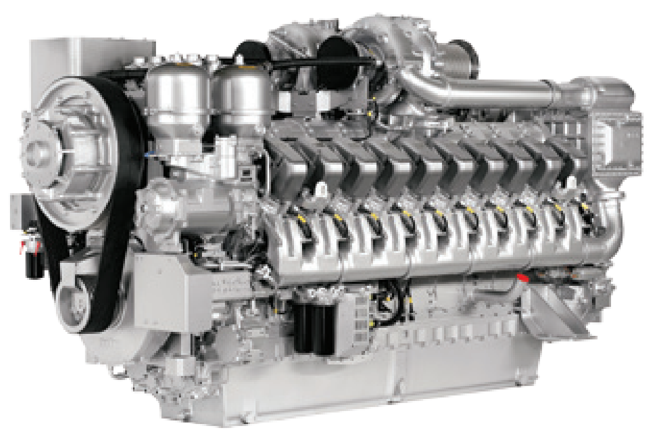
COLLECTIVE STRENGTH

2012 Annual Report



WAJAX Corporation

Wajax is a leading Canadian distributor engaged in the sale and service support of mobile equipment, power systems and industrial components. Reflecting a diversified exposure to the Canadian economy, Wajax has three distinct business divisions, which operate through a network of 128 branches across Canada.

Wajax's customer base covers core sectors of the Canadian economy – including mining, oil and gas, forestry, construction, manufacturing, industrial processing, transportation and utilities.

Contents

Forward-Looking Statements and Information

This Annual Report, including the accompanying Management's Discussion and Analysis, includes forward-looking statements and information that is based on Wajax's current beliefs, expectations, estimates and assumptions in light of information currently available. Actual results, performance and achievements may differ materially from those anticipated or implied in such forward-looking statements or information. Please see page 12 for a discussion of the risks and uncertainties related to such statements and information.

Financial Highlights

Revenue Source Distribution

53%

Equipment

The largest multi-line distributor of mobile equipment in Canada.

- Ontario **17%**
- Eastern Canada **21%**
- Western Canada **62%**

23%

Power Systems

One of the largest distributors of diesel engines and transmissions in Canada.

- Ontario **22%**
- Eastern Canada **24%**
- Western Canada **54%**

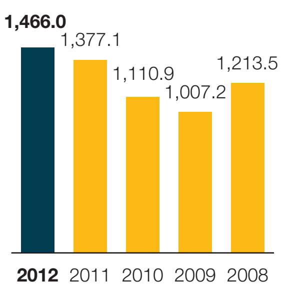
24%

Industrial Components

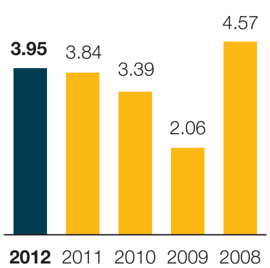
Leading distributor of industrial products in Canada.

- Ontario **19%**
- Eastern Canada **46%**
- Western Canada **35%**

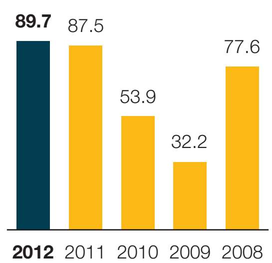
Revenue[2] ($ millions)



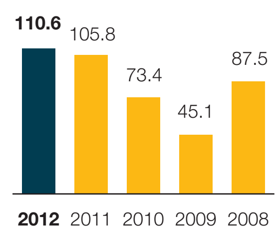
Basic Earnings Per Share[1][2] ($)



Earnings Before Income Taxes[1][2] ($ millions)



Cash Flows from Operating Activities Before Changes in Non-Cash Operating Working Capital[2] ($ millions)



For the years ended December 31 (in millions of Canadian dollars, except per share data)	**2012**	2011	2010[1]
Revenue	**$ 1,466.0**	$ 1,377.1	$ 1,110.9
Earnings before income taxes	**89.7**	87.5	53.9
Net earnings	**65.9**	63.8	56.4
Cash flows from operating activities before changes in non-cash operating working capital	**110.6**	105.8	73.4
Current assets net of current liabilities, exclusive of funded net debt[3]	**243.9**	165.0	118.3
Funded net debt[3]	**173.7**	63.7	45.6
Shareholders' equity	**241.9**	227.6	199.3
Basic earnings per share	**3.95**	3.84	3.39
Cash dividends declared	**3.10**	2.14	3.40
Leverage ratio[4]	**1.55**	0.60	0.66
Weighted average number of shares outstanding	**16,699,874**	16,629,444	16,613,676

(1) For years prior to 2011, Wajax was an income fund and effectively not subject to income tax.
(2) Years 2009 and 2008 reported under previous Canadian GAAP.
(3) Funded net debt includes bank debt, bank indebtedness and obligations under finance leases, net of cash.
(4) Non-IFRS measure, see Management's Discussion and Analysis, page 27.

Our Lines of Business

Wajax has three distinct divisions, which operate through a network of 128 branches across Canada.

Wajax is a multi-line distributor and each of our divisions represents a number of leading worldwide manufacturers.

Our customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

2012 Sales by Region

Western Canada	54%
Eastern Canada	27%
Ontario	19%

2012 Sales by Market

Construction	17%
Industrial/Commercial	14%
Mining	12%
Oil Sands	11%
Oil and Gas	10%
Forestry	10%
Transportation	9%
Government and Utilities	6%
Metal Processing	5%
Other	6%

Equipment

- The largest multi-line distributor of mobile equipment in Canada.
- 35 branches.
- 999 employees.
- 53% of total revenue and 54% of total earnings before finance costs, taxes and corporate costs.

BUSINESS

Distribution, rental, modification and servicing of mobile equipment from leading manufacturers.

PRODUCTS

Excavators, lift trucks, mining trucks and shovels, forest harvesting equipment, utility equipment, loader backhoes, container handlers, cranes (including crawler and rough terrain cranes), skid steer loaders, wheel loaders, articulated dump trucks, shuttle cars and continuous miners.

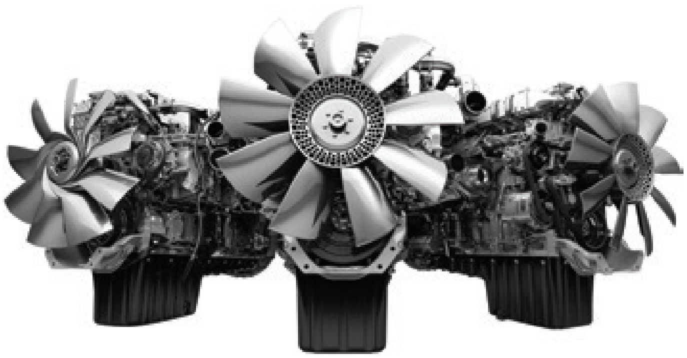
MARKETS

Construction, material handling, forestry, mining, government, oil and gas, utilities and manufacturing.

2012 Revenue by Product Type

Construction	35%
Mining/Oil Sands	30%
Material Handling	16%
Forestry	12%
Crane and Utility	7%

Power Systems



- One of the largest distributors of diesel engines and transmissions in Canada.
- 28 branches.
- 964 employees.
- 23% of total revenue and 25% of total earnings before finance costs, taxes and corporate costs.

BUSINESS

Distribution, rental and servicing of engines, transmissions and generators for on-highway, off-highway and electric power generation applications.

PRODUCTS

Diesel and natural gas engines, transmissions and power generators.

MARKETS

Agriculture, military, construction, mining, forestry, oil and gas, industrial/commercial, transportation, utilities, marine.

2012 Revenue by Market

Industrial Components

- A leading distributor of industrial products in Canada.
- 65 branches.
- 845 employees.
- 24% of total revenue and 21% of total earnings before finance costs, taxes and corporate costs.

BUSINESS

Distribution, servicing, custom design and assembly of industrial components for in-plant customers and original equipment manufacturers.

PRODUCTS

Bearings, power transmission parts, hydraulic components and systems, process pumps and equipment, motors, cylinders, hoses and fittings, hoists, filters and safety supplies.

MARKETS

Agriculture, metal processing, construction, mining, food processing, oil and gas, forestry, resellers/distributors, transportation, industrial/manufacturing.

2012 Revenue by Market

Message to Our Shareholders

Mark Foote
President and
Chief Executive Officer

Our 2012 Annual Report is entitled *Collective Strength*. The title reinforces the 2011 direction to use the common Wajax brand across each of our businesses – Equipment, Power Systems and Industrial Components.

Brand transitions can start with changing the signs. However, the real work to align our organization behind a common brand is in front of us. We are excited about the leverage to improve customer service, the environment we create for our team and the value we provide to our shareholders. Collective strength starts with our leadership team and we have adjusted the format of this year's report to allow our senior management group to provide individual updates to shareholders.

Wajax had a record year in 2012. Consolidated revenue increased 6% and our net earnings increased 3% to $65.9 million over a very strong 2011. Our annual dividend increased 45% to $3.10 per share.

Our Equipment business had a record year in sales and segment net earnings, up 14% and 12% respectively. Sales were strong in construction, forestry, material handling and mining. For a portion of the year, mining results benefitted from the sale and support of LeTourneau products which, due to manufacturer consolidation, we ceased distributing part way through 2012. The Equipment team continues to develop and execute strategies to offset the negative sales and earnings impact of the loss of the LeTourneau business. Our thanks and congratulations go to the Equipment team for the very strong performance they achieved in 2012.

Offsetting the positive results in Equipment was a difficult year in Power Systems, where tough market conditions facing western Canadian oil and gas customers were a major factor in a sales decline of 4% and a segment net earnings decline of 21%. Sales increases in power generation of 10% and on-highway of 16% (helped by a full year of operations from the 2011 acquisition of Harper Power Products) were not sufficient to offset the decline of 21% in the oil and gas dominated off-highway sector. We remain committed to our strategy to nationally integrate and to grow the Power Systems business. Our on-highway volume can be maintained, we have significant opportunities in power generation and we are well positioned to grow off-highway sales as market conditions improve.

Sales growth in our Industrial Components business was 4% and segment net earnings declined 4%. Sales trends weakened as the year progressed and our performance was also negatively affected by the reduction of oil and gas related volumes in the fourth quarter. We continue to invest in Industrial Components to build management and sales capabilities and to improve technology. Despite the temporary weakness, we are pleased with our improving competitive position. Two acquisitions were completed including the December purchase of Kaman Canada. While small from an immediate revenue standpoint, these acquisitions play an important role in the continuing transition of Industrial Components to higher-value services and improved regional strength.

Our priorities are to drive growth within each of our businesses, capture value across them and to continue to improve the environment for our team.

The strategic planning process conducted in 2012 with our Board of Directors demonstrated significant organic growth potential in each of our businesses. While acquisitions have and will continue to be an important part of our plan, we believe the majority of our growth will be organic.

The initiatives to drive growth are shown in the individual divisional updates within this report. "Base Business" initiatives are organic growth objectives that are achieved within the normal scope, resources and markets of each division. "New Opportunity" initiatives are (primarily) organic growth opportunities that we see as significant, requiring more effort, planning and resources to achieve. The progress of each of the initiatives is monitored quarterly by the Board of Directors.

We have stress tested the growth that we expect from these initiatives against our current dividend objective of paying a minimum of 75% of current year expected earnings. We believe that sufficient financial resources are available to execute the plan without requiring a change to our approach to dividends.

We are ramping-up the effort to capture opportunities that result from a common Wajax brand for our businesses.

We are engaged in projects to improve growth, customer support and drive new efficiencies. These projects include an evaluation of our branch network, marketing and customer communications, sales force management and joint sales planning, coordinated outlooks in product and market trends, and information systems. These projects set important context for our future.

We expect the environment in 2013 will be challenging.

The combined effect of continuing weakness in the oil and gas market, delays in mining investment decisions and the loss of the LeTourneau distribution rights will create challenges for our growth in 2013. Quoting activity for mining remains very active in both Equipment and Power Systems. However, we do not expect meaningful improvement in the oil and gas market during 2013. As a result, we anticipate a weaker first half of the year relative to 2012. Achieving full year earnings that are comparable to 2012 will depend on reasonable end market recovery in the second half of 2013.

The environment we create for our team of 2,833 technicians, sales professionals, engineers and support staff is our highest priority and a key factor in our growth.

We welcome Katie Hunter as our Senior Vice President of Human Resources. Katie brings a wealth of industry and human resources experience. Our first national employee opinion survey achieved a 78% response rate and demonstrated significant organizational pride. Our team has a very strong belief in the quality of our customer service, the products we sell and the relationship we have with our major vendors.

Our focus in human resources is on the development of our recruiting and on-boarding processes, employee communications, leadership development and most importantly, the continued strengthening of our health and safety programs.

We are responsible to ensure each member of our team goes home safely at the end of every day. Health and safety practices continued to improve in 2012 as demonstrated by a drop in our lost time injuries to 4 from the 7 we experienced in 2011. Our health and safety practices will further improve in 2013 with the introduction of revised audit processes based on best practices and new monitoring systems for on-time problem rectification when a health and safety issue is detected. Accidents can happen in our business and when they do, we are strongly reminded of the importance of ensuring that the safety of our team is our most significant responsibility.

In my first year as CEO of Wajax, my reasons for joining the company have been strongly reinforced.

Our company has an ingrained culture of creating value for shareholders. There is nothing fancy about us. We measure ourselves based on our relationship with our customers and vendor partners, the growth of our company and on the environment we create for our team.

I would like to thank the many team members, vendors, customers and the Board of Directors for the assistance they have provided me this year. It is a great privilege to be part of Wajax and I look forward to working with the team to drive the growth opportunities we so clearly have.

Mark Foote
President and Chief Executive Officer

Messages from Our Executive Team

John Hamilton
Senior Vice President,
Finance and
Chief Financial Officer

I have had the privilege of being the Chief Financial Officer of Wajax for the last fourteen years. Over that time we have established a corporate culture that maintains an organizational focus on growing earnings, maximizing cash flow and generating acceptable returns on invested capital.

One of the ways we reinforce this is through our annual bonus program for senior management. This program establishes annual shareholder value creation targets for Wajax and each division based on the amount that actual earnings exceed a cost of capital charge on net operating assets employed. As a result, this program rewards prudent management of the balance sheet as well as the maximization of earnings. We also continually monitor returns on invested capital for product lines distributed, new capital spending and acquisitions.

Our results speak for themselves. I am proud to say that our average annual after-tax return on invested capital for Wajax over the last five years has approached 17%.

Maintaining our culture of cash flow maximization is crucial given our objective of paying dividends of at least 75% of earnings. This level of dividend payout retains more of our earnings in the corporation than during the five and a half years prior to 2011 when we were an income fund and distributed 100% of earnings to unitholders.

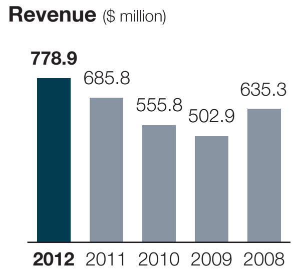
With this high dividend payout ratio, we have adopted what we consider to be a prudent leverage ratio of debt-to-EBITDA. Our objective is to maintain this ratio between 1.5 times and 2.0 times. However, since this range is relatively narrow, in certain circumstances we are prepared to operate with a ratio somewhat below or higher than this range.

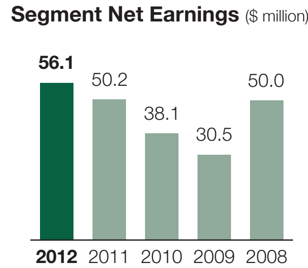
In 2012, we used $39.1 million of cash in operating activities. The biggest reason for this was a $114.3 million use of cash for increased working capital. The vast majority of this working capital change occurred in the Equipment division where we made significant investments in stocking mining and construction equipment in order to better penetrate those markets. We are confident that these investments will generate the desired returns going forward.

During 2012, we increased the borrowing limit of our bank credit facility to $300 million. With $139.3 million of unused bank debt capacity at year-end we believe we have ample room to fund our growth capital requirements.

Lastly, an area of key focus in 2013 will be to continue to refine the corporation's measurement systems. While each division currently utilizes a comprehensive set of metrics to monitor their operating performance, we intend on broadening those used to better understand the progress we are making. As well, we intend on developing additional metrics to more clearly gauge our progress with customers, vendors and employees.

Brian Dyck
Senior Vice President,
Equipment





We are very pleased with our 2012 results. Sales grew 14% and segment net earnings increased 12%, reaching a record $56.1 million. We achieved growth in all product categories, most significantly in construction, mining, forestry and material handling.

Our focus in 2012 was to continue to build market share in our construction and material handling businesses, to expand our mining presence and improve our aftermarket performance:

- Our equipment sales in construction and material handling grew 22% and 19%, respectively. We essentially maintained our share of large construction excavators in a very competitive market and gained share in material handling, achieving our market share target.
- We continued to expand our mining presence by improving our capabilities and delivering five hydraulic shovels in eastern Canada. We are also well positioned to enter the large rigid frame truck market with our first six Hitachi EH4000 240 ton trucks now in stock, and being actively quoted to customers.
- Our aftermarket sales, excluding the discontinued LeTourneau business, increased a strong 8%.

We also made significant progress with the development of our Rotating Products group in Fort McMurray, setting a strong foundation for our 2013 plans for this business.

In 2013, we expect the construction, oil sands and mining markets to be challenging and very competitive. Nevertheless, we have a full set of growth initiatives and we are well positioned to maintain our position in the short term and grow the business as the markets strengthen.

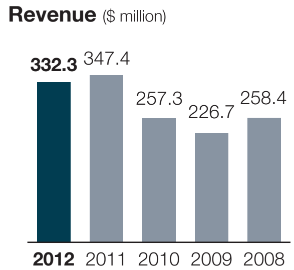
OUR BASE BUSINESS GROWTH INITIATIVES:

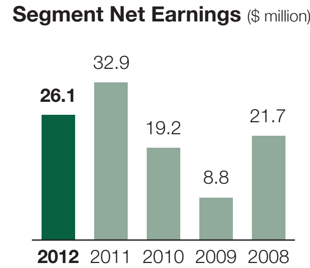
- Our market share targets in construction and material handling will be supported by improved measurements for our sales force and additional investments in training. Our product range in the construction equipment market has been improved through the addition of the Bell articulated dump truck line that we secured late in 2012. With product now arriving, we are excited about the growth potential for new equipment sales and additional parts and service revenue resulting from the estimated Canadian installed base of 300 units.
- In mining, our key objective is the successful introduction of the Hitachi rigid frame trucks. Our participation in the mining truck business is very important to the long run growth of the company. We are maintaining our requisite inventory investments in mining equipment to ensure product is there when the opportunities arise.
- Our parts and service operation will receive additional support with the implementation of new training programs, technology, and enhanced operational and profitability measurement systems.

OUR NEW OPPORTUNITY IS TO ESTABLISH ROTATING PRODUCTS AS A GROWTH PLATFORM:

- With our focus primarily on our oil sands customers and the estimated $1.8 billion pump and field labour market in Fort McMurray, we are building the team, capabilities, vendor and customer relationships to offer an array of mining services with a primary focus on slurry pump systems and selected maintenance services. We believe that being successful in the oil sands is the right first step prior to expansion of this new business to other mining markets in Canada.

Richard Plain
Senior Vice President,
Power Systems





2012 was a difficult year with revenue and segment net earnings declining 4% and 21%, respectively, with softness in western Canada oil and gas activity negatively impacting results. However, we are energized about our future opportunities and are establishing the building blocks for sustained growth going forward.

In light of difficulties in the oil and gas sector, our concentration in 2012 was to set the stage for growth, primarily in the Electric Power Generation (EPG) sector.

- In September, we officially opened our new EPG integration facility in Drummondville, Quebec. This 65,000 square foot facility will provide additional genset engineering and assembly capability supporting Power Systems on a national basis.
- We continued to build a world-class EPG organization by adding important new members with large project experience to our team. In addition, we continued to expand our rental fleet of skid and trailer mounted power units in western and eastern Canada, broadening our coverage of the resource and industrial sectors.
- We also took meaningful steps to further integrate our western, central and eastern Canada business units. We standardized our sales, parts and service processes and procedures, and have bolstered our sales infrastructure to better service the on-highway market across Canada.

In 2013, we expect some of our key markets, such as oil and gas and the oil sands, to continue to be challenging. However, our growth initiatives are designed to build on what we have accomplished in 2012 and lessen our dependence on the more cyclical oil and gas exploration sector.

OUR BASE BUSINESS GROWTH INITIATIVES ARE:

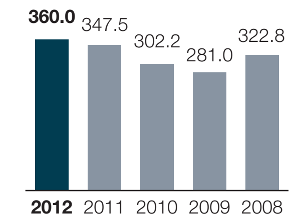
- We are intent on expanding our aftermarket capabilities by adding sales representatives in key markets and introducing repower programs for oil and gas fracturing trailers and mining haul trucks. We will also have the benefit of leveraging product technology advancements by our major suppliers to gain market share and focus on new market opportunities.
- Our on-highway business will be diversified into other higher value parts and service offerings by developing our relationship with an association of other North American distributors. We will also leverage our size and footprint to attract national fleet accounts.
- In 2013, we will begin a process of completing the integration of our regional business units by taking steps towards implementing a common computer system platform across all three regions.

OUR NEW OPPORTUNITY IS TO BUILD OUR EPG BUSINESS BY CREATING A WORLD-CLASS TEAM AND LEVERAGING OUR NATIONAL FOOTPRINT.

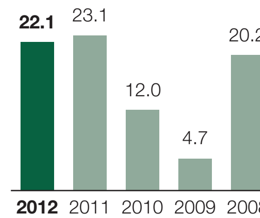
- The EPG market gives us exposure to high growth sectors such as mining and remote northern community development, but also to less cyclical sectors such as industrial and commercial markets. The new EPG group, supported by our new Generatrice Drummond facility will further develop our large project capabilities and continue to build on our success in the standby, prime diesel, rental and gas markets.

Adrian Trotman
Senior Vice President,
Industrial Components

Revenue ($ million)



Segment Net Earnings ($ million)



We began 2012 with solid momentum in customer demand in most of our end markets. As the year progressed, we began to see growing softness in key sectors, particularly mining and oil and gas. As a consequence, overall results were below expectations with revenue up 4% and segment net earnings declining 4%.

Still, our accomplishments related to improving our market position in 2012 were considerable.

- We significantly improved our position in the bearing and power transmission market in Canada. We had a very successful first year with our new Nisku, Alberta branch and on December 31 we added six new branches in British Columbia and one in southern Ontario with the acquisition of Kaman Canada.
- Initial steps toward building our Canada-wide hydraulic system design and repair center network were completed with the opening of a new Saskatoon facility and the acquisition of Ace Hydraulics in Bathurst, New Brunswick.
- We made excellent progress in laying the groundwork for further advancements in operational efficiencies in information technology, electronic commerce with our major vendors and inventory control.

We will continue to drive the implementation of our strategic initiatives despite our expectation that the oil and gas and mining markets will remain challenging in 2013.

OUR BASE BUSINESS GROWTH INITIATIVES ARE:

- We intend to complete the integration of the Kaman Canada branches and open additional bearing and power transmission parts branches in under-represented areas in Alberta, depending on market conditions. In addition, we will further develop our alliance with Kaman Industrial Technologies Corporation which will allow us to more competitively bid on North American contract business.
- Continuing to improve operational efficiencies related to inventory management, supply chain and e-commerce capabilities will remain a key focus. Inventory management and supply chain process improvements are expected to reduce product procurement, distribution and freight costs and improve inventory turnover. We will also complete the upgrade of our e-commerce capabilities to meet the evolving transactional needs of our customers and improve the efficiency of transactions with suppliers.

OUR NEW OPPORTUNITY IS RELATED TO GROWTH OF OUR ENGINEERING AND REPAIR SERVICES (ERS):

- Growing our ERS business involves leveraging our technical expertise, product knowledge and customer relationships. Engineering design and fabrication services will be expanded to offer customized solutions to customer's operational and technical challenges. Capabilities in key centers across the country will be expanded to provide customers with additional service offerings, including shop repair, field repair and reliability services. ERS complements our core hydraulic, process instrumentation, pumping, and bearing and power transmission business of distributing technical products and repair parts.

Message from the Chairman

Paul E. Gagné
Chairman of the Board

The year 2012 was eventful for Wajax, with record revenues and earnings before tax and the transition of the leadership of the company from Neil Manning to Mark Foote.

Neil retired after almost ten years in the position of President and Chief Executive Officer, leading Wajax through a very successful journey of transformation, higher efficiency, growth and solid shareholder returns. Mark succeeded Neil in March, bringing with him a wealth of management experience and a fresh perspective and outlook on our business. Mark has clearly spelled out his priorities for Wajax in his message to shareholders in this Annual Report and while the strategic direction of the Corporation has not fundamentally changed, the Board of Directors is confident that Mark has begun to effect the changes necessary to launch Wajax on its next leg of growth, higher performance and sustained shareholder returns. We look forward to working with Mark and his management team on the execution of Wajax's strategic initiatives and we are excited about the opportunities that lie ahead.

Two directors, Ms. Valerie Nielsen and Mr. Ivan Duvar, retired from the Board at the Annual Meeting in 2012. We had previously increased the size of the Board in anticipation of retirements and the Board is now composed of eight independent directors as well as Mark as President and Chief Executive Officer. In that context, we have again assessed and are confident that we have the necessary mix of skills and experience on the Board to provide the required oversight of the Corporation and its strategic direction.

We are very deliberate as a Board in maintaining a culture of transparency and accountability, and we are committed to strong corporate governance practices in the belief that such practices are critical to the effective operation of our business.

During 2012, we again strove to refine our governance as evidenced by the introduction of a say-on-pay advisory vote at the upcoming Annual Meeting. We are committed to further changes and improvements as the regulatory framework and governance practices evolve.

On behalf of the Board of Directors, I would like to thank our executive team and all Wajax employees for their hard work, dedication and commitment to the success of our organization. Thank you as well to our customers and vendors and I personally express my appreciation to my fellow directors for their contribution to Wajax in 2012.

Paul E. Gagné
Chairman of the Board

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") provides a review of the consolidated financial condition and results of operations of Wajax Corporation ("Wajax" or the "Corporation") for the year ended December 31, 2012. The following discussion should be read in conjunction with the Corporation's Consolidated Financial Statements and accompanying notes. Information contained in this MD&A is based on information available to management as of March 5, 2013.

Unless otherwise indicated, all financial information within this MD&A is in millions of Canadian dollars, except share and per share data. Additional information, including Wajax's Annual Report and Annual Information Form, are available on SEDAR at www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the Consolidated Financial Statements and accompanying notes, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. Wajax's Board of Directors has approved this MD&A and the Consolidated Financial Statements and accompanying notes. In addition, Wajax's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by Wajax, and has reviewed this MD&A and the Consolidated Financial Statements and accompanying notes.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Wajax's management, under the supervision of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR").

As at December 31, 2012, Wajax's management, under the supervision of its CEO and CFO, had designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is accumulated and communicated to Wajax's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

As at December 31, 2012, Wajax's management, under the supervision of its CEO and CFO, had designed internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework. With regard to general controls over information technology, management also used the set of practices of Control Objectives for Information and related Technology ("COBIT") created by the IT Governance Institute.

During the year, Wajax's management, under the supervision of its CEO and CFO, evaluated the effectiveness and operation of its DC&P and ICFR. This evaluation included a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud. The CEO and CFO have concluded that Wajax's DC&P and ICFR are effective as at December 31, 2012.

There was no change in Wajax's ICFR that occurred during the three months ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, Wajax's ICFR.

WAJAX CORPORATION OVERVIEW

Wajax's core distribution businesses are engaged in the sale and after-sale parts and service support of mobile equipment, power systems and industrial components through a network of 128 branches across Canada. Wajax is a multi-line distributor and represents a number of leading worldwide manufacturers in its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Wajax's strategy is to grow earnings in all segments through organic growth and tuck-under acquisitions while maintaining a dividend payout ratio of at least 75% of earnings. Planned organic growth includes "base business" initiatives that are achieved within the normal scope, resources and markets of each core business, while "new opportunity" initiatives are organic growth opportunities that we see as significant, requiring more effort, planning and resources to achieve. Wajax expects to ensure sufficient capital is available to meet its growth requirements within a conservative capital structure.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Report and MD&A contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, "forward-looking statements"). These forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "anticipates", "intends", "predicts", "expects", "is expected", "scheduled", "believes", "estimates", "projects" or "forecasts", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation's ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward-looking statements. There can be no assurance that any forward-looking statement will materialize. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this Annual Report and MD&A are made as of the date of this MD&A, reflect management's current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this Annual Report and MD&A includes forward-looking statements regarding, among other things, our plans for revenue and earnings growth, including planned marketing, strategic, operational and growth initiatives and their intended outcomes, our plans regarding the expansion of our businesses, our financing and capital requirements, our outlook for certain of our key end markets, some of the challenges we face in 2013, our outlook with respect to our financial results for the 2013 financial year, and our objective with respect to the future payment of dividends. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions, the supply and demand for, and the level and volatility of prices for, commodities, financial market conditions, including interest rates, the future financial performance of the Corporation, our costs, market competition, our ability to attract and retain skilled staff, our ability to procure quality products and inventory and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions, volatility in the supply and demand for, and the level of prices for, commodities, fluctuations in financial market conditions, including interest rates, the level of demand for, and prices of, the products and services we offer, market acceptance of the products we offer, termination of distribution or original equipment manufacturer agreements, unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters), our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. Further information concerning the risks and uncertainties associated with these forward-looking statements and the Corporation's business may be found in this MD&A under the heading "Risk Management and Uncertainties" and in our Annual Information Form for the year ended December 31, 2012, filed on SEDAR. The forward-looking statements contained in this Annual Report and MD&A are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

ANNUAL CONSOLIDATED RESULTS

Year ended December 31		**2012**		2011
Revenue	**$**	**1,466.0**	$	1,377.1
Gross profit	**$**	**301.8**	$	292.4
Selling and administrative expenses	**$**	**207.7**	$	200.3
Earnings from operating activities	**$**	**94.1**	$	92.1
Finance costs	**$**	**4.4**	$	4.6
Earnings before income taxes	**$**	**89.7**	$	87.5
Income tax expense	**$**	**23.8**	$	23.7
Net earnings	**$**	**65.9**	$	63.8
Basic earnings per share	**$**	**3.95**	$	3.84
Diluted earnings per share	**$**	**3.89**	$	3.77

Revenue by Geographic Region

2012

Western Canada	**54%**
Eastern Canada*	**27%**
Ontario	**19%**

2011

Western Canada	54%
Eastern Canada*	29%
Ontario	17%

* Includes Quebec and the Atlantic provinces.

Revenue by Segment

2012

Equipment	**53%**
Power Systems	**23%**
Industrial Components	**24%**

2011

Equipment	50%
Power Systems	25%
Industrial Components	25%

EBIT by Segment

2012

Equipment	**54%**
Power Systems	**25%**
Industrial Components	**21%**

2011

Equipment	47%
Power Systems	31%
Industrial Components	22%

Revenue by Market

2012

Construction	**17%**
Industrial/Commercial	**14%**
Mining	**12%**
Oil Sands	**11%**
Oil and Gas	**10%**
Forestry	**10%**
Transportation	**9%**
Government and Utilities	**6%**
Metal Processing	**5%**
Other	**6%**

2011

Construction	14%
Industrial/Commercial	16%
Mining	11%
Oil Sands	11%
Oil and Gas	13%
Forestry	9%
Transportation	9%
Government and Utilities	6%
Metal Processing	4%
Other	7%

In 2012, Wajax was positively impacted by strong construction markets across the country, particularly in western Canada, as demand for equipment sold by the Equipment segment increased by approximately 15% year-over-year. Oil and gas activity remained strong in the first half of 2012 with increased sales over 2011. Oil and gas sector activity in western Canada, however, declined in the second half of 2012 as deteriorating industry fundamentals in North America resulted in a decline in customer spending. This decline primarily affected the Power Systems and Industrial Components segments. Mining activity, including the oil sands market, was somewhat stronger compared to last year in all segments. Although quoting activity remained high at year-end, the Equipment segment saw a reduction in mining equipment backlog in the latter part of the year as customers began to take a more cautious approach in making commitments to buy equipment. In 2012, Wajax also benefited from stronger activity in the forestry and metal processing sectors compared to last year.

Revenue

Revenue in 2012 of $1,466.0 million increased 6%, or $88.9 million, from $1,377.1 million in 2011. Equipment segment revenue increased 14%, or $92.7 million, driven by stronger market demand for equipment, primarily in the construction and mining markets, and increased parts and service volumes in the western Canadian construction market. Power Systems' segment revenue decreased 4%, or $15.1 million, as lower volumes to off-highway oil and gas customers in western Canada, attributable to lower industry activity, more than offset increased power generation equipment sales and the additional four months of revenue from the former operations of Harper Power Products Inc. ("Harper") acquired on May 2, 2011. Segment revenue in Industrial Components increased 4%, or $12.5 million, due primarily to higher bearings and power transmission parts volumes in all regions and higher fluid power and process equipment product and service sales in eastern Canada.

Gross Profit

Gross profit increased $9.4 million, or 3%, in 2012 as the positive impact of higher volumes compared to last year was partially offset by the negative impact of lower gross profit margins. The gross profit margin percentage decrease to 20.6% from 21.2% last year was mainly attributable to the mix of equipment and parts and service sales compared to last year.

Selling and Administrative Expenses

Selling and administrative expenses increased $7.4 million in the year. This was due primarily to increased personnel and sales related costs and $3.5 million of additional expenses from the former Harper operation. These increases were partially offset by lower annual and mid-term incentive accruals. Selling and administrative expenses as a percentage of revenue decreased to 14.2% in 2012 from 14.5% in 2011.

Finance Costs

Finance costs of $4.4 million decreased $0.2 million compared to 2011. The cost of higher funded net debt levels outstanding during the year were more than offset by the Corporation's lower cost of borrowing compared to last year. Funded net debt includes bank debt, bank indebtedness and obligations under finance leases, net of cash. See Non-IFRS Measures section.

Income Tax Expense

The Corporation's effective income tax rate of 26.5% in 2012 decreased from 27.1% in 2011 as a result of the impact of reduced statutory income tax rates.

Net Earnings

Net earnings for the year ended December 31, 2012 increased $2.1 million to $65.9 million, or $3.95 per share, from $63.8 million, or $3.84 per share, in 2011. The positive impact of higher volumes and lower finance costs more than compensated for the lower gross profit margin percentage and increased selling and administrative expenses compared to last year.

Comprehensive Income

Comprehensive income of $65.4 million for the year ended December 31, 2012 included net earnings of $65.9 million, offset partially by an other comprehensive loss of $0.6 million. The other comprehensive loss was mainly attributable to actuarial losses on pension plans of $0.7 million.

Funded Net Debt

Funded net debt of $173.7 million at December 31, 2012 increased $110.0 million compared to December 31, 2011. Increases in non-cash operating working capital of $114.3 million resulted in negative cash flows from operating activities of $39.1 million in 2012. Other uses of cash included dividends paid of $50.6 million, investing activities of $16.0 million including $10.1 million used for acquisitions in the Industrial Components segment, finance lease payments of $2.6 million and debt facility amendment costs of $0.6 million. As a result, Wajax's year-end leverage ratio of 1.55 times increased from last year's ratio of 0.60 times. (This leverage ratio is calculated as funded net debt-to-EBITDA. As funded net debt and EBITDA do not have standardized meanings prescribed by IFRS, these financial measures may not be comparable to similar measures presented by other companies. See Non-IFRS Measures section.)

On May 24, 2012 and December 7, 2012, Wajax amended its bank credit facility to increase the limit of the facility by $50 million and $75 million respectively, on substantially the same terms and conditions as the existing facility. The fully secured facility of $300 million, due August 12, 2016, is now comprised of an $80 million non-revolving term portion and a $220 million revolving term portion.

Dividends

For the twelve months ended December 31, 2012 monthly dividends declared totaled $3.10 per share. For the twelve months ended December 31, 2011 monthly dividends declared totaled $2.14 per share.

Backlog

Consolidated backlog at December 31, 2012 of $184.1 million decreased $83.6 million, or 31%, from $267.7 million at December 31, 2011 on reductions in all segments. Backlog includes the total retail value of customer purchase orders for future delivery or commissioning. See the Annual Results of Operations section for further backlog detail by segment.

CEO

On March 5, 2012, Mark Foote assumed the role of President and CEO of Wajax, and was appointed a director effective March 6, 2012. Mark has extensive experience in distribution, supply chain management and logistics. Most recently, he served as the President and Chief Executive Officer of Zellers, and prior to that, was the President and Chief Merchandising

Officer at Loblaws Companies. Mark also had a career of more than 20 years at Canadian Tire Corporation, including five years as President, Canadian Tire Retail.

Senior Vice President, Human Resources

On September 4, 2012, Katie Hunter was appointed Senior Vice President, Human Resources of Wajax. Katie has held the position of Vice President, Human Resources at various companies in the manufacturing, mining and health care sectors and brings extensive experience in human resource management.

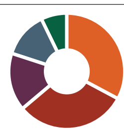
ANNUAL RESULTS OF OPERATIONS

Equipment

For the year ended December 31		2012		2011
Equipment*	**$**	**513.9**	$	428.0
Parts and service	**$**	**264.6**	$	257.8
Segment revenue	**$**	**778.5**	$	685.8
Segment earnings	**$**	**56.1**	$	50.2
Segment earnings margin		***7.2%***		*7.3%*

* Includes rental and other revenue.

Revenue by Product Type 2012 versus 2011

Market		2012		2011
Construction		**35%**		33%
Mining/Oil sands		**30%**		31%
Material Handling		**16%**		16%
Forestry		**12%**		13%
Crane and Utility		**7%**		7%

Revenue increased 14%, or $92.7 million, to $778.5 million in 2012 from $685.8 million in 2011. Segment earnings increased $5.9 million to $56.1 million in 2012 compared to $50.2 million in 2011. The following factors contributed to the improved results:

- Equipment revenue increased $85.9 million compared to last year. Specific year-over-year variances included the following:
  - Construction equipment revenue increased $39.4 million mainly as a result of market demand which drove higher sales of Hitachi excavators and JCB construction equipment, primarily in western Canada and Ontario. Sales of Wirtgen road building equipment in Ontario also contributed to the increase. These increases were offset partially by declines in eastern Canada due to competitive pressures.
  - Mining equipment sales increased $23.9 million due primarily to the delivery of three additional LeTourneau loaders. Excluding the LeTourneau product line, which was discontinued in the second quarter of 2012, mining sales increased $5.6 million on higher Hitachi and rotating equipment deliveries.
  - Forestry equipment revenues increased $9.1 million as strength in the lumber market led to higher market demand for Tigercat and forestry related Hitachi equipment.
  - Material handling equipment revenue increased $8.7 million as higher market demand and increased market share resulted in higher volumes in all regions.
  - Crane and utility equipment revenue increased $4.8 million attributable to higher crane sales in western and eastern Canada.
- Parts and service volumes increased $6.8 million compared to last year. Excluding the LeTourneau product line, parts and service volumes increased $17.9 million, or 8%, owing to higher mining and construction volumes in western Canada.
- Segment earnings increased $5.9 million to $56.1 million compared to last year. The positive impact of higher volumes outweighed the negative impact of a slightly lower gross profit margin and a $5.0 million increase in selling and administrative expenses. The lower gross profit margin resulted primarily from a higher proportion of equipment sales compared to last year. Selling and administrative expenses increased as higher personnel and sales related expenses and additional environmental remediation provisions more than offset lower bad debt expenses compared to last year.

Backlog of $82.2 million at December 31, 2012 decreased $64.4 million compared to December 31, 2011. Mining equipment backlog declined on a reduction of customer orders and the delivery of four LeTourneau loaders during the year. In addition, construction sector related backlog is lower as Wajax and manufacturers' inventory levels currently allow for timelier product shipments to customers.

Effective November 2, 2012, the Equipment segment became the exclusive Canadian distributor of Bell articulated dump trucks ("ADT's"). These trucks, manufactured by Bell Equipment Limited, are one of the world's leading truck lines for construction, quarry and medium duty resource applications and are sold in 80 countries. Wajax estimates the annual size of the Canadian ADT market to be at least 500 units, or $225 million. Wajax also estimates the existing Canadian installed base of trucks manufactured by Bell to be approximately 300 units, which is expected to yield an immediate parts and service opportunity. The geographic scope and capability of Equipment's Canada-wide distribution network were central factors in securing distribution rights to this world-class product line.

On October 17, 2011, Wajax announced it had reached an agreement with LeTourneau Technologies, Inc. ("LeTourneau") providing for the dealer agreement relating to Wajax's distribution of LeTourneau mining equipment and parts products in Canada to be discontinued effective April 27, 2012. LeTourneau revenue for the twelve months ended December 31, 2012 included equipment sales of $25.8 million and parts and service volumes of $12.5 million and contributed approximately $8.5 million to the Equipment segment's earnings.

Wajax Equipment's base business strategic initiatives are centered around a continued focus on increasing the market share of its existing key product lines, particularly construction and material handling equipment, and improving its aftermarket capabilities and contribution across all lines of business. The segment intends to grow its mining business by building on its leadership position in Hitachi mining shovels through expansion of its mining operations across Canada and the introduction of the extended Hitachi mining truck line. It will also grow its base business through selected product line extensions and tuck-under acquisitions. The segment's new market opportunity is to further develop its Rotating Product group's opportunities in the Canadian mining market.

During 2012, the segment strengthened its sales organization to better support its market share target objectives by restructuring sales staff in eastern Canada and Ontario and through the provision of management training and sales execution tools. Development of the Rotating Products group and expansion of the segment's mining operations infrastructure into eastern Canada and Ontario resulted in better than expected sales and provided greater visibility into future market opportunities. New product lines announced in 2012 included the Hitachi 240 ton mine truck and the Bell ADT.

The focus to further drive the segment's strategy will include the following specific initiatives:

- The segment will maintain its focus on increasing market share in key product lines through continued sales force effectiveness improvements including the development of in-house training programs and by providing tools to track sales lead generation, coverage and performance.
- Expansion of the segment's mining operations includes the continued development of the required infrastructure and organization to sell and service both above ground and underground mining products in central and eastern Canada. The segment is also actively marketing the 320 ton and new 240 ton Hitachi mine trucks across Canada and working with the manufacturer to clearly demonstrate the value proposition to customers including quality and cost effectiveness. In addition, the segment is working to introduce new underground and drilling product lines to provide customers with an expanded product and service offering in the future. Wajax has invested in mining equipment inventory, including shovels and trucks, to ensure product is available to execute this initiative.
- The capacity and quality of the service operation's delivery structure will be enhanced through a focus on operational effectiveness. This will include service management training and stronger benchmarking and key performance indicator ("KPI") measurements to identify and market more profitable business opportunities. The segment intends to implement bolt-on service management system technologies that will enhance the segment's productivity.
- The segment will actively market the Bell ADT product line through its Canada-wide distribution network by leveraging its current construction equipment market position. As well, Equipment intends to capitalize on the immediate parts and service opportunity of the existing installed base of trucks in Canada manufactured by Bell, which is estimated to be 300 units.
- The recently formed Rotating Products group in Fort McMurray is planned to be further developed to maximize the significant opportunities in the oil sands market. The main focus is on marketing high quality and cost effective slurry system products, parts and services through exclusive vendor relationships. The segment's secondary focus will include the provisioning of plant and field service labour and engineering expertise to support customer's plant maintenance and field service activities. While currently built around the oil sands market in Fort McMurray, this business represents future growth opportunities in other major mining market areas such as northern Ontario and Quebec.

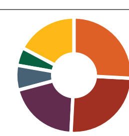
Power Systems

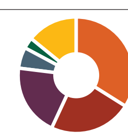
For the year ended December 31		2012		2011
Equipment*	$	**129.0**	$	160.8
Parts and service	$	**203.3**	$	186.6
Segment revenue	$	**332.3**	$	347.4
Segment earnings	$	**26.1**	$	32.9
Segment earnings margin		***7.9%***		*9.5%*

* Includes rental and other revenue.

Revenue by Market 2012 versus 2011

Market	2012	2011
Oil and Gas	**26%**	34%
On-highway Transportation	**25%**	23%
Industrial/ Commercial	**20%**	20%
Oil Sands	**7%**	6%
Mining	**5%**	3%
Other	**17%**	14%





Revenue decreased $15.1 million, or 4%, to $332.3 million in 2012 from $347.4 million in 2011. (Excluding revenue from the former Harper operation, Power Systems revenue decreased $27.8 million, or 9%, compared to last year.)

Segment earnings decreased $6.8 million to $26.1 million in 2012 from $32.9 million in 2011. The following factors impacted year-over-year revenue and earnings:

- Equipment revenue decreased $31.8 million. The majority of the decrease was caused by lower equipment volumes to off-highway oil and gas customers, as a result of reduced industry activity in western Canada. Lower power generation equipment volumes in eastern Canada and lower marine sector sales also contributed to the decline. These decreases were partially offset by increased power generation equipment sales in western Canada.

- Parts and service volumes increased $16.7 million compared to last year due mainly to an additional four months of revenue in 2012 from the former Harper operations acquired on May 2, 2011 and higher power generation parts and service volumes.

- Segment earnings decreased $6.8 million compared to last year due to the negative impact of lower volumes and a $3.2 million increase in selling and administrative expenses. Gross profit margins remained flat year-over-year. Selling and administrative expenses increased owing to $3.5 million of additional expenses attributable to the former Harper operation and higher personnel and sales related costs. These increases were offset by $2.7 million of lower annual incentive accruals.

Backlog of $60.4 million as of December 31, 2012 decreased $15.9 million compared to December 31, 2011 predominantly caused by lower oil and gas related off-highway orders in western Canada.

The segment's base business strategic initiatives are intended to expand its success in off-highway mechanical drive systems while maintaining the segment's position in the on-highway parts and service market. It will also complete the Canada-wide integration of its three operating units. The segment's new market opportunity is to establish Power Systems as one of Canada's leaders in commercial electrical power generation ("EPG"). Specifics of the initiatives going forward will include the following:

- The segment's off-highway business will expand its aftermarket capabilities by adding sales representatives in key markets and introducing re-power programs for oil and gas fracturing trailers and mining haul trucks. The segment will also leverage product technology advancements by its major suppliers to gain market share and focus on marine market opportunities.

- The segment's on-highway business will diversify into other "higher value" parts and service offerings by leveraging its size and footprint to attract National Fleet Accounts. It will also develop its relationship with "Wheel Time", the North American distributors' association, to gain purchasing efficiencies and access to "all makes" parts offerings.

- As part of the segment's integration of its former regional business units, within the next three years a common computer system platform will be implemented across all three regions of Power Systems allowing for cost efficiencies and standardization of processes, reporting and KPI measurements.

- The primary growth focus of Power Systems is to build its EPG business by creating a stand-alone EPG group with a world-class team. The group will leverage Power Systems' national footprint and diverse product portfolio. The EPG market is comprised of high growth sectors such as mining and remote northern community development, and also has exposure to less cyclical sectors such as industrial and commercial markets. The new EPG group will further develop its large project capabilities and continue its success in the standby and prime diesel, rental and gas markets. In 2012, a new facility was opened in Drummondville to support the Quebec EPG market and to provide infrastructure, including engineering, for a national integration centre.

Industrial Components

For the year ended December 31		**2012**		2011
Segment revenue	**$**	**360.0**	$	347.5
Segment earnings	**$**	**22.1**	$	23.1
Segment earnings margin		***6.1%***		*6.6%*

Revenue by Market 2012 versus 2011

Market	**2012**	2011
Industrial/ Manufacturing	**16%**	17%
Mining	**15%**	14%
Forestry	**13%**	14%
Oil and Gas	**13%**	14%
Metal Processing	**12%**	11%
Construction	**6%**	6%
Food and Beverage	**5%**	5%
Transportation	**4%**	4%
Other	**16%**	15%

Revenue increased $12.5 million, or 4%, to $360.0 million from $347.5 million in 2011. Segment earnings decreased $1.0 million to $22.1 million compared to $23.1 million in the previous year. The year-over-year changes in revenue and earnings were a result of the following factors:

- Bearings and power transmission parts sales increased $10.3 million, or 6%, compared to last year led by higher sales to mining, metal processing and construction sector customers across all regions. Improved transportation, food and beverage and oil and gas sector sales also contributed to the increase. These increases were offset in part by a decline in sales to industrial sector customers in eastern Canada.

- Fluid power and process equipment products and service revenue increased $2.2 million, or 1%, resulting from higher sales to metal processing, food and beverage and agriculture sector customers. These increases were offset somewhat by a decline in mining sector volumes.

- Segment earnings decreased $1.0 million compared to last year. The positive impact of higher volumes was more than offset by the negative impact of a slightly lower gross profit margin and a $3.4 million increase in selling and administrative expenses. The increase in selling and administrative expenses resulted primarily from higher personnel and sales related costs, computer system upgrade expenses and professional fees related to acquisitions. These increases were offset by a $1.4 million reduction in annual incentive accruals compared to last year.

Backlog of $41.6 million as of December 31, 2012 decreased $3.2 million compared to December 31, 2011 and includes $1 million related to the two acquisitions made in the fourth quarter discussed below.

On October 22, 2012, Industrial Components acquired all of the issued and outstanding shares of ACE Hydraulic Limited ("ACE"), a hydraulic cylinder repair business located in Bathurst, New Brunswick with annual revenues of approximately $2.0 million. The consideration for the business was $1.4 million, subject to post-closing adjustments. The acquisition represents an important step towards the segment's strategy of expanding its engineering, service and repair capabilities across Canada.

On December 31, 2012, Industrial Components acquired the assets Kaman Industrial Technologies, Ltd. ("Kaman Canada"), consisting of six branch locations in British Columbia and one branch in Ontario. Kaman Canada is a distributor of industrial components with annual revenues of approximately $21.0 million. The consideration paid for the assets was $8.7 million, subject to post-closing adjustments. The acquisition aligns with the segment's strategy of growing all of its lines of business across Canada.

On February 21, 2013, Industrial Components announced it had formed a strategic alliance with Kaman Canada's U.S.-based parent company, Kaman Industrial Technologies Corporation ("Kaman U.S."). The strategic alliance will target North American parts-supply contracts. The alliance will operate as Sourcepoint Industrial and will provide customers with an alternative to country based supply agreements. Customers of the alliance will be served through Industrial Components' 65 branch locations and 13 service centres Canada-wide and Kaman U.S.'s more than 200 customer service centers and five distribution centers across the U.S., Mexico and Puerto Rico.

Industrial Components' base business strategic initiatives relate to the expansion of its branch network through organic growth and acquisitions and the continued steps to maximize its operational efficiency in order to increase margins and lower its working capital requirements. The new market opportunity for the segment is to grow revenue and earnings in its Engineering and Repair Services ("ERS") business by capitalizing on its technical and engineering capabilities by providing engineered solutions and repair services built around its product offering.

Particulars of these initiatives are as follows:

- The segment expects to grow its base business revenues with the recent acquisition of the Kaman Canada branches and by opening bearing and power transmission parts branches in under-represented areas in southern Alberta, depending on market conditions. In addition, the recent formation of Sourcepoint Industrial alliance with Kaman U.S. will allow Industrial Components to jointly bid on North American parts-supply contract business.

- Industrial Components intends to improve operational efficiencies related to its inventory management, supply chain and e-commerce capabilities. Inventory management and supply chain process improvements are expected to reduce product procurement, distribution and freight costs and lower inventory levels. During 2013, the segment will continue to upgrade its e-commerce capability to meet the evolving transactional needs of its customers and improve the efficiency of its transactions with suppliers.

- The segment will continue to leverage its technical expertise, product knowledge and customer relationships to expand its higher margin ERS business, which complements its core business of distributing technical products and repair parts. Engineering design and fabrication services will be expanded to offer customized solutions to customers' operational and technical challenges. Capabilities in key centres will be expanded to provide customers with additional service offerings including shop repair, field repair and reliability services. The recent acquisition of ACE, a hydraulic cylinder repair business, represented an important step towards developing the ERS business across Canada.

ANNUAL CASH FLOWS

Cash Flows Used In Operating Activities

For the year ended December 31, 2012, cash flows used in operating activities amounted to $39.1 million, compared to $61.3 million generated in the previous year. The $100.4 million decrease in operating cash flows was caused by an increased use of non-cash operating working capital of $94.1 million, higher rental equipment additions of $4.9 million in the Equipment and Power Systems segments, decreased other non-current liabilities of $3.9 million, and income taxes paid of $2.3 million. This was partially offset by higher cash flows from operating activities before changes in non-cash operating working capital of $4.8 million.

Changes in operating non-cash working capital in 2012 compared to 2011 include the following components:

Changes in non-cash operating working capital *

For the year ended December 31		2012		2011
Trade and other receivables	**$**	**17.1**	$	27.1
Inventories	**$**	**39.0**	$	35.0
Prepaid expenses	**$**	**(1.0)**	$	0.6
Accounts payable and accrued liabilities	**$**	**58.4**	$	(39.8)
Provisions	**$**	**0.8**	$	(2.5)
Total	**$**	**114.3**	$	20.3

* Cash used in (generated)

Significant components of the changes in non-cash operating working capital for the twelve months ended December 31, 2012 are as follows:

- Trade and other receivables increased $17.1 million. A significant increase in the Equipment segment, related to a large mining equipment delivery and increased sales activity, was partially offset by reductions in the Power Systems and Industrial Components segments due to lower sales activity in the fourth quarter compared to last year.

- Inventories increased $39.0 million due principally to a $35.4 million increase in mining equipment (trucks and shovels) in the Equipment segment.

- Accounts payable and accrued liabilities decreased $58.4 million reflecting reductions in the Equipment and Power Systems segments. Reductions in the Equipment segment were attributable to lower trade payables and customer deposits related to mining equipment. Decreases in the Power Systems segment resulted from lower deferred income and inventory related trade payables. Reductions in annual and mid-term incentive accruals also contributed to the decrease.

Overall, the majority of the $114.3 million increase in non-cash operating working capital occurred in the Equipment segment where significant investments were made in order to better penetrate the mining and construction markets. In particular, the Equipment segment increased its mining equipment related operating working capital by approximately $75 million attributable to higher inventory and accounts receivable levels and reduced trade payables and customer deposits. At December 31, 2012, the segment had increased its investment in Hitachi mining equipment inventory to $40.5 million, including shovels and new mining trucks.

On the consolidated statement of financial position at December 31, 2012, Wajax had employed $243.9 million in current assets net of current liabilities, exclusive of funded net debt, compared to $165.0 million at December 31, 2011. The $78.9 million increase was essentially attributable to the $114.3 million increase in non-cash operating working capital as detailed above and the ACE and Kaman Canada acquisitions totaling $10.1 million. These increases were offset by an increase of $42.0 million in income taxes payable and $1.2 million of dividends payable. The increase in income taxes payable relates to both the tax on partnership income generated in 2011 which was deferred to 2012 and current tax on 2012 income, of which $44.6 million was paid on January 31, 2013. See Liquidity and Capital Resources section for further detail.

Investing Activities

For the year ended December 31, 2012, Wajax invested $5.7 million in property, plant and equipment additions, net of disposals, and $0.2 million in intangible asset additions, compared to $5.4 million and $0.7 million for the year ended December 31, 2011, respectively. In addition, the Industrial Components segment invested a total of $10.1 million during 2012 for the acquisition of the shares of ACE on October 22, 2012 and the acquisition of the assets of Kaman Canada on December 31, 2012. Investing activities for the twelve months ended December 31, 2011 also included $23.2 million of cash paid on the acquisition of Harper on May 2, 2011.

Financing Activities

For the year ended December 31, 2012, the Corporation generated $39.3 million of cash from financing activities compared to $69.3 million of cash used in financing activities in 2011. Financing activities in the year included bank debt borrowing of $93.0 million, offset partially by dividends paid to shareholders totaling $50.6 million, or $3.03 per share, finance lease payments of $2.6 million and debt facility amendment costs of $0.6 million.

Funded net debt of $173.7 million at December 31, 2012 increased $110.0 million compared to December 31, 2011. Increases in non-cash operating working capital of $114.3 million resulted in negative cash flows from operating activities of $39.1 million in 2012. Other uses of cash included dividends paid of $50.6 million, investing activities of $16.0 million including $10.1 million used for the ACE and Kaman Canada acquisitions, finance lease payments of $2.6 million and debt facility amendment costs of $0.6 million. As a result, Wajax's year-end leverage ratio of 1.55 times increased from last year's ratio of 0.60 times. See Non-IFRS Measures section.

SELECTED ANNUAL INFORMATION

		2012		2011		2010 (1)
Revenue	$	**1,466.0**	$	1,377.1	$	1,110.9
Earnings before income taxes	$	**89.7**	$	87.5	$	53.9
Net earnings	$	**65.9**	$	63.8	$	56.4
Basic earnings per share	$	**3.95**	$	3.84	$	3.39
Diluted earnings per share	$	**3.89**	$	3.77	$	3.34
Total assets	$	**671.9**	$	589.9	$	522.5
Non-current liabilities	$	**173.2**	$	99.9	$	18.9
Dividends declared per share	$	**3.10**	$	2.14		–
Distributions declared per unit		**–**		–	$	3.40

(1) This information has been prepared on the same basis as the 2012 annual audited Consolidated Financial Statements

Revenue in 2012 of $1,466.0 million increased $88.9 million compared to 2011. The additional four months of revenue in 2012 from the former Harper operation accounted for $12.6 million of the increase. Increased equipment and parts and service revenue in the Equipment and Industrial Components segments more than offset the decline in the Power Systems segment. Revenue in 2011 of $1,377.1 million increased $266.2 million compared to 2010 due to the increased market demand for equipment and parts and service in all segments and the Harper acquisition in May 2011 which accounted for $49.3 million of the increase.

Earnings before income taxes increased $35.8 million from 2010 to 2012. The increase was attributable to the increases in revenue noted above, offset somewhat by the negative impact of lower gross profit margins, increased selling and administrative expenses and higher finance costs.

Net earnings increased $9.5 million, or $0.56 per share, from 2010 to 2012. The $35.8 million increase in earnings before income taxes more than offset the $26.3 million increase in income tax expense resulting from the conversion from an income fund to a corporation effective January 1, 2011.

The $149.4 million increase in total assets between December 31, 2010 and December 31, 2012 included $12.5 million resulting from the acquisitions of ACE and Kaman Canada in 2012 and $32.9 million from the acquisition of Harper in 2011. The remaining increase of $104.0 million is mainly attributable to higher inventories, accounts receivable and rental equipment resulting from the higher sales activity throughout 2011 and 2012 and an increased inventory investment in the Equipment segment to better penetrate the mining and construction markets. These increases were offset partially by a $43.0 million reduction in cash from 2010.

Non-current liabilities at December 31, 2012 of $173.2 million increased $73.3 million from December 31, 2011 as an increase in bank debt to fund higher working capital requirements and the ACE and Kaman Canada acquisitions was partially offset by a reduction in deferred taxes payable. Non-current liabilities at December 31, 2011 of $99.9 million increased $81.0 million from December 31, 2010 due primarily to the reclassification of bank debt to non-current liabilities as the Corporation renewed its bank facility to 2016, and an increase in deferred taxes payable as the partnership income generated in 2011 was deferred and not subject to tax until 2012.

SELECTED QUARTERLY INFORMATION

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2012 annual audited Consolidated Financial Statements.

	2012								2011							
		Q4		Q3		Q2		Q1		Q4		Q3		Q2		Q1
Revenue	$	**364.9**	$	**356.4**	$	**386.6**	$	**358.1**	$	377.2	$	361.9	$	334.1	$	303.9
Earnings before income taxes	$	**19.3**	$	**21.8**	$	**25.2**	$	**23.3**	$	22.5	$	24.6	$	22.4	$	18.0
Net earnings	$	**14.2**	$	**16.2**	$	**18.5**	$	**17.1**	$	16.6	$	17.9	$	16.5	$	12.8
Net earnings per share																
Basic	$	**0.85**	$	**0.97**	$	**1.11**	$	**1.03**	$	1.00	$	1.08	$	0.99	$	0.77
Diluted	$	**0.84**	$	**0.95**	$	**1.09**	$	**1.01**	$	0.98	$	1.06	$	0.98	$	0.76

Significant seasonal trends in quarterly revenue and earnings have not been evident over the last two years.

A discussion of Wajax's previous quarterly results can be found in Wajax's quarterly MD&A reports available on SEDAR at www.sedar.com.

LIQUIDITY AND CAPITAL RESOURCES

On May 24, 2012 and December 7, 2012, Wajax amended its bank credit facility to increase the limit of the facility by $50 million and $75 million respectively, to $300 million on substantially the same terms and conditions as the existing facility. The $0.6 million cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility. The terms of the $300 million bank credit facility include the following:

- The facility is fully secured, expiring August 12, 2016, and is now made up of an $80 million non-revolving term portion and a $220 million revolving term portion.
- Borrowing capacity is dependent upon the level of inventories on-hand and the outstanding trade accounts receivable.
- The facility contains customary restrictive covenants including limitations on the payment of cash dividends and the maintenance of certain financial ratios all of which were met as at December 31, 2012. Wajax is restricted from the declaration of monthly dividends in the event the Corporation's leverage ratio, as defined in the bank credit facility agreement, exceeds three times. The Corporation's interest coverage ratio, as defined under the bank credit facility, must not be lower than three times.
- Borrowings bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR rates or prime. Margins on the facility depend on Wajax's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

At December 31, 2012, Wajax had borrowed $154.8 million and issued $5.9 million of letters of credit for a total utilization of $160.7 million of its $300 million bank credit facility. At December 31, 2012, borrowing capacity under the bank credit facility was equal to $300 million.

Under the terms of the $300 million bank credit facility, Wajax is permitted to have additional interest bearing debt of $15 million. As such, Wajax has up to $15 million of demand inventory equipment financing capacity with two non-bank lenders. The equipment notes payable under the facilities bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields and U.S. LIBOR rates. Principal repayments are generally due the earlier of 12 months from the date of financing and the date the equipment is sold. At December 31, 2012 Wajax had no utilization of its interest bearing equipment financing facilities.

The Corporation's capital structure is managed such that it maintains a relatively low leverage ratio as the Corporation pays dividends to shareholders equal to a significant portion of its earnings. In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. The rate of interest on the Corporation's funded debt is currently all floating which is outside of the Corporation's interest rate risk policy. Management is willing to maintain this level of floating rate debt given the low interest rate environment. The Corporation's objective is to maintain a leverage ratio between 1.5 times and 2.0 times. However, there may be instances where the Corporation is willing to maintain a leverage ratio outside the range. See Non-IFRS section.

Since its conversion to a corporation on January 1, 2011, Wajax had not made any significant income tax payments until January 31, 2013. This is due to income tax payments being deferred as a result of its partnership structure. On January 31, 2013, Wajax made an income tax payment of $44.6 million. This included approximately $23 million of tax on partnership income generated in 2011 and the balance representing tax on income to be included in 2012 taxable income as a result of a change in tax legislation that has effectively removed the partnership income deferral benefit. The Corporation also commenced making monthly income tax installments in December 2012.

A key strategy of the Equipment segment is to grow its mining business through expansion into eastern Canada and the introduction of the new Hitachi mining truck. To ensure mining equipment is available to execute its strategy, Wajax has purchased certain mining equipment (large excavators and trucks) that do not currently have committed purchase orders. As such, since the beginning of the year Wajax has increased its investment in Hitachi mining equipment inventory by $35.4 million to $40.5 million as at December 31, 2012, of which $36.5 million is available to fill future customer purchases. Depending on the level of economic activity in the Canadian mining sector, Wajax may continue to use its debt facilities to finance a portion of this and other mining equipment scheduled to be delivered in 2013.

Wajax's $300 million bank credit facility along with the additional $15 million of capacity permitted under the bank credit facility should be sufficient to meet Wajax's short-term normal course working capital and maintenance capital requirements, including the additional mining equipment inventory. However, Wajax may be required to access the equity or debt markets in order to fund significant acquisitions and growth related working capital and capital expenditures.

See the Annual Cash Flows section for further detail.

CONTRACTUAL OBLIGATIONS

Contractual Obligations	Total	< 1 year	1–5 years	After 5 years
Bank debt	**$ 153.0**	$ –	$ 153.0	$ –
Operating leases	**$ 97.0**	$ 16.7	$ 47.0	$ 33.3
Obligations under finance leases	**$ 11.8**	$ 3.6	$ 8.2	$ –
Total	**$ 261.8**	$ 20.3	$ 208.2	$ 33.3

The $153.0 million bank debt obligation relates to the long-term portion of the term credit facility and excludes current bank indebtedness and letters of credit.

The operating leases relate to contracts entered into for facilities, a portion of the long-term lift truck rental fleet in Equipment and office equipment. See the Off Balance Sheet Financing section for additional information.

The obligations under finance leases relate to certain vehicles financed under finance lease arrangements. The leases have a minimum one year term and are extended on a monthly basis thereafter until termination.

Wajax also has contingent contractual obligations where Wajax has guaranteed the resale value of equipment sold ("guaranteed residual value contracts") or has guaranteed a portion of customer lease payments ("recourse contracts"). These contracts are subject to certain conditions being met by the customer. As at December 31, 2012, Wajax had guaranteed $1.2 million of contracts (2011 – $5.3 million) with commitments arising between 2013 and 2016. The commitments made by Wajax in these contracts reflect the estimated future value of the equipment, based on the judgment and experience of management. Wajax has recorded a $0.1 million provision in 2012 (2011 – $0.1 million) as an estimate of the financial loss likely to result from such commitments.

The above table does not include obligations to fund pension benefits. Wajax sponsors certain defined benefit plans that cover executive employees, a small group of inactive employees and employees on long-term disability benefits. The defined benefit plans are subject to actuarial valuations in 2014 and 2015. Management does not expect future cash contribution requirements to change materially from the 2012 contribution level of $1.3 million as a result of these valuations or any declines in the fair value of the defined benefit plans' assets.

FINANCIAL INSTRUMENTS

Wajax uses derivative financial instruments in the management of its foreign currency and interest rate exposures. Wajax's policy is not to utilize derivative financial instruments for trading or speculative purposes. Significant derivative financial instruments outstanding at the end of the year were as follows:

- Wajax enters into short-term currency forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and certain foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. As at December 31, 2012, Wajax had contracts outstanding to buy U.S.$26.5 million and to sell U.S.$11.1 million (December 31, 2011 – to buy U.S.$36.0 million and €0.2 million and to sell U.S.$1.0 million). The U.S. dollar contracts expire between January 2013 and April 2014, with a weighted average U.S./Canadian dollar rate of 0.9959.

Wajax measures derivative instruments not accounted for as hedging items at fair value with subsequent changes in fair value being recorded in earnings. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being recorded in other comprehensive income until the related hedged item is recorded and affects income. The fair value of derivative instruments is estimated based upon market conditions using appropriate valuation models. The carrying values reported in the balance sheet for financial instruments are not significantly different from their fair values. The impact of a change in foreign currency relative to the Canadian dollar on the Corporation's financial statements of unhedged foreign currency-denominated sales to customers along with the associated receivables and purchases from vendors along with associated payables would be insignificant.

Wajax is exposed to the risk of non-performance by counterparties to short-term currency forward contracts. These counterparties are large financial institutions with a "Stable" outlook and high short-term and long-term credit ratings from Standard and Poor's. To date, no such counterparty has failed to meet its financial obligations to Wajax. Management does not believe there is a significant risk of non-performance by these counterparties and will continue to monitor the credit risk of these counterparties.

OFF BALANCE SHEET FINANCING

Off balance sheet financing arrangements include operating lease contracts entered into for facilities with various landlords, a portion of the long-term lift truck rental fleet in Equipment with a non-bank lender, and office equipment with various non-bank lenders. The total obligations for all operating leases are detailed in the Contractual Obligations section. At December 31, 2012, the non-discounted operating lease commitments for facilities totaled $95.6 million, rental fleet $0.8 million, office equipment $0.5 million and vehicles $0.1 million.

Although Wajax's consolidated contractual annual lease commitments decline year-by-year, it is anticipated that existing leases will either be renewed or replaced, resulting in lease commitments being sustained at current levels. In the alternative, Wajax may incur capital expenditures to acquire equivalent capacity.

The Equipment segment had $97.2 million (2011 – $41.5 million) of consigned inventory on-hand from a major manufacturer at December 31, 2012. In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold to customers or purchased by Wajax. This consigned inventory is not included in Wajax's inventory as the manufacturer retains title to the goods. In the event the inventory consignment program was terminated, Wajax would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its credit facilities.

Although management currently believes Wajax has adequate debt capacity, Wajax would have to access the equity or debt markets, or temporarily reduce dividends to accommodate any shortfalls in Wajax's credit facilities. See the Liquidity and Capital Resources section.

SHARE CAPITAL

The shares of Wajax issued are included in shareholders' equity on the balance sheet as follows:

Issued and fully paid Shares as at December 31, 2012	**Number**		**Amount**
Balance at the beginning of the year	16,629,444	$	105.4
Rights exercised	107,003		1.3
Balance at the end of the year	**16,736,447**	**$**	**106.7**

At the date of this MD&A, the Corporation had 16,736,447 common shares outstanding.

Wajax has five share-based compensation plans; the Wajax Share Ownership Plan ("SOP"), the Deferred Share Program ("DSP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Share Unit Plan ("DSUP"). SOP, DSP and DDSUP rights are issued to the participants and are settled by issuing Wajax Corporation shares. The cash-settled MTIP and DSUP consist of annual grants that vest over three years and are subject to time and performance vesting criteria. A portion of the MTIP and the full amount of the DSUP grants are determined by the price of the Corporation's shares. Compensation expense for the SOP, DSP and DDSUP is determined based upon the fair value of the rights at the date of grant and charged to earnings on a straight line basis over the vesting period, with an offsetting adjustment to contributed surplus. Compensation expense for the DSUP and the share-based portion of the MTIP varies with the price of the Corporation's shares and is recognized over the vesting period. Wajax recorded compensation cost of $3.4 million for the year (2011 – $5.4 million) in respect of these plans. At December 31, 2012, 254,952 (2011 – 316,595) rights were outstanding under the SOP, DSP and DDSUP.

DIVIDENDS

Dividends to shareholders for the periods January 1, 2012 to December 31, 2012 and January 1, 2011 to December 31, 2011 were declared as follows:

	2012				2011			
Month (1)		**Per Share**		**Amount**		Per Share		Amount
January	**$**	**0.20**	**$**	**3.3**	$	0.15	$	2.5
February		**0.20**		**3.3**		0.15		2.5
March		**0.27**		**4.5**		0.15		2.5
April		**0.27**		**4.5**		0.15		2.5
May		**0.27**		**4.5**		0.18		3.0
June		**0.27**		**4.5**		0.18		3.0
July		**0.27**		**4.5**		0.18		3.0
August		**0.27**		**4.5**		0.20		3.3
September		**0.27**		**4.5**		0.20		3.3
October		**0.27**		**4.5**		0.20		3.3
November		**0.27**		**4.5**		0.20		3.3
December		**0.27**		**4.5**		0.20		3.3
Total dividends for the years ended December 31	**$**	**3.10**	**$**	**51.8**	$	2.14	$	35.6

(1) The Corporation's monthly dividends were generally payable to shareholders of record on the last business day of each calendar month and were paid on or about the 20th day of the following month.

For the year ending December 31, 2012, Wajax declared dividends to shareholders totaling $3.10 per share. For the year ending December 31, 2011, Wajax declared dividends to shareholders totaling $2.14 per share. Dividends paid in 2012 and 2011 were funded from cash generated from operating activities.

The Corporation declared monthly dividends of $0.27 per share, or $4.5 million, in January, February, March and April of 2013.

In 2012, the Corporation established an objective of declaring annual dividends equal to at least 75% of earnings subject to the Corporation's financial condition, economic outlook and capital requirements for growth including acquisitions. The Corporation pays dividends on a monthly basis.

FOURTH QUARTER CONSOLIDATED RESULTS

For three months ended December 31		2012		2011
Revenue	$	**364.9**	$	377.2
Gross profit	$	**73.6**	$	79.3
Selling and administrative expenses	$	**53.0**	$	55.7
Earnings from operating activities	$	**20.6**	$	23.6
Finance costs	$	**1.3**	$	1.2
Earnings before income taxes	$	**19.3**	$	22.5
Income tax expense	$	**5.1**	$	5.9
Net earnings	$	**14.2**	$	16.6
Basic earnings per share	$	**0.85**	$	1.00
Diluted earnings per share	$	**0.84**	$	0.98

The Equipment segment was positively impacted in the quarter by increased demand for forestry equipment, attributable to higher lumber prices, particularly in British Columbia. The Equipment segment also benefitted from a somewhat stronger construction market in the quarter compared to last year. Weakness in oil and gas sector activity in western Canada, which started in the third quarter of 2012, continued in the fourth quarter as deteriorating industry fundamentals in North America resulted in a decline in customer spending. This decline primarily affected the Power Systems and Industrial Components segments. Mining activity, including the oil sands market, was somewhat flat compared to last year. Although quoting activity remained high at year-end, the Equipment segment saw a reduction in mining equipment backlog in the latter part of the year as customers began to take a more cautious approach in making commitments to buy equipment.

Revenue

Revenue in the fourth quarter of 2012 decreased 3%, or $12.3 million, to $364.9 million, from $377.2 million in the fourth quarter of 2011. Segment revenue increased 5% in Equipment. Segment revenue decreased 17% in Power Systems and decreased 5% in Industrial Components due mainly to the lower oil and gas sector activity in western Canada.

Gross Profit

Gross profit in the fourth quarter of 2012 decreased $5.7 million due to the decrease in volumes and a lower gross profit margin percentage compared to the fourth quarter last year. The gross profit margin percentage for the quarter of 20.2% declined from 21.0% in the fourth quarter of 2011 due to lower parts and service margins offset by the impact of lower equipment revenues compared to last year.

Selling and Administrative Expenses

Selling and administrative expenses decreased $2.7 million in the fourth quarter of 2012 compared to the same quarter last year. Decreases resulting from lower annual and mid-term incentive accruals were offset in part by an increase in bad debt expense and environmental remediation provisions compared to last year. Selling and administrative expenses as a percentage of revenue decreased to 14.5% in the fourth quarter of 2012 from 14.8% compared to the same quarter of 2011.

Finance Costs

Quarterly finance costs of $1.3 million increased $0.1 million compared to the same quarter last year as the cost of higher funded debt levels outstanding during the quarter was mostly offset by the Corporation's lower cost of borrowing compared to the same quarter last year.

Income Tax Expense

The Corporation's effective income tax rate of 26.3% for the quarter was unchanged from the previous year.

Net Earnings

Quarterly net earnings decreased $2.4 million to $14.2 million, or $0.85 per share, from $16.6 million, or $1.00 per share, in the same quarter of 2011. The impact of reduced volumes, a lower gross profit margin percentage and slightly higher finance costs more than offset the lower selling and administrative expenses compared to the same quarter last year.

Comprehensive Income

Total comprehensive income of $13.7 million in the fourth quarter of 2012 included net earnings of $14.2 million, offset partially by an other comprehensive loss of $0.5 million. The other comprehensive loss was mainly attributable to actuarial losses on pension plans of $0.7 million.

Funded Net Debt

Funded net debt of $173.7 million at December 31, 2012 increased $34.4 million compared to September 30, 2012. Increases in non-cash operating working capital of $25.4 million resulted in negative cash flows from operating activities for the quarter of $8.8 million. Other uses of cash included dividends paid of $13.6 million, investing activities of $10.7 million including $10.1 million used for the ACE and Kaman Canada acquisitions, finance lease payments of $0.8 million and debt facility amendment costs of $0.3 million. Wajax's leverage ratio of 1.55 times at December 31, 2012 increased from the September 30, 2012 ratio of 1.22 times. See Non-IFRS Measures section.

Dividends

For the fourth quarter ended December 31, 2012 monthly dividends declared totaled $0.81 per share. For the fourth quarter ended December 31, 2011 monthly dividends declared were $0.60 per share.

Backlog

Consolidated backlog at December 31, 2012 of $184.1 million decreased $18.3 million, or 9%, compared to September 30, 2012 due to reductions in the Equipment and Power Systems segments. Backlog includes the total retail value of customer purchase orders for future delivery or commissioning. See the Fourth Quarter Results of Operations section for further backlog detail by segment.

FOURTH QUARTER RESULTS OF OPERATIONS

Equipment

For three months ended December 31		2012		2011
Equipment*	**$**	**130.7**	$	125.4
Parts and service	**$**	**70.9**	$	66.9
Segment revenue	**$**	**201.6**	$	192.3
Segment earnings	**$**	**14.0**	$	14.3
Segment earnings margin		***6.9%***		*7.5%*

* Includes rental and other revenue.

Revenue in the fourth quarter of 2012 increased $9.3 million, or 5%, to $201.6 million from $192.3 million in the fourth quarter of 2011. Segment earnings for the quarter decreased $0.3 million to $14.0 million compared to the fourth quarter of 2011. The following factors contributed to the Equipment segment's fourth quarter results:

- Equipment revenue for the fourth quarter increased $5.3 million compared to the same quarter last year. Specific quarter-over-quarter variances included the following:
  - Forestry equipment revenues increased $9.0 million resulting from higher Tigercat product sales in all regions and increased sales of forestry related Hitachi equipment in western Canada on strong market demand in British Columbia.
  - Construction equipment revenue increased $3.2 million mainly as a result of market demand which drove increased sales of Hitachi excavators in western Canada and Ontario, offset partially by lower JCB and other equipment sales in eastern Canada owing to lower demand and competitive market pressures.
  - Crane and utility equipment revenue increased $0.7 million mainly attributable to higher new equipment sales to utility customers.
  - Mining equipment sales decreased $7.3 million as Hitachi mining equipment deliveries in western Canada were, on average, of a smaller size with a lower per unit sales value.
  - Material handling equipment revenue decreased $0.3 million.
- Parts and service volumes for the fourth quarter increased $4.0 million compared to the same quarter last year. Excluding the LeTourneau product line, which was discontinued in the second quarter of this year, parts and service volumes for the fourth quarter increased $10.2 million, or 17%. The $10.2 million increase was due primarily to higher mining sector volumes in western Canada driven by the installed base of Hitachi equipment and growth in the Rotating Products Group in Fort McMurray. Increased materials handling sector sales in western Canada also contributed to the increase.
- Segment earnings for the fourth quarter decreased $0.3 million to $14.0 million compared to the same quarter last year. The negative impact of a $2.1 million increase in selling and administrative expenses outweighed the positive impact of higher volumes. Selling and administrative expenses increased on higher personnel and sales related expenditures and additional environmental remediation provisions compared to last year.

Backlog of $82.2 million at December 31, 2012 decreased $13.2 million compared to September 30, 2012 due largely to lower mining equipment backlog.

Power Systems

For three months ended December 31		2012		2011
Equipment*	**$**	**31.5**	$	43.9
Parts and service	**$**	**47.5**	$	51.6
Segment revenue	**$**	**79.0**	$	95.5
Segment earnings	**$**	**5.0**	$	7.9
Segment earnings margin		***6.3%***		*8.3%*

* Includes rental and other revenue.

Revenue in the fourth quarter of 2012 decreased $16.5 million, or 17%, to $79.0 million compared to $95.5 million in the same quarter of 2011. Segment earnings decreased $2.9 million to $5.0 million in the fourth quarter compared to the same quarter in the previous year. The following factors impacted quarterly revenue and earnings compared to last year:

- Equipment revenue decreased $12.4 million. The majority of the decrease was due to lower equipment sales to off-highway oil and gas customers as a result of reduced industry activity in western Canada. These decreases were partially offset by increased power generation equipment sales.

- Parts and service volumes decreased $4.1 million compared to last year as a result of lower sales to off-highway customers resulting from reduced activity in western Canada's oil and gas sector offset somewhat by higher mining sector sales in eastern Canada. Lower power generation parts and service volumes and reduced sales to on-highway customers also contributed to the decline.

- Segment earnings in the fourth quarter of 2012 decreased $2.9 million compared to the same quarter last year as the impact of reduced volumes and a lower gross profit margin was mitigated somewhat by a $2.5 million decrease in selling and administrative expenses. The lower gross profit margin resulted from a reduction in both equipment and parts and service margins offset by a higher proportion of equipment sales compared to last year. Selling and administrative expenses decreased due principally to lower personnel costs, including lower annual incentive accruals, and a decline in other sales related costs.

Backlog of $60.4 million as of December 31, 2012 decreased $5.1 million compared to September 30, 2012 due primarily to reductions in power generation and oil and gas sector related backlog in western Canada.

Industrial Components

For three months ended December 31		2012		2011
Segment revenue	$	**85.3**	$	90.2
Segment earnings	$	**3.6**	$	5.9
Segment earnings margin		***4.2%***		*6.5%*

Revenue of $85.3 million in the fourth quarter of 2012 decreased $4.9 million, or 5%, from $90.2 million in the fourth quarter of 2011. Segment earnings decreased $2.3 million to $3.6 million in the fourth quarter compared to the same quarter in the previous year. The following factors contributed to the segment's fourth quarter results:

- Bearings and power transmission parts sales decreased $0.2 million compared to the same quarter last year. The impact of a reduction in oil and gas sector sales in western Canada and lower industrial sector volumes was partially offset by improved sales to customers in the transportation, construction and food and beverage sectors.

- Fluid power and process equipment products and service revenue in the fourth quarter of 2012 decreased $4.7 million, or 11%, due to lower oil and gas sector sales in western Canada.

- Segment earnings in the fourth quarter of 2012 decreased $2.3 million compared to the same quarter last year due essentially to the negative impact of lower volumes and gross profit margins in western Canada and a nominal increase in selling and administrative expenses.

Backlog of $41.6 million as of December 31, 2012 remain the same compared to September 30, 2012 and includes $1 million related to the two acquisitions made in the quarter.

FOURTH QUARTER CASH FLOWS

Cash Flows Used in Operating Activities

Cash flows used in operating activities amounted to $8.8 million in the fourth quarter of 2012, compared to $48.7 million generated in the same quarter of the previous year. The $57.5 million decrease was caused by an increased use of non-cash operating working capital of $52.0 million, lower cash flows from operating activities before changes in non-cash operating working capital of $3.1 million, higher income taxes paid of $1.9 million and decreased other non-current liabilities of $1.6 million, offset by lower rental equipment additions of $1.4 million.

Changes in non-cash operating working capital for the fourth quarter of 2012 compared to the same quarter in 2011 include the following components:

Changes in non-cash operating working capital*

For three months ended December 31		2012		2011
Trade and other receivables	$	**6.9**	$	(13.8)
Inventories	$	**(8.9)**	$	9.3
Prepaid expenses	$	**0.7**	$	(1.5)
Accounts payable and accrued liabilities	$	**29.1**	$	(18.8)
Provisions	$	**(2.4)**	$	(1.8)
Total	$	**25.4**	$	(26.7)

* Cash used in (generated)

Significant components of the changes in non-cash operating working capital for the quarter ended December 31, 2012 are as follows:

- Trade and other receivables increased $6.9 million due primarily to higher sales activity in the Equipment segment reduced somewhat by lower accounts receivable in the Industrial Components segment on lower sales activity.

- Inventories decreased $8.9 million due mainly to lower stocking levels in Industrial Components and decreases in the Equipment segment as reductions in construction equipment were only partially offset by an increase in mining equipment.
- Accounts payable and accrued liabilities decreased $29.1 million resulting from lower mining inventory trade payables in the Equipment segment. These decreases were offset in part by higher inventory related trade payables in the Industrial Components segments.

Included in the $25.4 million increase in non-cash operating working capital, was the Equipment segment's additional investment of approximately $34.6 million in mining equipment related operating working capital attributable to higher inventory and reduced trade payables.

On the consolidated statement of financial position at December 31, 2012, Wajax had employed $243.9 million of current assets net of current liabilities, exclusive of funded net debt, compared to $214.2 million at September 30, 2012. The $29.7 million increase was due primarily to the $25.4 million increase in non-cash operating working capital as detailed above, the ACE and Kaman Canada acquisitions less a $2.0 million increase in income taxes payable. See Liquidity and Capital Resources section for further detail.

Investing Activities

During the fourth quarter of 2012, Wajax invested $0.6 million in property, plant and equipment additions, net of disposals, compared to $2.6 million in the fourth quarter of 2011. In addition, the Industrial Components segment paid a total of $1.4 million for the acquisition of the shares of ACE on October 22, 2012 and $8.7 million for the acquisition of the assets of Kaman Canada on December 31, 2012.

Financing Activities

The Corporation generated $15.3 million of cash from financing activities in the fourth quarter of 2012 compared to $37.9 million of cash used in financing activities in the same quarter of 2011. Financing activities in the quarter included bank debt borrowings of $30.0 million, offset by dividends paid to shareholders totaling $13.6 million, or $0.81 per share, finance lease payments of $0.8 million and debt facility amendment costs of $0.3 million.

NON-IFRS MEASURES

The MD&A contains certain financial measures that do not have a standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to profit or to cash flow from operating, investing, and financing activities determined in accordance with IFRS as indicators of the Corporation's performance. The Corporation's management believes that these measures are commonly reported and widely used by investors as an indicator of a company's cash operating performance and ability to raise and service debt.

These financial measures are identified and defined below:

Leverage Ratio At the end of a particular quarter, the leverage ratio is defined as funded net debt at the end of a particular quarter divided by trailing 12-month EBITDA. The Corporation's objective is to maintain this ratio between 1.5 times and 2.0 times.

Funded Net Debt Funded net debt includes bank debt, bank indebtedness and obligations under finance leases, net of cash.

EBITDA Earnings before finance costs, income tax expense, depreciation and amortization.

Reconciliation of the Corporations earnings to EBITDA is as follows:

	For the twelve months ended December 31 2012	For the twelve months ended December 31 2011	For the twelve months ended September 30 2012
Earnings	**$ 65.9**	$ 63.8	$ 68.3
Depreciation and amortization	**17.8**	13.5	16.6
Finance costs	**4.4**	4.6	4.3
Income tax expense	**23.8**	23.7	24.6
EBITDA	**$ 112.0**	$ 105.6	$ 113.8

Calculation of the Corporations funded net debt and leverage ratio is as follows:

	December 31 2012	December 31 2011	September 30 2012
Bank indebtedness (cash)	**$ 10.2**	$ (5.7)	$ 6.0
Obligations under finance leases	**11.8**	10.3	11.3
Bank debt	**151.7**	59.0	122.0
Funded net debt	**$ 173.7**	$ 63.7	$ 139.3
Leverage ratio	**1.55**	0.60	1.22

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those judgements, estimates and assumptions. Note 3 to the annual Consolidated Financial Statements describes the significant accounting policies and methods used in preparation of the annual Consolidated Financial Statements. The Corporation bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are as follows:

Allowance for Doubtful Accounts

The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is somewhat minimized by the Corporation's large customer base which covers most business sectors across Canada. Wajax follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains provisions for possible credit losses, and any such losses to date have been within management's expectations. The provision for doubtful accounts is determined on an account-by-account basis. The $2.5 million provision for doubtful accounts at December 31, 2012 decreased $1.0 million from $3.5 million in 2011 due to reduction in the Equipment segment. As conditions change, actual results could differ from those estimates.

Inventory Obsolescence

The value of the Corporation's new and used equipment is evaluated by management throughout the year, on a unit-by-unit basis. When required, provisions are recorded to ensure that the book value of equipment is valued at the lower of cost or estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete parts inventories and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods. The inventory obsolescence charged to earnings for 2012 was $1.9 million compared to $3.2 million in 2011.

Goodwill and Intangible Assets

The value in use of goodwill and intangible assets has been estimated using the forecasts prepared by management for the next three years. The key assumptions for the estimate are those regarding revenue growth, gross margin and the level of working capital required to support the business. These estimates are based on past experience and management's expectations of future changes in the market and forecasted growth initiatives. To prepare the value in use calculations, the forecasts are extrapolated beyond the three year period at the estimated long-term inflation rate (2%) and discounted back to present value. The discount rate is based on the Corporation's pre-tax weighted average cost of capital of approximately 11% to reflect a market participant's view of the cash-generating unit.

During the year, the Corporation performed impairment tests, based on value in use, of its goodwill and intangible assets with an indefinite life and concluded that no impairment existed in either the goodwill associated with any of Wajax's cash-generating units ("CGUs") or the intangible assets with an indefinite life.

Warranty Provision

The Corporation maintains provisions for possible customer warranty claims that may not be covered by the manufacturers' standard warranty and limited warranties for workmanship on services provided. The provisions are developed using the management's best estimate of actual warranty expense, generally based on recent claims experience, and are regularly reviewed and adjusted as required.

CHANGES IN ACCOUNTING POLICY

On January 1, 2012, the Corporation early adopted amendments to International Accounting Standard ("IAS") 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income. The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. These amendments are to be applied retrospectively in the first annual fiscal period beginning on or after July 1, 2012, with early adoption permitted. This new presentation is included in the consolidated statements of comprehensive income.

New Standards and Interpretations Not Yet Adopted

The new standards or amendments to existing standards that may be significant to the Corporation set out below are not yet effective for the year ended December 31, 2012 and have not been applied in preparing these consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt the amendments to IFRS 7 Offsetting Financial Assets and Liabilities, which contains new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or are subject to master netting arrangements or similar arrangements. The Corporation does not expect IFRS 7 to have a material impact on its consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt IFRS 10 Consolidated Financial Statements, which establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. The Corporation does not expect IFRS 10 to have a material impact on its consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt IFRS 13 Fair Value Measurement, which defines fair value and sets out a framework for measuring fair value when fair value measurements are required or permitted by other standards. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt IAS 19 Employee Benefits, which requires recognition of actuarial gains and losses immediately in other comprehensive income, the full recognition of past service costs immediately in profit or loss, recognition of the expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation, and certain additional disclosures. This standard does not significantly impact the Corporation's consolidated financial statements.

As of January 1, 2015, the Corporation will be required to adopt IFRS 9 Financial Instruments, which is the result of the first phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

RISK MANAGEMENT AND UNCERTAINTIES

As with most businesses, Wajax is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results and Wajax's ability to pay cash dividends to shareholders.

Wajax attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. In addition, Wajax has adopted an annual enterprise risk management assessment which is prepared by the Corporation's senior management and overseen by the Board of Directors and Committees of the Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Wajax.

The following are a number of risks that deserve particular comment:

Manufacturer Relationships and Product Access

Wajax seeks to distribute leading product lines in each of its regional markets and its success is dependent upon continuing relations with the manufacturers it represents. Wajax endeavours to align itself in long-term relationships with manufacturers that are committed to achieving a competitive advantage and long-term market leadership in their targeted market segments. In the Equipment and Power Systems segments, and in certain cases in the hydraulics and process pumps portion of the Industrial Components segment, manufacturer relationships are governed through effectively exclusive distribution agreements. Distribution agreements are for the most part open-ended, but are cancellable within a relatively short notification period specified in each agreement. Although Wajax enjoys good relationships with its major manufacturers and seeks to develop additional strong long-term partnerships, a loss of a major product line without a comparable replacement would have a significantly adverse effect on Wajax's results of operations or cash flow.

There is a continuing consolidation trend among industrial equipment and component manufacturers. Consolidation may impact the products distributed by Wajax, in either a favourable or unfavourable manner. Consolidation of manufacturers may have a negative impact on the results of operations or cash flow if product lines Wajax distributes become unavailable as a result of the consolidation. This was the case in the Equipment segment with the discontinued distribution of the LeTourneau product line effective April 27 2012, due to the purchase by Joy Global Inc. of LeTourneau Technologies Inc.

Suppliers generally have the ability to unilaterally change distribution terms and conditions or limit supply of product in times of intense market demand. Supplier changes in the area of product pricing and availability can have a negative or positive effect on Wajax's revenue and margins. As well, from time to time suppliers make changes to payment terms for distributors. This may affect Wajax's interest-free payment period or consignment terms, which may have a materially negative or positive impact on working capital balances such as cash, inventories, trade and other payables and bank debt.

Economic Conditions/Business Cyclicality

Wajax's customer base consists of businesses operating in the natural resources, construction, transportation, manufacturing, industrial processing and utilities industries. These industries can be capital intensive and cyclical in nature, and as a result, customer demand for Wajax's products and services may be affected by economic conditions at both a global or local level. Changes in interest rates, consumer and business confidence, corporate profits, credit conditions, foreign exchange, commodity prices and the level of government infrastructure spending may influence Wajax's customers' operating, maintenance and capital spending, and therefore Wajax's sales and results of operations. Although Wajax has attempted to address its exposure to business and industry cyclicality by diversifying its operations by geography, product offerings and customer base, there can be no assurance that Wajax's results of operations or cash flows will not be adversely affected by changes in economic conditions.

Commodity Prices

Many of Wajax's customers are directly and indirectly affected by fluctuations in commodity prices in the forestry, metals and minerals and petroleum and natural gas industries, and as a result Wajax is also indirectly affected by fluctuations in these prices. In particular, each of Wajax's businesses is exposed to fluctuations in the price of oil and natural gas. A downward change in commodity prices, and particularly in the price of oil and natural gas, could therefore adversely affect Wajax's results of operations or cash flows.

Growth Initiatives, Integration of Acquisitions and Project Execution

As part of its long-term strategy, Wajax intends to continue growing its business through a combination of organic growth and strategic acquisitions. Wajax's ability to successfully grow its business through organic growth will be dependent on the segments' achieving their individual base business objectives and new opportunities. Wajax's ability to successfully grow its business through acquisitions will be dependent on a number of factors including: identification of accretive new business or acquisition opportunities; negotiation of purchase agreements on satisfactory terms and prices; prior approval of acquisitions by third parties, including regulatory authorities; securing attractive financing arrangements; and integration of newly acquired operations into the existing business. All of these activities associated with growing the business, may be more difficult to implement or may take longer to execute than management anticipates. Further, any significant expansion of the business may increase the operating complexity of Wajax, and divert management away from regular business activities. Any failure of Wajax to manage its growth strategy, including acquisitions, successfully could have a material adverse impact on Wajax's business, results of operations or financial condition.

Key Personnel

The success of Wajax is largely dependent on the abilities and experience of its senior management team and other key personnel. Its future performance will also depend on its ability to attract, develop and retain highly qualified employees in all areas of its business. Competition for skilled management, sales and technical personnel is intense, particularly in certain markets where Wajax competes. Wajax continuously reviews and makes adjustments to its hiring, training and compensation practices in an effort to attract and retain a highly competent workforce. However, there can be no assurance that Wajax will be successful in its efforts and a loss of key employees, or failure to attract and retain new talent as needed, may have an adverse impact on Wajax's current operations or future prospects.

Leverage, Credit Availability and Restrictive Covenants

Wajax has a $300 million bank credit facility which expires August 12, 2016 comprised of a $80 million non-revolving term portion and a $220 million revolving term portion. The facility contains restrictive covenants which place restrictions on, among other things, the ability of Wajax to encumber or dispose of its assets, the amount of interest cost incurred and dividends declared relative to earnings and certain reporting obligations. A failure to comply with the obligations of the facility could result in an event of default which, if not cured or waived, could require an accelerated repayment of the facilities. There can be no assurance that Wajax's assets would be sufficient to repay the facility in full.

Wajax's short-term normal course working capital requirements can swing widely quarter-to-quarter due to timing of large inventory purchases and/or sales and changes in market activity. In general, as Wajax experiences growth, there is a need for additional working capital as was the case in 2012. Conversely, as Wajax experiences economic slowdowns working capital reduces reflecting the lower activity levels as was the case in 2009. While management believes the bank credit facility will be adequate to meet the Corporation's normal course working capital requirements, there can be no assurance that additional credit will become available if required, or that an appropriate amount of credit with comparable terms and conditions will be available when the facility matures.

Wajax may be required to access the equity or debt markets or reduce dividends in order to fund significant acquisitions and growth related working capital and capital expenditures.

The amount of debt service obligations under the bank credit facility will be dependant on the level of borrowings and fluctuations in interest rates to the extent the rate is unhedged. As a result, fluctuations in debt servicing costs may have a detrimental effect on future earnings or cash flow.

Wajax also has credit lines available with other financial institutions for purposes of financing inventory and off balance sheet financing of long-term rental fleet. These facilities are not committed lines and their future availability cannot be assured, which may have a negative impact on cash available for dividends and future growth opportunities.

Quality of Products Distributed

The ability of Wajax to maintain and expand its customer base is dependent upon the ability of the manufacturers represented by Wajax to improve and sustain the quality of their products. The quality and reputation of such products are not within Wajax's control, and there can be no assurance that manufacturers will be successful in meeting these goals. The failure of these manufacturers to maintain a market presence could adversely affect Wajax's results of operations or cash flow.

Government Regulation

Wajax's business is subject to evolving laws and government regulations, particularly in the areas of taxation, the environment, and health and safety. Changes to such laws and regulations may impose additional costs on Wajax and may adversely affect its business in other ways, including requiring additional compliance measures by Wajax.

Insurance

Wajax maintains a program of insurance coverage that is ordinarily maintained by similar businesses, including property insurance and general liability insurance. Although the limits and deductibles of such insurance have been established through risk analysis and the recommendation of professional advisors, there can be no assurance that such insurance will remain available to Wajax at commercially reasonable rates or that the amount of such coverage will be adequate to cover all liability incurred by Wajax. If Wajax is held liable for amounts exceeding the limits of its insurance coverage or for claims outside the scope of that coverage, its business, results of operations or financial condition could be adversely affected.

Inventory Obsolescence

Wajax maintains substantial amounts of inventories in all three core businesses. While Wajax believes it has appropriate inventory management systems in place, variations in market demand for the products it sells can result in certain items of inventory becoming obsolete. This could result in a requirement for Wajax to take a material write down of its inventory balance resulting in Wajax not being able to realize expected revenue and cash flows from its inventory, which would negatively affect results from operations or cash flow.

Information Systems and Technology

Information systems are an integral part of Wajax's business processes, including marketing of equipment and support services, inventory and logistics, and finance. Some of these systems are integrated with certain suppliers' core processes and systems. Any disruptions to these systems due, for example, to the upgrade or conversion thereof, or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect Wajax's operating results by limiting the ability to effectively monitor and control Wajax's operations.

Credit Risk

Wajax extends credit to its customers, generally on an unsecured basis. Although Wajax is not substantially dependant on any one customer and it has a system of credit management in place, the loss of a large receivable would have an adverse effect on Wajax's profitability.

Labour Relations

Wajax has approximately 2,833 employees. Wajax is a party to thirteen collective agreements covering a total of approximately 410 employees. Of these, two collective agreements covering 108 employees expired on or before December 31, 2012 and are currently being re-negotiated. Of the remaining eleven collective agreements, four expire in 2013, five expire in 2014, and two expire in 2015. Overall, Wajax believes its labour relations to be satisfactory and does not anticipate it will be unable to renew the collective agreements. If Wajax is unable to renew or negotiate collective agreements from time to time, it could result in work stoppages and other labour disturbances. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on Wajax's businesses, results of operations or financial condition.

Foreign Exchange Exposure

Wajax's operating results are reported in Canadian dollars. While the majority of Wajax's sales are in Canadian dollars, significant portions of its purchases are in U.S. dollars. Changes in the U.S. dollar exchange rate can have a negative or positive impact on Wajax's revenue, margins and working capital balances. Wajax mitigates certain exchange rate risks by entering into short-term foreign currency forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign-currency denominated sales to customers. In addition, Wajax will periodically institute price increases to offset the negative impact of foreign exchange rate increases on imported goods. The inability of Wajax to mitigate exchange rate risks or increase prices to offset foreign exchange rate increases, including sudden and volatile changes in the U.S. dollar exchange rate, may have a material adverse effect on the results of operations or financial condition of Wajax.

A declining U.S. dollar relative to the Canadian dollar can have a negative effect on Wajax's revenue and cash flows as a result of certain products being imported from the U.S. In some cases market conditions require Wajax to lower its selling prices as the U.S. dollar declines. As well, many of Wajax's customers export products to the U.S., and a strengthening Canadian dollar can negatively impact their overall competitiveness and demand for their products, which in turn may reduce product purchases from Wajax.

A strengthening U.S. dollar relative to the Canadian dollar can have a positive effect on Wajax's revenue as a result of certain products being imported from the U.S. Wajax will periodically institute price increases to offset the negative impact of foreign exchange rate increases and volatility on imported goods to ensure margins are not eroded.

Wajax maintains a hedging policy whereby significant transactional currency risks are identified and hedged.

Competition

The equipment, power systems and industrial components distribution industries in which Wajax competes are highly competitive. In the Equipment segment, Wajax primarily competes against regional equipment distributors that tend to handle a dedicated product line, such as those offered by John Deere, Komatsu and Caterpillar. There can be no assurance that Wajax will be able to continue to compete on the basis of product quality and price of product lines, distribution and servicing capabilities as well as proximity of its distribution sites to customers.

The Power Systems business competes with other major diesel engine distributors representing such products as Cummins and Caterpillar. Competition is based primarily on product quality, pricing and the ability to service the product after the sale.

In terms of the Industrial Components segment, the hydraulics and process equipment branches compete with other distributors of hydraulics components and process equipment on the basis of quality and price of the product lines, the capacity to provide custom-engineered solutions and high service standards. The bearings and power transmission product branches compete with a number of distributors representing the same or competing product lines and rely primarily on high service standards, price and value added services to gain market advantage.

There can be no assurance that Wajax will be able to continue to effectively compete. Increased competitive pressures or the inability of Wajax to maintain the factors which have enhanced its competitive position could adversely affect its results of operations or cash flow.

Litigation and Product Liability Claims

In the ordinary course of its business, Wajax may be party to various legal actions, the outcome of which cannot be predicted with certainty. One category of potential legal actions is product liability claims. Wajax carries product liability insurance, and management believes that this insurance is adequate to protect against potential product liability claims. Not all risks, however, are covered by insurance, and no assurance can be given that insurance will be consistently available, or will be consistently available on an economically feasible basis, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving Wajax's assets or operations.

Guaranteed Residual Value, Recourse and Buy-Back Contracts

In some circumstances Wajax makes certain guarantees to finance providers on behalf of its customers. These guarantees can take the form of assuring the resale value of equipment, guaranteeing a portion of customer lease payments, or agreeing to buy back the equipment at a specified price. These contracts are subject to certain conditions being met by the customer, such as maintaining the equipment in good working condition. Historically, Wajax has not incurred substantial losses on these types of contracts, however, there can be no assurance that losses will not be incurred in the future. See Contractual Obligations section.

Future Warranty Claims

Wajax provides manufacturers' and/or dealer warranties for most of the product it sells. In some cases, the product warranty claim risk is shared jointly with the manufacturer. In addition, Wajax provides limited warranties for workmanship on services provided. Accordingly, Wajax has some liability for warranty claims. There is a risk that a possible product quality erosion or a lack of a skilled workforce could increase warranty claims in the future, or may be greater than management anticipates. If Wajax's liability in respect of such claims is greater than anticipated, it may have a material adverse impact on Wajax's business, results of operations or financial condition.

Maintenance and Repair Contracts

Wajax frequently enters into long-term maintenance and repair contracts with its customers, whereby Wajax is obligated to maintain certain fleets of equipment at various negotiated performance levels. The length of these contracts varies significantly, often ranging up to five or more years. The contracts are generally fixed price, although many contracts have additional provisions for inflationary adjustments. Due to the long-term nature of these contracts, there is a risk that significant cost overruns may be incurred. If Wajax has miscalculated the extent of maintenance work required, or if actual parts and service costs increase beyond the contracted inflationary adjustments, the contract profitability will be adversely affected. In order to mitigate this risk, Wajax closely monitors the contracts for early warning signs of cost overruns. In addition, the manufacturer may, in certain circumstances, share in the cost overruns if profitability falls below a certain threshold. Any failure by Wajax to effectively price and manage these contracts could have a material adverse impact on Wajax's business, results of operations or financial condition.

Environmental Factors

From time to time, Wajax experiences environmental incidents, emissions or spills in the course of its normal business activities. With the assistance of environmental consultants, Wajax has established environmental compliance and monitoring programs which management believes are appropriate for its operations. To date, these environmental incidents, emissions and spills have not resulted in any material liabilities to the Corporation, however, there can be no assurance that any future incidents, emissions or spills will not result in a material adverse effect on Wajax's results of operations or cash flows.

STRATEGIC DIRECTION AND OUTLOOK

In 2012 Wajax achieved another record performance with revenue and earnings before tax of $1.47 billion and $89.7 million, respectively. Wajax was positively impacted by strong construction and forestry markets across Canada in 2012. The oil and gas sector in western Canada remained active in the first half of the year, but began to decline in the second half of 2012 as deteriorating industry fundamentals in North America resulted in reduced customer spending. In particular, this decline affected Power Systems and Industrial Components. Mining activity, including in the oil sands, was somewhat stronger compared to last year in all segments. Although quoting activity remained high at year-end, the Equipment segment saw a reduction in mining equipment backlog in the latter part of the year as customers began to take a more cautious approach in making commitments to buy equipment.

Looking forward to 2013, the combined effect of continuing weakness in the oil and gas market, delays in mining investment decisions and the loss of the LeTourneau distribution rights will create challenges for growth in 2013. Quoting activity for mining remains very active in both Equipment and Power Systems. However, Wajax does not expect meaningful improvement in the oil and gas market during 2013. As a result, management anticipates a weaker first half of the year relative to 2012. Achieving full year earnings that are comparable to 2012 will depend on reasonable end market recovery in the second half of 2013.

Additional information, including Wajax's Annual Report and Annual Information Form, are available on SEDAR at www.sedar.com.

Management's Responsibility for Financial Reporting

The consolidated financial statements of Wajax Corporation are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. Where appropriate, the information reflects management's judgement and estimates based on the available information. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent with the consolidated financial statements.

Wajax maintains a system of internal control designed to provide financial information and the safeguarding of its assets. Wajax also maintains an internal audit function, which reviews the system of internal control and its application.

The Audit Committee of the Board, consisting solely of outside directors, meets regularly during the year with management, internal auditors and the external auditors, to review their respective activities and the discharge of their responsibilities.

Both the external and internal auditors have free and independent access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal control and the adequacy of financial reporting. The Audit Committee reports its findings to the Board, which reviews and approves the consolidated financial statements.

Wajax's external auditors, KPMG LLP , are responsible for auditing the consolidated financial statements and expressing an opinion thereon.

Mark Foote
President and
Chief Executive Officer

John J. Hamilton
Senior Vice President, Finance
and Chief Financial Officer

Mississauga, Canada, March 5, 2013

Independent Auditors' Report

TO THE SHAREHOLDERS OF WAJAX CORPORATION

We have audited the accompanying consolidated financial statements of Wajax Corporation, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, the consolidated statements of earnings, comprehensive income, changes in shareholder' equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wajax Corporation as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada, March 5, 2013

Consolidated Statements of Financial Position

As at December 31 (in thousands of Canadian dollars)	2012	2011
ASSETS		
Current		
Cash	$ –	$ 5,659
Trade and other receivables (note 5)	194,567	174,233
Inventories (note 6)	285,185	241,524
Prepaid expenses	7,089	8,033
	486,841	429,449
Non-Current		
Rental equipment (note 7)	43,731	28,060
Property, plant and equipment (note 8)	50,700	47,924
Intangible assets (note 10)	87,668	84,493
Deferred taxes (note 22)	2,922	–
	185,021	160,477
	$ 671,862	$ 589,926
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness (note 14)	$ 10,195	$ –
Accounts payable and accrued liabilities (note 13)	186,897	245,011
Provisions (note 11)	7,033	7,851
Dividends payable	4,519	3,326
Income taxes payable	44,349	2,398
Obligations under finance leases (note 9)	3,611	3,646
Derivative instruments	149	208
	256,753	262,440
Non-Current		
Provisions (note 11)	4,088	4,010
Deferred taxes (note 22)	–	17,694
Employee benefits (note 12)	7,160	6,843
Other liabilities	2,083	5,644
Obligations under finance leases (note 9)	8,192	6,688
Bank debt (note 14)	151,701	59,021
	173,224	99,900
Shareholders' Equity		
Share capital (note 17)	106,651	105,371
Contributed surplus (note 20)	4,346	4,888
Retained earnings	130,944	117,477
Accumulated other comprehensive loss	(56)	(150)
Total shareholders' equity	241,885	227,586
	$ 671,862	$ 589,926

On behalf of the Board:

Paul E. Gagné
Chairman

Ian A. Bourne
Director

Consolidated Statements of Earnings

For the years ended December 31 (in thousands of Canadian dollars, except per share data)	**2012**	2011
Revenue (note 18)	**$ 1,466,014**	$ 1,377,100
Cost of sales	**1,164,199**	1,084,667
Gross profit	**301,815**	292,433
Selling and administrative expenses	**207,672**	200,321
Earnings from operating activities	**94,143**	92,112
Finance costs (note 19)	**4,442**	4,630
Earnings before income taxes	**89,701**	87,482
Income tax expense (note 22)	**23,762**	23,679
Net earnings	**$ 65,939**	$ 63,803
Basic earnings per share (note 23)	**$ 3.95**	$ 3.84
Diluted earnings per share (note 23)	**$ 3.89**	$ 3.77

Consolidated Statements of Comprehensive Income

For the years ended December 31 (in thousands of Canadian dollars)	**2012**	2011
Net earnings	**$ 65,939**	$ 63,803
Items that will not be reclassified to income		
Actuarial losses on pension plans, net of tax of $251 (2011 – $885) (note 12)	**(683)**	(2,544)
Items that may subsequently be reclassified to income		
Losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs in the current year, net of tax recovery of $187 (2011 – $237)	**517**	565
(Losses) gains on effective portion of derivative instruments designated as cash flow hedges, net of tax recovery of $149 (2011 – expense of $381)	**(423)**	1,062
Other comprehensive loss, net of tax	**(589)**	(917)
Total comprehensive income	**$ 65,350**	$ 62,886

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2012 (in thousands of Canadian dollars)		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income AOCL Cash flow hedges		Total
January 1, 2012	**$**	**105,371**	**4,888**	**117,477**	**(150)**	**$**	**227,586**
Net earnings		**–**	**–**	**65,939**	**–**		**65,939**
Other comprehensive loss		**–**	**–**	**(683)**	**94**		**(589)**
Total comprehensive income for the year		**–**	**–**	**65,256**	**94**		**65,350**
Shares issued to settle share-based compensation plans (note 20)		**1,280**	**(1,280)**	**–**	**–**		**–**
Dividends (note 16)		**–**	**–**	**(51,789)**	**–**		**(51,789)**
Share-based compensation expense (note 20)		**–**	**738**	**–**	**–**		**738**
December 31, 2012	**$**	**106,651**	**4,346**	**130,944**	**(56)**	**$**	**241,885**

For the year ended December 31, 2011 (in thousands of Canadian dollars)		Share capital	Trust units	Contributed surplus	Retained earnings	AOCL Cash flow hedges		Total
January 1, 2011	$	–	105,371	3,931	91,805	(1,777)	$	199,330
Conversion to corporation		105,371	(105,371)	–	–	–		–
Net earnings		–	–	–	63,803	–		63,803
Other comprehensive loss		–	–	–	(2,544)	1,627		(917)
Total comprehensive income for the year		–	–	–	61,259	1,627		62,886
Dividends (note 16)		–	–	–	(35,587)	–		(35,587)
Share-based compensation expense (note 20)		–	–	957	–	–		957
December 31, 2011	$	105,371	–	4,888	117,477	(150)	$	227,586

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of Canadian dollars)	2012	2011
OPERATING ACTIVITIES		
Net earnings	**$ 65,939**	$ 63,803
Items not affecting cash flow:		
Depreciation and amortization		
Rental equipment (note 7)	**7,883**	4,838
Property, plant and equipment (note 8)	**8,467**	7,441
Intangible assets (note 10)	**1,466**	1,216
Loss on disposal of property, plant and equipment	**139**	61
Share rights plans compensation expense (note 20)	**738**	957
Non-cash rental expense	**(1,687)**	(303)
Employee benefits income, net of payments	**(618)**	(478)
Non-cash loss on derivative instruments	**72**	–
Finance costs	**4,442**	4,630
Income tax expense	**23,762**	23,679
	110,603	105,844
Changes in non-cash operating working capital (note 24)	**(114,347)**	(20,253)
Rental equipment additions (note 7)	**(25,076)**	(20,177)
Other non-current liabilities	**(3,784)**	95
Finance costs paid	**(4,118)**	(4,132)
Income taxes paid	**(2,387)**	(116)
Cash (used in) generated from operating activities	**(39,109)**	61,261
INVESTING ACTIVITIES		
Property, plant and equipment additions	**(6,234)**	(5,499)
Proceeds on disposal of property, plant and equipment	**523**	132
Intangible assets additions (note 10)	**(237)**	(664)
Acquisition of businesses (note 27)	**(10,078)**	(23,247)
Cash used in investing activities	**(16,026)**	(29,278)
FINANCING ACTIVITIES		
Increase (decrease) in bank debt	**92,998**	(20,000)
Debt facility amendment costs (note 14)	**(568)**	(1,061)
Finance lease payments	**(2,553)**	(3,484)
Dividends paid	**(50,596)**	(44,733)
Cash generated from (used in) financing activities	**39,281**	(69,278)
Change in cash	**(15,854)**	(37,295)
Cash – beginning of year	**5,659**	42,954
(Bank indebtedness) cash – end of year	**$ (10,195)**	$ 5,659

Notes to Consolidated Financial Statements

December 31, 2012 (amounts in thousands of Canadian dollars, except share and per share data)

1. CORPORATION PROFILE

Wajax Corporation (the "Corporation") is incorporated in Canada. The address of the Corporation's registered office is 3280 Wharton Way, Mississauga, Ontario, Canada. The Corporation's core distribution businesses are engaged in the sale and after-sale parts and service support of equipment, power systems and industrial components, through a network of 128 branches across Canada. The Corporation is a multi-line distributor and represents a number of leading worldwide manufacturers across its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2013.

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost basis except for derivative financial instruments and liabilities for cash-settled share-based payment arrangements that have been measured at fair value. The defined benefit liability is recognized as the net total of the fair value of the plan assets and the present value of the defined benefit obligation.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated and except share and per share data.

Judgements and Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those judgements, estimates and assumptions. The Corporation bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are as follows:

Allowance for Doubtful Accounts
The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is somewhat minimized by the Corporation's large customer base which covers most business sectors across Canada. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains provisions for possible credit losses, and any such losses to date have been within management's expectations. The provision for doubtful accounts is determined on an account-by-account basis.

Inventory Obsolescence
The value of the Corporation's new and used equipment is evaluated by management throughout the year, on a unit-by-unit basis. When required, provisions are recorded to ensure that the book value of equipment is valued at the lower of cost or estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete parts inventories and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods.

Goodwill and Intangible Assets
The value in use of goodwill and intangible assets has been estimated using the forecasts prepared by management for the next three years. The key assumptions for the estimate are those regarding revenue growth, gross margin and the level of working capital required to support the business. These estimates are based on past experience and management's expectations of future changes in the market and forecasted growth initiatives. To prepare the value in use calculations, the forecasts are extrapolated beyond the three year period at the estimated long-term inflation rate (2%) and discounted back to present value. The discount rate is based on the Corporation's pre-tax weighted average cost of capital of approximately 11% to reflect a market participant's view of the cash-generating unit.

During the year, the Corporation performed impairment tests, based on value in use, of its goodwill and intangible assets with an indefinite life and concluded that no impairment existed in either the goodwill associated with any of the Corporation's cash-generating units ("CGUs") or the intangible assets with an indefinite life.

Warranty Provision
The Corporation maintains provisions for possible customer warranty claims that may not be covered by the manufacturers' standard warranty and limited warranties for workmanship on services provided. The provisions are developed using management's best estimate of actual warranty expense, generally based on recent claims experience, and are regularly reviewed and adjusted as required.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of Wajax Corporation and its subsidiary entities, which are all wholly-owned. Intercompany balances and transactions are eliminated on consolidation.

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable and is recognized as it is earned in accordance with the following:

- Revenue from the sale of equipment, parts and internally-manufactured or assembled products is recorded at the time goods are shipped to customers or when all contracted-upon conditions have been fulfilled.
- Revenue from the rental of equipment is recognized on a straight-line basis over the term of the lease.
- Revenue from the provision of engineering and technical services to customers is recognized upon performance of contracted–upon services with the customer.
- Revenue for separately priced extended warranty or product maintenance contracts is recognized over the contract period in proportion to the costs expected to be incurred in performing the services under the contract. If insufficient historical evidence exists to support this pattern, then revenue is recognized on a straight-line basis over the term of the contract.
- Revenue from arrangements with separately identifiable components is recognized separately for each component based on the relative fair values.

Provision is made for expected returns, collection losses and warranty costs based on past performance, and for estimated costs to fulfill contractual obligations and other sales-related contingencies depending on the terms of each individual contract.

Derivative Financial Instruments

The Corporation uses derivative financial instruments in the management of its foreign currency exposures related to certain inventory purchase and customer sales commitments. The Corporation's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Where the Corporation intends to apply hedge accounting it formally documents the relationship between the derivative and the risk being hedged, as well as the risk management objective and strategy for undertaking the hedge transaction. The documentation links the derivative to a specific asset or liability or to specific firm commitments or forecasted transactions. The Corporation also assesses, at the hedge's inception as well as on an ongoing basis, whether the hedge is effective in offsetting changes in fair values or cash flows of the risk being hedged. Should a hedge become ineffective, hedge accounting will be discontinued prospectively.

All derivative instruments are recorded in the consolidated statements of financial position at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in fair value are recorded in earnings unless cash flow hedge accounting is applied, in which case changes in fair value are recorded in other comprehensive income. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in other comprehensive income are included in the initial measurement of the asset or liability.

Inventories

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

Cost is determined using the weighted average method except where the items are not ordinarily interchangeable, in which case the specific identification method is used.

Cost of equipment and parts includes purchase cost, conversion cost if applicable and cost incurred in bringing inventory to its present location and condition.

Cost of work-in-progress and cost of conversion includes cost of direct labour, direct materials and a portion of direct and indirect overheads, allocated based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

Rental Equipment

Rental equipment assets are recorded at cost less accumulated depreciation. Cost includes all expenditures directly attributable to the acquisition of the asset. Assets are depreciated over their estimated useful lives using the declining balance method at a rate of 20% per year for material handling equipment and a units of production method for power generation equipment.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures directly attributable to the acquisition of the asset. Assets are depreciated over their estimated useful lives based on the following methods and annual rates:

Asset	Method	Rate
Buildings	declining balance	4% – 5%
Equipment and vehicles	declining balance	20% – 30%
Computer hardware	straight-line	3 – 7 years
Furniture and fixtures	declining balance	20%
Leasehold improvements	straight-line	over the remaining terms of the leases

Assets under finance leases are depreciated over the shorter of the lease term and their useful life.

Leases

As lessor:
The Corporation's equipment rentals and leases are classified as operating leases with amounts received included in revenue on a straight-line basis over the term of the lease.

As lessee:
Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Corporation. Under finance leases the asset is recorded at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. A liability is recorded and is classified as current and non-current liabilities. The interest component of the lease is charged to earnings over the period of the lease using the effective interest method.

All other leases are classified as operating leases. The cost of operating leases is charged to earnings on a straight-line basis over the periods of the leases.

Intangible Assets

Product distribution rights represent the fair value attributed to these rights pursuant to an acquisition and are classified as indefinite life intangibles assets because the Corporation is generally able to renew these rights with minimal cost of renewal.

Goodwill and indefinite life intangible assets are not amortized but are tested at least annually for impairment, or more frequently if certain indicators arise that indicate the assets might be impaired. Goodwill and indefinite life intangible assets are allocated to CGUs that are expected to benefit from the synergies of the acquisition.

Customer lists and non-competition agreements are amortized on a straight-line basis over their useful lives which range from 2 to 7 years. Computer application software is classified as an intangible asset and is amortized on a straight-line basis over the useful life ranging from 1 to 7 years.

Impairment

Property, plant and equipment, rental equipment and definite life intangible assets are reviewed at the end of each year to determine if any indicators of impairment exist. If an indicator of impairment is identified, an impairment loss would be recognized as the amount by which the asset's carrying amount exceeds its recoverable amount. Where the asset does not generate cash flows that are independent of other assets, impairment is considered for the CGU to which the asset belongs.

Goodwill and indefinite life intangible assets are tested at least annually for impairment. To test for impairment, the Corporation compares each CGU's carrying value to its recoverable amount. Recoverable amount is the higher of value in use or fair value less costs to sell, if the fair value can be readily determined. The value in use is the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the assets. Any impairment of goodwill or indefinite life intangible assets would be recorded as a charge against earnings.

Cash

Cash includes cash on hand, demand deposits and bank indebtedness. The Corporation considers bank indebtedness to be an integral part of the Corporation's cash management. Cash and bank indebtedness are offset and the net amount presented in the consolidated statements of financial position to the extent that there is a right to set off and a practice of net settlement. Cash was designated as loans and receivables upon initial recognition.

Financing Costs

Transaction costs directly attributable to the acquisition or amendment of bank debt are deferred and amortized to finance costs over the term of the debt using the effective interest method. Deferred financing costs are included in the carrying amount of the related bank debt.

Provisions

The Corporation provides for customer warranty claims that may not be covered by the manufacturers' standard warranty. Warranties relate to products sold and generally cover a period of 6 months to 5 years. The reserve is determined by applying a claim rate to the value of each machine sold. The rate is developed using management's best estimate of actual warranty expense, generally based on recent claims experience, and is adjusted as required. The provision is not discounted to reflect the time value of money because the impact is not material.

The Corporation has guaranteed the resale value of certain equipment sold and guaranteed a portion of certain customers' lease payments. These contracts are subject to certain conditions being met by the customers.

Financial Instruments

The Corporation measures loans and receivables and other financial liabilities at amortized cost. Derivative instruments are measured at fair value. All changes in their fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income with any ineffectiveness charged to earnings.

Share-Based Compensation Plans

The fair value of share-based compensation plan rights is based on the trading price of a Wajax Corporation common share on the Toronto Stock Exchange ("TSX"). Compensation expense for share-settled plans is based upon the fair value of the rights at the date of grant and is charged to selling and administrative expenses on a straight-line basis over the vesting period, with an offsetting adjustment to contributed surplus. Compensation expense for cash-settled plans varies with the price of the Corporation's shares and is recognized over the vesting period with an offset to accounts payable and accrued liabilities.

Employee Benefits

The Corporation has defined contribution pension plans for most of its employees. The cost of the defined contribution plans is recognized in earnings based on the contributions required to be made each year.

The Corporation also has defined benefit plans covering some of its employees. The benefits are based on years of service and the employees' earnings. Defined benefit plan obligations are accrued as the employees render the services necessary to earn the pension benefits. The Corporation has adopted the following policies:

- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method for defined benefit plans and management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees.
- For purposes of calculating expected return on plan assets, those assets are valued at fair value.
- The charge to earnings for the defined benefit plans is split between an operating cost and a finance charge. The finance charge represents the interest cost on the accrued benefit obligation net of the expected return on plan assets and is included in selling and administrative expenses.
- Actuarial gains and losses are recognized in full in the statement of other comprehensive income in the year in which they occur.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. CHANGES IN ACCOUNTING POLICIES

On January 1, 2012, the Corporation early adopted amendments to International Accounting Standard ("IAS") 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income. The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. These amendments are to be applied retrospectively in the first annual fiscal period beginning on or after July 1, 2012, with early adoption permitted. This new presentation is included in the consolidated statements of comprehensive income.

New Standards and Interpretations Not Yet Adopted

The new standards or amendments to existing standards that may be significant to the Corporation set out below are not yet effective for the year ended December 31, 2012 and have not been applied in preparing these consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt the amendments to IFRS 7 Offsetting Financial Assets and Liabilities, which contains new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or are subject to master netting arrangements or similar arrangements. The Corporation does not expect IFRS 7 to have a material impact on its consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt IFRS 10 Consolidated Financial Statements, which establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. The Corporation does not expect IFRS 10 to have a material impact on its consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt IFRS 13 Fair Value Measurement, which defines fair value and sets out a framework for measuring fair value when fair value measurements are required or permitted by other standards. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

As of January 1, 2013, the Corporation will be required to adopt IAS 19 Employee Benefits, which requires recognition of actuarial gains and losses immediately in other comprehensive income, the full recognition of past service costs immediately in profit or loss, recognition of the expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation, and certain additional disclosures. This standard does not significantly impact the Corporation's consolidated financial statements.

As of January 1, 2015, the Corporation will be required to adopt IFRS 9 Financial Instruments, which is the result of the first phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

5. TRADE AND OTHER RECEIVABLES

	2012	2011
Trade accounts receivable	**$ 177,068**	$ 157,273
Less: allowance for credit losses	**(2,458)**	(3,514)
Net trade accounts receivable	**174,610**	153,759
Other receivables	**19,957**	20,474
Total trade and other receivables	**$ 194,567**	$ 174,233

The Corporation's exposure to credit and currency risks related to trade and other receivables is disclosed in note 15.

6. INVENTORIES

	2012	2011
Equipment	**$ 157,480**	$ 106,055
Parts	**110,779**	115,716
Work-in-process	**16,926**	19,753
Total inventories	**$ 285,185**	$ 241,524

All amounts shown are net of obsolescence reserves of $11,314 (2011 – $11,495). During the year ended December 31, 2012, $1,857 (2011 – $3,209) was recorded in cost of sales for the write-down of inventories to estimated net realizable value.

The Corporation recognized $1,021,606 (2011 – $974,424) of inventories as an expense which is included in cost of sales.

Substantially all of the Corporation's inventories are pledged as security for the bank credit facility (Note 14).

7. RENTAL EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value
January 1, 2012	**$ 43,448**	**$ 15,388**	**$ 28,060**
Additions	**25,076**	**7,883**	**17,193**
Transfers to inventories	**(4,551)**	**(3,029)**	**(1,522)**
December 31, 2012	**$ 63,973**	**$ 20,242**	**$ 43,731**
January 1, 2011	$ 30,397	$ 14,603	$ 15,794
Additions	20,177	4,838	15,339
Transfers to inventories	(7,126)	(4,053)	(3,073)
December 31, 2011	$ 43,448	$ 15,388	$ 28,060

8. PROPERTY, PLANT AND EQUIPMENT

		Land and buildings	Equipment and vehicles	Computer hardware	Furniture and fixtures	Leasehold improvements		Total
Cost								
January 1, 2012	**$**	**34,724**	**63,905**	**4,720**	**10,016**	**10,783**	**$**	**124,148**
Additions		**589**	**9,433**	**350**	**747**	**349**		**11,468**
Acquisition of businesses (Note 27)		**1,466**	**377**	**5**	**5**	**–**		**1,853**
Disposals		**(334)**	**(7,596)**	**(133)**	**(46)**	**(341)**		**(8,450)**
December 31, 2012	**$**	**36,445**	**66,119**	**4,942**	**10,722**	**10,791**	**$**	**129,019**
Accumulated depreciation								
January 1, 2012	**$**	**13,870**	**42,793**	**3,761**	**7,597**	**8,203**	**$**	**76,224**
Charge for the year		**794**	**6,068**	**440**	**472**	**693**		**8,467**
Disposals		**(1)**	**(5,950)**	**(133)**	**(61)**	**(227)**		**(6,372)**
December 31, 2012	**$**	**14,663**	**42,911**	**4,068**	**8,008**	**8,669**	**$**	**78,319**
Carrying amount								
December 31, 2012	**$**	**21,782**	**23,208**	**874**	**2,714**	**2,122**	**$**	**50,700**
Cost								
January 1, 2011	$	33,686	57,374	4,260	9,143	10,067	$	114,530
Additions		1,088	7,968	471	989	383		10,899
Acquisition of business		35	1,246	21	239	337		1,878
Disposals		(85)	(2,683)	(32)	(355)	(4)		(3,159)
December 31, 2011	$	34,724	63,905	4,720	10,016	10,783	$	124,148
Accumulated depreciation								
January 1, 2011	$	13,142	39,763	3,397	7,479	7,481	$	71,262
Charge for the year		780	5,158	384	396	723		7,441
Disposals		(52)	(2,128)	(20)	(278)	(1)		(2,479)
December 31, 2011	$	13,870	42,793	3,761	7,597	8,203	$	76,224
Carrying amount								
December 31, 2011	$	20,854	21,112	959	2,419	2,580	$	47,924

Included in property, plant and equipment are vehicles held under finance leases as follows:

		2012		2011
Cost, beginning of year	**$**	**24,091**	$	22,006
Additions		**5,234**		5,400
Acquisition of businesses (Note 27)		**238**		–
Disposals		**(6,977)**		(2,333)
Purchased at end of lease		**(1,283)**		(982)
Cost, end of year	**$**	**21,303**	$	24,091
Accumulated depreciation, beginning of year		**13,009**		12,542
Charge for the year		**3,498**		3,031
Disposals		**(5,588)**		(1,848)
Purchased at end of lease		**(917)**		(716)
Accumulated depreciation, end of year		**10,002**		13,009
Carrying amount	**$**	**11,301**	$	11,082

All property, plant and equipment except land and buildings and vehicles held under finance leases have been pledged as security for bank debt.

9. OPERATING AND FINANCE LEASES

Operating Leases – As Lessor

The Corporation rents equipment to customers under rental agreements with terms of up to 5 years. The rentals have been classified as operating leases. The rentals may be cancelled subject to a cancellation fee. The future minimum non-cancellable lease payments receivable under the agreements are as follows:

		2012		2011
Less than one year	**$**	**3,884**	$	6,187
Between one and five years		**5,261**		8,199
More than five years		**–**		17
	$	**9,145**	$	14,403

Operating Leases – As Lessee

The Corporation leases certain land and buildings, rental equipment and office equipment. Some of the leases have renewal terms.

The future minimum non-cancellable payments due under the agreements are as follows:

	2012	2011
Less than one year	$ 16,699	$ 16,827
Between one and five years	47,012	33,281
More than five years	33,244	21,229
	$ 96,955	$ 71,337

Finance Leases – As Lessee

The Corporation finances certain vehicles under finance lease arrangements. The leases have a minimum one year term and are extended on a monthly basis thereafter until terminated. On termination the difference between the lessor's proceeds of disposal and the residual value is charged or refunded to the Corporation as a rental adjustment. Obligations under finance leases are as follows:

	2012			2011		
	Payment	Finance costs	Present value of minimum lease payments	Payment	Finance costs	Present value of minimum lease payments
Current	$ 4,171	560	3,611	$ 4,061	415	3,646
Non-current (between one and five years)	9,311	1,119	8,192	7,586	898	6,688
Total minimum lease payments	$ 13,482	1,679	11,803	$ 11,647	1,313	10,334

10. INTANGIBLE ASSETS

	Goodwill	Product distribution rights	Customer lists/Non-competition agreements	Software	Total
Cost					
January 1, 2012	**$ 70,644**	**8,800**	**5,302**	**7,759**	**$ 92,505**
Acquisition of businesses (Note 27)	**1,504**	**–**	**2,900**	**–**	**4,404**
Additions	**–**	**–**	**–**	**237**	**237**
Disposals	**–**	**–**	**–**	**(30)**	**(30)**
December 31, 2012	**$ 72,148**	**8,800**	**8,202**	**7,966**	**$ 97,116**
Accumulated amortization					
January 1, 2012	**$ –**	**–**	**3,095**	**4,917**	**$ 8,012**
Amortization for the year	**–**	**–**	**557**	**909**	**1,466**
Disposals	**–**	**–**	**–**	**(30)**	**(30)**
December 31, 2012	**$ –**	**–**	**3,652**	**5,796**	**$ 9,448**
Carrying amount					
December 31, 2012	**$ 72,148**	**8,800**	**4,550**	**2,170**	**$ 87,668**
Cost					
January 1, 2011	$ 66,335	4,900	4,302	7,053	$ 82,590
Acquisition of business	4,309	3,900	1,000	42	9,251
Additions	–	–	–	664	664
December 31, 2011	$ 70,644	8,800	5,302	7,759	$ 92,505
Accumulated Amortization					
January 1, 2011	$ –	–	2,565	4,231	$ 6,796
Amortization for the year	–	–	530	686	1,216
December 31, 2011	$ –	–	3,095	4,917	$ 8,012
Carrying amount					
December 31, 2011	$ 70,644	8,800	2,207	2,842	$ 84,493

Amortization of intangible assets is charged to selling and administrative expenses.

Goodwill and indefinite life intangible assets have been allocated to the Corporation's CGUs that are expected to benefit from the acquisition that gave rise to the goodwill or indefinite life intangible assets as follows:

	2012		2011	
Cash-generating units	Goodwill	Product distribution rights	Goodwill	Product distribution rights
Equipment	**$ 21,341**	**–**	$ 21,341	–
Power Systems West	**2,535**	**1,600**	2,535	1,600
Power Systems Central	**4,309**	**3,900**	4,309	3,900
Power Systems East	**1,409**	**–**	1,409	–
Industrial Components	**42,554**	**3,300**	41,050	3,300
	$ 72,148	**8,800**	$ 70,644	8,800

In 2012, the Corporation performed impairment tests, based on value in use, of its goodwill and intangible assets with an indefinite life. The Corporation concluded that no impairment existed in either the goodwill or the intangible assets with an indefinite life.

11. PROVISIONS, COMMITMENTS AND CONTINGENCIES

	Warranties	Other	Total
Provisions, January 1, 2012	**$ 9,632**	**$ 2,229**	**$ 11,861**
Charge for the year	**6,320**	**1,431**	**7,751**
Utilized in the year	**(7,326)**	**(1,165)**	**(8,491)**
Provisions, December 31, 2012	**$ 8,626**	**$ 2,495**	**$ 11,121**
Current	**4,538**	**2,495**	**7,033**
Non-current	**4,088**	**–**	**4,088**
Total	**$ 8,626**	**$ 2,495**	**$ 11,121**

The Corporation also has contingent contractual obligations where the Corporation has guaranteed the resale value of equipment sold ("guaranteed residual value contracts") or has guaranteed a portion of customer lease payments ("recourse contracts"). These contracts are subject to certain conditions being met by the customer. As at December 31, 2012, the Corporation had guaranteed $1,177 of contracts (2011 – $5,325) with commitments arising between 2013 and 2016. The commitments made by the Corporation in these contracts reflect the estimated future value of the equipment, based on the judgment and experience of management. The Corporation has recorded a $67 provision (2011 – $82) as an estimate of the financial loss likely to result from such commitments.

Litigation

In the ordinary course of business, the Corporation is contingently liable for litigation in varying amounts. These liabilities could arise from litigation, environmental matters or other sources. It is not possible to determine the amounts that may ultimately be assessed against the Corporation, but management believes that any such amounts would not have a material impact on the business or financial position of the Corporation as they generally are fully covered by insurance. Provisions have been made in these consolidated financial statements when the liability is expected to result in an outflow of economic benefits, and where the obligation can be reliably measured.

12. EMPLOYEE BENEFITS

The Corporation sponsors three pension plans: the Wajax Limited Pension Plan (the "Employees' Plan") which, except for a small group of employees, is a defined contribution plan ("DC") and two defined benefit plans ("DB"): the Pension Plan for Executive Employees of Wajax Limited (the "Executive Plan") and the Wajax Limited Supplementary Executive Retirement Plan (the "SERP").

The Corporation also contributes to several union sponsored multi-employer plans for a small number of employees. Two of these are target benefit plans but they are all accounted for as DC plans as the Corporation has no involvement in the management of these plans and does not have sufficient information to account for the plans as DB plans.

The Corporation uses actuarial reports prepared by independent actuaries for funding and accounting purposes and measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. These actuarial assumptions include discount rates, expected long-term rate of return on plan assets, compensation increases and service life. While management believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the statement of financial position and statement of earnings.

The schedule for actuarial valuations of the pension plans for funding purposes is as follows:

Plan	Previous valuation	Next valuation
Employees' Plan	January 1, 2011	January 1, 2014
Executive Plan	January 1, 2012	January 1, 2015
SERP	January 1, 2012	January 1, 2015

The following significant actuarial assumptions were employed to determine the periodic pension income and the accrued benefit obligations:

	December 31	
	2012	2011
Expected long-term rate of return on plan assets	**6.0%**	6.0%
Discount rate – at beginning of year (to determine plan expenses)	**4.0%**	5.0%
Discount rate – at end of year (to determine accrued benefit obligation)	**3.8%**	4.0%
Rate of compensation increase	**3.0%**	3.0%

The expected long-term rate of return on plan assets has been derived as the weighted average of the expected returns from each of the main asset classes. The expected return for each asset class is determined by reference to long-term government bond rates plus a risk premium. The risk premiums are long-term assumptions and were set after considering actuarial advice.

Plan assets for the DC plans are invested according to the directions of the plan members. Plan assets for defined benefit plans are invested in the following major categories of plan assets as a percentage of total plan assets:

	December 31	
	2012	2011
Cash	**4.3%**	6.2%
Fixed Income	**32.1%**	32.3%
Canadian Equities	**29.7%**	29.3%
Foreign Equities	**33.9%**	32.2%
	100.0%	100.0%

The history of experience adjustments on the defined benefit plans for the current and prior years:

	2012	2011	2010
Experience (loss) gain on accrued benefit obligation	**$ (466)**	$ 47	$ 109
Experience gain (loss) on plan assets	**$ 69**	$ (1,566)	$ 89

Total Cash Payments

Total cash payments for employee future benefits for 2012, consisting of cash contributed by the Corporation to its funded pension plans, cash payments directly to beneficiaries for its unfunded pension plans, and cash contributed to its DC plans was $8,918 (2011 – $7,561).

The Corporation expects to contribute $418 to the defined benefit pension plans in the year ended December 31, 2013.

The plan expenses recognized in earnings are as follows:

	2012	2011
Defined contribution plans		
Current service cost	**$ 7,823**	$ 6,678
Defined benefit plans		
Current service cost	**403**	346
Administration expenses	**75**	80
Finance cost on accrued benefit obligation	**742**	850
Expected return on plan assets	**(663)**	(883)
Total plan expense recognized in the statement of earnings	**$ 8,380**	$ 7,071

Of the amounts recognized in earnings, $3,836 (2011 – $2,958) is included in cost of sales and $4,544 (2011 – $4,113) is included in selling and administrative expenses.

The amounts recognized in other comprehensive income are as follows:

	2012	2011
Net actuarial losses	**$ 934**	$ 3,429
Deferred tax	**(251)**	(885)
Amount recognized in other comprehensive income	**$ 683**	$ 2,544
Cumulative actuarial losses	**$ 3,855**	$ 3,172

Information about the Corporation's defined benefit pension plans, in aggregate, is as follows:

Present value of benefit obligation		**2012**		2011
Present value of benefit obligation, beginning of year	**$**	**18,599**	$	17,019
Current service cost		**403**		346
Participant contributions		**60**		43
Finance cost on accrued benefit obligation		**742**		850
Actuarial loss		**1,033**		1,863
Benefits paid		**(1,509)**		(1,522)
Present value of benefit obligation, end of year	**$**	**19,328**	$	18,599

Plan assets		**2012**		2011
Fair value of plan assets, beginning of year	**$**	**11,269**	$	12,557
Actual gain (loss) on plan assets		**732**		(683)
Participant contributions		**60**		43
Employer contributions		**1,275**		954
Benefits paid		**(1,509)**		(1,522)
Administration expenses		**(75)**		(80)
Fair value of plan assets, end of year	**$**	**11,752**	$	11,269

Funded status		**2012**		2011
Fair value of plan assets, end of year	**$**	**11,752**	$	11,269
Present value of benefit obligation, end of year		**(19,328)**		(18,599)
Plan deficit	**$**	**(7,576)**	$	(7,330)

The accrued benefit liability is included in the Corporation's statement of financial position as follows:

		2012		2011
Employee benefits asset		**–**		–
Trade and other payables		**(416)**		(487)
Employee benefits liability		**(7,160)**		(6,843)
Plan deficit	**$**	**(7,576)**	$	(7,330)

Present value of benefit obligation includes a benefit obligation of $4,589 (2011 – $4,279) related to the SERP that is not funded. This obligation is secured by a letter of credit of $4,893 (2011 – $4,550).

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2012		2011
Trade payables	**$**	**98,004**	$	139,828
Deferred income		**18,460**		10,918
Other payables and accrued liabilities		**70,433**		94,265
Accounts payable and accrued liabilities	**$**	**186,897**	$	245,011

14. BANK DEBT

On May 24, 2012 and December 7, 2012, the Corporation amended its bank credit facility to increase the limit of the facility by $50,000 and $75,000 respectively, on substantially the same terms and conditions as the existing facility. The fully secured facility of $300,000, due August 12, 2016, is now comprised of an $80,000 non-revolving term portion and a $220,000 revolving term portion. The $568 cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility. Borrowing capacity under the bank credit facility is dependent upon the level of the Corporation's inventories on hand and the outstanding trade accounts receivable. At December 31, 2012 borrowing capacity under the bank credit facility was equal to $300,000. In addition, the bank credit facility contains customary restrictive covenants including limitations on the declaration of cash dividends and the maintenance of certain financial ratios, all of which were met as at December 31, 2012. The Corporation will be restricted from the declaration of monthly cash dividends in the event the Corporation's leverage ratio, as defined in the bank credit facility agreement, exceeds three times. The Corporation's interest coverage ratio, as defined under the bank credit facility agreement, must not be lower than three times. Borrowings under the facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR rates or prime. Margins on the facility depend on the Corporation's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

Bank indebtedness consists of bank overdrafts and outstanding cheques.

		2012		2011
Bank credit facility, repayable August 12, 2016				
Non-revolving term portion	**$**	**80,000**	$	30,000
Revolving term portion		**73,000**		30,000
		153,000		60,000
Deferred financing costs, net of accumulated amortization of $330 (2011 – $82)		**(1,299)**		(979)
Total bank debt	**$**	**151,701**	$	59,021

The Corporation had $5,917 (2011 – $5,952) letters of credit outstanding at the end of the year.

Finance costs on bank debt amounted to $3,782 (2011 – $4,232).

15. FINANCIAL INSTRUMENTS

The Corporation categorizes its financial assets and financial liabilities as follows:

		2012		2011
Loans and receivables:				
(Bank indebtedness) cash	**$**	**(10,195)**	$	5,659
Trade and other receivables		**194,567**		174,233
Other financial liabilities:				
Accounts payable and accrued liabilities		**(186,897)**		(245,011)
Dividends payable		**(4,519)**		(3,326)
Other liabilities		**(2,083)**		(5,644)
Bank debt		**(151,701)**		(59,021)
Derivative instruments – cash flow hedges:				
Foreign exchange forward contracts	**$**	**(149)**	$	(208)

The Corporation measures loans and receivables and other financial liabilities at amortized cost. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being charged to other comprehensive income. Bank indebtedness and cash were designated as loans and receivables upon initial recognition. The fair values of trade and other receivables and other financial liabilities approximate their recorded values due to the short-term maturities of these instruments. The carrying values of other financial assets and financial liabilities reported in the statement of financial position for financial instruments are not significantly different from their fair values.

The following method and assumptions were used in 2012 and 2011 to determine the fair value of each class of assets and liabilities recorded at fair value on the consolidated statement of financial position:

Derivative Instruments

The fair value of foreign currency forward contracts is determined by discounting contracted future cash flows using a discount rate derived from forward rate curves for comparable assets and liabilities adjusted for changes in credit risk of the counterparties.

Credit Risk

The Corporation is exposed to credit risk with respect to its trade and other receivables. This risk is somewhat minimized by the Corporation's large customer base which covers many business sectors across Canada. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation's trade and other receivables consist of trade accounts receivable from customers and other accounts receivable generally from suppliers for warranty and rebates. The aging of the trade accounts receivable is as follows:

		2012		2011
Current	**$**	**108,914**	$	93,268
Less than 60 days overdue		**63,588**		58,408
More than 60 days overdue		**4,566**		5,597
Total trade accounts receivable	**$**	**177,068**	$	157,273

The carrying amounts of accounts receivable represent the maximum credit exposure.

The Corporation maintains provisions for possible credit losses by performing an analysis of specific accounts. Any such losses to date have been within management's expectations. Movement of the allowance for credit losses is as follows:

		2012		2011
Opening balance	**$**	**3,514**	$	3,902
Additions		**302**		592
Utilization		**(1,358)**		(980)
Closing balance	**$**	**2,458**	$	3,514

The Corporation is also exposed to non-performance by counterparties to short-term currency forward contracts. These counterparties are large financial institutions with "Stable" outlook and high short-term and long-term credit ratings. To date, no such counterparty has failed to meet its financial obligations to the Corporation. Management does not believe there is a significant risk of non-performance by these counterparties and will continue to monitor the credit risk of these counterparties.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities as they become due. The contractual maturity of the bank debt facility is August 12, 2016. At December 31, 2012 the Corporation had borrowed $154,822 (2011 – $60,000) and issued $5,917 (2011 – $5,952) of letters of credit for a total utilization of $160,739 (2011 – $65,952) of its $300,000 (2011 – $175,000) bank credit facility and had not utilized any (2011 – nil) of its $15,000 (2011 – $15,000) equipment financing facility.

The Corporation's $300,000 bank credit facility along with $15,000 of capacity permitted in addition to the credit facility should be sufficient to meet the Corporation's short-term normal course working capital, maintenance capital and growth capital requirements.

In the long-term the Corporation may be required to access the equity or debt markets in order to fund significant acquisitions and growth related working capital and capital expenditures.

Financial Risk Management Policy

The Corporation has in place a financial risk management policy that addresses the Corporation's financial exposure to currency risk and interest rate risk. The Corporation's tolerance to interest rate risk decreases as the Corporation's leverage ratio increases and interest coverage ratio decreases. To manage this risk prudently, guideline percentages of floating interest rate debt decrease as the Corporation's leverage ratio increases. The policy also defines acceptable levels of exposure to transactional currency risk. The exposure to currency and interest rate risk is managed through the use of various derivative instruments.

Currency Risk

The Corporation enters into short-term currency forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and certain foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. The impact of a change in foreign currency relative to the Canadian dollar on the Corporation's financial statements of unhedged foreign currency-denominated sales to customers along with the associated receivables and purchases from vendors along with the associated payables would be insignificant. The Corporation's commitments to buy and sell foreign currencies are summarized as follows:

			Notional Amount		Fair Value	Average Exchange Rate	Maturity
December 31, 2012							
Purchase contracts	**USD**	**$**	**26,453**	**$**	**(59)**	**0.9998**	**January 2013 to April 2014**
Sales contracts	**USD**	**$**	**11,135**	**$**	**(90)**	**0.9868**	**January 2013**
December 31, 2011							
Purchase contracts	USD	$	35,952	$	(201)	1.0249	January to December 2012
Purchase contracts	EUR		220		(16)	1.3993	January to June 2012
Sales contracts	USD	$	979	$	9	1.0262	January to February 2012

The Corporation maintains a hedging policy whereby significant transactional currency risks are usually identified and hedged.

Interest Rate Risk

The Corporation's borrowing costs are impacted by changes in interest rates. In order to manage this risk to an acceptable level, the Corporation may use derivative instruments such as interest rate swap agreements. As at December 31, 2012 the Corporation had not entered into any interest rate swaps with its lenders.

Sensitivity Analysis

A 1.00 percentage point change in interest rates on the average debt level for 2012 would result in a change to earnings before income taxes of approximately $1,110 for the year.

16. DIVIDENDS DECLARED

During 2012 the Corporation declared cash dividends of $3.10 per share, or $51,789 (2011, $2.14 per share or $35,587).

The Corporation has declared dividends of $0.27 per share or $4,519 for each of January and February 2013.

17. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of shares, with each share entitling the holder of record to one vote at all meetings of shareholders. The shares have no par value and all issued shares are fully paid. Each share represents an equal beneficial interest in any distributions of the Corporation and in the net assets of the Corporation in the event of its termination or winding-up.

	Number of Shares		Amount
Balance, December 31, 2010	–	$	–
Converted on January 1, 2011 from trust units	16,629,444		105,371
Balance, December 31, 2011	16,629,444		105,371
Shares issued to settle share-based compensation plans	107,003		1,280
Balance, December 31, 2012	**16,736,447**	**$**	**106,651**

18. REVENUE

	2012	2011
Equipment	**$ 598,671**	$ 553,489
Parts	**641,605**	627,690
Service	**186,400**	164,376
Rental and other	**39,338**	31,545
Total revenues	**$ 1,466,014**	$ 1,377,100

19. FINANCE COSTS

	2012	2011
Interest on bank debt	**$ 3,782**	$ 4,232
Interest on finance leases	**660**	398
Finance costs	**$ 4,442**	$ 4,630

20. SHARE-BASED COMPENSATION PLANS

The Corporation has five share-based compensation plans: the Wajax Share Ownership Plan ("SOP"), the Deferred Share Program ("DSP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Share Unit Plan ("DSUP").

a) Share Rights Plans

Under the SOP, DSP and the DDSUP, rights are issued to the participants which, upon satisfaction of certain time and performance vesting conditions, are settled by issuing Wajax Corporation shares for no cash consideration. Vested rights are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities or no longer sits on its board.

Whenever dividends are paid on the Corporation's shares, additional rights (dividend equivalents) with a value equal to the dividends are credited to the participants' accounts.

The Corporation recorded compensation cost of $738 (2011 – $957) in respect of these plans.

	December 31, 2012		December 31, 2011	
Share Rights Plans	Number of Rights	Fair value at time of grant	Number of Rights	Fair value at time of grant
Outstanding at beginning of year	**316,595**	**$ 4,908**	273,960	$ 4,133
Granted in the year – new grants	**27,231**	**1,304**	21,137	775
– dividend equivalents	**18,129**	**–**	21,498	–
Settled in the year	**(107,003)**	**(1,280)**	–	–
Outstanding at end of year	**254,952**	**$ 4,932**	316,595	$ 4,908

At December 31, 2012, 240,102 share rights were vested (December 31, 2011 – 312,020).

The outstanding aggregate number of shares issuable to satisfy entitlements under these plans is as follows:

	2012	2011
	Number of Shares	Number of Shares
Approved by shareholders	**1,050,000**	1,050,000
Exercised to date	**(153,917)**	(46,914)
Rights outstanding	**(254,951)**	(316,595)
Available for future grants	**641,132**	686,491

B) Cash-Settled Rights Plans

The MTIP and DSUP, which are settled in cash, consist of an annual grant that vests over three years and is based upon time and performance vesting criteria, a portion of which is determined by the price of the Corporation's shares. Compensation expense varies with the price of the Corporation's shares and is recognized over the vesting period. Vested DSUP rights are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities. The Corporation recorded compensation cost of $2,653 (2011 – $4,420) in respect of these plans. The carrying amount of the share-based portion of these liabilities was $2,444 (2011 – $8,272).

21. EMPLOYEE COSTS

Employee costs for the Corporation during the year amounted to:

	2012	2011
Wages and salaries, including bonuses	**$ 208,575**	$ 193,152
Other benefits	**30,145**	28,008
Pension costs		
– defined contribution plans	**7,823**	6,678
Pension costs		
– defined benefit plans	**557**	393
Share-based payments expense	**4,268**	5,377
	$ 251,368	$ 233,608

22. INCOME TAXES

Income tax expense comprises current and deferred tax as follows:

	2012	2011
Current	**$ 44,353**	$ 442
Deferred		
– Origination and reversal of temporary difference	**(20,621)**	24,401
– Change in tax law and rate	**30**	(1,164)
Income tax expense	**$ 23,762**	$ 23,679

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.2% (2011 – 27.7%). The tax rate for the current year is 1.5% lower than 2011 due to the effect of the reduced statutory tax rates. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.1% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of effective income tax is as follows:

	2012	2011
Combined statutory income tax rate	**26.2%**	27.7%
Expected income tax expense at statutory rates	**$ 23,502**	$ 24,233
Non-deductible expenses	**548**	621
Deferred tax related to changes in tax law and rates	**30**	(1,164)
Other	**(318)**	(11)
Income tax expense	**$ 23,762**	$ 23,679

Recognized Deferred Tax Assets and Liabilities

Recognized deferred tax assets and liabilities and the movement in temporary differences during the year are as follows:

	December 31 2011	Recognized in profit or loss	Recognized in other comprehensive income	Recognized on acquisition of businesses	December 31 2012
Property, plant and equipment	**$ (1,773)**	**(326)**	**–**	**–**	**$ (2,099)**
Finance leases	**(195)**	**312**	**–**	**–**	**117**
Intangible assets	**(2,355)**	**(430)**	**–**	**(188)**	**(2,973)**
Accrued liabilities	**5,249**	**(8)**	**–**	**–**	**5,241**
Provisions	**2,504**	**(239)**	**–**	**–**	**2,265**
Derivative instruments	**56**	**–**	**(38)**	**–**	**18**
Employee benefits	**1,752**	**(142)**	**251**	**–**	**1,861**
Deferred financing costs	**(29)**	**110**	**–**	**–**	**81**
Partnership income not currently taxable	**(23,236)**	**21,343**	**–**	**–**	**(1,893)**
Tax loss carryforwards	**333**	**(29)**	**–**	**–**	**304**
Net deferred tax (liabilities) assets	**$ (17,694)**	**20,591**	**213**	**(188)**	**$ 2,922**

	December 31 2010	Recognized in profit or loss	Recognized in other comprehensive income	December 31 2011
Property, plant and equipment	$ (1,418)	(355)	–	$ (1,773)
Finance leases	(147)	(48)	–	(195)
Intangible assets	(2,052)	(303)	–	(2,355)
Accrued liabilities	4,792	457	–	5,249
Provisions	2,400	104	–	2,504
Derivative instruments	675	–	(619)	56
Employee benefits	1,065	(198)	885	1,752
Deferred financing costs	(38)	9	–	(29)
Partnership income not currently taxable	–	(23,236)	–	(23,236)
Tax loss carryforwards	–	333	–	333
Net deferred tax assets (liabilities)	$ 5,277	(23,237)	266	$ (17,694)

23. EARNINGS PER SHARE

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

	2012	2011
Numerator for basic and diluted earnings per share: – net earnings	**$ 65,939**	$ 63,803
Denominator for basic earnings per share: – weighted average shares	**16,699,874**	16,629,444
Denominator for diluted earnings per share: – weighted average shares	**16,699,874**	16,629,444
– effect of dilutive share rights	**254,236**	294,555
Denominator for diluted earnings per share	**16,954,110**	16,923,999
Basic earnings per share	**$ 3.95**	$ 3.84
Diluted earnings per share	**$ 3.89**	$ 3.77

No share rights were excluded from the above calculations as none were anti-dilutive.

24. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	2012	2011
Trade and other receivables	**$ (17,139)**	$ (27,054)
Inventories	**(39,035)**	(34,959)
Prepaid expenses	**999**	(571)
Accounts payable and accrued liabilities	**(58,354)**	39,833
Provisions	**(818)**	2,498
Total	**$ (114,347)**	$ (20,253)

25. CAPITAL MANAGEMENT

Objective

The Corporation defines its capital as the total of its shareholders' equity and bank debt and obligations under finance leases ("interest bearing debt"). The Corporation's objective when managing capital is to have a capital structure and capacity to support the Corporation's operations and strategic objectives set by the Board of Directors.

Management of Capital

The Corporation's capital structure is managed such that it maintains a relatively low leverage ratio, defined below, as the Corporation pays dividends to shareholders equal to a significant portion of its earnings. In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. The Corporation's objective is to maintain a leverage ratio between 1.5 times and 2.0 times.

The leverage ratio at the end of a particular quarter is defined as funded net debt divided by trailing 12-month EBITDA. Funded net debt includes bank debt, bank indebtedness and obligations under finance leases, net of cash. EBITDA is calculated as earnings before finance costs, income tax expense, depreciation and amortization.

At December 31, 2012 the Corporation's leverage ratio was within its stated objective.

Although management currently believes the Corporation has adequate debt capacity, the Corporation may have to access the equity or debt markets, or temporarily reduce dividends to accommodate any shortfalls in the Corporation's credit facilities or significant growth capital requirements.

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

Restrictions on Capital

The Corporation's interest bearing debt includes a $300,000 bank credit facility which expires August 12, 2016. The bank credit facility contains the following covenants:

- Borrowing capacity is dependent upon the level of the Corporation's inventories on-hand and the outstanding trade accounts receivable ("borrowing base"). The Corporation's borrowing base was in excess of $300,000 at December 31, 2012 and, as a result, did not restrict the borrowing capacity under the bank credit facility.
- The Corporation's interest coverage ratio, as defined under the bank credit facility, must not be lower than three times.
- The Corporation will be restricted from the declaration of monthly cash dividends in the event the Corporation's leverage ratio, as defined under the bank credit facility, exceeds three times.

At December 31, 2012, the Corporation was in compliance with all covenants and there were no restrictions on the declaration of monthly cash dividends.

Under the terms of the $300,000 bank credit facility, the Corporation is permitted to have additional interest bearing debt of $15,000. As such, the Corporation has up to $15,000 of demand inventory equipment financing capacity with two-non bank lenders. The equipment notes payable under the facilities bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields and U.S. LIBOR rates. Principal repayments are generally due the earlier of 12 months from the date of financing and the date the equipment is sold. At December 31, 2012, the Corporation had no utilization of its interest bearing equipment financing facilities.

26. RELATED PARTY TRANSACTIONS

The Corporation's related party transactions consist of the compensation of directors and key management personnel which is set out in the following table:

		2012		2011
Salaries, bonus and other short-term employee benefits	**$**	**4,533**	$	5,790
Defined benefit pension		**545**		335
Share-based compensation expense		**2,819**		5,032
Total compensation	**$**	**7,897**	$	11,157

27. ACQUISITION OF BUSINESSES

On October 22, 2012, the Industrial Components segment acquired all of the issued and outstanding shares of ACE Hydraulic Limited, a hydraulic cylinder repair business located in Bathurst, New Brunswick with annual revenues of approximately $2,000.

On December 31, 2012, the Industrial Components segment acquired certain assets of Kaman Industrial Technologies, a leading distributor of industrial parts in British Columbia and southern Ontario with annual revenues of approximately $21,000.

Recognized amounts of identifiable assets acquired and liabilities assumed for both acquisitions are as follows:

Trade and other receivables	$	3,210
Inventories		3,104
Prepaid expenses		55
Property, plant and equipment		1,853
Accounts payable and accrued liabilities		(1,853)
Deferred taxes		(188)
Other liabilities		(302)
Obligations under finance leases		(205)
Tangible net assets acquired		5,674
Intangible assets		4,404
Consideration paid	$	10,078

The consideration paid is subject to post-closing adjustments and therefore the purchase price equation is subject to change.

28. OPERATING SEGMENTS

The Corporation operates through a network of 128 branches in Canada in three core businesses which reflect the internal organization and management structure according to the nature of the products and services provided. The Corporation's three core businesses are: i) the distribution, modification and servicing of equipment; ii) the distribution, servicing and assembly of power systems; and iii) the distribution, servicing and assembly of industrial components.

Performance is measured based on segment earnings before finance costs and income taxes, as included in the internal management reports that are reviewed by the Corporation's chief operating decision maker. Information regarding the results of each reportable segment is shown below.

2012	Equipment	Power Systems	Industrial Components	Segment Eliminations and Unallocated Amounts	Total
Equipment	$ 475,647	$ 123,024	$ –	$ –	$ 598,671
Parts	165,398	135,043	341,164	–	641,605
Service	99,239	68,276	18,885	–	186,400
Rental and other	38,198	5,951	–	(4,811)	39,338
Revenue	$ 778,482	$ 332,294	$ 360,049	$ (4,811)	$ 1,466,014
Segment earnings before finance costs and income taxes	$ 56,130	$ 26,130	$ 22,130	$	$ 104,390
Corporate costs and eliminations				(10,247)	(10,247)
Earnings before finance costs and income taxes	56,130	26,130	22,130	(10,247)	94,143
Finance costs				4,442	4,442
Income tax expense				23,762	23,762
Net earnings	$ 56,130	$ 26,130	$ 22,130	$ (38,451)	$ 65,939
Segment assets excluding intangible assets	$ 315,499	$ 145,444	$ 121,045	$	$ 581,988
Intangible assets	21,845	14,488	51,333	2	87,668
Corporate and other assets				2,206	2,206
Total assets	$ 337,344	$ 159,932	$ 172,378	$ 2,208	$ 671,862
Segment liabilities	$ 110,546	$ 47,663	$ 48,887	$	$ 207,096
Corporate and other liabilities				221,881	221,881
Total liabilities	$ 110,546	$ 47,663	$ 48,887	$ 221,881	$ 429,977
Asset additions					
Rental equipment	$ 19,177	$ 5,899	$ –	$ –	$ 25,076
Property, plant and equipment	5,629	4,750	1,048	41	11,468
Intangible assets	47	16	159	15	237
	$ 24,853	$ 10,665	$ 1,207	$ 56	$ 36,781
Asset depreciation					
Rental equipment	$ 6,529	$ 1,354	$ –	$ –	$ 7,883
Property, plant and equipment	4,163	2,931	1,251	122	8,467
Intangible assets	285	288	873	20	1,466
	$ 10,977	$ 4,573	$ 2,124	$ 142	$ 17,816

2011	Equipment	Power Systems	Industrial Components	Segment Eliminations and Unallocated Amounts	Total
Equipment	$ 397,613	155,876	$ –	$ –	$ 553,489
Parts	173,188	125,509	328,993	–	627,690
Service	84,697	61,134	18,545	–	164,376
Rental and other	30,342	4,906	–	(3,703)	31,545
Revenue	$ 685,840	347,425	$ 347,538	$ (3,703)	$ 1,377,100
Segment earnings before finance costs and income taxes	$ 50,193	32,915	$ 23,106	$	$ 106,214
Corporate costs and eliminations				(14,102)	(14,102)
Earnings before finance costs and income taxes	50,193	32,915	23,106	(14,102)	92,112
Finance costs				4,630	4,630
Income tax expense				23,679	23,679
Net earnings	$ 50,193	32,915	$ 23,106	$ (42,411)	$ 63,803
Segment assets excluding intangible assets	$ 238,161	146,695	$ 114,714	$	$ 499,570
Intangible assets	22,083	14,760	47,643	7	84,493
Cash				5,659	5,659
Corporate and other assets				204	204
Total assets	$ 260,244	161,455	$ 162,357	$ 5,870	$ 589,926
Segment liabilities	$ 144,762	69,787	$ 45,969	$	$ 260,518
Corporate and other liabilities				101,822	101,822
Total liabilities	$ 144,762	69,787	$ 45,969	$ 101,822	$ 362,340
Asset additions					
Rental equipment	$ 15,495	4,682	$ –	$ –	$ 20,177
Property, plant and equipment	6,108	3,459	1,200	132	10,899
Intangible assets	495	–	156	13	664
	$ 22,098	8,141	$ 1,356	$ 145	$ 31,740
Asset depreciation					
Rental equipment	$ 4,129	709	$ –	$ –	$ 4,838
Property, plant and equipment	3,968	2,122	1,234	117	7,441
Intangible assets	43	225	927	21	1,216
	$ 8,140	3,056	$ 2,161	$ 138	$ 13,495

Segment assets do not include assets associated with the corporate office, financing costs or income taxes. Additions to corporate assets, and depreciation of these assets, are included in segment eliminations and unallocated amounts.

SUMMARY OF QUARTERLY DATA – UNAUDITED

(in millions of dollars, except per share data)	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
Revenue	**$ 358.1**	**$ 386.6**	**$ 356.4**	**$ 364.9**	$ 303.9	$ 334.1	$ 361.9	$ 377.2
Net earnings	**17.1**	**18.5**	**16.2**	**14.2**	12.8	16.5	17.9	16.6
Earnings per share – Basic	**$ 1.03**	**$ 1.11**	**$ 0.97**	**$ 0.85**	$ 0.77	$ 0.99	$ 1.08	$ 1.00
Earnings per share – Diluted	**1.01**	**1.09**	**0.95**	**0.84**	0.76	0.98	1.06	0.98

ELEVEN YEAR SUMMARY – UNAUDITED

For the years ended December 31 (in millions of dollars, except per share data) (2002 – 2009 reported under previous Canadian GAAP)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operating Results											
Revenue*	**$1,466.0**	$1,377.1	$1,110.9	$1,007.2	$1,213.5	$1,192.3	$1,206.5	$1,049.4	$ 871.4	$ 884.0	$ 908.8
Net earnings (loss)*	**65.9**	63.8	56.4	34.2	75.8	72.0	71.5	35.6	17.6	9.6	(25.8)
Finance costs	**4.4**	4.6	5.2	4.5	4.7	4.9	4.5	4.6	7.5	10.9	15.8
Cash flows from operating activities before changes in non-cash operating working capital*	**110.6**	105.8	73.4	45.1	87.5	85.0	85.1	46.0	29.5	29.7	9.5
Property, plant and equipment – net	**5.6**	5.3	1.7	7.0	7.4	4.0	8.3	4.7	3.5	1.4	7.4
Rental equipment expenditures – net	**25.1**	20.2	5.8	0.4	7.0	8.6	7.9	6.2	5.4	6.6	1.2
Depreciation and amortization	**17.8**	13.5	11.2	9.7	9.7	9.9	10.0	10.0	10.3	11.9	12.3
Per Share											
Net earnings (loss) – Basic*	**$ 3.95**	$ 3.84	$ 3.39	$ 2.06	$ 4.57	$ 4.34	$ 4.31	$ 2.19	$ 1.12	$ 0.61	$ (1.64)
Dividends declared	**3.10**	2.14	–	–	–	–	–	0.14	0.16	–	–
Distributions declared	**–**	–	3.40	2.47	4.13	4.36	4.43	1.89	–	–	–
Equity	**14.45**	13.69	12.00	12.07	12.40	11.94	11.89	11.88	12.39	11.38	10.83
Financial Position											
Working capital*	**$ 230.1**	$ 167.0	$ 77.9	$ 160.1	$ 198.8	$ 147.4	$ 147.8	$ 129.8	$ 153.0	$ 157.1	$ 155.0
Rental equipment	**43.7**	28.1	15.8	16.4	21.8	21.7	18.9	17.2	16.4	16.2	14.5
Property, plant and equipment – net	**50.7**	47.9	43.3	36.2	33.6	29.5	33.3	29.0	28.8	31.9	37.4
Long-term debt excluding current portion	**151.7**	59.0	–	79.5	116.2	53.9	59.0	33.4	70.9	79.8	98.4
Shareholders' equity	**241.9**	227.6	199.3	200.4	205.7	198.1	197.2	197.1	195.0	178.7	170.0
Total assets*	**671.9**	589.9	522.5	448.2	529.6	468.2	500.6	437.9	418.1	409.7	442.0
Other Information											
Number of employees	**2,833**	2,738	2,382	2,291	2,662	2,551	2,566	2,387	2,357	2,279	2,308
Shares outstanding (000's)	**16,736**	16,629	16,629	16,603	16,585	16,585	16,585	16,582	15,739	15,697	15,697
Price range of shares											
High	**$ 53.43**	$ 44.94	$ 38.50	$ 23.40	$ 35.75	$ 37.95	$ 47.00	$ 32.45	$ 14.90	$ 8.25	$ 7.25
Low	**38.59**	27.80	21.65	10.95	14.00	24.80	24.60	13.00	7.70	3.10	3.76

* 2006, 2005 and 2004 exclude discontinued operations

Corporate Information

DIRECTORS

Paul E. Gagné
Chairman, Wajax Corporation
Corporate Director

Edward M. Barrett [1, 2]
Chairman and Co-Chief Executive Officer, Barrett Corporation

Ian A. Bourne [1, 3]
Corporate Director

Douglas A. Carty [1, 2]
Corporate Director

Robert P. Dexter, Q.C. [2, 3]
Chairman and Chief Executive Officer, Maritime Travel Inc.

John C. Eby [1, 3]
Corporate Director

A. Mark Foote
President and Chief Executive Officer, Wajax Corporation

JD Hole [2, 3]
Corporate Director

Alexander S. Taylor [2, 3]
Senior Group Vice President, Oil, Gas and Petrochemical Business Unit
ABB Inc.

[1] Member of the Audit Committee
[2] Member of the Human Resources and Compensation Committee
[3] Member of the Governance Committee

HONOURARY DIRECTOR

H. Gordon MacNeill

OFFICERS

A. Mark Foote
President and Chief Executive Officer

John J. Hamilton
Senior Vice President, Finance and Chief Financial Officer

Brian M. Dyck
Senior Vice President,
Wajax Equipment

Richard M. G. Plain
Senior Vice President,
Wajax Power Systems

Adrian A. Trotman
Senior Vice President,
Wajax Industrial Components

Katie Hunter
Senior Vice President,
Human Resources

Linda J. Corbett
Treasurer

Andrew W. H. Tam
General Counsel and Secretary

HEAD OFFICE

3280 Wharton Way
Mississauga, ON L4X 2C5
Telephone: (905) 212-3300
Fax: (905) 212-3350

SHAREHOLDER INFORMATION

Transfer Agent and Registrar
For information relating to shareholdings, dividends, lost certificates, changes of address or estate transfers, please contact our transfer agent:

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, ON M5J 2Y1
Telephone: (514) 982-7555 or
1-800-564-6253
Fax: (514) 982-7635 or
1-888-453-0330
E-mail: services@computershare.com

Auditors
KPMG LLP

Exchange Listing
Toronto Stock Exchange

Symbol: WJX

Wajax Corporation Share Trading Information
(January 1 – December 31, 2012)

Open	High	Low	Close	Volume of Shares Traded
$39.09	$53.43	$38.59	$40.74	15,752,194

Quarterly Earnings Reports
Quarterly earnings for the balance of 2013 are anticipated to be announced on May 10, August 9 and November 5.

2013 Dividend Dates
Monthly dividends are payable to shareholders of record on the last business day of each month and are generally paid on the 20th day of the following month or the next following business day.

Investor Information
John Hamilton
Senior Vice President, Finance and Chief Financial Officer
Telephone: (905) 212-3300
Fax: (905) 624-6020
E-mail: ir@wajax.com

To obtain a delayed share quote, read news releases, listen to the latest analysts' conference call, and stay abreast of other Corporation news, visit our website at www.wajax.com.

Annual Meeting
Shareholders are invited to attend the Annual Meeting of Wajax Corporation, to be held at the Sheraton Gateway Hotel, Toronto International Airport, Toronto, Ontario, on Friday, May 10, 2013, at 11:00 a.m.

Vous pouvez obtenir la version française de ce rapport en écrivant à la Secrétaire,
Corporation Wajax
3280 Wharton Way
Mississauga, ON L4X 2C5

Operating Divisions and Branch Listings

OPERATING DIVISIONS

Wajax Equipment
30 – 26313 Township Road 531A
Acheson, Alberta T7X 5A3
Brian Dyck,
Senior Vice President,
Wajax Equipment

Wajax Power Systems
10025 – 51st Avenue
Edmonton, Alberta T6E 0A8
Richard Plain,
Senior Vice President,
Wajax Power Systems

Wajax Industrial Components
2200 52nd Avenue
Lachine, Québec H8T 2Y3
Adrian Trotman,
Senior Vice President,
Wajax Industrial Components

BRANCH LISTINGS

Wajax Equipment

West
Genelle, BC
Kamloops, BC
Langley, BC
Nanaimo, BC
Prince George, BC
Sparwood, BC
Tumbler Ridge, BC
Blackfalds, AB
Calgary, AB
Clairmont, AB
Edmonton, AB (2)
Fort McKay, AB
Fort McMurray, AB (2)
Saskatoon, SK
Winnipeg, MB

Central
Hamilton, ON
Kitchener, ON
London, ON
Mississauga, ON
Ottawa, ON
Sudbury, ON
Thunder Bay, ON
Timmins, ON
Windsor, ON

East
Chambly, QC
Laval, QC
Québec City, QC
St-Félicien, QC
Moncton, NB
Dartmouth, NS
Mount Pearl, NL
Pasadena, NL
Wabush, NL

Wajax Power Systems

West
Fort St. John, BC
Calgary, AB
Edmonton, AB
Fort McMurray, AB
Grande Prairie, AB
Red Deer, AB
Redcliff, AB
Regina, SK
Saskatoon, SK
Winnipeg, MB

Central
Concord, ON
Cornwall, ON
Hamilton, ON
London, ON
Niagara Falls, ON
Ottawa, ON
Pembroke, ON
Sudbury, ON
Thunder Bay, ON
Timmins, ON
Toronto, ON

East
Dorval, QC
Drummondville, QC
Québec City, QC
Val d'Or, QC
Moncton, NB
Dartmouth, NS
Mount Pearl, NL

Wajax Industrial Components

West
Cranbrook, BC
Delta, BC
Fort St. John, BC
Prince George, BC (2)
Sparwood, BC
Surrey, BC (2)
Terrace, BC
Calgary, AB
Edmonton, AB
Nisku, AB
Regina, SK
Saskatoon, SK
Flin Flon, MB
Thompson, MB
Winnipeg, MB
Yellowknife, NW

Central
Belleville, ON
Concord, ON
Espanola, ON
Guelph, ON
Kapuskasing, ON
London, ON
Mississauga, ON (2)
Sarnia, ON
Sault Ste. Marie, ON
Stoney Creek, ON
Sudbury, ON
Thunder Bay, ON (2)
Timmins, ON
Windsor, ON
Temiscaming, QC

East
Ottawa, ON
Chicoutimi, QC
Drummondville, QC
Granby, QC
Lachine, QC
LaSalle, QC
Laval, QC
Longueuil, QC
Noranda, QC
Québec City, QC
Rimouski, QC
Sept-Iles, QC
Sherbrooke, QC
Thetford Mines, QC
Tracy, QC
Trois-Rivières, QC
Val d'Or, QC
Valleyfield, QC
Ville d'Anjou, QC
Bathurst, NB (2)
Edmundston, NB
Moncton, NB
Charlottetown, PEI
Dartmouth, NS
Port Hawkesbury, NS
Stellarton, NS
Corner Brook, NL
Mount Pearl, NL
Wabush, NL

WAJAX
Corporation

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