ROCKY MOUNTAIN DEALERSHIPS INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2014

This Management Discussion and Analysis (“MD&A”) was prepared as of May 6, 2014 and is provided to assist readers in understanding Rocky Mountain Dealerships Inc.’s financial performance for the three months ended March 31, 2014. It should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2014 and the audited consolidated financial statements for the years ended December 31, 2013, and 2012 together with the notes thereto and the auditor’s report thereon. The results reported herein have been derived from consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and are presented in Canadian dollars.

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

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

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

COMPANY OVERVIEW

Headquartered in Calgary, Alberta, Rocky is one of Western Canada’s largest equipment dealers with a network of 38 full-service agriculture and/or construction equipment stores across the Canadian Prairie Provinces. Our network currently includes 25 branches in Alberta, 9 in Manitoba and 4 in Saskatchewan, all operating under the name Rocky Mountain Equipment.

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

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

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

SUMMARY OF FINANCIAL RESULTS FOR THE QUARTER ENDED MARCH 31, 2014

- Inventory decreased over March 31, 2013 by $46.9 million to $516.4 million.
- Total revenues declined by 4.0% to $198.2 million.
- Product support revenues increased by 15.3% to $22.5 million.
- Gross profit declined by 10.0% to $29.2 million (14.8% of sales).
- Diluted earnings per share of $0.03.
- EBITDA(1) of $3.2 million.
- Successfully executed on previously announced strategy to dispose of rock trucks.

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

MARKET FUNDAMENTALS AND OUTLOOK

Agriculture Market

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

2013 was another year of exceptional crop yields across the Canadian Prairies. The resulting increase in supply of harvested crops has caused commodity prices to recede from the all-time highs experienced in recent years; however, they continue to remain above historical levels, due in part to the recent drought affecting winter wheat in the US.

A shortage of rail cars to haul grain combined with the aforementioned bumper crop and softening in commodity prices has resulted in elevated levels of crop inventory and a resultant delay in the receipt of cash by farmers as we entered 2014. The federal government has recently mandated a minimum level of rail cars to carry grain to port. Although this carry-over will contribute to 2014 farm income, incomes are expected to decline slightly as a result of these delays.

These challenges notwithstanding, Canadian farmers continue to enjoy exceptionally strong balance sheets and early forecasts for the 2014 growing season appear optimistic.

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

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

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

Construction Market

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

The stimulus spending throughout the past several years in response to the economic recession has given way in recent quarters to deficit reduction measures which have reduced, and are expected to continue to reduce the number of civil, institutional and government projects. Although not directly exposed to fluctuations in capital spending in the mining sector, expected decreases may also have a correlative impact on demand for certain of our product lines.

Construction equipment dealers in Alberta continue to work through elevated inventory levels. This excess supply has created a highly competitive sales environment which has, and is expected to continue to, put pressure on margins. In anticipation of these developments, we have spent the past several quarters adjusting our inventory profile and levels, which we continue to monitor.

In December 2013, Terex Corporation announced that it had reached an agreement to sell its truck business to Volvo Construction Equipment. The truck business includes off-highway rigid and articulated haul trucks. Part of the valuation of any piece of equipment is based on the support the dealer representative can provide and, without certainty of that support, the value is diminished.

In response to these developments, the Company impaired its Terex truck inventory in the fourth quarter of 2013 and disposed of 39 of the 43 units we had on hand during the first quarter of 2014. The remaining four units are being retained to ensure that we are able to continue to support our existing customers.

In recent quarters, we have experienced challenges in our ability to deliver new construction units into the marketplace. These challenges notwithstanding, we are committed to succeeding in the construction market and management has installed new leadership and committed additional resources to restore our construction results.

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

Overall

In response to new air emission standards recently enacted by Environment Canada, as well as other international counterparts, equipment manufacturers have been required to incorporate Tier 4 engines into their equipment in order to comply with the new regulations. The adoption of Tier 4 engines has significantly increased the manufacturing costs and related selling prices of these units. The disparity in pricing between tiers can result in a competitive advantage or disadvantage in the marketplace, depending on the overall inventory profiles in the area as compared to individual dealers' profiles. To date, this disparity has been more prevalent on construction equipment which has constrained our construction sales over the past several quarters. Orders placed that are expected to land in the second quarter of 2014 include certain Tier 3 products that should help to address the pricing differential. Legislative compliance with Tier 4 regulations will ultimately remove these disparities as the industry progresses through the transition period.

The valuation of equipment in the North American market is dictated in US dollars. The recent weakening of the Canadian dollar relative to the US dollar is expected to contribute to pricing pressure on new equipment inventory purchased in US dollars. This increase in pricing should be somewhat offset by price advantages on inventory acquired when the currencies approximated parity.

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

Rocky's success and growth, while predicated on the larger economic conditions and factors discussed above, is also affected by our ability to be a partner of choice for equipment purchasers.

Our underlying business fundamentals remain strong. We have exclusive distribution rights, with significant barriers to entry, for some of the world's leading equipment brands. 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 QUARTERLY FINANCIAL INFORMATION

For the quarter ended March 31, $ thousands, except per share amounts	2014		2013	
Sales				
New equipment	**124,269**	**62.7%**	115,075	55.7%
Used equipment	**50,751**	**25.6%**	71,305	34.5%
Parts	**15,518**	**7.8%**	13,299	6.4%
Service	**6,976**	**3.5%**	6,211	3.0%
Other	**652**	**0.4%**	616	0.4%
	198,166	**100.0%**	206,506	100.0%
Cost of sales	**168,934**	**85.2%**	174,015	84.3%
Gross profit	**29,232**	**14.8%**	32,491	15.7%
Selling, general and administrative	**25,058**	**12.6%**	25,501	12.3%
Interest on short-term debt	**2,677**	**1.4%**	2,606	1.3%
Interest on long-term debt	**532**	**0.3%**	614	0.3%
Earnings before income taxes	**965**	**0.5%**	3,770	1.8%
Provision for income taxes	**361**	**0.2%**	932	0.4%
Net earnings	**604**	**0.3%**	2,838	1.4%
Earnings per share				
Basic	**0.03**		0.15	
Diluted	**0.03**		0.15	
Dividends per share	**0.1000**		0.0675	
Non-IFRS Measures(1)				
EBITDA	**3,221**	**1.6%**	6,001	2.9%
Operating SG&A	**23,334**	**11.8%**	23,884	11.6%
Floor Plan Neutral Operating Cash Flow	**(41,667)**	**(21.0%)**	(49,057)	(23.8%)

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

Segmented Financial Reporting

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

For the quarter ended March 31, $ thousands	2014			2013		
	Agriculture	**Construction**	**Total**	Agriculture	Construction	Total
Sales						
New equipment	**107,885**	**16,384**	**124,269**	108,124	6,951	115,075
Used equipment	**50,449**	**302**	**50,751**	70,543	762	71,305
Parts	**12,555**	**2,963**	**15,518**	10,312	2,987	13,299
Service	**5,655**	**1,321**	**6,976**	4,660	1,551	6,211
Other	**497**	**155**	**652**	517	99	616
	177,041	**21,125**	**198,166**	194,156	12,350	206,506
Gross profit	**26,343**	**2,889**	**29,232**	29,639	2,852	32,491
Gross margin	**14.9%**	**13.7%**	**14.8%**	15.3%	23.1%	15.7%
Net earnings (loss)	**1,157**	**(553)**	**604**	4,286	(1,448)	2,838

Revenue and Gross Profit

The Company uses the terms “acquired” versus “same store” in assessing its sales results. Each acquired store has an average historical level of sales generated prior to being acquired by Rocky. When the Company discusses “acquired” sales, it is referring to the average historical sales level realized by each acquired store prior to acquisition. This base level of sales continues to be classified as acquired until such time as the acquired store has been included in our dealership for a complete calendar year after which point, all sales are classified as same store. For the quarter ended March 31, 2014, all acquired sales growth pertains to the agriculture segment of the Company.

Agriculture Segment

For the quarter ended March 31, $ thousands			Change		
	2014	2013	Total	Acquired	Same Store
Sales					
New equipment	**107,885**	108,124	(239)	517	(756)
Used equipment	**50,449**	70,543	(20,094)	259	(20,353)
Parts	**12,555**	10,312	2,243	169	2,074
Service	**5,655**	4,660	995	26	969
Other	**497**	517	(20)	3	(23)
	177,041	194,156	(17,115)	974	(18,089)
Gross profit	**26,343**	29,639	(3,296)		
Gross margin	**14.9%**	15.3%	(0.4%)		

For the quarter ended March 31, 2014, total sales for the agriculture segment were $177.0 million representing a decrease of $17.1 million or 8.8% over the same period in 2013. Acquired stores contributed $1.0 million for the quarter, and were offset by an $18.1 million contraction in same store sales.

Equipment sales for the quarter ended March 31, 2014 decreased by $20.3 million or 11.4% over the same period in 2013. The majority of the decrease is attributable to a reduction in used equipment sales. A cold winter, late spring and delays in converting last year’s crop into cash all negatively impacted used equipment sales during the quarter. Generally, used equipment sales are more susceptible to changes in these short-term factors than new due to the prevalence of presale arrangements related to new units. As a result, new equipment sales were relatively flat quarter-over-quarter.

Parts sales for the quarter ended March 31, 2014 increased by $2.2 million or 21.8%. Acquired parts sales contributed $0.2 million of this increase. Service sales for the quarter increased $1.0 million due primarily to same store sales growth. In the quarter, our winter service programs experienced solid uptake as more of our customers were approached with, and accepted, a preventative maintenance service offering. This incremental product support work was the primary driver of the increased product support revenues during the quarter. Parts sales were further bolstered by the improved penetration of certain product lines.

The reduction in equipment sales activity has also resulted in fewer trades taken in which has provided our service departments with additional capacity, driving our billable service work up from a year ago.

Gross profit for the quarter ended March 31, 2014 decreased by $3.3 million or 11.1% over 2013. The decrease in gross profit is due in part to decreased used equipment sales activity during the quarter. As a percentage of sales, gross profit declined by 0.4% to 14.9%.

A decline in new equipment sales in the trailing quarters caused the Company to decrease its estimate of annual market share for the purposes of accruing manufacturer incentives. During the first quarter of 2014, the Company’s sales mix also shifted away from incentive-eligible equipment. The combination of these two factors resulted in a $2.0 million decline in manufacturer incentive recognized in the first quarter of 2014 as compared to the same period last year.

Construction Segment

For the quarter ended March 31, $ thousands	2014	2013	Change
Sales			
New equipment	**16,384**	6,951	9,433
Used equipment	**302**	762	(460)
Parts	**2,963**	2,987	(24)
Service	**1,321**	1,551	(230)
Other	**155**	99	56
	21,125	12,350	8,775
Gross profit	**2,889**	2,852	37
Gross margin	**13.7%**	23.1%	(9.4%)

For the quarter ended March 31, 2014, total sales for the construction segment were $21.1 million representing an increase of $8.8 million or 71.1% over the same period in 2013. The increase in sales is primarily attributable to increased new equipment sales.

Equipment sales for the quarter ended March 31, 2014 increased by $9.0 million or 116.3% over the same period in 2013. The increase in equipment sales is primarily related to the disposition of substantially all of the Company's Terex trucks during the quarter for proceeds of $7.0 million. The remainder of the increase is largely the result of additional new equipment sales over the same period in 2013 due to improved market penetration.

Parts sales for the quarter ended March 31, 2014 were relatively flat versus the first quarter of last year at $3.0 million. Service sales declined by $0.2 million or 14.8%. In early 2013, we closed our Fort McMurray store. Historically, this location produced solid top line revenues and margins, however, costs associated with operating in the Fort McMurray environment rendered the location unprofitable. While the closure of this facility negatively affected overall construction sales, the impact was disproportionately weighted towards service sales in the first quarter of 2014, accounting for substantially all of the decrease.

Despite the increase in revenues, gross profit for the quarter ended March 31, 2014 remained relatively flat at $2.9 million compared to 2013. As a percentage of sales, gross profit declined by 9.4% to 13.7%. The decline in margin percentage is primarily attributable to the disposition of the Terex trucks at low margins as well as a shift in overall sales mix. Excluding the impact of the Terex truck disposition, gross margin for the first quarter of 2014 was 18.6%.

Product Support Revenues

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

Parts activity for the quarter ended March 31,

$ thousands	2014	2013
Total parts activity	**18,522**	16,416
Internal parts activity eliminated	**(3,004)**	(3,117)
Reported parts revenues	**15,518**	13,299

Service activity for the quarter ended March 31,

$ thousands	2014	2013
Total service activity	**12,072**	13,083
Internal service activity eliminated	**(5,096)**	(6,872)
Reported service revenues	**6,976**	6,211

Selling, General and Administrative

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

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

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

For the quarter ended March 31, 2014, Operating SG&A was $23.3 million compared to $23.9 million in 2013. The decrease in Operating SG&A pertains in part to $0.8 million of gains realized on the disposition of fixed assets. During the quarter, the Company assessed the trucking services it provides to customers and determined that the provision of these services is better suited to external providers. As such, the Company divested itself of its trucking assets which accounted for the majority of the gain on the disposition of fixed assets.

Operating SG&A as a percentage of sales for the first quarter of 2014 was 11.8%, up from 11.6% in 2013. 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 quarter of a fiscal year.

Depreciation included in SG&A amounted to $1.7 million for the quarter ended March 31, 2014, up from $1.6 million in 2013.

Interest

The majority of the Company's short-term interest expense is attributable to the floor plan financing associated with our new and used equipment inventory. Interest on long-term debt pertains primarily to the Company's Debenture Repayment, Acquisition and Fleet Facilities. During the quarter ended March 31, 2014, overall interest expense was relatively flat as compared to the same period in 2013.

Net Earnings

For the quarter ended March 31, 2014, we generated net earnings of $0.6 million, down $2.2 million from 2013. The decrease in net earnings is primarily attributable to decreased sales activity and manufacturer incentives as discussed above.

On a per share basis, the Company's diluted earnings per share was $0.03, down from $0.15 in 2013.

SUMMARY OF QUARTERLY RESULTS

$ thousands, except per share amounts

	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Sales									
New equipment	**124,269**	179,359	97,554	131,534	115,075	195,813	109,636	131,155	112,432
Used equipment	**50,751**	84,925	130,826	71,805	71,305	79,709	96,653	63,110	58,004
Parts	**15,518**	18,099	34,534	26,667	13,299	16,369	31,377	23,067	13,840
Service	**6,976**	7,403	8,497	7,310	6,211	7,933	8,465	7,421	6,640
Other	**652**	795	1,158	790	616	956	1,403	988	1,135
	198,166	290,581	272,569	238,106	206,506	300,780	247,534	225,741	192,051
Cost of sales	**168,934**	257,329	233,846	202,166	174,015	254,913	207,836	191,515	164,331
Gross profit	**29,232**	33,252	38,723	35,940	32,491	45,867	39,698	34,226	27,720
SG&A	**25,058**	27,249	26,827	25,873	25,501	26,060	25,181	24,386	22,084
Loss on repurchase of Debentures	**-**	-	-	-	-	-	-	4,232	-
Interest and taxes	**3,570**	3,937	5,981	5,573	4,152	8,037	6,066	4,013	3,477
Net earnings	**604**	2,066	5,915	4,494	2,838	11,770	8,451	1,595	2,159
EPS – basic	**0.03**	0.11	0.31	0.23	0.15	0.63	0.45	0.09	0.12
EPS – diluted	**0.03**	0.11	0.31	0.23	0.15	0.62	0.45	0.08	0.11

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

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

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

BALANCE SHEET SUMMARY

$ thousands	**March 31, 2014**	December 31, 2013
Assets		
Inventory	**516,416**	482,824
Other current assets	**57,719**	74,520
Property and equipment	**29,880**	30,860
Deferred tax asset	**939**	-
Goodwill	**14,692**	14,692
Total assets	**619,646**	602,896
Liabilities and equity		
Floor plan payable	**365,326**	342,364
Other current liabilities	**56,425**	56,607
Long-term debt	**39,112**	41,681
Obligations under finance leases	**347**	541
Deferred tax liability	**-**	2,576
Derivative financial instruments	**2,626**	1,706
	463,836	445,475
Shareholders' equity	**155,810**	157,421
Total liabilities and equity	**619,646**	602,896

Current assets at March 31, 2014 consist primarily of new and used equipment inventory of approximately $222.6 million and $252.2 million, respectively (December 31, 2013 – $214.7 million and $230.4 million, respectively). The Company's new and used equipment inventory is comprised predominantly of agriculture equipment. The Company has a diverse customer base for its agriculture equipment and strives to carry an appropriate mix of both new and used equipment to best serve its customers. Typically, our agriculture customers trade-in their used equipment when purchasing new equipment. Construction equipment, by contrast, is generally utilized from sale to the end of its useful life by one owner. Trades of used construction equipment are less common and as such, the Company carries less used construction equipment relative to new.

Throughout the past several quarters, the Company implemented a number of sales initiatives to reduce its equipment inventory from the all-time high reached in the first quarter of 2013. Through a combination of rationalizing new equipment purchases and sales initiatives aimed at moving equipment, we have reduced our overall inventory level by $46.9 million since this time last year. During the first quarter of 2014, inventory increased due to expected seasonal deliveries and trades taken on new equipment sales which have yet to be resold.

Current liabilities consist predominantly of floor plan payable for financed inventory of approximately $365.3 million as at March 31, 2014, up from $342.4 million at December 31, 2013. The increase in floor plan payable corresponds with the seasonal increase in equipment inventory carried by the Company. As a percentage of equipment inventory, floor plan payable is consistent with December 31, 2013 at 76.9%.

LIQUIDITY AND CAPITAL RESOURCES

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

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

Working Capital Requirements

Through credit and financing facilities, the Company is required to maintain minimum working capital requirements. The definitions and calculations for minimum working capital requirements vary between lenders. As at March 31, 2014, the Company was in compliance with all working capital requirements and other financial covenants (including liquidity and financial leverage ratios) as defined by its various lenders.

Summary of Cash Flows

Cash flows for the quarter ended March 31, can be summarized as follows:

$ thousands	**2014**	2013
Net earnings	**604**	2,838
Effect of non-cash items in net earnings and changes in working capital	**(19,309)**	(7,855)
Cash flows from operating activities	**(18,705)**	(5,017)
Cash flows from financing activities	**(4,718)**	(1,882)
Cash flows from investing activities	**88**	(6,050)
Net decrease in cash and cash equivalents	**(23,335)**	(12,949)
Cash and cash equivalents, beginning of period	**34,722**	34,177
Cash and cash equivalents, end of period	**11,387**	21,228
Floor Plan Neutral Operating Cash Flow(1)	**(41,667)**	(49,057)

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

Cash Flows from Operating Activities

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

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

For the quarter ended March 31, 2014, we utilized Floor Plan Neutral Operating Cash Flow of $41.7 million as compared to $49.1 million in 2013. The change in Floor Plan Neutral Operating Cash Flow is largely the result of an increase in cash generated from inventory due to reduced inventory purchases quarter-over quarter, offset by a decrease in cash flows associated with the collection of accounts receivable.

For the quarter ended March 31, 2014, the Company utilized $18.7 million in cash flow from operating activities, $13.7 million more than was utilized in the same period of 2013. The increase is primarily attributable to decreases in cash flows associated with the collection of accounts receivable as well as net earnings, offset by reduced equipment inventory purchases, net of applicable floor plan financing.

Cash Flows from Financing Activities

Cash flows from financing activities during the first quarters of 2014 and 2013 pertained primarily to scheduled debt and dividend payments, offset by proceeds received from the issuance of common shares pursuant to the exercise of stock options.

For the quarter ended March 31, 2014, we utilized $4.7 million for financing activities compared to $1.9 million in 2013. The increase in net cash utilized for financing activities during the quarter pertains to a reduction in cash inflows associated with the exercise of stock options.

Cash Flows from Investing Activities

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

For the quarter ended March 31, 2014, we generated $0.1 million from investing activities compared to a utilization of $6.1 million in 2013. The change in cash flows from investing activities is primarily the result of cash consideration paid in settlement of the acquisition of Murray's Farm Supply in February of 2013.

ADEQUACY OF CAPITAL RESOURCES

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

Finance Facilities

The Company has a credit facility with a syndicate of lenders (the "Syndicated Facility"). The Syndicated Facility is 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 US base rate plus 1.0% – 2.5% or based on the banker's acceptance ("BA") rate plus 2.0% – 3.5%. The Company pays standby fees of between 0.5% and 0.8% 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. The Syndicated Facility matures on June 1, 2016. It is however the Company's intention to renew this facility prior to its maturity date.

The Syndicated Facility consists of:

- The "Operating Facility" – which may be utilized to advance up to the lesser of 50% of eligible inventory plus 75% of eligible accounts receivable or $30.0 million and may be used to finance general corporate operating requirements.
- The "Flooring Facility" – which may be used to finance up to 75% of the value of eligible equipment inventory. Draws against the Flooring Facility are repayable over a term of 24 months however; they become due in full upon the sale of the associated equipment.
- The "Acquisition Facility" – which may be used to finance up to 60% of the cost of future acquisitions with tranches

repayable in monthly installments over an amortization period of 60 months.

- The “Fleet Facility” – which may be used to finance the Company’s fleet of vehicles with draws repayable in monthly installments over an amortization period of 36-60 months.
- The “Debenture Repayment Facility” – which was used to finance the repurchase of the Debentures. This facility is repayable with quarterly installments of $0.9 million plus interest with the remaining principal to be paid out on September 30, 2017.

Including the Syndicated Flooring Facility, we have total floor plan facilities of approximately $588.1 million (inclusive of seasonal increases) from various lending institutions for the purpose of financing inventory. Our equipment inventory is financed by way of floor plan financing, which is made available to Rocky by the equipment manufacturers’ captive finance companies or divisions (such as CNH Capital), as well as by banks and specialty lenders.

In addition to our available cash balance of $11.4 million as at March 31, 2014, we have approximately $272.9 million available on our various credit facilities.

$ millions	Facility limit	Amount drawn	Available
Operating Facility	30.0	-	**30.0**
Acquisition Facility	30.0	15.9	**14.1**
Fleet Facility	10.0	4.0	**6.0**
Debenture Repayment Facility	28.9	28.9	**-**
Various floor plan facilities			
OEM floor plan facilities	250.0	82.8	**167.2**
Syndicated Flooring Facility	100.0	96.6	**3.4**
Other floor plan facilities	238.1	185.9	**52.2**
	687.0	414.1	**272.9**

Interest Rate Swaps

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

The interest rate swap related to the Acquisition Facility amortizes with principal payments on the debt until May 27, 2016. At March 31, 2014, the notional amount of the swap was $7.1 million (December 31, 2013 – $7.9 million). The interest rate swaps related to the Flooring Facility are non-amortizing with $25.0 million maturing on August 31, 2018 and $35.0 million maturing on September 30, 2020. The aggregate notional amount outstanding at March 31, 2014 was $60.0 million (December 31, 2013 – $60.0 million). The interest rate swap on the Debenture Repayment Facility amortizes with principal repayments on the debt until April 27, 2017. At March 31, 2014, the notional amount of the swap was $28.9 million (December 31, 2013 – $29.8 million).

The Hedged Facilities each bear interest at a floating rate based on the prevailing one-month BA rate plus 2.0% – 3.5%. The Swaps hedge our exposure to fluctuations in the BA rate. At March 31, 2014 the effective rates on the hedged portions of the Acquisition, Flooring and Debenture Repayment Facilities were 3.5%, 4.7% and 4.1%, respectively (December 31, 2013 – 3.7%, 5.0% and 4.3%, respectively). We have designated these instruments as hedges and have accounted for them using hedge accounting in our consolidated financial statements.

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

Dividends

On May 6, 2014, the Board of Directors (the “Board”) of Rocky approved an increase in Rocky’s annual dividend to $0.46 per common share. In conjunction with that increase, Rocky’s Board also declared a dividend today of $0.115 per

common share on its outstanding common shares. The common share dividend is payable on June 30, 2014, to shareholders of record at the close of business on May 30, 2014.

SHARE CAPITAL – OUTSTANDING SHARES

Thousands	**March 31, 2014**	March 31, 2013
Opening balance	**19,313**	18,993
Shares issued upon exercise of stock options	**2**	221
Closing balance	**19,315**	19,214

As at May 6, 2014, there were 19,315,253 shares outstanding.

The options outstanding at March 31, 2014 are as follows (expressed in thousands except per option and average life amounts):

Grant date	Options outstanding (thousands)	Options exercisable (thousands)	Weighted average exercise price ($)	Weighted average contractual life (years)
December 29, 2009	61	61	9.22	0.7
March 11, 2011	38	38	10.39	1.9
August 11, 2011	150	87	8.71	2.4
March 28, 2012	266	176	11.96	3.0
March 13, 2013	400	133	12.89	4.0
March 13, 2014	432	-	11.52	5.0
	1,347	495	11.56	3.7

As at May 6, 2014, there were 1,344,000 options outstanding.

CONTRACTUAL OBLIGATIONS

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

Other significant contractual obligations outstanding as at March 31, 2014 include long-term debt consisting predominantly of the Debenture Repayment, Acquisition and Fleet Facilities and operating lease commitments which relate primarily to the Company's facilities. Lease terms are between one and eleven years and most building leases contain five-year renewal options.

The Company assesses its liquidity based on the expected period in which cash flows will occur. The following table summarizes the Company's expected undiscounted cash flows as at March 31, 2014 assuming the Syndicated Facility is renewed prior to maturity on June 1, 2016. The analysis is based on foreign exchange rates and interest rates in effect at the consolidated balance sheet date, and includes both principal and interest cash flows.

$ thousands	**Total**	Remainder of 2014	2015-2016	2017-2018	Thereafter
Trade payables, accruals and other	**41,141**	41,141	-	-	-
Floor plan payable	**379,453**	94,863	284,590	-	-
Long-term debt	**53,221**	9,184	20,347	23,656	34
Obligations under finance leases	**1,348**	787	561	-	-
Operating lease obligations	**37,824**	6,468	13,817	8,752	8,787
Derivative financial instruments	**2,815**	889	1,662	258	6
Total contractual obligations	**515,802**	153,332	320,977	32,666	8,827

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 March 31, 2014 would be $42.9 million in 2015-2016 and $Nil thereafter.

RELATED PARTY TRANSACTIONS

During the quarter ended March 31, the Company entered into the following transactions with related parties:

$ thousands	**2014**	2013
Flight costs	**75**	39
Other expenses	**13**	64
Rental payments on Company facilities	**1,352**	1,341
Equipment sales	**2,435**	39
Equipment purchases	**740**	75

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:

$ thousands	**March 31, 2014**	December 31, 2013
Due from related parties	**1,704**	141
Due to related parties	**(57)**	(39)

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

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 five-year renewal options. We have paid monthly amounts under these operating leases ranging from $0.1 thousand to $64.2 thousand. The current operating leases expire between April 2014 and July 2023.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed consolidated interim financial statements requires that certain estimates and judgments be made with respect to the reported amounts of sales and expenses and the carrying amounts of assets and liabilities. These estimates are based on historical experience and management's judgment. Anticipating future events involves uncertainty and consequently, the estimates used by management in the preparation of the condensed consolidated interim financial statements may change as future events unfold, additional information is acquired or the Company's operating environment changes. Management considers the following to be the most significant of these estimates:

Allowance for Doubtful Accounts

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

Net Realizable Value of Inventory

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

Manufacturer Incentives

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

Derivative Financial Instruments

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

KEY FINANCIAL STATEMENT COMPONENTS

Equipment Sales

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

Parts Sales

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

Service Revenue

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

Other Revenue

Other revenue consists of commission revenue from finance and insurance, recognized when the finance contract is signed; revenue from rentals, recognized on the first day of each month specified in the rental contract on a straight-line basis over the term of the contract; and lease revenue, recognized on a straight-line basis over the term of the lease independent of the timing of the payments received. Prepayment of any lease is initially set up as a deposit, and is reduced on a monthly basis at a rate reflective of the lease contract.

Cost of Sales

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

Selling, General and Administrative Expenses

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

Interest Expense

Short-term interest includes the aggregate expense for interest under the current floor plan financing programs associated with financing equipment inventory through numerous creditors, and existing credit facilities. Short-term interest also

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

RISKS AND UNCERTAINTIES

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

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

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

RISKS RELATED TO FINANCIAL INSTRUMENTS

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

Credit Risk

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

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

During the three months ended March 31, 2014, the Company's allowance for doubtful accounts remained consistent at $1.3 million (2013 – decreased by $0.2 million). Changes in the carrying amount of the allowance for doubtful accounts, including write-offs, are recognized in selling, general and administrative expenses.

Market Risk

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

Foreign Currency Exchange Risk

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

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

Included in selling, general and administrative expenses are losses recognized due to foreign currency translation for transactions and balances aggregating $0.2 million for the three months ended March 31, 2014 (2013 - $32 thousand).

Interest Rate Risk

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

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

The ineffective portion of the mark to market revaluation amounted to a loss of $0.1 million for the three months ended March 31, 2014 (2013 – gain of $23 thousand), and was recognized in net earnings. Losses recognized in accumulated other comprehensive loss within equity for the three months ended March 31, 2014 were $0.6 million net of income tax of $0.2 million (2013 – $0.1 million, net of income tax of $19 thousand). These accumulated losses will be continuously released to the consolidated statement of net earnings within interest on short- and long-term debt until full repayment of the underlying debt.

Liquidity Risk

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

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

NON-IFRS MEASURES

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

- "**EBITDA**" is a commonly used metric in the dealership industry. EBITDA is calculated by adding interest on long-term debt, income taxes and depreciation to net earnings. Adding back non-operating expenses allows management to consistently compare periods by removing changes in tax rates, long-term assets and financing costs related to the Company's capital structure.
- **"Operating SG&A"** is calculated by adding back depreciation of property and equipment and any non-recurring charges recognized in SG&A during the period to SG&A. Management deems non-recurring charges to be unusual and/or infrequent charges that the Company incurs outside of its common day-to-day operations. Adding back these items allows management to assess discretionary expenses from ongoing operations. Management has changed the calculation of Operating SG&A from previous disclosures by no longer considering the ineffective portion of derivative financial instruments or acquisition transaction costs to be non-recurring charges. For the periods presented, these costs are insignificant in amount and recurring in nature. For the quarters ended March 31, 2014 and 2013, no non-recurring charges have been identified. We target a sub-10% Operating SG&A as a percentage of total sales on an annual basis.
- **"Floor Plan Neutral Operating Cash Flow"** is calculated by eliminating the impact of the change in floor plan payable (excluding floor plan assumed pursuant to business combinations) from cash flows from operating activities. Adjusting cash flows from operating activities for changes in the balance of floor plan payable allows management to isolate and analyze operating cash generated during a period, prior to any sources or uses of cash associated with equipment financing decisions.

RECONCILIATION OF NON-IFRS MEASURES TO IFRS

EBITDA

For the quarter ended March 31, $ thousands	**2014**	2013
Net earnings	**604**	2,838
Interest on long-term debt	**532**	614
Depreciation expense	**1,724**	1,617
Income taxes	**361**	932
EBITDA	**3,221**	6,001

Operating SG&A

For the quarter ended March 31, $ thousands	**2014**	2013
SG&A	**25,058**	25,501
Depreciation expense	**(1,724)**	(1,617)
Operating SG&A	**23,334**	23,884

Floor Plan Neutral Operating Cash Flow

For the quarter ended March 31, $ thousands	**2014**	2013
Cash flows from operating activities	**(18,705)**	(5,017)
Net increase in floor plan payable	**(22,962)**	(46,829)
Floor plan assumed pursuant to business combinations	**-**	2,789
Floor Plan Neutral Operating Cash Flow	**(41,667)**	(49,057)

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 March 31, 2014, pursuant to the requirements of National Instrument 52-109, and have concluded that:

(i) The DC&P are effective to provide reasonable assurance that all material or potentially material information about activities of the Company are made known to them; and
(ii) Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Management has concluded that, as of March 31, 2014, the Company has sufficiently documented and tested the effectiveness of the ICFR for the Company and can conclude that these controls are working effectively. It should be noted that while the Company's management believes that the Company's ICFR and DC&P provide a reasonable level of assurance that they are effective, they do not expect these controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

CAUTION REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

In particular, FLS in this MD&A include, but are not limited to: (i) disclosure under the heading "Market Fundamentals and Outlook", (ii) continuing demand for Rocky's products and services, (iii) growth of Rocky's business and operations, (iv) comments that early forecasts for the 2014 growing season appear optimistic, (v) discussion that the recent mandates from the Canadian Federal Government regarding grain hauling in rail cars will contribute to 2014 farm income, (vi) the effect on customer buying patterns due to the Environment Canada new air emissions standards relating to Tier 4 engines and equipment, (vii) discussion on the fundamentals of Rocky's business, including discussion that GDP growth, population growth, increases in global food demand, bio-fuel production, and a decrease in crop land will require farmers to increase productivity, thereby maintaining or improving future equipment demand, (viii) orders of Tier 3 products should help address pricing differentials with competitors, (ix) legislative compliance with Tier 4 regulations will ultimately remove these disparities as the industry progresses through the transition period, (x) discussion regarding initiatives to restore our construction results, including statements dealing with the recovery of construction results or restoring them to prior levels, (xi) discussion that the impact of previously acquired dealerships and trade areas, coupled with our OEM relationships, position us well to pursue our longer-term revenue and earnings growth initiatives, (xii) we believe cash flow from operations, along with existing credit facilities, will provide for our capital needs, (xiii) discussion around SG&A expenses including the seasonal variances and expectations in operating SG&A, (xiv) discussion that our fourth quarter is generally our strongest quarter financially, and discussion that we expect our second and third quarter sales activity to increase as our installed base increases, and (xv) statements that as acquisitions are amalgamated into the business, the associated SG&A costs will generally decrease.

With respect to the FLS listed above and contained in this MD&A, Rocky has made assumptions regarding, among other things: (i) expectations for commodity prices will continue to remain above historical levels, (ii) increasing global food demand over the next 25 years in response to a growing world population and a decrease in arable land per capita, (iii) rising demand for agriculture commodities and insufficient investment in productive capacity and infrastructure, especially in developing countries, (iv) increasing food demand will cause producers to improve their productivity, and as a result

invest in new equipment, (v) increasing demand from China and India for grain and oilseed products, (vi) increasing crop land dedicated to bio-fuel production, (vii) general GDP growth and/or relative economic stability in the markets we operate in, (viii) the trend towards larger farms in the agriculture sector will continue to benefit further farm equipment sales, (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, and (xii) increasing our inventory of Tier 3 construction equipment will make our pricing more competitive with our peers, and the eventual transition to Tier 4 equipment across the industry will result in greater pricing parity.

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

Condensed Consolidated Interim Financial Statements and Notes

Three Month Periods Ended March 31, 2014 and 2013 (Unaudited)

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

		March 31, 2014 $	December 31, 2013 $
Assets			
Current			
Cash		**11,387**	34,722
Trade receivables and other		**40,866**	29,368
Inventory	**6**	**516,416**	482,824
Income taxes receivable		**1,225**	4,887
Prepaid expenses		**4,241**	5,543
		574,135	557,344
Non-current			
Property and equipment		**29,880**	30,860
Deferred tax asset	**10.2**	**939**	-
Goodwill		**14,692**	14,692
		45,511	45,552
		619,646	602,896
Liabilities			
Current			
Trade payables, accruals and other		**41,141**	41,107
Floor plan payable		**365,326**	342,364
Deferred revenue and advances		**3,857**	4,021
Current portion of long-term debt		**10,651**	10,656
Current portion of obligations under finance leases		**776**	823
		421,751	398,971
Non-current			
Long-term debt		**39,112**	41,681
Obligations under finance leases		**347**	541
Deferred tax liability	**10.2**	**-**	2,576
Derivative financial instruments	**12**	**2,626**	1,706
		42,085	46,504
		463,836	445,475
Shareholders' Equity			
Common shares		**86,737**	86,695
Contributed surplus		**4,965**	4,662
Accumulated other comprehensive loss		**(1,590)**	(962)
Retained earnings		**65,698**	67,026
		155,810	157,421
		619,646	602,896

APPROVED BY THE BOARD

"Signed" Dennis Hoffman
Dennis Hoffman, Director

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

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

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

		March 31, 2014 $	March 31, 2013 $
Sales			
New equipment		**124,269**	115,075
Used equipment		**50,751**	71,305
Parts		**15,518**	13,299
Service		**6,976**	6,211
Other		**652**	616
	8	**198,166**	206,506
Cost of sales		**168,934**	174,015
Gross profit		**29,232**	32,491
Selling, general and administrative	**9**	**25,058**	25,501
Interest on short-term debt		**2,677**	2,606
Interest on long-term debt		**532**	614
Earnings before income taxes		**965**	3,770
Income taxes			
Current		**3,661**	6,960
Deferred	**10.2**	**(3,300)**	(6,028)
	10.1	**361**	932
Net earnings		**604**	2,838
Earnings per share			
Basic		**0.03**	0.15
Diluted		**0.03**	0.15

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

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

		March 31, 2013 $	March 31, 2013 $
Net earnings		**604**	2,838
Other comprehensive loss:			
Items which will subsequently be reclassified to net earnings:			
Unrealized loss on derivative financial instruments, net of tax	**12**	**(628)**	(56)
Total other comprehensive loss for the period, net of tax		**(628)**	(56)
Comprehensive income (loss)		**(24)**	2,782

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

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

		Common shares					
		Number of shares	Amount $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings $	Total equity $
Balance, December 31, 2013		19,313	86,695	4,662	(962)	67,026	157,421
Shares issued upon exercise of stock options	**7**	2	42	(13)	-	-	29
Share-based payment expense	**9**	-	-	316	-	-	316
Net earnings		-	-	-	-	604	604
Other comprehensive loss	**12**	-	-	-	(628)	-	(628)
Dividends paid		-	-	-	-	(1,932)	(1,932)
Balance, March 31, 2014		19,315	86,737	4,965	(1,590)	65,698	155,810

		Common shares					
		Number of shares	Amount $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings $	Total equity $
Balance, December 31, 2012		18,993	81,947	4,435	(597)	58,776	144,561
Shares issued upon exercise of stock options	**7**	221	3,352	(860)	-	-	2,492
Share-based payment expense	**9**	-	-	354	-	-	354
Net earnings		-	-	-	-	2,838	2,838
Other comprehensive loss	**12**	-	-	-	(56)	-	(56)
Dividends paid		-	-	-	-	(1,287)	(1,287)
Balance, March 31, 2013		19,214	85,299	3,929	(653)	60,327	148,902

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

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

		March 31, 2014 $	March 31, 2013 $
Operating activities			
Net earnings		**604**	2,838
Adjustments for:			
Depreciation expense	**9**	**1,724**	1,617
Deferred tax recovery	**10.2**	**(3,300)**	(6,028)
Share-based payment expense	**9**	**316**	354
Non-cash impact of credit promissory note		**-**	1
Gain on disposal of property and equipment		**(832)**	(54)
Loss (gain) on derivative financial instruments	**12**	**77**	(23)
		(1,411)	(1,295)
Changes in non-cash working capital		**(17,294)**	(3,722)
		(18,705)	(5,017)
Financing activities			
Repayment of long-term debt		**(2,574)**	(2,868)
Net change in obligations under finance leases		**(241)**	(219)
Dividends paid		**(1,932)**	(1,287)
Proceeds from issuance of common shares	**7**	**29**	2,492
		(4,718)	(1,882)
Investing activities			
Purchase of property and equipment		**(1,694)**	(1,205)
Disposal of property and equipment		**1,782**	129
Purchase of equipment dealerships, net of cash acquired		**-**	(4,974)
		88	(6,050)
Net decrease in cash and cash equivalents		**(23,335)**	(12,949)
Cash and cash equivalents, beginning of year		**34,722**	34,177
Cash and cash equivalents, end of year		**11,387**	21,228
Taxes paid		**-**	3,542
Interest received		**-**	-
Interest paid		**3,209**	3,219

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

1. General information

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

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

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

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting' and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS. These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on May 6, 2014.

3. Summary of significant accounting policies

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

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

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

4. Key estimates and judgements

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

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

5. Seasonality

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

6. Inventory

	March 31, 2014 $	December 31, 2013 $
New equipment	**222,628**	214,677
Used equipment	**252,239**	230,412
Parts	**39,198**	35,095
Work-in-progress	**2,351**	2,640
	516,416	482,824

For the three months ended March 31, 2014, inventory recognized as an expense amounted to $166,091 (2013 – $170,307), which is included in cost of sales in the consolidated statement of net earnings. There were $Nil in write downs of inventory to net realizable value for the three months ended March 31, 2014, (2013 – $645) and there have been $Nil of reversals of previously recorded inventory write downs (2013 – $Nil) in the consolidated statements of net earnings. The Company's inventory has been pledged as security for its bank indebtedness, floor plan payable and long-term debt.

7. Stock options

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

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

The fair value of the options granted using the Black-Scholes option pricing model and assumptions used in their determination during the three months ended March 31 are as follows:

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

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

The reconciliation of options outstanding during the three months ended March 31 is as follows:

	2014		2013	
	Number of options (thousands)	**Weighted average exercise price $**	Number of options (thousands)	Weighted average exercise price $
January 1,	**945**	**11.61**	1,112	11.04
Granted	**432**	**11.52**	452	12.89
Exercised	**(2)**	**11.96**	(221)	11.28
Forfeited	**(28)**	**12.28**	(2)	11.96
Expired	**-**	**-**	(221)	12.40
March 31,	**1,347**	**11.56**	1,120	11.47

The weighted average share price at the date of exercise for the options exercised during the three months ended March 31, 2014 was 12.90 (2013 – $12.70).

Options outstanding at March 31, 2014 are summarized as follows:

Grant date	Options outstanding (thousands)	Options exercisable (thousands)	Weighted average exercise price ($)	Weighted average contractual life (years)
December 29, 2009	61	61	9.22	0.7
March 11, 2011	38	38	10.39	1.9
August 11, 2011	150	87	8.71	2.4
March 28, 2012	266	176	11.96	3.0
March 13, 2013	400	133	12.89	4.0
March 13, 2014	432	-	11.52	5.0
	1,347	495	11.56	3.7

8. Sales

The Company’s sales for the three months ended March 31 are comprised of:

	March 31, 2014 $	March 31, 2013 $
Agriculture equipment sales	**147,592**	172,093
Construction equipment sales	**27,428**	14,287
Parts sales	**15,518**	13,299
Sale of goods	**190,538**	199,679
Rendering of services	**7,628**	6,827
Total sales	**198,166**	206,506

9. Selling, general and administrative

The Company's selling, general and administration expenses for the three months ended March 31 are comprised of:

	March 31, 2014 $	March 31, 2013 $
Compensation and related expenses	**15,799**	16,363
Administrative expenses	**3,666**	3,232
Rent and other facility expenses	**3,553**	3,935
Depreciation expense	**1,724**	1,617
Share-based payment expense	**316**	354
Total selling, general and administrative expenses	**25,058**	25,501

Included in compensation and related expenses for the three months ended March 31, 2014 are variable sales commissions of $3,067 (2013 – $3,614). Included in administrative expenses are gains on sale of $832 on the disposal of vehicles that had a net book value of $950. Other costs included in administrative expenses are marketing, training, insurance, travel, professional fees and other miscellaneous expenses.

10. Income taxes

10.1 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:

	March 31, 2014 $	March 31, 2013 $
Earnings before income taxes	**965**	3,770
Computed tax at statutory tax rate of 25% (2013 – 25%)	**241**	943
Non-deductible expenses	**119**	169
Adjustment from prior year income tax expenses	**68**	(128)
Other	**(67)**	(52)
	361	932

10.2. Deferred tax liabilities (assets)

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Partnership deferral $	DSUs $	Interest rate swaps $	Total $
December 31, 2013	(329)	(171)	103	3,572	(164)	(435)	2,576
Recognized in net earnings	42	8	246	(3,572)	(6)	(18)	(3,300)
Recognized in equity	-	-	-	-	-	(215)	(215)
March 31, 2014	(287)	(163)	349	-	(170)	(668)	(939)

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Partnership deferral $	DSUs $	Interest rate swaps $	Total $
December 31, 2013	(571)	(85)	262	7,944	(143)	(365)	7,042
Acquired pursuant to business combinations	-	-	8	-	-	-	8
Recognized in net earnings	60	(111)	(32)	(5,922)	(30)	7	(6,028)
Recognized in equity	-	-	-	-	-	(19)	(19)
March 31, 2013	(511)	(196)	238	2,022	(173)	(377)	1,003

During the three months ended March 31, the Company dissolved the partnership, recognizing the entire partnership deferral into net earnings in the quarter. The Company also has an unrecognized deferred tax asset of $788 related to the capital loss on the repurchase of its convertible debentures.

11. Related party transactions

During the three months ended March 31, the Company entered into the following transactions with related parties:

	2014 $	2013 $
Flight costs	**75**	39
Other expenses	**13**	64
Rental payment on Company facilities	**1,352**	1,341
Equipment sales	**2,435**	39
Equipment purchases	**740**	75

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:

	March 31, 2014 $	December 31, 2013 $
Due from related parties	**1,704**	141
Due to related parties	**(57)**	(39)

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

12. Derivative financial instruments and hedges

The Company has long and short-term debt raised at floating interest rates and hedges a portion of this risk by using floating-to-fixed interest rate swaps. Under the interest rate swaps, the Company hedges interest rate risk by exchanging, at monthly intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The interest rate swaps hedge the Company's exposure to interest rate fluctuations on the Debenture Repayment Facility as well as portions of the Acquisition and Flooring Facilities. Interest rate swaps outstanding at March 31, 2014 mature between May 2016 and September 2020 (December 2013 – May 2016 and September 2020).

The combined notional principal amounts of interest rate swaps outstanding at March 31, 2014 was $95,974 (December 31, 2013 – $97,668). At March 31, 2014 the effective fixed interest rate on the underlying debt was 4.4% (December 31, 2013 – 4.7%) and the effective floating rate using the Bankers' Acceptance rate was 3.2% (December 31, 2013 – 3.5%).

Derivative financial instruments recognized as liabilities are as follows:

	March 31, 2014 $	December 31, 2013 $
Interest rate swaps	**2,626**	1,706

The ineffective portion of the mark to market revaluation amounted to a loss of $77 for the three months ended March 31, 2014 (2013 – gain of $23), and was recognized in net earnings. Losses recognized in accumulated other comprehensive loss within equity for the three months ended March 31, 2014 were $628 net of income tax of $215 (2013 – $56, net of income tax of $19). These accumulated losses will be continuously released to the consolidated statement of net earnings within interest on short- and long-term debt until full repayment of the underlying debt.

13. Segmented Reporting

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

The agriculture segment primarily includes sales of agricultural equipment, parts and services and the construction segment includes sales of construction equipment, parts and services. The Company's branches have been aggregated based on the primary industry which they serve. In the case where certain branches serve both industries, the primary industry served is agriculture and therefore, these facilities have been categorized as such. As a result, certain construction related results are included in the agriculture segment for the purposes of segmented financial reporting shown below. See note 8 for total construction equipment sales for the three months ended March 31, 2014 and 2013.

For the three months ended, March 31, 2014	Agriculture $	Construction $	**Total** **$**
Sales			
New equipment	107,885	16,384	**124,269**
Used equipment	50,449	302	**50,751**
Parts	12,555	2,963	**15,518**
Service	5,655	1,321	**6,976**
Other	497	155	**652**
	177,041	21,125	**198,166**
Cost of sales	150,698	18,236	**168,934**
Gross profit	26,343	2,889	**29,232**
Selling, general and administrative	21,766	3,292	**25,058**
Interest on short-term debt	2,252	425	**2,677**
Interest on long-term debt	477	55	**532**
Earnings (loss) before income taxes	1,848	(883)	**965**
Income taxes	691	(330)	**361**
Net earnings (loss)	1,157	(553)	**604**

For the three months ended, March 31, 2013	Agriculture $	Construction $	**Total** **$**
Sales			
New equipment	108,124	6,951	**115,075**
Used equipment	70,543	762	**71,305**
Parts	10,312	2,987	**13,299**
Service	4,660	1,551	**6,211**
Other	517	99	**616**
	194,156	12,350	**206,506**
Cost of sales	164,517	9,498	**174,015**
Gross profit	29,639	2,852	**32,491**
Selling, general and administrative	21,334	4,167	**25,501**
Interest on short-term debt	2,087	519	**2,606**
Interest on long-term debt	524	90	**614**
Earnings (loss) before income taxes	5,694	(1,924)	**3,770**
Income taxes	1,408	(476)	**932**
Net earnings (loss)	4,286	(1,448)	**2,838**

Selected Balance Sheet Information:

March 31, 2014	Agriculture $	Construction $	**Total** **$**
Inventory	471,232	45,184	**516,416**
Goodwill	14,692	-	**14,692**
Other assets	71,080	17,458	**88,538**
Total assets	557,004	62,642	**619,646**

December 31, 2013	Agriculture $	Construction $	**Total** **$**
Inventory	428,532	54,292	**482,824**
Goodwill	14,692	-	**14,692**
Other assets	93,679	11,701	**105,380**
Total assets	536,903	65,993	**602,896**