,367**	13,386	**22,621**	3,826
Net (increase) decrease in floor plan payable	**27,167**	(2,741)	**29,946**	(34,641)
Floor plan assumed pursuant to business combinations	**-**	-	**32,782**	-
Floor Plan Neutral Operating Cash Flow	**48,534**	10,645	**85,349**	(30,815)

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 September 30, 2015, 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 September 30, 2015, 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.

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") published an updated Internal Control – Integrated Framework and related illustrative documents, which superseded the 1992 COSO Framework on December 15, 2014. As of September 30, 2015, the Company was utilizing the original framework published in 1992, but is transitioning to the 2013 COSO Framework as it relates to its ICFR. During the quarter ended September 30, 2015, there was no change in the Company's internal controls over financial reporting that materially affected or is reasonably likely to materially affect its internal controls over financial reporting.

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 and any revenue or inventory statements or forecasts attributed thereto, (iii) statements pertaining to the growth of Rocky's business and operations, (iv) statements pertaining to arid weather conditions and the anticipated effect of such conditions on crop quality and yield, (v) statements that declines in oil prices have impacted spending, as well as the Alberta housing market, which may also impact the Company's results, (vi) statements that recent fluctuations in the Canadian dollar relative to the U.S. dollar are expected to increase pricing, (vii) any discussion of the anticipated mix of new and used equipment sales for the remainder of 2015 and early 2016, (viii) discussion on the fundamentals of Rocky's business, including discussion that growth in GDP, farmers' crop receipts, increases in global food demand, bio-fuel production, and the future demand for agriculture equipment and commodities, (ix) statements pertaining to the impact of declining oil prices on infrastructure spending and our industrial segment results, and any statements on the effectiveness of measures taken by us to offset our overall exposure to oil prices, (x) statements that technological enhancements aimed at meeting emissions standards and the recent weakening of the Canadian dollar are expected to contribute to premiums on new equipment pricing, (xi) statements regarding customer buying patterns, including the extent to which we are able to convert new equipment customers to used and attract U.S. customers looking to capitalize on favorable U.S.-Canadian foreign exchange rates, (xii) any statements or discussions regarding Rocky's inventory management and any expected

increases or decreases in Rocky's inventory levels, (xiii) statements that any anticipated reduction in inventories are not expected to occur in a linear manner, (xiv) discussions regarding initiatives to restore our industrial results, including statements regarding our intention to leverage our recent successes to gain market acceptance and better market presence within the territories we operate, (xv) discussions that the impact of previously acquired dealerships and trade areas, coupled with our OEM relationships, make us well-positioned to pursue our longer-term revenue and earnings growth initiatives, (xvi) statements that we believe cash flow from operations, along with existing credit facilities, will provide for our capital needs, (xvii) discussion around SG&A expenses including the seasonal variances and expectations in operating SG&A, (xviii) discussion that our first quarter is generally the weakest financial quarter due to lack of agricultural activity and winter shutdowns, that the 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, (xix) statements that as acquisitions are integrated into the business, the associated SG&A costs for Rocky will generally decrease, (xx) statements related to our per-location revenue expectations and any assessment of the economies of scale associated with any facility, (xxi) statements that our installed base and customer relationships create an annuity of equipment sales and product support revenue, which help drive dependable earnings and cash flow, (xxii) statements that weather conditions may impact sales activity for any given period, (xxiii) statements that the Company anticipates that the loses related to the total return swaps will be reversed in subsequent periods as its share price returns to a more typical range; and, (xxiv) statements concerning the Company's ongoing compliance with, or potential breaches of, its covenants under its credit facilities, including the recently-amended Syndicated Facility.

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 correlate 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) the 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) expectations that no material change will happen to our OEM relationships and related contractual agreements, (xiii) expectations that customers who purchase their equipment from the Company will, generally, return to the Company for their product support needs, and (xix) the Company expects that its share price will return to a more typical range, allowing it to offset losses related to the total return swap.

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 FLS 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 FLS. 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 FLS are based will occur. All FLS 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 FLS 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 Nine Month Periods Ended September 30, 2015 and 2014 (Unaudited)

Consolidated Balance Sheets

Expressed in thousands of Canadian dollars (unaudited)

	Note	September 30, 2015 $	December 31, 2014 $	September 30, 2014 $
Assets				
Current				
Cash		**19,881**	22,952	18,385
Restricted cash	7	**879**	4,560	1,090
Trade receivables and other		**47,712**	33,807	32,879
Inventory	8	**489,690**	526,003	535,584
Prepaid expenses		**4,384**	5,478	3,483
Assets held for sale	9	**10,524**	2,252	-
		573,070	595,052	591,421
Non-current				
Property and equipment		**36,295**	32,886	32,196
Deferred tax asset	15.2	**1,685**	1,186	1,141
Derivative financial assets	17	**-**	-	7
Intangible assets		**712**	-	-
Goodwill	10	**18,910**	14,692	14,692
		57,602	48,764	48,036
		630,672	643,816	639,457
Liabilities				
Current				
Bank indebtedness	11	**10,344**	-	-
Trade payables, accruals and other		**45,362**	34,409	41,671
Income taxes payable		**172**	6,661	5,415
Floor plan payable		**352,135**	382,081	377,005
Deferred revenue and advances		**1,724**	4,925	2,579
Current portion of long-term debt	12	**2,454**	10,560	10,703
Current portion of obligations under finance leases		**93**	453	504
Current portion of derivative financial liabilities	17	**3,115**	-	-
Liabilities associated with assets held for sale	9	**2,595**	253	-
		417,994	439,342	437,877
Non-current				
Long-term debt	12	**40,050**	32,776	34,718
Obligations under finance leases		**-**	9	97
Derivative financial liabilities	17	**4,765**	3,282	2,695
		44,815	36,067	37,510
		462,809	475,409	475,387
Shareholders' Equity				
Common shares		**87,709**	87,709	86,969
Contributed surplus		**5,836**	5,429	5,446
Accumulated other comprehensive loss		**(3,060)**	(2,084)	(1,700)
Retained earnings		**77,378**	77,353	73,355
		167,863	168,407	164,070
		630,672	643,816	639,457

APPROVED BY THE BOARD

"Signed" Dennis Hoffman
Dennis Hoffman, Director

"Signed" Matthew Campbell
Matthew 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 nine month periods ended
Expressed in thousands of Canadian dollars except per share amounts (unaudited)

	Note	**Three Months Ended September 30, 2015 $**	Three Months Ended September 30, 2014 $	**Nine Months Ended September 30, 2015 $**	Nine Months Ended September 30, 2014 $
Sales					
New equipment		**80,432**	81,837	**287,573**	339,192
Used equipment		**125,534**	102,354	**284,806**	223,726
Parts		**37,918**	35,568	**86,895**	80,302
Service		**10,711**	10,041	**27,151**	25,495
Other		**1,391**	995	**3,444**	2,600
	13	**255,986**	230,795	**689,869**	671,315
Cost of sales	8	**215,944**	191,680	**585,426**	565,162
Gross profit		**40,042**	39,115	**104,443**	106,153
Selling, general and administrative	14	**30,334**	27,165	**84,327**	78,208
Interest on short-term debt		**3,276**	2,903	**9,435**	8,527
Interest on long-term debt		**519**	558	**1,559**	1,658
Earnings before income taxes		**5,913**	8,489	**9,122**	17,760
Income taxes					
Current		**2,526**	2,346	**3,554**	8,520
Deferred	15.2	**(965)**	(61)	**(1,145)**	(3,464)
	15.1	**1,561**	2,285	**2,409**	5,056
Net earnings		**4,352**	6,204	**6,713**	12,704
Earnings per share					
Basic		**0.23**	0.32	**0.35**	0.66
Diluted		**0.23**	0.32	**0.35**	0.66

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

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

	Note	**Three Months Ended September 30, 2015 $**	Three Months Ended September 30, 2014 $	**Nine Months Ended September 30, 2015 $**	Nine Months Ended September 30, 2014 $
Net earnings		**4,352**	6,204	**6,713**	12,704
Other comprehensive income (loss)					
Items which will subsequently be reclassified to net earnings:					
Unrealized gain (loss) on derivative financial instruments, net of tax	17	**(175)**	82	**(976)**	(738)
Total other comprehensive income (loss), net of tax		**(175)**	82	**(976)**	(738)
Comprehensive income		**4,177**	6,286	**5,737**	11,966

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)

	Note	Common shares: Number of shares	Common shares: Amount $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings $	Total equity $
Balance, December 31, 2014		19,384	87,709	5,429	(2,084)	77,353	168,407
Equity-settled share-based payment expense	14	-	-	407	-	-	407
Net earnings		-	-	-	-	6,713	6,713
Other comprehensive loss	17	-	-	-	(976)	-	(976)
Dividends paid		-	-	-	-	(6,688)	(6,688)
Balance, September 30, 2015		19,384	87,709	5,836	(3,060)	77,378	167,863

	Note	Common shares: Number of shares	Common 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		20	274	(89)	-	-	185
Equity-settled share-based payment expense	14	-	-	873	-	-	873
Net earnings		-	-	-	-	12,704	12,704
Other comprehensive loss	17	-	-	-	(738)	-	(738)
Dividends paid		-	-	-	-	(6,375)	(6,375)
Balance, September 30, 2014		19,333	86,969	5,446	(1,700)	73,355	164,070

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

Consolidated Statements of Cash Flows
For the three and nine month periods ended
In thousands of Canadian dollars (unaudited)

	Note	**Three Months Ended September 30, 2015 $**	Three Months Ended September 30, 2014 $	**Nine Months Ended September 30, 2015 $**	Nine Months Ended September 30, 2014 $
Operating activities					
Net earnings		**4,352**	6,204	**6,713**	12,704
Adjustments for:					
Depreciation expense	14	**2,084**	1,779	**5,841**	5,244
Deferred tax recovery	15.2	**(965)**	(61)	**(1,145)**	(3,464)
Equity-settled share-based payment expense	14	**81**	275	**407**	873
Gain on disposal of property and equipment		**(92)**	(10)	**(157)**	(851)
Loss (gain) on derivative financial instruments	17	**3,438**	(40)	**3,274**	(9)
		8,898	8,147	**14,933**	14,497
Changes in non-cash working capital		**12,469**	5,239	**7,688**	(10,671)
		21,367	13,386	**22,621**	3,826
Financing activities					
Repayment of long-term debt	12	**(6,893)**	(2,616)	**(19,032)**	(8,311)
Proceeds from long-term debt		**-**	-	**15,566**	1,395
Net change in obligations under finance leases		**(101)**	(184)	**(369)**	(763)
Dividends paid		**(2,230)**	(2,222)	**(6,688)**	(6,375)
Proceeds from issuance of common shares		**-**	141	**-**	185
		(9,224)	(4,881)	**(10,523)**	(13,869)
Investing activities					
Purchase of property and equipment		**(4,202)**	(2,694)	**(9,436)**	(7,052)
Disposal of property and equipment		**266**	110	**614**	2,022
Acquisition of business, net of cash acquired and bank indebtedness assumed	7	**(11)**	(61)	**(16,691)**	(1,264)
		(3,947)	(2,645)	**(25,513)**	(6,294)
Net increase (decrease) in cash		**8,196**	5,860	**(13,415)**	(16,337)
Cash, beginning of period		**1,341**	12,525	**22,952**	34,722
Cash, end of period		**9,537**	18,385	**9,537**	18,385
Taxes paid		**784**	(1,782)	**10,043**	(1,782)
Interest paid		**3,795**	3,461	**10,994**	10,185
Cash, end of period consists of:					
Cash		**19,881**	18,385	**19,881**	18,385
Bank indebtedness	11	**(10,344)**	-	**(10,344)**	-
		9,537	18,385	**9,537**	18,385

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 product and warranty support for a wide variety of agriculture and industrial equipment in Western Canada. All of the Company's operating subsidiaries are incorporated in Alberta, Canada. All of our equipment dealership locations 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, 2014, which have been prepared in accordance with IFRS. These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on November 12, 2015.

3. Summary of significant accounting policies

The accounting policies adopted by the company are consistent with those described in the annual consolidated financial statements for the year ended December 31, 2014. No new standards, interpretations or amendments were adopted for the first time from January 1, 2015, which had a material impact on the Company's financial statements. In the quarter, IFRS 15 'Revenue from contracts with customers', was deferred by one year, effective date is for fiscal periods beginning on or after January 1, 2018. Taxes on income in the interim periods are accrued using the tax rates which would be applicable to the expected total annual profit or loss.

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, 2014.

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 industrial and agriculture work difficult to perform.

6. Prior period comparative disclosure

Certain prior period comparative information has been revised to conform to current period presentation.

7. Acquisitions

On April 1, 2015, the Company acquired 100% of the issued and outstanding common shares of the entities forming Chabot Implements ("Chabot"), a Manitoba-based dealer of Case IH agriculture equipment with stores in Portage La Prairie, Steinbach and Elie. Chabot also sells Kubota equipment through its Neepawa, Manitoba location. The operating results of the business acquired are consolidated from April 1, 2015, the date control was acquired. It is the Company's intention to settle all long-term debt assumed pursuant to the acquisition of Chabot within its normal operating cycle and as such, all long-term debt assumed has been classified as current.

On February 12, 2015, the Company acquired 100% of the issued and outstanding common shares of NGF Geomatics Inc. ("NGF"), a geomatics company specializing in the collection of geospatial survey data using unmanned aerial vehicles. NGF is a start-up company with minimal assets and liabilities and is included in our agriculture segment. The operating results of the business acquired are consolidated from February 12, 2015, the date control was acquired.

The acquisitions have been accounted for as business combinations using the acquisition method of accounting based on recording the assets and liabilities at the estimated fair value on the acquisition date. The following table summarizes the preliminary acquisition date fair values and the consideration paid.

	NGF	Chabot	Total
	$	$	$
Purchase Price Allocation			
Cash consideration			
Paid	902	8,656	9,558
Recoverable	-	(38)	(38)
Purchase consideration	902	8,618	9,520
Net working capital			
Cash	7	-	7
Trade receivables and other	41	1,132	1,173
Income tax receivable	15	-	15
Inventory	-	43,587	43,587
Bank indebtedness	-	(7,140)	(7,140)
Trade payables, accruals and other	(2)	(2,841)	(2,843)
Floor plan payable	-	(32,782)	(32,782)
Current portion of long term debt	-	(4,976)	(4,976)
	61	(3,020)	(2,959)
Property and equipment	20	8,414	8,434
Deferred tax liability	(220)	(774)	(994)
Intangible assets	821	-	821
Goodwill	220	3,998	4,218
Net assets	902	8,618	9,520

Cash flows outflows associated with business combinations are presented net of cash acquired (bank indebtedness assumed) as summarized in the following table:

	NGF	Chabot	Total
	$	$	$
Cash consideration paid	902	8,656	9,558
Less: cash acquired	(7)	-	(7)
Plus: bank indebtedness assumed	-	7,140	7,140
Cash outflows associated with business combinations	895	15,796	16,691

During the three and nine months ended September 30, 2015, the Company incurred $21 and $188 respectively, 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. A holdback amount of $879 for the Chabot acquisition is included in restricted cash for the quarter.

Revenue and net loss generated by our acquisitions and included in the consolidated statement of net earnings for the nine months ended September 30, 2015 amounted to $26,021 and $121, respectively. Had these acquisitions been in effect at January 1, 2015, the Company estimates that consolidated revenue and net income for the nine months ended September 30, 2015 would have been $699,918 and $6,703, respectively. The pro forma revenues and income are not necessarily indicative of the results that actually would have occurred if the acquisitions had taken place on January 1, 2015 or of the results which may be obtained in the future.

8. Inventory

	September 30, 2015 $	December 31, 2014 $	September 30, 2014 $
New equipment	**204,064**	213,685	277,091
Used equipment	**240,075**	273,306	212,689
Parts	**42,385**	36,455	41,736
Work-in-progress	**3,166**	2,557	4,068
	489,690	526,003	535,584

For the three and nine months ended September 30, 2015, inventory recognized as an expense amounted to $211,539 and $574,272, respectively (September 30, 2014 – $187,154 and $554,144, respectively), which is included in cost of sales in the consolidated statement of net earnings. For the three and nine months ended September 30, 2015, there were net write downs of inventory to net realizable value of $1,476 and $4,578, respectively, (September 30, 2014 – $245 and $3,479, respectively) in cost of sales in the consolidated statement of net earnings. The Company's inventory has been pledged as security for its bank indebtedness, floor plan payable and long-term debt

9. Assets held for sale

As at September 30, 2015, three parcels of land with a net book value of $10,524 (December 31, 2014 – one parcel of land with a net book value of $2,252, September 30, 2014 – Nil) are classified as held for sale. The debt associated with the land amounts to $2,595 (December 31, 2014 – $253, September 30, 2014 – Nil) and have been classified as a current liability.

10. Goodwill

Goodwill recognized pursuant to a business combination is allocated, at the time of acquisition, to the Company's cash generating units ("CGU's") that is expected to benefit from that business combination. As at September 30, 2015 and December 31, 2014, the Company has identified two CGU's, agriculture and industrial. All goodwill has been allocated to the agriculture CGU.

Due to an indicator of impairment from a reduced market capitalization in the quarter, the Company performed a goodwill impairment test at September 30, 2015.

The recoverable amount of the CGUs was determined from value in use calculations. The key assumptions made for the value in use calculations are those regarding the discount and growth rates. These key assumptions are based on past experience which has been adjusted for expected changes in future conditions. Future conditions are expected to go back in line with historical results and are not reflective of current market conditions.

As at September 30, 2015 and December 31, 2014, the Company prepared cash flow forecasts derived from the most recent financial plans prepared by management and extrapolated these cash flows into perpetuity using growth assumptions relevant to the business sector. The growth rate used for the purposes of these analyses was 2.0%.

As at September 30, 2015, the rate used to discount the forecasted cash flows was 11.4% (December 31, 2014 – 11.7%), and represents the Company's estimate of the pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the particular CGU. The recoverable amount of each CGU to which goodwill has been allocated exceeded its carrying value as at the impairment test dates.

The Company has conducted a sensitivity analysis based on reasonable possible changes to the key assumptions used for the impairment tests. Had the estimated cost of capital used in determining the pre-tax discount rates been 1% higher than management's estimates or the estimated growth rate used in extrapolating forecasted results been 1% lower, the recoverable amount of the CGU would continue to exceed its carrying amount for the respective periods.

11. Bank indebtedness

The Company's bank indebtedness is comprised of the Operating Facility made available to the Company through its Syndicated Facility

12. Long-term debt

During the second quarter of 2015, the Company renewed its Syndicated Facility. As part of the renewal, the Company's minimum Fixed Charge Coverage Ratio was amended to 1.20:1.00 from 1.25:1.00.

During the third quarter of 2015, the Company amended its Syndicated Facility. As part of the amendment, the Company consolidated and re-termed its former Acquisition, Real Estate and Debenture Repayment Facilities into one term facility (the "Term Facility"). The former Fleet Facility was consolidated into the Operating Facility, which is classified as bank indebtedness. The $45,000 balance on the Term Facility has an interest-only period for the first six months, followed by a seven year repayment period. The total debt issuance costs for the syndicate amendment were $751, where $542 of the cost is attributed to the Operating and Flooring Facility and the remaining $209 is attributed to the Term Facility.

The following table summarizes the Company's long-term debt. The Term Facility is governed by a syndicate credit agreement which, if not renewed, will mature on September 24, 2018. It is management's intention to renew this credit agreement before its maturity date. The table presented below assumes the agreement is renewed prior to maturity.

	September 30, 2015 $	December 31, 2014 $	September 30, 2014 $
Debenture Repayment Facility, amortized with quarterly principal instalments of $875 plus interest with the remaining principal due on September 30, 2017. The effective interest rate at December 31, 2014 was 3.3%, September 30, 2014 was 3.5%.	**-**	26,250	27,125
Acquisition Facility, revolving facility payable in monthly principal instalments over 60 months plus interest. The effective interest rate at December 31, 2014 was 3.3%, September 30, 2014 was 3.5%.	**-**	11,782	13,144
Fleet Facility, revolving facility payable in monthly principal instalments over 36 – 60 months plus interest. The effective interest rate at December 31, 2014 was 3.6%, September 30, 2014 was 3.7%.	**-**	4,957	4,420
Term Facility, revolving facility with interest-only period to April 1, 2016, then payable in quarterly principal instalments over 28 months plus interest. The effective interest rate at September 30, 2015 was 3.0%	**45,000**	-	-
Various other facilities	**308**	600	732
	45,308	43,589	45,421
Less: current portion	**(2,454)**	(10,560)	(10,703)
Less: liabilities associated with assets held for sale	**(2,595)**	(253)	-
Less: deferred debt issuance cost	**(209)**	-	-
Long-term portion	**40,050**	32,776	34,718

13. Sales

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

	Three Months Ended September 30, 2015 $	Three Months Ended September 30, 2014 $	**Nine Months Ended September 30, 2015 $**	Nine Months Ended September 30, 2014 $
Agriculture equipment sales	**191,960**	168,128	**531,695**	494,246
Industrial equipment sales	**14,006**	16,063	**40,684**	68,672
Parts sales	**37,918**	35,568	**86,895**	80,302
Sale of goods	**243,884**	219,759	**659,274**	643,220
Rendering of services	**12,102**	11,036	**30,595**	28,095
Total sales	**255,986**	230,795	**689,869**	671,315

14. Selling, general and administrative

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

	Three Months Ended September 30, 2015 $	Three Months Ended September 30, 2014 $	**Nine Months Ended September 30, 2015 $**	Nine Months Ended September 30, 2014 $
Compensation and related expenses	**16,975**	17,693	**51,010**	50,099
Administrative expenses	**7,552**	4,289	**16,245**	11,823
Rent and other facility expenses	**3,642**	3,129	**10,824**	10,169
Depreciation expense	**2,084**	1,779	5,841	5,244
Equity-settled share-based payment expense	**81**	275	407	873
Total selling, general and administrative expenses	**30,334**	27,165	84,327	78,208

Included in compensation and related expenses for the three and nine months ended September 30, 2015 are variable sales commissions of $4,042 and $10,540, respectively (2014 – $4,470 and $11,306, respectively). Costs in administrative expenses include marketing, training, insurance, travel, professional fees and other miscellaneous expenses. Also included in administrative expenses are losses for the three and nine months of $3,438 and $3,274, respectively (2014 – gains of $40 and $9, respectively) related to non-cash mark to market of derivative financial instruments.

15. Income taxes

15.1. 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 September 30, 2015 $	Three Months Ended September 30, 2014 $	**Nine Months Ended September 30, 2015 $**	Nine Months Ended September 30, 2014 $
Earnings before income taxes	**5,913**	8,489	**9,122**	17,760
Computed tax at statutory tax rate of 26% (2014 – 25%)	**1,538**	2,122	**2,372**	4,440
Non-deductible expenses	**15**	95	**203**	313
Change in enacted rates	**11**	1	**(46)**	(8)
Adjustment from prior year income tax expenses	**-**	-	**(49)**	246
Other	**(3)**	67	**(71)**	65
	1,561	2,285	**2,409**	5,056

15.2. Deferred tax asset (liability)

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Intangible assets $	DSUs $	Interest rate swaps $	Total $
January 1, 2015	187	139	(147)	-	170	837	1,186
Added in acquisition (note 7)	-	-	(772)	(222)	-	-	(994)
Recognized in net earnings	(74)	(15)	304	30	(43)	943	1,145
Recognized in equity	-	-	-		-	348	348
September 30, 2015	113	124	(615)	(192)	127	2,128	1,685

	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	(96)	(24)	(7)	3,572	20	(1)	3,464
Recognized in equity	-	-	-	-	-	253	253
September 30, 2014	233	147	(110)	-	184	687	1,141

The Company also has an unrecognized deferred tax asset of $788 related to the capital loss on the repurchase of its convertible debentures.

16. Related party transactions

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

	Three Months Ended September 30, 2015 $	Three Months Ended September 30, 2014 $	**Nine Months Ended September 30, 2015 $**	Nine Months Ended September 30, 2014 $
Equipment sales	**446**	114	**1,315**	3,850
Expenditures				
Rental payment on Company facilities	**1,442**	1,360	**4,192**	4,075
Equipment purchases	**93**	17	**662**	813
Flight costs	**16**	7	**72**	82
Other expenses	**-**	19	**92**	48

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:

	September 30, 2015 $	December 31, 2014 $	September 30, 2014 $
Due from related parties	**103**	61	213
Due to related parties	**(2)**	(112)	(2)

The amounts due from related parties are not secured and are to be settled in cash. As at September 30, 2015, December 31, 2014, and September 30, 2014, 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 nine months ended September 30, 2015, $Nil and $Nil, respectively, has been recognized in bad debt expenses with respect to related party transactions (2014 – $Nil and $Nil, respectively).

The Company has contractual obligations to related parties in the form of facility leases. As at September 30, 2015, these contractual obligations and due dates are as follows:

$ thousands	**Total**	Remainder of 2015	2016-2017	2018-2019	Thereafter
Operating lease obligations	**22,749**	1,398	10,340	4,886	6,125

17. 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 portions of the Term and Flooring Facilities. Interest rate swaps outstanding at September 30, 2015 mature between May 2016 and September

2020 (December 31, 2014 and September 30, 2014 – between May 2016 and September 2020). During 2014, the Term Facility interest rate swaps were no longer effective and as such, hedge accounting was discontinued. The accumulated amounts recognized within accumulated other comprehensive loss will be reversed into net earnings over the remainder of the term of the derivatives. Future changes in fair value will be recognized within net earnings in the period in which they arise.

The combined notional principal amounts of interest rate swaps outstanding at September 30, 2015 was $85,809 (December 31, 2014 – $90,892, September 30, 2014 – $92,586). At September 30, 2015, the effective fixed interest rate on the underlying debt was 4.8% (December 31, 2014 – 4.5%, September 30, 2014 – 4.7%) and the effective floating rate using the Bankers' Acceptance rate was 3.0% (December 31, 2014 – 3.3%, September 30, 2014 – 3.5%).

The Company has several total return swaps to hedge the exposure associated with increases in its share value on its outstanding Director Share Units (DSUs) and Share Appreciation Rights (SARs). The Company does not apply hedge accounting to these relationships and as such, gains and losses arising from marking the derivatives to market are recognized in earnings in the period in which they arise.

Derivative financial instruments recognized as (assets) and liabilities are as follows:

	September 30, 2015 $	December 31, 2014 $	September 30, 2014 $
Derivative financial assets			
Current portion	**-**	-	-
Long-term portion	**-**	-	(7)
	-	-	(7)
Derivative financial liabilities			
Current portion	**3,115**	-	-
Long-term portion	**4,765**	3,282	2,695
	7,880	3,282	2,695
Net derivative financial instruments	**7,880**	3,282	2,688

Losses (gains) on derivative financial instruments are as follows:

	Three Months Ended September 30, 2015 $	Three Months Ended September 30, 2014 $	**Nine Months Ended September 30, 2015 $**	Nine Months Ended September 30, 2014 $
Opening net derivative financial instrument	**4,205**	2,838	**3,282**	1,706
Loss (gain) recognized in net earnings	**3,438**	(40)	**3,274**	(9)
Loss (gain) recognized in other comprehensive income (loss) – net of tax	**175**	(82)	**976**	738
Tax on loss (gain) recognized in other comprehensive income (loss)	**62**	(28)	**348**	253
Ending net derivative financial instrument	**7,880**	2,688	**7,880**	2,688

These accumulated losses will be continuously released to the consolidated statement of net earnings within interest on short-term, long-term debt and selling, general and administrative expenses until full repayment of the underlying debt.

18. Share appreciation right plans

In 2014, the Company introduced a share appreciation rights ("SAR") plan as a component of overall compensation of directors, officers and employees. These SARs vest after a three year period, are exercisable for two years thereafter and will be settled in cash. During the vesting period, the SARs are revalued at each reporting period using the Black-Scholes option pricing model. The Company recognizes a liability to the extent that the fair value of the SARs has been earned by the holder, with the coinciding expense being recognized within selling, general and administrative expense.

In the three and nine month periods ended September 30, 2015, the Company granted Nil and 673,000 SARs, respectively, with an exercise price of $8.82 (September 30, 2014 – Nil and Nil, respectively). As at September 30, 2015, 1,157,000 SARs were outstanding (December 31, 2014 – 550,000, September 30, 2014 – Nil). As at September 30, 2015, the Company recognized a liability of $36 (December 31, 2014 - $18, September 30, 2014 - $Nil). For the three and nine months ended September 30, 2015, the SARs (recovery) expense recognized was ($92) and $18 respectively (2014 - $Nil and $Nil, respectively).

19. Segmented Reporting

During the first quarter of 2015, the Company changed the name of its construction segment to the industrial segment to better reflect the segment's product offerings.

The Company has two reportable operating segments, the agriculture segment and the industrial 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 the distribution of assets deployed in the segment.

The agriculture segment primarily includes sales of agricultural equipment, parts and services and the industrial segment includes sales of industrial 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 industrial related results are included in the agriculture segment for the purposes of segmented financial reporting. See Note 13 for total agriculture and industrial equipment sales for the three and nine months ended September 30, 2015 and 2014.

Balance Sheet Information:

September 30, 2015	**Agriculture** **$**	**Industrial** **$**	**Total** **$**
Inventory	**435,751**	**53,939**	**489,690**
Intangible assets	**712**	**-**	**712**
Goodwill	**18,910**	**-**	**18,910**
Other assets	**100,816**	**20,544**	**121,360**
Total assets	**556,189**	**74,483**	**630,672**

December 31, 2014	Agriculture $	Industrial $	Total $
Inventory	480,320	45,683	526,003
Goodwill	14,692	-	14,692
Other assets	83,525	19,596	103,121
Total assets	578,537	65,279	643,816

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine month periods ended September 30, 2015 and 2014
In thousands of Canadian dollars except per share and per option amount (unaudited)

September 30, 2014	Agriculture $	Industrial $	Total $
Inventory	486,394	49,190	535,584
Goodwill	14,692	-	14,692
Other assets	76,162	13,019	89,181
Total assets	577,248	62,209	639,457

Segmented Statement of Net Earnings:

For the three months ended September 30,

	2015			2014		
	Agriculture **$**	**Industrial** **$**	**Total** **$**	Agriculture $	Industrial $	Total $
Sales						
New equipment	**71,591**	**8,841**	**80,432**	72,503	9,334	81,837
Used equipment	**124,481**	**1,053**	**125,534**	101,914	440	102,354
Parts	**34,298**	**3,620**	**37,918**	31,503	4,065	35,568
Service	**9,397**	**1,314**	**10,711**	8,668	1,373	10,041
Other	**1,086**	**305**	**1,391**	846	149	995
	240,853	**15,133**	**255,986**	215,434	15,361	230,795
Cost of Sales	**204,051**	**11,893**	**215,944**	179,651	12,029	191,680
Gross profit	**36,802**	**3,240**	**40,042**	35,783	3,332	39,115
Selling, general and administrative	**26,606**	**3,728**	**30,334**	23,745	3,420	27,165
Interest on short-term debt	**3,075**	**201**	**3,276**	2,681	222	2,903
Interest on long-term debt	**450**	**69**	**519**	502	56	558
Earnings (loss) before income taxes	**6,671**	**(758)**	**5,913**	8,855	(366)	8,489
Income taxes	**1,761**	**(200)**	**1,561**	2,374	(89)	2,285
Net earnings (loss)	**4,910**	**(558)**	**4,352**	6,481	(277)	6,204

For the nine months ended September 30,

	2015			2014		
	Agriculture $	**Industrial $**	**Total $**	Agriculture $	Industrial $	Total $
Sales						
New equipment	**265,617**	**21,956**	**287,573**	300,692	38,500	339,192
Used equipment	**281,260**	**3,546**	**284,806**	221,973	1,753	223,726
Parts	**76,518**	**10,377**	**86,895**	69,728	10,574	80,302
Service	**23,321**	**3,830**	**27,151**	21,434	4,061	25,495
Other	**2,947**	**497**	**3,444**	2,114	486	2,600
	649,663	**40,206**	**689,869**	615,941	55,374	671,315
Cost of Sales	**553,784**	**31,642**	**585,426**	519,766	45,396	565,162
Gross profit	**95,879**	**8,564**	**104,443**	96,175	9,978	106,153
Selling, general and administrative	**73,663**	**10,664**	**84,327**	67,866	10,342	78,208
Interest on short-term debt	**8,813**	**622**	**9,435**	7,618	909	8,527
Interest on long-term debt	**1,377**	**182**	**1,559**	1,490	168	1,658
Earnings (loss) before income taxes	**12,026**	**(2,904)**	**9,122**	19,201	(1,441)	17,760
Income taxes	**3,176**	**(767)**	**2,409**	5,466	(410)	5,056
Net earnings (loss)	**8,850**	**(2,137)**	**6,713**	13,735	(1,031)	12,704