WAJAX Corporation

Collective Strength

2013 Annual Report

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 125 branches across Canada.

Wajax's customer base covers core sectors of the Canadian economy, including: construction, industrial/commercial, transportation, the oil sands, forestry, oil and gas, metal processing and mining.

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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 21 for a discussion of the risks and uncertainties related to such statements and information.

Financial Highlights

2013 REVENUE SOURCE DISTRIBUTION

53% **EQUIPMENT**

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

West **63%** Central **18%** East **19%**

21% **POWER SYSTEMS**

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

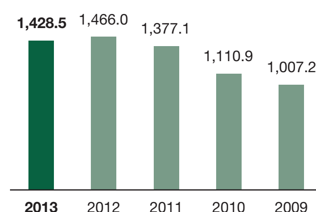
West **46%** Central **28%** East **26%**

26% **INDUSTRIAL COMPONENTS**

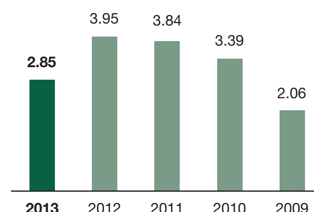
A leading distributor of industrial products in Canada.

West **35%** Central **20%** East **45%**

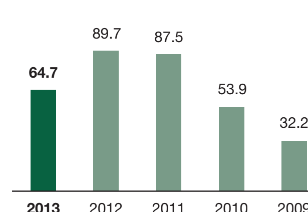
REVENUE(2) ($ millions)



BASIC EARNINGS PER SHARE(1)(2) ($)



EARNINGS BEFORE INCOME TAXES(1)(2)(4) ($ millions)



For the years ended December 31 (in millions of Canadian dollars, except per share data)	**2013**	2012	2011
Revenue	**$ 1,428.5**	$ 1,466.0	$ 1,377.1
Net earnings	**47.7**	65.9	63.8
Current assets net of current liabilities, exclusive of funded net debt(3)(4)	**272.3**	243.9	165.0
Funded net debt(3)(4)	**205.0**	173.7	63.7
Shareholders' equity	**247.2**	241.9	227.6
Basic earnings per share	**2.85**	3.95	3.84
Cash dividends declared	**2.68**	3.10	2.14
Leverage ratio(4)	**2.15**	1.55	0.60
Weighted average number of shares outstanding	**16,737,086**	16,699,874	16,629,444

(1) For years prior to 2011, Wajax was an income fund and effectively not subject to income tax.
(2) Year 2009 reported under previous Canadian GAAP.
(3) Funded net debt includes bank debt, senior notes, bank indebtedness and obligations under finance leases, net of cash.
(4) Non-GAAP and Additional GAAP measures, see Management's Discussion and Analysis, page 37.

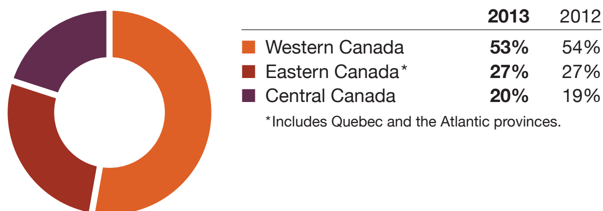
Our Lines of Business

Wajax has three distinct business divisions, which operate through a network of 125 branches across Canada.

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

Our customer base is diversified, spanning construction, industrial/commercial, transportation, the oil sands, forestry, oil and gas, metal processing and mining.

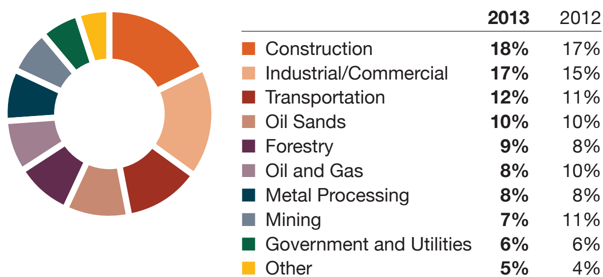
2013 Revenue by Geographic Region



	2013	2012
Western Canada	**53%**	54%
Eastern Canada*	**27%**	27%
Central Canada	**20%**	19%

*Includes Quebec and the Atlantic provinces.

2013 Revenue by Market(2)



	2013	2012
Construction	**18%**	17%
Industrial/Commercial	**17%**	15%
Transportation	**12%**	11%
Oil Sands	**10%**	10%
Forestry	**9%**	8%
Oil and Gas	**8%**	10%
Metal Processing	**8%**	8%
Mining	**7%**	11%
Government and Utilities	**6%**	6%
Other	**5%**	4%

(1) Total revenue and total earnings before financial costs and income taxes exclude segment eliminations.
(2) Certain 2012 revenues have been reclassified to conform with current year classifications.

Equipment

- The largest multi-line distributor of mobile equipment in Canada.
- 35 branches.
- 983 employees.
- 53% of total revenue and 60% of total earnings before finance costs and income taxes.(1)

BUSINESS

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

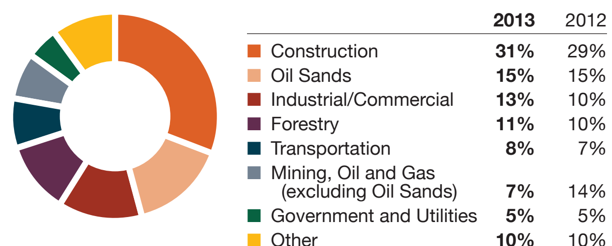
PRODUCTS

Excavators, articulated dump trucks, 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 and wheel loaders.

MAJOR VENDORS

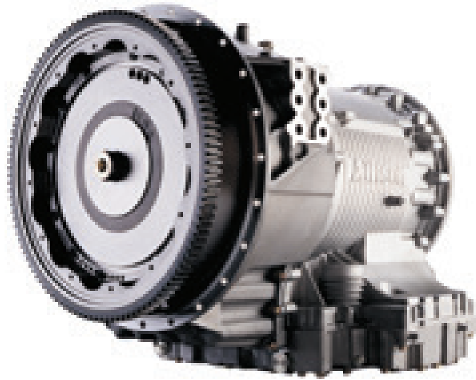
Hitachi, Hyster, Tigercat, JCB, Telelect/Terex, Palfinger and Bell.

2013 Revenue by Market(2)



	2013	2012
Construction	**31%**	29%
Oil Sands	**15%**	15%
Industrial/Commercial	**13%**	10%
Forestry	**11%**	10%
Transportation	**8%**	7%
Mining, Oil and Gas (excluding Oil Sands)	**7%**	14%
Government and Utilities	**5%**	5%
Other	**10%**	10%

Power Systems



- One of the largest distributors of diesel engines and transmissions in Canada.
- 27 branches.
- 948 employees.
- 21% of total revenue and 21% of total earnings before finance costs and income taxes.[1]

BUSINESS

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

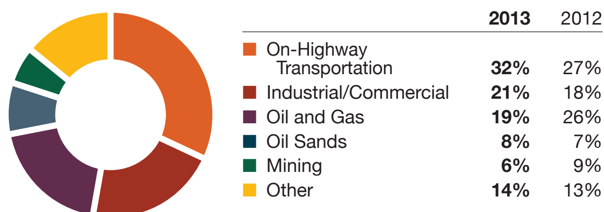
PRODUCTS

Diesel and natural gas engines, transmissions and power generators.

MAJOR VENDORS

MTU, DDC, Allison and Reliabuilt.

2013 Revenue by Market



	2013	2012
On-Highway Transportation	**32%**	27%
Industrial/Commercial	**21%**	18%
Oil and Gas	**19%**	26%
Oil Sands	**8%**	7%
Mining	**6%**	9%
Other	**14%**	13%

Industrial Components

- A leading distributor of industrial products in Canada.
- 63 branches.
- 810 employees.
- 26% of total revenue and 19% of total earnings before finance costs and income taxes.[1]

BUSINESS

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

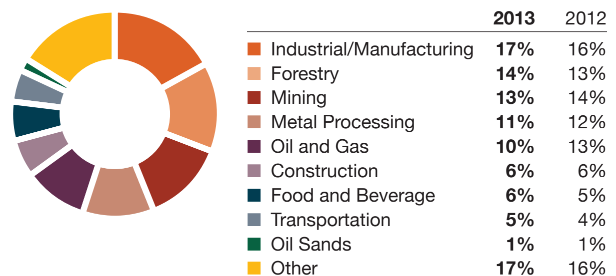
PRODUCTS

Bearings, power transmission parts, mill and safety supplies, hydraulic pumps, motors, actuators, controls and hoses, process pumps, filtration and instrumentation.

MAJOR VENDORS

Eaton, SKF, Schaeffler, Timken, ABB, Moyno and 3M.

2013 Revenue by Market



	2013	2012
Industrial/Manufacturing	**17%**	16%
Forestry	**14%**	13%
Mining	**13%**	14%
Metal Processing	**11%**	12%
Oil and Gas	**10%**	13%
Construction	**6%**	6%
Food and Beverage	**6%**	5%
Transportation	**5%**	4%
Oil Sands	**1%**	1%
Other	**17%**	16%

Wajax's Senior Management Team: Mark Foote, President and CEO; Brian Dyck, Senior Vice President, Wajax Equipment; Richard Plain, Senior Vice President, Wajax Power Systems; Steve Deck, Senior Vice President, Wajax Industrial Components; John Hamilton, Senior Vice President, Finance and CFO; Katie Hunter, Senior Vice President, Human Resources.

To Our Shareholders

At Wajax, we are confident in our strategy. We have continued to invest in the strategic initiatives that are important to our growth despite the temporary interruption caused by weakness in the mining and oil and gas markets.

We are pleased with the progress we have made across a wide range of objectives. In addition to moving forward in our growth initiatives, we improved our leading health and safety indicators; secured additional financing that will be valuable to our future growth and managed our assets and expenses prudently.

Our net earnings in 2013 were $47.7 million. Compared to the record net earnings we achieved in 2012, we declined $18.2 million or 28%. While an initial increase in quoting activity led to some optimism during the first quarter, weakening in key end markets became apparent in the second. It was this trend that led to our decision in May to reduce our monthly dividend to $0.20 per share (a 26% reduction), a payout we maintained through the balance of the year.

Approximately 80% of our decline in net earnings is attributable to lower sales to customers in the mining and oil and gas markets. Our sales to these markets have historically been very important to our results, representing roughly one third of our total business and affecting each of our business segments. In mining, customers lowered capital and maintenance spending in response to uncertain commodity markets. Our results in mining were further affected by the full year impact of the loss of Letourneau distribution rights (which were terminated in June 2012). In oil and gas, we continued to experience lower new equipment demand and utilization rates which affected equipment, parts and service sales.

Wajax has long-standing credibility in mining, the oil sands and in the conventional oil and gas business. We are committed to building our capabilities and achieving growth in these important markets despite the current challenges. Together with our major manufacturing partners, we are bringing products to market that will help us gain market share and grow as market conditions improve. As importantly, we are working to increase our range of aftermarket services targeting these markets which will help us offset some of the effect of negative equipment demand cycles when they occur.

Despite the weakness in some of our key end markets, we have continued to invest in the strategic initiatives that are important to our growth. We are pleased with the progress that we made in 2013:

- In our Equipment segment, we achieved gains in our core equipment product categories of construction (up 6%), forestry (up 22%) and material handling (up 6%) which partially offset lower mining equipment sales (down 57%). We also achieved strong gains in parts and service which increased 10%. Included in the total parts and service gain is a 16% increase in mining aftermarket sales which continued to grow due to higher Hitachi product support and continued growth in Rotating Products, our oil sands mining services business (where parts and service sales were up 75%).
- In our Power Systems segment, where the brunt of the oil and gas market softness was felt, our team took major steps forward by restructuring our leadership to improve our growth and operational performance. Included in these changes was the creation of the national Electrical Power Generation (EPG) team – a business we continue to invest in and where we are committed to growth. Power

Wajax has long-standing credibility in mining, the oil sands and in the conventional oil and gas business. We are committed to building our capabilities and achieving growth in these important markets despite the current challenges.

Systems also achieved a 5% increase in our on-highway parts and service business under tough market conditions.

- In our Industrial Components segment, our team held their volumes essentially flat year-over-year (down 5% excluding acquisitions made in 2012). Approximately 80% of the decline in earnings in this segment was driven by lower product gross margins resulting from a higher proportion of sales in lower margin categories in a very competitive market. Higher margin categories such as hydraulics and process components have been negatively affected by weaker oil sands and oil and gas demand with sales volume shifting to lower margin, more commoditized products. In 2013, we initiated Sourcepoint Industrial, our alliance with Kaman Industrial Technologies, to jointly build our business with North American industrial components contract customers. As Sourcepoint ramps-up, it will be a valuable asset in protecting and growing our contract volume.

With respect to 2014, our expectation is that market conditions will be similar to our experience of 2013. Our focus is on four areas:

- We will continue to invest in the base business and new opportunity strategic plan growth initiatives, which are more fully outlined in the pages that follow.
- We have identified expense reduction opportunities that help to offset our planned investment in growth initiatives. We are committed to cautious management of our total expenses.
- Our leverage remains above our target range and is an ongoing management focus. In addition to the balance between current earnings and investment in growth, our inventory and asset base is being carefully managed.
- We will continue to invest in improving the environment we create for our team of approximately 2,800 technicians, sales, support and leadership personnel.

Our investment includes improvements in benefit programs, continued training and development of our sales and technician staff and most importantly, our health and safety program.

This report includes additional information on our team environment and the advancements we are making in health and safety where we are dedicated to making sure everyone goes home safely at the end of every shift.

Our senior leadership group receives strong support from our entire team and from our Board of Directors. We are enthusiastic about the growth opportunities we have and we are undeterred by current conditions. The strength of our team is evidenced by improved results from our second annual employee survey that was completed in December 2013. Our team has very significant pride in their work and dedication to the success of our company. We thank them for their hard work.

On behalf of the Wajax senior leadership team,

Mark Foote
President and Chief Executive Officer

Growth

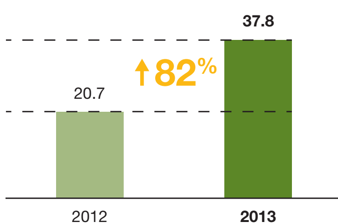
At Wajax, our Collective Strength is based on our team of almost 2,800 sales professionals, technicians, support staff and leaders. We are very proud of the people on our team and the manufacturers we represent. Together, we are focused on profitable growth, driven by two things:

- Increasing our market share of the products we sell in our core end markets including construction, industrial/commercial, mining, the oil sands, oil and gas, forestry and transportation; and
- Continuing to grow our aftermarket services by increasing our parts and service revenue to support our current offerings and by creating new aftermarket opportunities through additional programs and vendor relationships

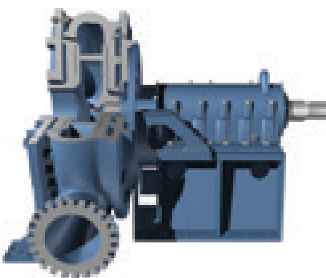
On the pages that follow, we have identified important growth initiatives for Wajax. In addition to our core growth priority of increasing market share, these initiatives define our direction, focus and the environment we are creating for our team.

Rotating Products

YEAR-OVER-YEAR REVENUE GROWTH ($ millions)



Rotating Products year-over-year growth of 82% in total revenue. Growth in this business was a major factor in offsetting a portion of 2013's weakness in mining equipment sales.



Townley Patented Slurry Pumps: Solving serious wear problems in mining for more than ten years and more recently in oil sands tailings, this simple robust pump design features patented suction, impeller and matching casing, producing a non-turbulent slurry flow through the pump. Customers have enjoyed longer wear life at peak performance and on larger pumps significant energy saving efficiency.

Our Rotating Products business in the Equipment segment provides an expanding range of products and maintenance services aimed at oil sands mine operators. Based on our estimates, the size of the applicable oil sands market is approximately $1.8 billion, composed of 71% plant and field services and 29% products, parts and service.

We are the sole distributor in the oil sands for leading product manufacturers such as Townley (slurry pumps), ITT Gould (process pumps, systems and support) and AllightPrimax (mine lighting and de-watering systems), providing us access to products that assist our customers in improving their operations.

Our business grew 82% in 2013 to almost $38 million in total revenue. 79% of our sales were product support and field services related. Growth in this business was a major factor in offsetting a portion of 2013's weakness in mining equipment sales. This business provides a high proportion of parts and service sales and what we believe is a more stable source of future mining related revenue.

In addition to the significant growth opportunity that is available to us in the oil sands, we believe the product and service range we have implemented can be extended to other major mining markets across Canada and over time, to other end markets such as conventional oil and gas.

Electrical Power Generation (EPG)

Our EPG business in the Power Systems' segment is focused on power generation products, services and rental, serving commercial, data center, health care, marine, defense and resource customers. Based on our estimates, the size of the applicable Canadian market is approximately $880 million composed of prime power and standby applications including diesel and natural gas systems.

Based on our primary partnership with our manufacturing partner MTU On Site Energy, our strategy is to establish Wajax as one of Canada's leaders in commercial power generation systems. We offer a broad range of products, services and project engineering capabilities to satisfy customer requirements from small standby systems to large prime power projects and cogeneration.

In 2013, we took major steps forward in reaching our goal, including building a strong national team of EPG professionals and ramping-up our 68,000 square foot EPG engineering and fabrication facility near Drummondville, Quebec. Our team now includes a broad spectrum of skills drawn from within and outside of Wajax to improve our capabilities in everything from rental to engineering to large project execution.

Our EPG business contributed $84 million in revenue in 2013. We expect solid growth from our EPG business in 2014, including continued expansion of our rental business.

Wajax Delivers One of Four Generators at the Duffin Creek Project:
Wajax Power Systems was awarded the emergency standby power system for the Duffin Creek Water Pollution Control Plant in Pickering, Ontario. The scope of supply consisted of 4 x 3MW MTU On-Site generators in custom walk-in enclosures and transition switchgear.

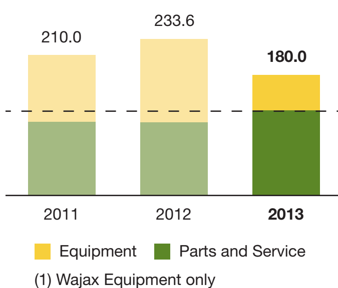
Mining Expansion

HITACHI

WE DIG. WE HAUL. THAT'S ALL.

The theme "We dig, We haul. That's all." was developed to clearly communicate Hitachi's strength and focus on shovels and mining trucks. By focusing on haulers and shovels, Hitachi puts more design, engineering and expertise into building superior products.

MINING REVENUE[1] ($ millions)



(1) Wajax Equipment only

Mining Parts and Service year-over-year growth of 16% in total revenue. While mining equipment demand shifts from year to year, mining parts and service provides a more consistent revenue base that can grow despite negative equipment cycles.

Our Equipment segment's mining business is based on our strong relationship with Hitachi, one of the world's leaders in mining equipment. Our joint strategy is to continue to be a leader in the sales and service of hydraulic shovels and to become a new force in the truck market with a specific focus on the 170 – 320 ton range using Hitachi's proprietary electric drive technology.

In 2013, our mining equipment sales were down 57% due to weak equipment demand that affected the industry as a whole. Our mining aftermarket performance was excellent, up 16%. We added 4 new shovels to our installed base of mining equipment in 2013. In addition, we began an 18-month pilot of 4 new Hitachi EH5000 AC3 320 ton trucks in the oil sands in October.

While we expect the mining equipment market to remain difficult in 2014, we are confident that we will continue to achieve strong market share in the hydraulic shovel market and progress with our strategy to grow in the mining truck market. Getting our units into the field creates a very important future aftermarket revenue stream given the high parts and service requirements of this equipment.

Oil and Gas

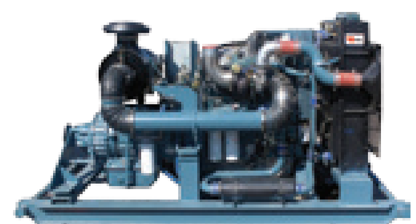
Wajax has a long history in the oil and gas industry. In Power Systems, our engines and transmissions power drilling rigs, mud pumps and well stimulation equipment. In Industrial Components, our hydraulic and process systems play an important role in the manufacturing and operation of a wide range of oil and gas equipment. We represent some of the world's leading manufacturers to the oil and gas industry including MTU, Detroit Diesel, Allison, Eaton, Parker and Moyno.

In 2013, our revenue from oil and gas customers was negatively affected by lower equipment and service demand. Looking forward, we are confident we are well-positioned to grow this important part of our business through new product, and the introduction of an expanded range of maintenance and repair services that focus on the joint capabilities of our Power Systems and Industrial Components segments.

Our "ReNew" program is an example of our expanded range of maintenance and repair services. This program offers customers full power unit refurbishment services for their existing equipment at a cost well below that of full replacement. This program and others under development provide excellent value to customers and help to improve our aftermarket revenue from the oil and gas industry, lowering our sensitivity to negative equipment demand cycles.

The new MTU Series 4000.
Built to Frac.

The new Series 4000 Tier 4 Final. MTU has introduced the only frac engine that meets Tier 4 standards without after-treatment. Built specifically for tough fracking conditions and delivering 2,250-3,000 bhp, this powerful engine achieves lower emissions and up to 5% improved fuel efficiency (compared to the Tier 2 engine).



Power Unit ReNew Program is a cost effective option to extend the life of existing equipment at a cost well below full replacement. We take the complete power unit and refurbish all components, returning it to a state that will provide years of dependable service, backed by Wajax's one year warranty.

Parts and Service

10%
growth

Wajax Equipment parts and service year over year revenue growth.

5%
growth

Wajax Power Systems on-highway parts and service year over year revenue growth.

Wajax Power Systems is a member of WheelTime, a truck service network providing bumper to bumper truck care consisting of more than 200 member locations across Canada and the United States.

Our parts and service business is a key driver of our revenue and profitability and the opportunity to participate in aftermarket services is a key criteria when deciding whether to represent new products. Markets such as construction, mining, forestry and oil and gas give us the opportunity to convert our product market share into future high margin parts and service revenue.

Our Equipment segment, where parts and service typically represents over 30% of total revenue (38% in 2013), achieved an excellent 10% increase in 2013 in parts and service with significant gains made in the core categories of construction, forestry, mining and crane/utility. These gains are reflective of significant efforts to increase the installed base of equipment and improve shop and field operations through investments in training, systems and operational productivity measures.

Our Power Systems segment, where parts and service typically represents over 60% of total revenue (65% in 2013), achieved strong gains in parts and service revenue in the competitive on-highway transportation market, increasing revenue by 5%. Wajax is the largest service network for Detroit Diesel and Allison Transmission equipped vehicles in Canada. We are also part of the “Wheel Time” North American distributor network that is working together to achieve higher sales through growing the range of parts and service offerings targeting independent operators, fleets and other operators of large on-highway commercial vehicles.

We will continue to invest in training, systems and infrastructure to support our aftermarket business and the over 900 technicians and almost 700 parts and service support staff who are a critical part of the Wajax team.

Engineering and Repair Services

Our Industrial Components segment competes in a generally non-exclusive distribution business where differentiation is based on customer relationships, industry expertise and increasingly, on aftermarket services that provide engineering, design, fabrication, testing and repair services. These value-added services are important to our growth, provide improved margins and create a stronger relationship with our customers.

We estimate the size of the applicable engineering and repair service market in Canada at approximately $1.4 billion.

We see excellent growth potential by strengthening our position in hydraulics related services and introducing expanded engineering and repair services in bearings and power transmission, process pumps and instrumentation.

Tuck-under acquisitions are expected to play a role in the expansion of our engineering and repair services strategy given the generally fragmented nature of the industry.

Wajax Employees Providing Engineering and Repair Services to Refurbish Hydraulic Booms at Bombardier:
The project was to refurbish six, sixty foot hydraulic booms used at Bombardier to accommodate the new C series aircraft. The project involved structural reinforcement of the base and boom, redesigning an improved operator basket and integrating new operator controls with additional safety features.

Wajax Team

Every Voice Counts is our tag line that supports our annual employee opinion survey and the employee communication meetings.

At Wajax, the opinions and suggestions of our almost 2,800 team members count.

That is evidenced by the results of our second annual employee opinion survey that captured the feedback of nearly 80% of our team in late 2013. The survey showed important improvement in the areas where our team wanted to see it: support for our front line leaders, improved benefits programs and our effectiveness in internal communications.

What remains constant is the pride that our team has in Wajax, the quality of our products and services and our dedication to our customers. We are consistently proud of two important factors – that our team overwhelmingly states that they will go "above and beyond" to help Wajax succeed and that we are collectively dedicated to the health and safety of everyone, every day.

Our annual surveys serve to kick-off team meetings that occur throughout our company to discuss Wajax-wide, division and local issues. We are committed to creating the best and safest environment for our team in the industry, being excellent communicators and to providing strong development opportunities for our sales professionals, technicians, leaders and support teams.

Wajax Employee Training and Development:
Each of our businesses are constantly engaged in ongoing training and development of employees. The knowledge and expertise acquired by our people are fundamental value differentiators in the eyes of our customers.

96% of employees said they will go *above and beyond* to help Wajax.

In 2013 **81** major employee feedback meetings were held.

89% of employees said they have the opportunity to demonstrate their skills and abilities to their job.

87% of employees understand how their work goals are linked to the objectives and strategies of their division.

Improvement since the start of the Health and Safety program in 2007:
Lost Time Injuries
down 80%

Total number of recordable injuries from 2007 to 2013
down 75%

90% Average health and safety branch evaluation score in 2013

Number of days lost due to workplace injury from 2007 to 2013
down 68%

Health and Safety

The most important responsibility we have is to ensure that every member of our team goes home safely at the end of every shift.

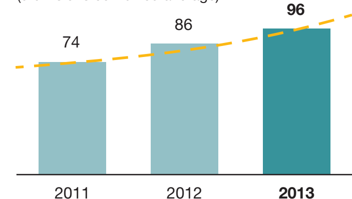
We have continued to refine and improve our safety processes in 2013. We revised the content of our branch evaluation audit, added higher thresholds for branch evaluation scores and strengthened the connection between health and safety metrics and leadership evaluation.

In 2014, we are improving the program further by implementing new health and safety information systems and continuing to strengthen our branch evaluation audit program based on industry best practices.

These changes have improved our results on almost all of our leading indicators of health and safety performance including a significant improvement in on-time rectification of safety issues and higher branch evaluation results. We are very confident that the measures we are taking and our continued focus on health and safety will get our lost time injury and incident numbers to where they need to be – zero.

ON-TIME COMPLETION OF BRANCH EVALUATION CORRECTIVE ACTIONS (%)

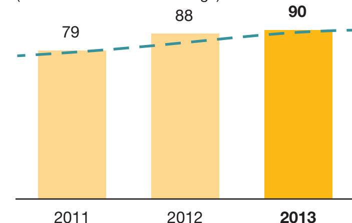
(3 divisions combined average)



Corrective Actions are treated as a priority and a key in accident prevention. Issues that could result in injury are assigned a timeframe within which they must be corrected. In 2013, 96% of issues identified were corrected on time.

ANNUAL BRANCH EVALUATION SCORE (%)

(3 divisions combined average)



Branch evaluations audit score increased to 90% in 2013. We annually increase the effectiveness of the audit process and the expectations of results. Branch evaluation audit scores are an important leading indicator of health and safety performance.

Message from the Chairman

Market conditions proved challenging during 2013 but Wajax continued to build on its strengths and refine its strategic direction.

During the year, Mark and his team continued to execute on Wajax's key strategic initiatives. Although difficult end market conditions, particularly in the mining and oil and gas sectors, have delayed the full realization of this hard work and effort, the Board of Directors remains confident that, as conditions improve, these initiatives will drive Wajax to higher growth, efficiency and sustained shareholder returns. As a Board, we continue to work with senior management to enhance and refine these strategies and to seek out new opportunities for our businesses. The recent implementation by management of a continuous strategic planning process with Board oversight at each of its meetings will further strengthen and advance this goal.

In 2013, effective corporate governance continued to be of great concern to public company shareholders everywhere and the Board remained committed to improving its already robust governance practices. We held our first say-on-pay advisory vote with positive results. We also strengthened our ongoing director education program, instituting a regular speaker series featuring noted leaders from industry, banking and finance, and a formal individual director site visit program has been implemented for 2014. To ensure the necessary experience and industry knowledge remain on the Board, director J.D. Hole has agreed to the Board's request to stay beyond his planned retirement date and will stand for re-election at the corporation's upcoming Annual Meeting. In the coming year, the Board will increase its focus on proactive planning for director succession to ensure the appropriate mix of skills continues to be present over the long term. We will also continue to monitor the evolving governance landscape with the objective of maintaining a focus on value, accountability and transparency.

Wajax's greatest strength of course, is the quality of its people. Throughout the year, senior management, supported by the Board, made great strides in improving employee communications, benefit plans and health and safety programs. We are proud of these efforts and look forward to additional progress in 2014.

As indicated above and elsewhere in this Annual Report, it was a challenging year. Throughout it all, our dedicated management team and exceptional employees worked tirelessly to offset the effects of our weakened end markets and to ensure Wajax is in a position of strength as conditions improve. On behalf of the Board, I thank them for their commitment and skills. To our customers and vendors, thank you for your continued loyalty and support, and to my fellow directors, thank you for your valuable contributions to Wajax in 2013.

Paul E. Gagné
Chairman of the Board

Wajax's Board of Directors: Edward M. Barrett, Robert P. Dexter, Ian A. Bourne, John C. Eby, Paul E. Gagné (Chairman), J.D. Hole, A. Mark Foote, Douglas A. Carty, Alexander S. Taylor.

Board of Directors

Edward M. Barrett ●▲
Director since 2006

Mr. Barrett is Chairman and Co-Chief Executive Officer of Barrett Corporation.

Ian A. Bourne ●
Director since 2006

Mr. Bourne is a corporate director and the Chairman of SNC-Lavalin Group Inc.

Douglas A. Carty ●■
Director since 2009

Mr. Carty is a corporate director and the Chairman and Co-Founder of Switzer-Carty Transportation Inc.

Robert P. Dexter ▲■
Director since 1988

Mr. Dexter is Chairman and Chief Executive Officer of Maritime Travel Inc.

John C. Eby ●■
Director since 2006

Mr. Eby is a corporate director and a Founder and the President of Developing Scholars.

A. Mark Foote
Director since 2012

Mr. Foote is President and Chief Executive Officer of the Corporation.

Paul E. Gagné
Director since 1996

Mr. Gagné is a corporate director and the Chairman of the Board of Directors of the Corporation.

J.D. Hole ▲■
Director since 2006

Mr. Hole is a corporate director and the President of J.D. Hole Investments Inc.

Alexander S. Taylor ▲■
Director since 2009

Mr. Taylor is President, Power Group of SNC-Lavalin Group Inc.

● Audit Committee
▲ Human Resources and Compensation Committee
■ Governance Committee

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Corporation ("Wajax" or the "Corporation") for the year ended December 31, 2013. This MD&A should be read in conjunction with the information contained in the Corporation's Consolidated Financial Statements and accompanying notes for the year ended December 31, 2013. Information contained in this MD&A is based on information available to management as of March 4, 2014.

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, 2013, Wajax's management, under the supervision of its CEO and CFO, had designed 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, 2013, 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 its 1992 version of 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 were effective as at December 31, 2013.

There was no change in Wajax's ICFR that occurred during the three months ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, Wajax's ICFR.

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 business and strategic initiatives and their intended outcomes, our objective with respect to the future payment of dividends, our financing and capital requirements, as well as our capital structure, our 2014 outlook regarding market conditions, including the oil and gas and mining markets, some of the challenges to our growth in 2014 and our earnings outlook for the first quarter of 2014, our investment in our strategic and growth initiatives, including the expansion of our aftermarket business, and the management of our total costs, asset base and leverage. 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, 2013, 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.

WAJAX CORPORATION OVERVIEW

Wajax's core distribution businesses are engaged in the sale, rental and after-sale parts and service support of mobile equipment, power systems and industrial components through a network of 125 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 current year net earnings. Planned organic growth initiatives include those that are achieved within the normal scope, resources and markets of each core business, and other growth opportunities that are seen 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.

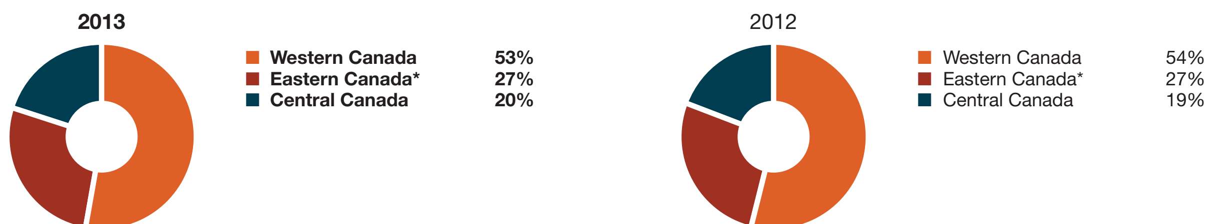
ANNUAL CONSOLIDATED RESULTS

For the year ended December 31		**2013**		2012
Revenue	**$**	**1,428.5**	$	1,466.0
Gross profit	**$**	**285.4**	$	301.8
Selling and administrative expenses	**$**	**211.7**	$	207.7
Earnings before finance costs and income taxes[1]	**$**	**73.7**	$	94.1
Finance costs	**$**	**9.0**	$	4.4
Earnings before income taxes[1]	**$**	**64.7**	$	89.7
Income tax expense	**$**	**17.0**	$	23.8
Net earnings	**$**	**47.7**	$	65.9
Basic earnings per share	**$**	**2.85**	$	3.95
Diluted earnings per share	**$**	**2.81**	$	3.89

Weakness in oil and gas sector activity in western Canada, which started in the third quarter of 2012, continued throughout 2013 as lower new equipment and service requirements resulted in a decline in customer spending. This decline primarily affected the Power Systems and Industrial Components segments in 2013.

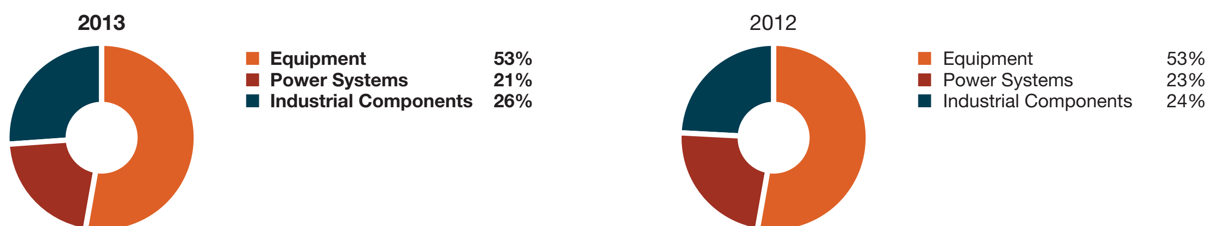
Mining activity, including the oil sands market, was softer than last year as lower commodity prices combined with a lack of financing for new mines influenced customers to take a more cautious approach in making commitments to buy equipment. This factor, coupled with the loss of the LeTourneau mining equipment distribution rights in mid-2012, resulted in lower annual mining equipment revenue

Revenue by Geographic Region

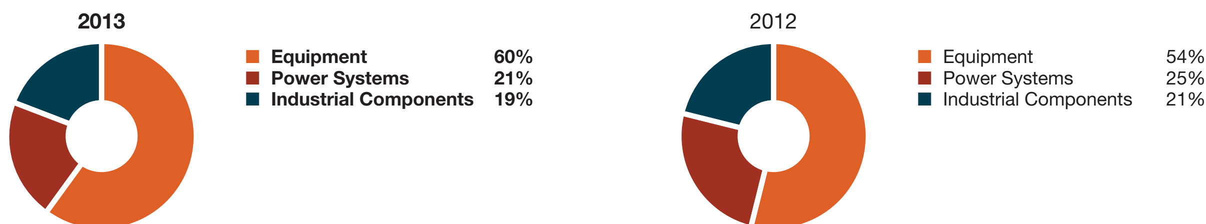


* Includes Quebec and the Atlantic provinces.

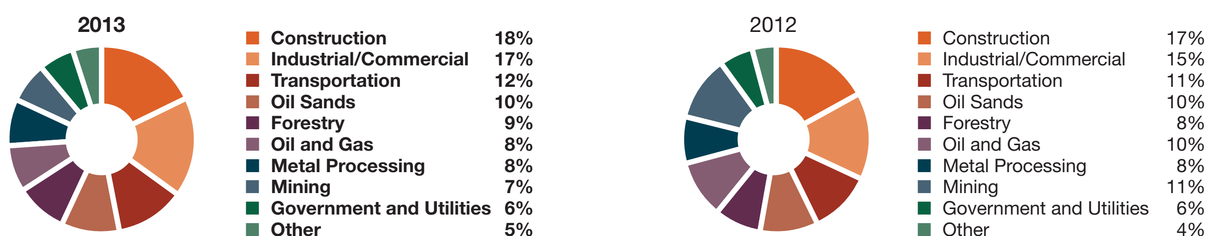
Revenue by Segment



EBIT[1] by Segment



Revenue by Market[2]



(1) See the Non-GAAP and Additional GAAP Measures section.
(2) Certain 2012 revenues have been reclassified to conform with current year classifications.

in the Equipment segment. In addition, mining sector related revenue was lower in the Power Systems and Industrial Components segments. Partially mitigating this was meaningful mining parts and service growth in the Equipment segment during the year, driven by its installed base of Hitachi hydraulic mining shovels and growth from its rotating products initiative in the oil sands market.

Net earnings before finance costs and income taxes in 2013 declined $20.4 million compared to last year mainly as a result of an approximately $20.0 million reduction related to the oil and gas and mining markets. Approximately $8.5 million of the decline was attributable to the loss of the LeTourneau product distribution rights. See the Non-GAAP and Additional GAAP Measures section.

Revenue

Revenue in 2013 of $1,428.5 million decreased 3%, or $37.5 million, from $1,466.0 million in 2012 and included $21.1 million in revenue from ACE Hydraulic and Kaman Canada, two businesses acquired by the Industrial Components segment in the fourth quarter of 2012. Equipment segment revenue decreased 2%, or $15.0 million, as lower demand for mining equipment was somewhat offset by strength in the construction and forestry sectors and increased parts and service volumes in western Canada. Power Systems' segment revenue decreased 9%, or $28.3 million, due primarily to lower volumes to off-highway oil and gas customers attributable to lower industry activity in western Canada. Segment revenue in Industrial Components increased 1%, or $4.9 million, as the additional revenue contributed by the two businesses acquired in late 2012 was offset somewhat by lower sales in the oil and gas sector in western Canada.

Gross profit

Lower volumes and gross profit margins were the primary contributors to the $16.4 million, or 5%, decline in gross profit. The gross profit margin percentage decrease to 20.0% from 20.6% last year was mainly attributable to lower parts and service margins partially offset by the positive sales mix impact from a lower proportion of equipment revenues compared to last year.

Selling and administrative expenses

Selling and administrative expenses increased $4.0 million in the year. Increases included higher costs in the Equipment segment's western Canada operations, operating costs in the Industrial Components segment related to the ACE Hydraulic and Kaman Canada acquisitions in the fourth quarter of 2012 and higher severance costs compared to last year. These increases were somewhat offset by lower annual and mid-term incentive accruals compared to last year. Selling and administrative expenses as a percentage of revenue increased to 14.8% in 2013 from 14.2% in 2012.

Finance costs

Finance costs of $9.0 million increased $4.6 million compared to 2012 due to the cost of higher funded debt levels outstanding and the higher cost of borrowing during the year. The higher cost of borrowing was due to the increased cost of borrowing under the bank credit facility and the Corporation's issuance of $125 million in seven year senior unsecured notes on October 23, 2013. See the Funded net debt section below.

Income tax expense

The Corporation's effective income tax rate of 26.3% in 2013 decreased slightly from 26.5% in 2012.

Net earnings

Net earnings for the year ended December 31, 2013 decreased $18.2 million to $47.7 million, or $2.85 per share, from $65.9 million, or $3.95 per share, in 2012. The decrease in net earnings resulted primarily from lower volumes, reduced gross profit margins and higher selling and administrative expenses and finance costs compared to last year.

Comprehensive income

Comprehensive income of $49.4 million for the year ended December 31, 2013 included net earnings of $47.7 million and other comprehensive income of $1.7 million. The other comprehensive income was mainly attributable to actuarial gains on pension plans of $1.5 million. For the year ended December 31, 2012, comprehensive income of $65.4 million included net earnings of $65.9 million, offset partially by an other comprehensive loss of $0.5 million.

Funded net debt

Funded net debt of $205.0 million at December 31, 2013 increased $31.3 million compared to $173.7 million at December 31, 2012. The increase during the year was mainly due to $24.1 million of cash generated from operating activities being less than dividends paid of $46.0 million, investing activities of $4.0 million and finance lease payments of $3.5 million. The cash generated from operating activities of $24.1 million was negatively impacted by $44.6 million of income taxes paid relating to 2011 and 2012.

On October 23, 2013, the Corporation issued $125 million of senior unsecured notes (the "senior notes") bearing an annual interest rate of 6.125%, payable semi-annually, and maturing on October 23, 2020. The net proceeds of the senior notes were used to repay borrowings under the Corporation's senior secured

bank credit facility (the "bank credit facility") which in turn may be redrawn for general corporate purposes. Effective upon the closing of the senior note offering, the Corporation reduced the total available committed amount of the bank credit facility from $300 million to $250 million. The issuance of the senior notes introduces a longer term fixed rate layer of debt into Wajax's capital structure at a time when interest rates remain historically low. See the Liquidity and Capital Resources section.

Dividends

For the twelve months ended December 31, 2013 monthly dividends declared totaled $2.68 per share. For the twelve months ended December 31, 2012 monthly dividends declared totaled $3.10 per share.

Backlog

Consolidated backlog at December 31, 2013 of $155.1 million decreased $29.0 million, or 16%, from $184.1 million at December 31, 2012 on reductions in all segments. The decrease was driven by lower off-highway orders in the Power Systems segment, reduction in oil and gas related orders in the Industrial Components segment and reduced mining related orders in the Equipment segment. Backlog includes the total sales value of customer purchase commitments for future delivery or commissioning. See the Annual Results of Operations section below for further backlog detail by segment.

ANNUAL RESULTS OF OPERATIONS

Equipment

For the year ended December 31		2013		2012
Equipment[1]	**$**	**472.3**	$	514.1
Parts and service	**$**	**291.2**	$	264.4
Segment revenue	**$**	**763.5**	$	778.5
Segment earnings[2]	**$**	**49.0**	$	56.1
Segment earnings margin		***6.4%***		*7.2%*

(1) Includes rental and other revenue.
(2) Earnings before finance costs and income taxes.

Revenue by Product Type

Market	2013	2012
Construction	**38%**	35%
Mining/Oil Sands	**24%**	30%
Material Handling	**16%**	16%
Forestry	**15%**	12%
Crane and Utility	**7%**	7%

Revenue decreased 2%, or $15.0 million, to $763.5 million in 2013 from $778.5 million in 2012. Segment earnings decreased $7.1 million, to $49.0 million in 2013, compared to $56.1 million in 2012. The following factors contributed to the Equipment segment's 2013 results compared to 2012:

- Equipment revenue decreased $41.8 million with specific year-over-year variances as follows:
  - Forestry equipment revenue increased $16.4 million as strength in the lumber market led to higher market demand for Tigercat and Hitachi forestry equipment in all regions.
  - Construction equipment revenue increased $12.3 million mainly as a result of an increase in JCB equipment volumes in eastern Canada and higher Hitachi excavator and Bell articulated dump truck ("ADT") volumes in western Canada. These increases were partially offset by decreases in Hitachi excavator sales in central Canada due to lower demand and competitive market pressures.
  - Material handling equipment revenue increased $4.1 million mainly as a result of higher lift truck revenues in western and eastern Canada and the sale of higher dollar value reach stacker units in eastern Canada.
  - Crane and utility equipment revenue decreased $3.6 million attributable to lower crane sales in eastern Canada offset somewhat by higher equipment sales to utility customers in central Canada.
  - Mining equipment sales decreased $71.0 million. Excluding the impact of the loss of the LeTourneau product distribution rights, for which distribution rights were discontinued in mid-2012, mining sales decreased $45.2 million on fewer Hitachi hydraulic mining shovel deliveries. This decrease was offset somewhat by the sale of four Hitachi EH5000 320 ton mining trucks in 2013.
- Parts and service volumes increased $26.8 million, or 10%, compared to last year. Excluding the effect of the discontinued LeTourneau product distribution rights, parts and service volumes for the year increased $39.3 million, or 15%. The increase was led by higher non-LeTourneau related mining sector volumes in western Canada, driven by the segment's installed base of Hitachi mining equipment and growth in rotating products, and additional construction and forestry sector volumes.
- Segment earnings decreased $7.1 million to $49.0 million compared to last year. This was due mainly to the negative impact of the discontinued LeTourneau product distribution rights, on both volumes and gross profit margins, and an increase in selling and administrative expenses. These declines were partially offset by the positive impact on earnings of increased non-LeTourneau parts and service volumes. For the year ended

December 31, 2012, the LeTourneau product distribution rights contributed approximately $8.5 million to the segment's earnings. Selling and administrative expenses increased $3.2 million compared to last year as higher operating costs in western Canada, driven in part by growth in the segment's rotating products group, offset personnel cost reductions in eastern Canada.

Backlog of $76.0 million at December 31, 2013 decreased $6.2 million compared to December 31, 2012, due mainly to decreases in mining and material handling backlog offset partially by an increase in crane and utility backlog.

The Equipment segment's primary strategic initiatives continue to be centered around leveraging opportunities to grow its Rotating Products group and expanding its mining operations by building on its high quality Hitachi mining hydraulic shovel and truck product line. In addition, the segment will continue to focus on increasing the market share of existing key product lines, improving its aftermarket capabilities across all lines of business and growing its revenue through selected product line extensions, including the Bell ADT line introduced in 2012.

In 2013, the segment realized an 82% increase in revenue over 2012 from its Rotating Products group in the oil sands. The segment continued to build the necessary infrastructure and organization to sell and service its expanding mining product offering, including the recently expanded Hitachi mining truck line. In 2013 it had initial success in selling four Hitachi 320 ton mining trucks for a commercial trial in the oil sands. In addition, the segment strengthened its sales organization to better support its market share growth objectives and service operations through the execution of targeted marketing plans and the provision of management training and sales execution tools. The focus going forward to further drive the segment's strategy will include the following key initiatives:

- The Rotating Products group in Fort McMurray will continue to develop its oil sands market and leverage opportunities where it can strengthen its market presence. The segment's main focus is on providing field service labour and marketing high quality and cost effective process, slurry and dewatering system products, parts and services through sole vendor relationships in order to assist and improve customers' operations.

  As the rotating business provides a high proportion of parts and service sales, it is expected to be a more stable source of revenue for the segment in the future. While currently built around the oil sands market in Fort McMurray, the segment expects to establish combined efforts with the Industrial Components segment to begin to capture other opportunities in the mining, conventional oil and gas and municipal markets across Canada.

- The segment's mining strategy is to continue to be a leader in the sales and service of Hitachi hydraulic mining shovels and to expand its presence in the 170 to 320 ton range of mining trucks with Hitachi's electric drive trucks. The segment will continue to expand its mining operations through enhancement of its sales and service structure in Canada to support new opportunities and the existing installed base of Hitachi equipment.

- The Equipment segment will continue to focus on growing its aftermarket product support revenue and earnings by improving shop and field operations through investments in training, systems and operational productivity measures. The segment will also work towards increasing its market share in key product lines through the implementation of a structured sales process to identify additional opportunities with existing and new customers.

Power Systems

For the year ended December 31		**2013**		2012
Equipment(1)	**$**	**105.2**	$	129.0
Parts and service	**$**	**198.8**	$	203.3
Segment revenue	**$**	**304.0**	$	332.3
Segment earnings(2)	**$**	**17.1**	$	26.1
Segment earnings margin		***5.6%***		*7.9%*

(1) Includes rental and other revenue.
(2) Earnings before finance costs and income taxes.

Revenue by Market

Market	**2013**	2012
On-highway Transportation	**32%**	27%
Industrial/ Commercial	**21%**	18%
Oil and Gas	**19%**	26%
Oil Sands	**8%**	7%
Mining	**6%**	9%
Other	**14%**	13%

Revenue decreased $28.3 million, or 9%, to $304.0 million in 2013 from $332.3 million in 2012. Segment earnings decreased $9.0 million to $17.1 million in 2013 from $26.1 million in 2012. The following factors impacted year-over-year revenue and earnings:

- Equipment revenue decreased $23.8 million, due mainly to lower off-highway sales to oil and gas customers as a result of reduced industry activity in western Canada. In eastern and central Canada,

reduced off-highway sales to mining customers and the military also contributed to the revenue decline. The decrease in revenue was somewhat offset by higher rental volumes in all regions.

- Parts and service volumes decreased $4.5 million compared to last year as a result of lower sales to off-highway customers on decreased activity in western and central Canada. These decreases were partially offset by increased sales to on-highway customers, primarily in western and central Canada.
- Segment earnings decreased $9.0 million compared to last year due to the impact of reduced sales activity and higher selling and administrative expenses. Selling and administrative expenses increased $0.7 million due principally to higher occupancy costs and professional fees.

Backlog of $45.6 million as of December 31, 2013 decreased $14.8 million compared to December 31, 2012 due primarily to a reduction in off-highway related orders.

The Power Systems segment segregates its business into three different categories; On-Highway, Electric Power Generation ("EPG") and Off-Highway. The On-Highway category includes revenue from the repair and service of on-highway trucks, specialty vehicles and coach, school and transit buses. EPG includes revenue from the distribution, servicing, rental and custom assembly of diesel and gas generators used as standby and prime power in commercial and natural resource applications. The Off-Highway category accounts for the remainder of the business with the majority of revenue derived from the distribution and servicing of mechanical drive systems for oil & gas drilling, fracturing and well servicing and engine sales and service to OEMs and other end use customers.

The segment's strategic initiatives are to establish Wajax Power Systems as one of Canada's leaders in commercial EPG and expansion of the segment's success in off-highway mechanical drive systems while maintaining its position in the on-highway parts and service market. Specifics of these initiatives going forward include the following:

- The primary growth focus of the Power Systems segment is to establish Wajax as one of Canada's leaders in commercial EPG systems through a broad range of available products, services and project engineering capabilities to meet customer requirements from small standby systems to large prime power projects and cogeneration. Customer markets include commercial, data center, health care, marine, defense and resource. During 2013, the segment built a strong national team of EPG professionals with a wide spectrum of skills that improve the segment's management and executional capabilities. In addition, a new 68,000 square foot EPG engineering and fabrication facility near Drummondville, Quebec provides a platform for national product integration.
- The segment's off-highway business will expand its aftermarket capabilities through new products and the introduction of an expanded range of maintenance and repair services that will focus on leveraging the joint capabilities of the Power Systems and Industrial Components segments in the oil and gas sector.
- The segment will begin to augment its on-highway engine and transmission business by leveraging its Canada-wide footprint and relationship with "Wheel Time", an association of North American distributors. "Wheel Time" provides the segment with purchasing efficiencies and access to an expanded range of "all makes" parts for a wide range of on-highway vehicles, expanded marketing and training for additional vehicle services and fleet customer marketing.

Industrial Components

For the year ended December 31		**2013**		2012
Segment revenue	**$**	**364.9**	$	360.0
Segment earnings[(1)]	**$**	**15.0**	$	22.1
Segment earnings margin		***4.1%***		*6.1%*

(1) Earnings before finance costs and income taxes.

Revenue by Market

Market	**2013**	2012
Industrial/ Manufacturing	**17%**	16%
Mining	**14%**	15%
Forestry	**14%**	13%
Metal Processing	**11%**	12%
Oil and Gas	**10%**	13%
Construction	**6%**	6%
Food and Beverage	**6%**	5%
Transportation	**5%**	4%
Other	**17%**	16%

Revenue increased $4.9 million, or 1%, to $364.9 million in 2013 from $360.0 million in 2012. 2013 revenue included $21.1 million of revenue from the ACE Hydraulic and Kaman Canada businesses acquired in the fourth quarter of 2012. Segment earnings decreased $7.1 million, to $15.0 million, compared to $22.1 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 $9.5 million, or 5%. This was more than accounted for by the Kaman Canada acquisition and increased sales to industrial sector customers in eastern Canada. This increase was offset somewhat by lower sales to mining and metal processing customers in eastern and central Canada and reduced oil and gas sector volumes in western Canada.

- Fluid power and process equipment products and service revenue decreased $4.6 million, or 3%. The decrease was due mainly to reduced oil and gas sector sales in western Canada offset somewhat by higher construction sector sales in western Canada, transportation sector sales in eastern Canada and revenue from the ACE Hydraulic business.

- Segment earnings decreased $7.1 million. The positive impact of higher volumes was offset by lower gross profit margins and a $2.8 million increase in selling and administrative expenses. The decline in gross profit margin resulted mainly from product mix and competitive market pressures, primarily in western Canada. The increase in selling and administrative expenses was attributed mainly to operating costs related to the ACE Hydraulic and Kaman Canada acquisitions and higher bad debt and occupancy expenses compared to last year. These increases were offset partially by lower annual incentive accruals compared to last year.

Backlog of $33.5 million as of December 31, 2013 decreased $8.1 million compared to December 31, 2012, due mainly to lower fluid power and process equipment related orders in western Canada.

Effective March 3, 2014, Steve Deck was appointed to the position of Senior Vice President, Wajax Industrial Components subsequent to the departure of Adrian Trotman. Prior to his appointment Mr. Deck spent the last seven years in senior positions at a mining drilling products and services company. He also has 21 years of experience in industrial distribution in Canada.

The primary strategy in the Industrial Components segment is to further expand its engineering and repair services business, including the development of joint opportunities with the Power Systems segment in the oil and gas sector. In addition, the segment will continue to focus on operational efficiencies. Specific initiatives include:

- The segment will strengthen its position in hydraulics related services and introduce expanded engineering and repair services related to bearings and power transmission parts, process pumps and instrumentation. These value added services are expected to increase revenue, improve margins and create a stronger customer loyalty. Tuck-under acquisitions are expected to play a role given the generally fragmented nature of the industry.

- Wajax will introduce an expanded range of maintenance and repair services that focus on the oil and gas industry and leverage the joint capabilities of the Power Systems and Industrial Components segments. The Industrial Components segment provides hydraulic and process systems that play an important role in the manufacturing and operation of a wide range of oil and gas equipment. The Power Systems segment provides engines and transmissions that power drilling rigs, mud pumps and fracturing equipment. Increased aftermarket revenue from the oil and gas industry is expected to lower Wajax's sensitivity to new equipment cycles in the future.

- The segment will also continue to build on operational efficiencies achieved in 2013, including inventory management and supply chain improvements to reduce product procurement and freight costs and lower inventory levels.

SELECTED ANNUAL INFORMATION

The following selected annual information is audited and has been prepared on the same basis as the 2013 annual audited Consolidated Financial Statements.

	2013	2012	2011
Revenue	**$ 1,428.5**	$ 1,466.0	$ 1,377.1
Net earnings	**$ 47.7**	$ 65.9	$ 63.8
Basic earnings per share	**$ 2.85**	$ 3.95	$ 3.84
Diluted earnings per share	**$ 2.81**	$ 3.89	$ 3.77
Total assets	**$ 677.0**	$ 671.9	$ 589.9
Non-current liabilities	**$ 214.2**	$ 173.2	$ 99.9
Dividends declared per share	**$ 2.68**	$ 3.10	$ 2.14

Revenue in 2013 of $1,428.5 million decreased $37.5 million compared to 2012. Decreased equipment revenue in the Equipment and Power Systems segments more than offset an increase in parts and service revenue in the Equipment segment and $21.1 million of revenue from the ACE Hydraulic and Kaman Canada acquisitions in the Industrial Components segment. Revenue in 2012 of $1,466.0 million increased $88.9 million compared to 2011 and included $12.6 million of additional revenue from the Harper acquisition completed in May 2011. The remaining $76.3 million increase in 2012 over

2011 was due to increased equipment and parts and service revenue in the Equipment and Industrial Components segments that more than offset declines in the Power Systems segment.

Net earnings decreased $16.1 million, or $0.99 per share, from 2011 to 2013. The positive impact of higher revenues from 2011 to 2013 was more than offset by lower margins, due to product mix and heightened price competition, increased selling and administrative expenses and higher finance costs driven by higher debt levels and increased costs of borrowing.

The $87.1 million increase in total assets between December 31, 2011 and December 31, 2013 included $12.5 million resulting from the acquisitions of ACE Hydraulic and Kaman Canada in 2012. The remaining increase is mainly attributable to higher working capital and rental fleet additions in the Equipment segment. The higher working capital investment was to support higher sales activity and inventory to better penetrate the mining and construction markets.

Non-current liabilities at December 31, 2013 of $214.2 million increased $114.3 million from December 31, 2011. The primarily factor for the increase was a $139.4 million increase in long-term debt to fund working capital requirements, rental fleet additions and the ACE Hydraulic and Kaman Canada acquisitions. This increase was partially offset by an $18.8 million reduction in deferred taxes payable.

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 2013 annual audited Consolidated Financial Statements.

	2013				2012			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenue	**$ 391.7**	**$ 338.5**	**$ 362.0**	**$ 336.3**	$ 364.9	$ 356.4	$ 386.6	$ 358.1
Net earnings	**$ 12.2**	**$ 11.6**	**$ 13.5**	**$ 10.4**	$ 14.2	$ 16.2	$ 18.5	$ 17.1
Net earnings per share								
– Basic	**$ 0.73**	**$ 0.69**	**$ 0.81**	**$ 0.62**	$ 0.85	$ 0.97	$ 1.11	$ 1.03
– Diluted	**$ 0.72**	**$ 0.68**	**$ 0.80**	**$ 0.61**	$ 0.84	$ 0.95	$ 1.09	$ 1.01

Quarterly fluctuations in revenue and net earnings are difficult to predict. A normally weaker first quarter for the Equipment segment can be offset by seasonally stronger activity in the oil and gas sector, primarily affecting the Power Systems and Industrial Components segments. As well, large deliveries of mining trucks and shovels and power generation packages can shift the revenue and net earnings throughout the year.

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

CONSOLIDATED FINANCIAL CONDITION

Capital Structure and Key Financial Condition Measures

($millions, except ratio calculations)	December 31 **2013**	2012
Shareholders' equity	**$ 247.2**	$ 241.9
Funded net debt[1]	**205.0**	173.7
Total capital	**$ 452.2**	$ 415.6
Funded net debt to total capital[1]	**45.3%**	41.8%
Leverage ratio[1]	**2.15**	1.55

(1) See the Non-GAAP and Additional GAAP Measures section.

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. 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 to either support key growth initiatives or fluctuations in working capital levels during changes in economic cycles. See the Funded Net Debt section below.

In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. At December 31, 2013, $125 million of the Corporation's funded net debt, or 61%, was at a fixed interest rate which is within the Corporation's interest rate risk policy. See the Liquidity and Capital Resources section.

Shareholders' Equity

The Corporation's shareholders' equity at December 31, 2013 of $247.2 million increased $5.3 million from December 31, 2012 as earnings exceeded dividends declared during the year.

The Corporation's share capital, included in shareholders' equity on the balance sheet, consists of:

Issued and fully paid common shares as at December 31, 2013	Number		Amount
Balance at the beginning of the year	16,736,447	$	106.7
Rights exercised	7,073		0.0
Balance at the end of the year	**16,743,520**	**$**	**106.7**

At the date of this MD&A, the Corporation had 16,743,520 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 on a one-for-one basis. As of December 31, 2013, there were 282,573 (2012 – 254,952) SOP, DSP and DDSUP rights outstanding. 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 $0.6 million for the year (2012 – $3.4 million) in respect of these plans.

Funded Net Debt

($millions)		December 31 2013		2012
(Cash) bank indebtedness	**$**	**(4.2)**	$	10.2
Obligations under finance leases		**13.3**		11.8
Long-term debt		**195.9**		151.7
Funded net debt	**$**	**205.0**	$	173.7

Funded net debt of $205.0 million at December 31, 2013 increased $31.3 million compared to December 31, 2012. The increase during the year was due to $24.1 million of cash generated from operating activities being less than: dividends paid of $46.0 million, investing activities of $4.0 million, deferred financing costs of $3.2 million relating to the issuance of the $125 million in senior notes and finance lease payments of $3.5 million. The cash generated from operating activities of $24.1 million was negatively impacted by income taxes paid of $60.3 million comprised of $44.6 million relating to 2011 and 2012 and 2013 income tax installments of $15.7 million.

The Corporation's ratio of funded net debt to capital increased to 45.3% at December 31, 2013 from 41.8% at December 31, 2012 driven by the higher funded net debt level.

The Corporation's leverage ratio of 2.15 times at December 31, 2013 increased from the December 31, 2012 ratio of 1.55 times due to the combined impact of lower EBITDA for the year and higher funded net debt outstanding.

See the Liquidity and Capital Resources and the Non-GAAP and Additional GAAP Measures sections.

Financial Instruments

Wajax uses derivative financial instruments in the management of its foreign currency and interest rate exposures. Wajax's policy restricts the use of derivative financial instruments for trading or speculative purposes. Significant derivative financial instruments outstanding at the end of the period 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, 2013, Wajax had contracts outstanding to buy U.S. $31.1 million (December 31, 2012 – to buy U.S. $26.5 million and to sell U.S. $11.1 million). The U.S. dollar contracts expire between January 2014 and February 2015, with a weighted average U.S./Canadian dollar rate of 1.0562.

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 is not expected to be material.

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.

Contractual Obligations

Contractual Obligations	Total	< 1 year	1–5 years	After 5 years
Bank debt	**$ 75.0**	$ –	$ 75.0	$ –
Senior notes	**$ 125.0**	$ –	$ –	$ 125.0
Operating leases	**$ 101.3**	$ 16.8	$ 59.5	$ 25.0
Obligations under finance leases	**$ 13.3**	$ 4.1	$ 9.2	$ –
Total	**$ 314.6**	$ 20.9	$ 143.7	$ 150.0

The $75.0 million bank debt obligation relates to the long-term portion of the bank credit facility and excludes current bank indebtedness and letters of credit.

The senior notes obligation relates to the Corporation's issuance on October 23, 2013 of $125.0 million in senior notes bearing an annual interest rate of 6.125% per annum, payable semi-annually, maturing on October 23, 2020.

The operating leases relate primarily to contracts entered into for facilities and office equipment. See the Off Balance Sheet Financing section for additional information.

The obligations under finance leases relate to certain leased vehicles that 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, 2013, Wajax had guaranteed $0.6 million of contracts (2012 – $1.2 million) with commitments arising in 2014. 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 nominal provision in 2013 (2012 – $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 certain 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 2013 contribution level of $0.4 million as a result of these valuations or any declines in the fair value of the defined benefit plans' assets.

Off Balance Sheet Financing

Off balance sheet financing arrangements include operating lease contracts for facilities with various landlords and other equipment related mainly to office equipment. The total obligations for all operating leases are detailed in the Contractual Obligations section. At December 31, 2013, the non-discounted operating lease commitments for facilities totaled $100.6 million and for other equipment $0.7 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 $68.9 million (2012 – $97.2 million) of consigned inventory on-hand from a major manufacturer at December 31, 2013. 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 reduce dividends to accommodate any shortfalls in Wajax's credit facilities. See the Liquidity and Capital Resources section.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's liquidity is maintained through various sources, including bank and non-bank credit facilities, the senior notes and cash generated from operations.

Bank and Non-bank Credit Facilities and Senior Notes

On October 23, 2013, the Corporation issued $125 million of senior notes bearing an interest rate of 6.125% per annum, payable semi-annually, maturing on October 23, 2020. The senior notes are unsecured and contain customary incurrence based covenants that, although different from those under the bank credit facility described below, are not expected to be any more restrictive than under the bank credit facility. All covenants were met as at December 31, 2013. The issuance of the senior notes introduced a longer term fixed rate layer of debt into Wajax's capital structure at a time when interest rates remain historically low. The cost of issuing the senior notes, approximately $3.2 million, is being amortized over the seven year term of the senior notes using the effective interest rate method.

Upon the closing of the senior note offering, the Corporation reduced the total available committed amount of the bank credit facility from $300 million to $250 million. The terms of the $250 million bank credit facility include the following:

- The facility is fully secured, expiring August 12, 2016, and is made up of a $60 million non-revolving term portion and a $190 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, 2013. 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.
- 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, 2013, Wajax had borrowed $75.0 million and issued $6.7 million of letters of credit for a total utilization of $81.7 million of its $250 million bank credit facility. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At December 31, 2013, borrowing capacity under the bank credit facility was equal to $250 million.

Under the terms of the 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 three non-bank lenders. At December 31, 2013 Wajax had no utilization of the interest bearing equipment financing facilities.

As of March 4, 2014, Wajax's $250 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. However, 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.

Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the years ended December 31, 2013 and December 31, 2012.

For the year ended December 31		2013		2012		Change
Net earnings	$	**47.7**	$	65.9	$	(18.2)
Items not affecting cash flow		**48.5**		44.7		3.8
Net change in non-cash operating working capital		**17.7**		(114.3)		132.0
Income taxes paid		**(60.3)**		(2.4)		(57.9)
Other cash items[(1)]		**(29.5)**		(33.0)		3.5
Cash generated from (used in) operating activities	$	**24.1**	$	(39.1)	$	63.2
Cash used in investing activities	$	**(4.0)**	$	(16.0)	$	12.0
Cash (used in) generated from financing activities	$	**(5.7)**	$	39.3	$	(45.0)

(1) Other cash items includes rental equipment additions, changes in other non-current liabilities and finance costs paid

Cash Generated From (Used In) Operating Activities

The $63.2 million year over year increase in cash flows generated from operating activities was mainly attributable to an increase in cash generated from changes in non-cash working capital of $17.7 million

in 2013 as compared to a use of working capital of $114.3 million in 2012, offset mostly by significantly higher income taxes paid of $57.9 million and reduced earnings of $18.2 million. (Income taxes paid during the year of $60.3 million were comprised of $44.6 million related to 2011 and 2012 income taxes and 2013 income tax installments of $15.7 million.)

Significant components of non-cash operating working capital, along with changes for the years ended December 31, 2013 and December 31, 2012 include the following:

Changes in Non-cash Operating Working Capital[(1)]

For the year ended December 31		**2013**		2012
Trade and other receivables	**$**	**6.6**	$	(17.1)
Inventories		**(2.8)**		(39.0)
Prepaid expenses		**1.1**		1.0
Accounts payable and accrued liabilities		**13.3**		(58.9)
Provisions		**(0.5)**		(0.3)
Total Changes in Non-cash Operating Working Capital	**$**	**17.7**	$	(114.3)

(1) Increase (decrease) in cash flow.

Significant components of the changes in non-cash operating working capital for the year ended December 31, 2013 compared to the year ended December 31, 2012 are as follows:

- Trade and other receivables decreased $6.6 million in 2013 compared to an increase of $17.1 million in 2012. The decrease in 2013 was mainly attributable to the collection of a large mining equipment receivable in the Equipment segment partially offset by an increase in the Power Systems segment due principally to a large power generation receivable. The increase in 2012 was attributable to a significant increase in the Equipment segment, related to a large mining equipment delivery and increased sales activity. This increase was partially offset by reductions in the Power Systems and Industrial Components segments due to lower sales activity in the fourth quarter of 2012.
- Inventories increased $2.8 million in 2013 compared to an increase of $39.0 million in 2012. The increase in 2012 was due principally to a $35.4 million increase in mining equipment (trucks and shovels) in the Equipment segment.
- Accounts payable and accrued liabilities increased $13.3 million in 2013 compared to a decrease of $58.9 million in 2012. The increase in 2013 resulted primarily from higher trade payables in the Industrial Components segment. The decrease last year was due primarily to reductions in the Equipment segment, attributable to lower trade payables and customer deposits related to mining equipment, and lower deferred income and inventory related trade payables in the Power Systems segment. Reductions in annual and mid-term incentive accruals also contributed to the decrease in 2012.

Investing Activities

For the year ended December 31, 2013, Wajax invested $3.9 million in property, plant and equipment additions, net of disposals, and $0.1 million in intangible asset additions, compared to $5.7 million and $0.2 million for the year ended December 31, 2012, respectively. In addition, the Industrial Components segment invested a total of $10.1 million during 2012 for the acquisition of the shares of ACE Hydraulic on October 22, 2012 and the assets of Kaman Canada on December 31, 2012.

Financing Activities

The Corporation used $5.7 million of cash from financing activities in 2013 compared to $39.3 million of cash generated in 2012. Financing activities in the year included senior note proceeds of $125.0 million offset by bank credit facility repayments of $78.0 million, dividends paid to shareholders totaling $46.0 million, finance lease payments of $3.5 million and deferred financing costs of $3.2 million related to the issuance of the senior notes. The net proceeds of the senior notes were used to repay borrowings under the Corporation's senior secured bank credit facility.

DIVIDENDS

Dividends to shareholders for the periods January 1, 2013 to December 31, 2013 and January 1, 2012 to December 31, 2012 were declared as follows:

	2013				2012			
Month[(1)]		**Per Share**		**Amount**		Per Share		Amount
January	**$**	**0.27**	**$**	**4.5**	$	0.20	$	3.3
February		**0.27**		**4.5**		0.20		3.3
March		**0.27**		**4.5**		0.27		4.5
April		**0.27**		**4.5**		0.27		4.5
May		**0.20**		**3.3**		0.27		4.5
June		**0.20**		**3.3**		0.27		4.5
July		**0.20**		**3.3**		0.27		4.5
August		**0.20**		**3.3**		0.27		4.5
September		**0.20**		**3.3**		0.27		4.5
October		**0.20**		**3.3**		0.27		4.5
November		**0.20**		**3.3**		0.27		4.5
December		**0.20**		**3.3**		0.27		4.5
Total dividends for the years ended December 31	**$**	**2.68**	**$**	**44.9**	$	3.10	$	51.8

(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, 2013, Wajax declared dividends to shareholders totaling $2.68 per share. For the year ending December 31, 2012, Wajax declared dividends to shareholders totaling $3.10 per share.

Dividends declared in 2013 of $44.9 million exceeded cash generated from operating activities of $24.1 million due to $44.6 million of income taxes paid in 2013 relating to 2011 and 2012.

The Corporation declared monthly dividends of $0.20 per share, or $3.3 million, for January, February, March and April of 2014.

FOURTH QUARTER CONSOLIDATED RESULTS

For three months ended December 31		2013		2012
Revenue	$	**391.7**	$	364.9
Gross profit	$	**73.2**	$	73.6
Selling and administrative expenses	$	**53.6**	$	53.0
Earnings before finance costs and income taxes[1]	$	**19.6**	$	20.6
Finance costs	$	**3.1**	$	1.3
Earnings before income taxes[1]	$	**16.6**	$	19.3
Income tax expense	$	**4.4**	$	5.1
Net earnings	$	**12.2**	$	14.2
Basic earnings per share	$	**0.73**	$	0.85
Diluted earnings per share	$	**0.72**	$	0.84

(1) See the Non-GAAP and Additional GAAP Measures section.

The Equipment segment was positively impacted in the quarter by increased demand for forestry equipment, particularly in British Columbia, attributable to higher lumber prices. 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 declines in customer spending primarily affected the Power Systems and Industrial Components segments. Although mining activity including the oil sands market remained soft, mining sector sales were comparable to last year.

Revenue

Revenue in the fourth quarter of 2013 increased 7%, or $26.8 million, to $391.7 million, from $364.9 million in the fourth quarter of 2012 and included $4.5 million of revenue from the Kaman Canada business acquired by the Industrial Components segment on December 31, 2012. Segment revenue increased 4% in the Industrial Components segment and 8% in each of the Equipment and Power Systems segments on higher equipment volumes.

Gross profit

Gross profit in the fourth quarter of 2013 decreased $0.4 million as the positive impact of higher volumes was more than offset by a lower gross profit margin percentage compared to the fourth quarter last year. The gross profit margin percentage for the quarter of 18.7% declined from 20.2% in the fourth quarter of 2012 due mainly to lower parts and service margins and a negative sales mix impact from a higher proportion of equipment revenues compared to last year.

Selling and administrative expenses

Selling and administrative expenses increased $0.6 million in the fourth quarter of 2013 compared to the same quarter last year due mainly to increases in the Industrial Components segment related to the Kaman Canada operations. Selling and administrative expenses as a percentage of revenue decreased to 13.7% in the fourth quarter of 2013 from 14.5% compared to the same quarter of 2012.

Finance costs

Quarterly finance costs of $3.1 million increased $1.8 million compared to the same quarter last year due to the cost of higher funded debt levels outstanding and the higher cost of borrowing during the quarter. The higher cost of borrowing was due to the Corporation's issuance of the senior notes on October 23, 2013 and an increased cost of borrowing under the bank credit facilities.

Income tax expense

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

Net earnings

Quarterly net earnings decreased $2.0 million to $12.2 million, or $0.73 per share, from $14.2 million, or $0.85 per share, in the same quarter of 2012. The positive impact of higher volumes was more than offset by higher finance costs, a lower gross profit margin percentage and higher selling and administrative expenses.

Comprehensive income

Total comprehensive income of $13.8 million in the fourth quarter of 2013 comprised of net earnings of $12.2 million and other comprehensive income of $1.6 million. The other comprehensive income was mainly attributable to actuarial gains on pension plans of $1.5 million.

Funded net debt

Funded net debt of $205.0 million at December 31, 2013 decreased $20.3 million compared to September 30, 2013. The decrease during the quarter was due

to $32.6 million of cash generated from operating activities exceeding dividends paid of $10.0 million, deferred financing costs of $3.0 million relating to the issuance of the senior notes and finance lease payments of $1.6 million. See the Fourth Quarter Cash Flows and Liquidity and Capital Resources sections.

Dividends

For the fourth quarter ended December 31, 2013 monthly dividends declared totaled $0.60 per share. For the fourth quarter ended December 31, 2012 monthly dividends declared were $0.81 per share.

Backlog

Consolidated backlog at December 31, 2013 of $155.1 million decreased $49.7 million, or 24%, compared to September 30, 2013 with reductions in all 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	2013	2012
Equipment[1]	**$ 145.6**	$ 130.9
Parts and service	**$ 72.4**	$ 70.7
Segment revenue	**$ 218.0**	$ 201.6
Segment earnings[2]	**$ 13.4**	$ 14.0
Segment earnings margin	***6.2%***	*6.9%*

(1) Includes rental and other revenue.
(2) Earnings before finance costs and income taxes.

Revenue in the fourth quarter of 2013 increased $16.4 million, or 8%, to $218.0 million, from $201.6 million in the fourth quarter of 2012. Segment earnings for the quarter decreased $0.6 million, to $13.4 million, compared to the fourth quarter of 2012. The following factors contributed to the Equipment segment's fourth quarter results compared to the fourth quarter of 2012:

- Equipment revenue for the fourth quarter increased $14.7 million or 11% with specific year-over-year variances as follows:
  - Forestry equipment revenue increased $10.0 million driven by higher Tigercat equipment volumes in all regions.
  - Construction equipment revenue increased $7.0 million mainly as a result of higher Hitachi excavator volumes, primarily in western Canada, and an increase in JCB equipment volumes in eastern Canada.
  - Mining equipment sales increased $0.8 million. The sale of four Hitachi EH5000 320 ton mining trucks and increased rotating equipment volumes in western Canada was mostly offset by a decline in Hitachi hydraulic mining shovel sales.
  - Crane and utility equipment revenue increased $0.5 million.
  - Material handling equipment revenue decreased $3.6 million due principally to declines in eastern and central Canada.
- Parts and service volumes increased $1.7 million or 2%. The increase was led by higher forestry sector volumes in all regions, higher mining sector volumes in western Canada and gains in crane and utility revenue.
- Segment earnings for the fourth quarter decreased $0.6 million to $13.4 million. The positive impact of higher volumes and a $0.7 million reduction in selling and administrative expenses was more than offset by a lower gross margin percentage due to product mix variances compared to last year.

Backlog of $76.0 million at December 31, 2013 decreased $26.6 million compared to September 30, 2013 due primarily to reductions in mining equipment backlog as a result of the delivery of four mining trucks during the quarter. In addition, increases in crane and utility backlog were offset by reductions in construction and forestry backlog during the quarter.

Power Systems

For three months ended December 31	2013	2012
Equipment[1]	**$ 35.9**	$ 31.5
Parts and service	**$ 49.5**	$ 47.5
Segment revenue	**$ 85.4**	$ 79.0
Segment earnings[2]	**$ 6.0**	$ 5.0
Segment earnings margin	***7.0%***	*6.3%*

(1) Includes rental and other revenue.
(2) Earnings before finance costs and income taxes.

Revenue in the fourth quarter of 2013 increased $6.4 million, or 8%, to $85.4 million, compared to $79.0 million in the fourth quarter of 2012. Segment earnings for the quarter increased $1.0 million to $6.0 million. The following factors impacted quarterly revenue and earnings compared to last year:

- Equipment revenue increased $4.4 million, due to higher power generation sales in all regions offset somewhat by lower off-highway sales to oil and gas customers in western Canada and mining customers in central Canada.

- Parts and service volumes increased $2.0 million compared to last year, mainly attributable to higher sales to on-highway customers in western and central Canada.
- Segment earnings in the fourth quarter of 2013 increased $1.0 million compared to the same quarter last year as the positive impact of higher volumes was partially offset by a $0.5 million increase in selling and administrative expenses.

Backlog of $45.6 million as of December 31, 2013 decreased $17.3 million compared to September 30, 2013 due primarily to a decrease in power generation backlog.

Industrial Components

For three months ended December 31	**2013**	2012
Segment revenue	**$ 89.1**	$ 85.3
Segment earnings[1]	**$ 2.1**	$ 3.6
Segment earnings margin	***2.4%***	*4.2%*

(1) Earnings before finance costs and income taxes.

Revenue of $89.1 million in the fourth quarter of 2013 increased $3.8 million, or 4%, from $85.3 million in the fourth quarter of 2012 and included $4.5 million of revenue from the Kaman Canada business acquired on December 31, 2012. Segment earnings for the quarter decreased $1.5 million, to $2.1 million. The following factors contributed to the segment's fourth quarter year-over-year results:

- Bearings and power transmission parts sales increased $3.3 million or 7% which was more than accounted for by the Kaman Canada acquisition. This increase was somewhat offset by reduced volumes to construction customers.
- Fluid power and process equipment products and service revenue in the fourth quarter of 2013 increased $0.5 million.
- Segment earnings decreased $1.5 million as the positive impact of higher volumes was offset by lower gross profit margins and a $0.8 million increase in selling and administrative expenses. The decline in gross profit margin resulted mainly from an unfavorable product mix and competitive market pressures primarily in western Canada. The increase in selling and administrative expenses resulted primarily from operating costs related to the Kaman Canada acquisition.

Backlog of $33.5 million as of December 31, 2013 decreased $5.8 million compared to September 30, 2013 with most of the reduction related to western and central Canada.

FOURTH QUARTER CASH FLOWS

Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the quarters ended December 31, 2013 and December 31, 2012.

For the quarter ended December 31	**2013**	2012	Change
Net earnings	**$ 12.2**	$ 14.2	$ (2.0)
Items not affecting cash flow	**13.7**	9.8	3.9
Net change in non-cash operating working capital	**16.8**	(25.4)	42.2
Income taxes paid	**(2.7)**	(1.9)	(0.8)
Other cash items[1]	**(7.4)**	(5.5)	(1.9)
Cash generated from (used in) operating activities	**$ 32.6**	$ (8.8)	$ 41.4
Cash used in investing activities	**$ (0.2)**	$ (10.7)	$ 10.5
Cash (used in) generated from financing activities	**$ (27.6)**	$ 15.3	$ 42.9

(1) Other cash items includes rental equipment additions, changes in other non-current liabilities and finance costs paid

Cash Generated From (Used In) Operating Activities

The $41.4 million increase in cash flows generated from operating activities was mainly attributable to an increase in cash generated from changes in non-cash working capital of $16.8 million in 2013 as compared to a use of cash of $25.4 million in 2012.

Significant components of non-cash operating working capital, along with changes for the quarters ended December 31, 2013 and December 31, 2012 include the following:

Changes in Non-cash Operating Working Capital[1]

For the quarter ended December 31	**2013**	2012
Trade and other receivables	**$ (2.6)**	$ (6.9)
Inventories	**13.7**	8.9
Prepaid expenses	**0.1**	(0.7)
Accounts payable and accrued liabilities	**4.7**	(29.6)
Provisions	**0.9**	2.9
Total Changes in Non-cash Operating Working Capital	**$ 16.8**	$ (25.4)

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the quarter ended December 31, 2013 compared to the quarter ended December 31, 2012 are as follows:

- Trade and other receivables increased $2.6 million in 2013 compared to an increase of $6.9 million in 2012. The increase in 2012 was due to higher sales activity in the Equipment segment reduced somewhat by lower accounts receivable in the Industrial Components on lower sales activity.
- Inventories decreased $13.7 million in the current year, due to reductions in inventory in the Equipment segment. This compared to a decrease of $8.9 million in 2012 due mainly to decreases in the Equipment segment's inventory and lower stocking levels in Industrial Components.
- Accounts payable and accrued liabilities increased $4.7 million in 2013 compared to a decrease of $29.6 million in 2012. The increase in 2013 resulted primarily from higher inventory trade payables in the Industrial Components segment, offset somewhat by lower inventory trade payables in the Equipment segment. The decrease last year was attributable to lower mining inventory trade payables in the Equipment segment, offset somewhat by higher inventory related trade payables in the Industrial Components segment.

Investing Activities

During the fourth quarter of 2013, Wajax invested $0.1 million on property, plant and equipment additions, net of disposals, compared to $0.6 million in the fourth quarter of 2012. In addition, the Industrial Components segment invested a total of $10.1 million in the fourth quarter of 2012 for the acquisition of the shares of ACE Hydraulic on October 22, 2012 and the assets of Kaman Canada on December 31, 2012.

Financing Activities

The Corporation used $27.6 million of cash in financing activities in the fourth quarter of 2013 compared to $15.3 million of cash generated in the same quarter of 2012. Financing activities in the quarter included proceeds on the issuance of senior notes of $125.0 million, offset by bank credit facility repayments of $138.0 million, dividends paid to shareholders totaling $10.0 million, deferred financing costs of $3.0 million related to the issuance of the senior notes and finance lease payments of $1.6 million. The net proceeds of the senior notes were used to repay borrowings under the Corporation's senior secured bank credit facility.

NON-GAAP AND ADDITIONAL GAAP MEASURES

The MD&A contains certain non-GAAP and additional GAAP measures that do not have a standardized meaning prescribed by GAAP. 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 net earnings or to cash flow from operating, investing, and financing activities determined in accordance with GAAP as indicators of the Corporation's performance. The Corporation's management believes that:

(i) these measures are commonly reported and widely used by investors,

(ii) the non-GAAP measures are commonly used as an indicator of a company's cash operating performance and ability to raise and service debt, and

(iii) the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital and tax structures.

Non-GAAP financial measures are identified and defined below:

Funded net debt	Funded net debt includes bank indebtedness, long-term debt and obligations under finance leases, net of cash.
EBITDA	Net earnings before finance costs, income tax expense, depreciation and amortization.
Leverage ratio	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 to total capital	Defined as funded net debt divided by total capital. Total capital is the funded net debt plus shareholder's equity.

Additional GAAP measures are identified and defined below:

Earnings before finance costs and income taxes (EBIT)	Earnings before finance costs and income taxes, as presented on the Consolidated Statements of Earnings
Earnings before income taxes (EBT)	Earnings before income taxes, as presented on the Consolidated Statements of Earnings.

Reconciliation of the Corporation's net earnings to EBT, EBIT and EBITDA is as follows:

	For the twelve months ended		
	December 31 2013	September 30 2013	December 31 2012
Net earnings	$ **47.7**	$ 49.7	$ 65.9
Income tax expense	**17.0**	17.7	23.8
EBT	**64.7**	67.4	89.7
Finance costs	**9.0**	7.2	4.4
EBIT	**73.7**	74.6	94.1
Depreciation and amortization	**21.6**	20.5	17.8
EBITDA	$ **95.3**	$ 95.1	$ 112.0

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

		December 31 2013		September 30 2013		December 31 2012
Bank indebtedness	$	(4.2)	$	0.6	$	10.2
Obligations under finance leases		13.3		13.0		11.8
Long-term debt		195.9		211.7		151.7
Funded net debt[1]	$	205.0	$	225.3	$	173.7
Leverage ratio[1][2]		2.15		2.37		1.55

(1) See the Non-GAAP and Additional GAAP Measures section.
(2) Calculation uses trailing four-quarter EBITDA and finance costs.

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. 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. The $1.7 million provision for doubtful accounts at December 31, 2013 decreased $0.8 million from $2.5 million in 2012 primarily due to a 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 2013 was $2.1 million compared to $1.9 million in 2012.

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.

CHANGES IN ACCOUNTING POLICIES

The following new standards have been adopted in the current year:

On January 1, 2013, the Corporation adopted 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 impact on the disclosures in the consolidated financial statements from adopting IFRS 7 was not material.

On January 1, 2013, the Corporation adopted 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. There was no impact on the consolidated financial statements from adopting IFRS 10.

On January 1, 2013, the Corporation adopted 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. It also requires disclosure of the valuation techniques and inputs for financial instruments measured at fair value. The impact on the disclosures in the consolidated financial statements from adopting IFRS 13 was not material.

On January 1, 2013, the Corporation retrospectively adopted IAS 19R 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. No adjustment to prior years' financial statements was necessary. The impact on the current year's consolidated financial statements from adopting IAS 19R was not material.

Effective January 1, 2013, the Corporation early adopted Amendments to IAS 36 Impairment of Assets issued by the IASB in May 2013. The amendments impacted certain disclosure requirements only and did not have a material impact on the consolidated financial statements.

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, 2013 and have not been applied in preparing these consolidated financial statements.

As of January 1, 2014, the Corporation will be required to adopt the amendments to IAS 32 Offsetting Financial Assets and Liabilities, which clarifies when an entity has a right to set-off and when a settlement mechanism provides for net settlement or gross settlement. The extent of the impact of adoption of the amendment has not yet been determined.

It is currently anticipated that 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 mandatory effective date has not been determined. 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.

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 growth initiatives. 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 $250 million bank credit facility which expires August 12, 2016 comprised of a $60 million non-revolving term portion and a $190 million revolving term portion. Wajax also has $125 million of senior notes outstanding bearing an annual interest rate of 6.125%, payable semi-annually, and maturing on October 23, 2020. The bank credit facility and senior notes contain 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 or senior notes could result in an event of default which, if not cured or waived, could require an accelerated repayment of the facility or senior notes. There can be no assurance that Wajax's assets would be sufficient to repay the facility or senior notes 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 bank credit facility and senior notes mature.

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 dependent 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. 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 dependent 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 2,766 employees. Wajax is a party to thirteen collective agreements covering a total of approximately 339 employees. Of these, two collective agreements covering 56 employees have expired on or before December 31, 2013 and

are currently being re-negotiated. Of the remaining eleven collective agreements, four expire in 2014, four expire in 2015, two expire in 2016, and one expires in 2017. 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 the 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

Revenue associated with the oil and gas sector in western Canada began to decline in the second half of 2012 and continued to be soft throughout 2013. This primarily affected the Power Systems and Industrial Components segments as customers continued to limit capital and maintenance spending for exploration and well servicing equipment. Mining activity, including the oil sands, was weak for all three segments as customers reduced spending in the face of generally weaker commodity prices. The Equipment segment partially mitigated lower mining related volumes, which included the impact of the loss of LeTourneau equipment distribution rights in 2012, with a strong performance in parts and service, which increased 10% from the prior year. A major factor in this was a 16% increase in mining related parts and service volume in the segment during 2013, driven by gains in Hitachi product support and rotating products. Most other end markets showed relative stability year-over-year compared to oil and gas and mining. Consequently, the $20.4 million decline in consolidated 2013 earnings before finance costs and income taxes is approximately equal to the year-over-year reduction related to softness in the important oil and gas and mining sectors.

Year-end 2013 backlog of $155.1 million was reduced from the prior year and the prior quarter primarily due to the delivery of four Hitachi mining trucks and a number of power generation packages in the fourth quarter. In the current economic environment customers continue to take a cautious approach in making commitments to buy equipment.

Looking forward to 2014, management's expectation is that market conditions in 2014 will be similar to those encountered in 2013 and the continuing weakness in the oil and gas and mining markets is expected to create challenges for growth in 2014. In particular, management anticipates earnings in the first quarter to be lower than last year. Despite these market conditions, the focus is to continue to invest in strategic initiatives that focus on organic growth and continued expansion of the Corporation's aftermarket business. At the same time, management is cautiously managing total costs, the asset base and leverage.

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 and
Chief Financial Officer

Mississauga, Canada, March 4, 2014

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, 2013 and December 31, 2012, the consolidated statements of earnings, comprehensive income, changes in shareholder' equity and cash flows for the years ended December 31, 2013 and December 31, 2012, 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, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Chartered Accountants, Licensed Public Accountants
Toronto, Canada, March 4, 2014

Consolidated Statements of Financial Position

As at December 31 (in thousands of Canadian dollars)	**2013**	2012
ASSETS		
Current		
Cash	**$ 4,153**	$ –
Trade and other receivables (note 5)	**187,974**	194,567
Inventories (note 6)	**289,299**	285,185
Income taxes receivable	**203**	–
Prepaid expenses	**5,980**	7,089
Derivative instruments	**323**	–
	487,932	486,841
Non-Current		
Rental equipment (note 7)	**52,285**	43,731
Property, plant and equipment (note 8)	**49,716**	50,700
Intangible assets (note 10)	**85,944**	87,668
Deferred taxes (note 22)	**1,076**	2,922
	189,021	185,021
	$ 676,953	$ 671,862
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**$ –**	$ 10,195
Accounts payable and accrued liabilities (note 13)	**201,122**	186,395
Provisions (note 11)	**7,011**	7,535
Dividends payable	**3,349**	4,519
Income taxes payable	**–**	44,349
Obligations under finance leases (note 9)	**4,053**	3,611
Derivative instruments	**–**	149
	215,535	256,753
Non-Current		
Provisions (note 11)	**2,939**	4,088
Employee benefits (note 12)	**5,549**	7,160
Other liabilities	**624**	2,083
Obligations under finance leases (note 9)	**9,208**	8,192
Long-term debt (note 14)	**195,906**	151,701
	214,226	173,224
Shareholders' Equity		
Share capital (note 17)	**106,704**	106,651
Contributed surplus (note 20)	**5,058**	4,346
Retained earnings	**135,317**	130,944
Accumulated other comprehensive income (loss)	**113**	(56)
Total shareholders' equity	**247,192**	241,885
	$ 676,953	$ 671,862

On behalf of the Board:

Paul E. Gagné
Chairman

Douglas A. Carty
Director

Consolidated Statements of Earnings

For the years ended December 31 (in thousands of Canadian dollars, except per share data)	**2013**	2012
Revenue (note 18)	**$ 1,428,477**	$ 1,466,014
Cost of sales	**1,143,082**	1,164,199
Gross profit	**285,395**	301,815
Selling and administrative expenses	**211,732**	207,672
Earnings before finance costs and income taxes	**73,663**	94,143
Finance costs (note 19)	**8,951**	4,442
Earnings before income taxes	**64,712**	89,701
Income tax expense (note 22)	**17,027**	23,762
Net earnings	**$ 47,685**	$ 65,939
Basic earnings per share (note 23)	**$ 2.85**	$ 3.95
Diluted earnings per share (note 23)	**$ 2.81**	$ 3.89

Consolidated Statements of Comprehensive Income

For the years ended December 31 (in thousands of Canadian dollars, except per share data)	**2013**	2012
Net earnings	**$ 47,685**	$ 65,939
Items that will not be reclassified to income		
Actuarial gains (losses) on pension plans, net of tax expense of $543 (2012 – tax recovery of $251) (note 12)	**1,545**	(683)
Items that may subsequently be reclassified to income		
(Gains) losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax expense of $88 (2012 – tax recovery of $187)	**(247)**	517
Gains (losses) on derivative instruments outstanding at the end of the period designated as cash flow hedges, net of tax expense of $148 (2012 – tax recovery of $149)	**416**	(423)
Other comprehensive income (loss), net of tax	**1,714**	(589)
Total comprehensive income	**$ 49,399**	$ 65,350

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2013 (in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income AOCI Cash flow hedges	Total
January 1, 2013	**$ 106,651**	**4,346**	**130,944**	**(56)**	**$ 241,885**
Net earnings	**–**	**–**	**47,685**	**–**	**47,685**
Other comprehensive income	**–**	**–**	**1,545**	**169**	**1,714**
Total comprehensive income for the year	**–**	**–**	**49,230**	**169**	**49,399**
Shares issued to settle share-based compensation plans (note 20)	**53**	**(53)**	**–**	**–**	**–**
Dividends (note 16)	**–**	**–**	**(44,857)**	**–**	**(44,857)**
Share-based compensation expense (note 20)	**–**	**765**	**–**	**–**	**765**
December 31, 2013	**$ 106,704**	**5,058**	**135,317**	**113**	**$ 247,192**

For the year ended December 31, 2012 (in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	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

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of Canadian dollars)	**2013**	2012
OPERATING ACTIVITIES		
Net earnings	**$ 47,685**	$ 65,939
Items not affecting cash flow:		
Depreciation and amortization:		
Rental equipment (note 7)	**10,117**	7,883
Property, plant and equipment (note 8)	**9,661**	8,467
Intangible assets (note 10)	**1,839**	1,466
Loss on disposal of property, plant and equipment	**129**	139
Share-based compensation expense (note 20)	**765**	738
Non-cash rental expense	**(149)**	(1,687)
Employee benefits expense, net of payments	**477**	(618)
Unrealized (gain) loss on derivative instruments	**(243)**	72
Finance costs	**8,951**	4,442
Income tax expense (note 22)	**17,027**	23,762
	96,259	110,603
Changes in non-cash operating working capital (note 24)	**17,657**	(114,347)
Rental equipment additions (note 7)	**(20,008)**	(25,076)
Other non-current liabilities	**(2,608)**	(3,784)
Finance costs paid	**(6,873)**	(4,118)
Income taxes paid	**(60,333)**	(2,387)
Cash generated from (used in) operating activities	**24,094**	(39,109)
INVESTING ACTIVITIES		
Property, plant and equipment additions	**(4,353)**	(6,234)
Proceeds on disposal of property, plant and equipment	**468**	523
Intangible assets additions (note 10)	**(115)**	(237)
Acquisition of businesses	**–**	(10,078)
Cash used in investing activities	**(4,000)**	(16,026)
FINANCING ACTIVITIES		
Net (decrease) increase in bank debt	**(77,998)**	92,998
Issuance of senior notes (note 14)	**125,000**	–
Deferred financing costs (note 14)	**(3,244)**	(568)
Finance lease payments	**(3,477)**	(2,553)
Dividends paid	**(46,027)**	(50,596)
Cash (used in) generated from financing activities	**(5,746)**	39,281
Change in cash (bank indebtedness)	**14,348**	(15,854)
(Bank indebtedness) cash – beginning of period	**(10,195)**	5,659
Cash (bank indebtedness) – end of period	**$ 4,153**	$ (10,195)

Notes to Consolidated Financial Statements

December 31, 2013 (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, rental and after-sale parts and service support of mobile equipment, power systems and industrial components, through a network of 125 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 4, 2014.

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. See Note 10 for details of the value in use calculations.

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 generally recorded at the time goods are shipped to customers or when all contracted-upon conditions have been fulfilled. In certain cases, the sale of equipment involves the design, installation, and assembly of power and energy equipment systems. In these cases, revenue is recognized based on the percentage of contract costs incurred in relation to total estimated contract costs.
- 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.

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	5%
Equipment and vehicles	declining balance	20% – 30%
Computer hardware	straight-line	3 – 5 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 rate 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 for impairment at least annually, or more frequently if certain indicators arise that indicate the assets might be impaired. Goodwill and indefinite life intangible assets are allocated to cash-generating units ("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 3 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 equal to 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 and bank indebtedness

Cash and bank indebtedness includes cash on hand, demand deposits, bank overdrafts and outstanding cheques. 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 and issuance of senior unsecured notes ("senior notes") are deferred and amortized to finance costs over the term of the long-term debt using the effective interest rate method. Deferred financing costs are included in the carrying amount of the related long-term debt.

Provisions

The Corporation provides for customer warranty claims that may not be covered by the manufacturer's 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. Long-term debt instruments are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Derivative instruments are measured at fair value. All changes in the fair value of derivative instruments 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 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 net interest cost on the defined 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 they relate to a business combination or to 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

The following new standards have been adopted in the current year:

On January 1, 2013, the Corporation adopted 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 impact on the disclosures in the consolidated financial statements from adopting IFRS 7 was not material.

On January 1, 2013, the Corporation adopted 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. There was no impact on the consolidated financial statements from adopting IFRS 10.

On January 1, 2013, the Corporation adopted 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. It also requires disclosure of the valuation techniques and inputs for financial instruments measured at fair value. The impact on the disclosures in the consolidated financial statements from adopting IFRS 13 was not material.

On January 1, 2013, the Corporation retrospectively adopted IAS 19R *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. No adjustment to prior years' financial statements was necessary. The impact on the current year's consolidated financial statements from adopting IAS 19R was not material.

Effective January 1, 2013, the Corporation early adopted Amendments to IAS 36 *Impairment of Assets* issued by the IASB in May 2013. The amendments impacted certain disclosure requirements only and did not have a material impact on the consolidated financial statements.

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, 2013 and have not been applied in preparing these consolidated financial statements.

As of January 1, 2014, the Corporation will be required to adopt the amendments to IAS 32 *Offsetting Financial Assets and Liabilities*, which clarifies when an entity has a right to set-off and when a settlement mechanism provides for net settlement or gross settlement. The extent of the impact of adoption of the amendment has not yet been determined.

It is currently anticipated that 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 mandatory effective date has not been determined. 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

		2013		2012
Trade accounts receivable	**$**	**167,014**	$	177,068
Less: allowance for credit losses		**(1,684)**		(2,458)
Net trade accounts receivable		**165,330**		174,610
Other receivables		**22,644**		19,957
Total trade and other receivables	**$**	**187,974**	$	194,567

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

6. INVENTORIES

		2013		2012
Equipment	**$**	**154,362**	$	157,480
Parts		**116,058**		110,779
Work-in-process		**18,879**		16,926
Total inventories	**$**	**289,299**	$	285,185

All amounts shown are net of obsolescence reserves of $11,852 (2012 – $11,314). During the year ended December 31, 2013, $2,068 (2012 – $1,857) was recorded in cost of sales for the write-down of inventories to estimated net realizable value.

The Corporation recognized $906,839 (2012 – $950,721) 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, 2013	**$**	**63,973**	**$**	**20,242**	**$**	**43,731**
Additions		**20,008**		**10,117**		**9,891**
Net transfers to inventories		**(4,947)**		**(3,610)**		**(1,337)**
December 31, 2013	**$**	**79,034**	**$**	**26,749**	**$**	**52,285**
January 1, 2012	$	43,448	$	15,388	$	28,060
Additions		25,076		7,883		17,193
Net transfers to inventories		(4,551)		(3,029)		(1,522)
December 31, 2012	$	63,973	$	20,242	$	43,731

8. PROPERTY, PLANT AND EQUIPMENT

		Land and buildings	Equipment and vehicles	Computer hardware	Furniture and fixtures	Leasehold improvements		Total
Cost								
January 1, 2013	**$**	**36,445**	**66,119**	**4,942**	**10,722**	**10,791**	**$**	**129,019**
Additions		**132**	**7,083**	**744**	**1,199**	**290**		**9,448**
Disposals		**–**	**(4,613)**	**(85)**	**(861)**	**(3,366)**		**(8,925)**
December 31, 2013	**$**	**36,577**	**68,589**	**5,601**	**11,060**	**7,715**	**$**	**129,542**
Accumulated depreciation								
January 1, 2013	**$**	**14,663**	**42,911**	**4,068**	**8,008**	**8,669**	**$**	**78,319**
Charge for the year		**1,005**	**6,931**	**461**	**654**	**610**		**9,661**
Disposals		**–**	**(3,846)**	**(85)**	**(858)**	**(3,365)**		**(8,154)**
December 31, 2013	**$**	**15,668**	**45,996**	**4,444**	**7,804**	**5,914**	**$**	**79,826**
Carrying amount								
December 31, 2013	**$**	**20,909**	**22,593**	**1,157**	**3,256**	**1,801**	**$**	**49,716**
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		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

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

		2013		2012
Cost, beginning of year	**$**	**21,303**	$	24,091
Additions		**5,095**		5,234
Acquisition of businesses		**–**		238
Disposals		**(335)**		(6,977)
Purchased at end of lease		**(5,432)**		(1,283)
Cost, end of year	**$**	**20,631**	$	21,303
Accumulated depreciation, beginning of year	**$**	**10,002**	$	13,009
Charge for the year		**3,901**		3,498
Disposals		**(161)**		(5,588)
Purchased at end of lease		**(4,420)**		(917)
Accumulated depreciation, end of year	**$**	**9,322**	$	10,002
Carrying amount	**$**	**11,309**	$	11,301

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 lease payments receivable under the agreements are as follows:

		2013		2012
Less than one year	**$**	**5,288**	$	3,884
Between one and five years		**8,693**		5,261
	$	**13,981**	$	9,145

Operating leases – as lessee

The Corporation leases certain land and buildings, rental equipment and office equipment. Some of the lease terms can be extended at the option of the Corporation.

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

	2013	2012
Less than one year	$ 16,801	$ 16,699
Between one and five years	59,492	47,012
More than five years	24,968	33,244
	$ 101,261	$ 96,955

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 Corporation has an option to purchase the vehicles at its residual value or 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:

	2013			2012		
	Payment	Finance costs	Present value of minimum lease payments	Payment	Finance costs	Present value of minimum lease payments
Current	$ 4,282	229	4,053	$ 4,171	560	3,611
Non-current (between one and five years)	11,474	2,266	9,208	9,311	1,119	8,192
Total minimum lease payments	$ 15,756	2,495	13,261	$ 13,482	1,679	11,803

10. INTANGIBLE ASSETS

	Goodwill	Product distribution rights	Customer lists/Non-competition agreements	Software	Total
Cost					
January 1, 2013	$ 72,148	8,600	8,402	11,564	$ 100,714
Additions	–	–	–	115	115
Disposals	–	–	–	(6,898)	(6,898)
December 31, 2013	$ 72,148	8,600	8,402	4,781	$ 93,931
Accumulated amortization					
January 1, 2013	$ –	–	3,652	9,394	$ 13,046
Amortization for the year	–	–	1,007	832	1,839
Disposals	–	–	–	(6,898)	(6,898)
December 31, 2013	$ –	–	4,659	3,328	$ 7,987
Carrying amount					
December 31, 2013	$ 72,148	8,600	3,743	1,453	$ 85,944
Cost					
January 1, 2012	$ 70,644	8,600	5,502	11,357	$ 96,103
Acquisition of businesses	1,504	–	2,900	–	4,404
Additions	–	–	–	237	237
Disposals	–	–	–	(30)	(30)
December 31, 2012	$ 72,148	8,600	8,402	11,564	$ 100,714
Accumulated amortization					
January 1, 2012	$ –	–	3,095	8,515	$ 11,610
Amortization for the year	–	–	557	909	1,466
Disposals	–	–	–	(30)	(30)
December 31, 2012	$ –	–	3,652	9,394	$ 13,046
Carrying amount					
December 31, 2012	$ 72,148	8,600	4,750	2,170	$ 87,668

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

The Corporation has allocated goodwill to the respective CGUs or groups of CGUs that represent the smallest identifiable group of assets that generate cash inflows and at which the goodwill is monitored internally. Each CGU has identifiable accounts receivable, inventory, capital assets, and intangible assets. In 2013, the Corporation has restructured the Power Systems business and as a result goodwill previously allocated to three CGUs - Power Systems West, Power Systems Central and Power Systems East was combined at the Power Systems business level for impairment testing, since that is the lowest level at which management monitors goodwill.

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:

	2013		2012	
Cash-generating units	Goodwill	Product distribution rights	Goodwill	Product distribution rights
Equipment	**$ 21,341**	**–**	$ 21,341	–
Power Systems	**8,253**	**5,400**	8,253	5,400
Industrial Components	**42,554**	**3,200**	42,554	3,200
	$ 72,148	**8,600**	$ 72,148	8,600

In 2013, the Corporation performed annual impairment tests of its goodwill and intangible assets with indefinite lives. The recoverable amount of the CGUs was estimated based on the present value of the future cash flows expected to be derived from the CGUs (value in use). To prepare the value in use calculations, the forecasts are extrapolated beyond the three year period at the estimated long-term inflation rate of 2% (2012 – 2%) and a discount rate of 11.3% (2012 – 10.6%) which is based on the Corporation's pre-tax weighted average cost of capital.

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, 2013	**$ 8,626**	**$ 2,997**	**$ 11,623**
Charge for the year	**5,951**	**1,481**	**7,432**
Utilized in the year	**(7,498)**	**(1,607)**	**(9,105)**
Provisions, December 31, 2013	**$ 7,079**	**$ 2,871**	**$ 9,950**
Current	**4,140**	**2,871**	**7,011**
Non-current	**2,939**	**–**	**2,939**
Total	**$ 7,079**	**$ 2,871**	**$ 9,950**

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, 2013, the Corporation had guaranteed residual values of $600 (2012 – $1,177) with commitments arising in 2014. 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 $27 provision (2012 – $67) 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 resources, 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 Supplemental 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 defined 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, interest income 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 defined benefit obligations:

	2013	2012
Discount rate – at beginning of year (to determine plan expenses)	**3.8%**	4.0%
Discount rate – at end of year (to determine defined benefit obligation)	**4.5%**	3.8%
Rate of compensation increase	**3.0%**	3.0%

Effective December 31, 2013, the Corporation adjusted its mortality assumptions to reflect the recommendations of a draft report on Canadian Pensioners Mortality released by the Canadian Institute of Actuaries in July 2013.

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 **2013**	2012
Cash	**3.8%**	4.3%
Fixed Income	**33.4%**	32.1%
Canadian Equities	**34.6%**	29.7%
Foreign Equities	**28.2%**	33.9%
	100.0%	100.0%

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

	2013	2012
Actuarial (gain) loss on defined benefit obligation arising from:		
Experience adjustment	**$ –**	$ 466
Demographic assumption changes	**903**	–
Economic assumption changes	**(1,644)**	567
	(741)	1,033
Actuarial gain on plan assets, excluding interest income	**$ 1,347**	$ 69

Total cash payments

Total cash payments for employee future benefits for 2013, 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 $7,988 (2012 – $8,918).

The Corporation expects to contribute $501 to the defined benefit pension plans in the year ended December 31, 2014.

The plan expenses recognized in earnings are as follows:

	2013	2012
Defined contribution plans		
Current service cost	**$ 7,787**	$ 7,823
Defined benefit plans		
Current service cost	**606**	403
Administration expenses	**100**	75
Finance cost on defined benefit obligation	**708**	742
Expected return on plan assets	**(432)**	(663)
Total plan expense recognized in the statement of earnings	**$ 8,769**	$ 8,380

Of the amounts recognized in earnings, $3,481 (2012 – $3,836) is included in cost of sales and $5,288 (2012 – $4,544) is included in selling and administrative expenses.

The amounts recognized in other comprehensive income are as follows:

	2013	2012
Net actuarial (gains) losses	**$ (2,088)**	$ 934
Deferred tax	**543**	(251)
Amount recognized in other comprehensive income	**$ (1,545)**	$ 683
Cumulative actuarial losses	**$ 2,310**	$ 3,855

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

Present value of benefit obligation	**2013**	2012
Present value of benefit obligation, beginning of year	**$ 19,328**	$ 18,599
Current service cost	**606**	403
Participant contributions	**67**	60
Finance cost on defined benefit obligation	**708**	742
Actuarial (gain) loss	**(741)**	1,033
Benefits paid	**(943)**	(1,509)
Present value of benefit obligation, end of year	**$ 19,025**	$ 19,328

Plan assets	**2013**	2012
Fair value of plan assets, beginning of year	**$ 11,752**	$ 11,269
Actual return	**1,779**	732
Participant contributions	**67**	60
Employer contributions	**420**	1,275
Benefits paid	**(943)**	(1,509)
Administration expenses	**(100)**	(75)
Fair value of plan assets, end of year	**$ 12,975**	$ 11,752

Funded Status	**2013**	2012
Fair value of plan assets, end of year	**$ 12,975**	$ 11,752
Present value of benefit obligation, end of year	**(19,025)**	(19,328)
Plan deficit	**$ (6,050)**	$ (7,576)

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

	2013	2012
Accounts payable and accrued liabilities	**$ (501)**	$ (416)
Employee benefits	**(5,549)**	(7,160)
Plan deficit	**$ (6,050)**	$ (7,576)

Present value of benefit obligation includes a benefit obligation of $4,542 (2012 – $4,589) related to the SERP that is not funded. This obligation is secured by a letter of credit of $5,336 (2012 – $4,893).

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
Trade payables	**$ 116,300**	$ 98,004
Deferred income	**9,058**	18,460
Other payables and accrued liabilities	**75,764**	69,931
Accounts payable and accrued liabilities	**$ 201,122**	$ 186,395

14. LONG-TERM DEBT

On October 23, 2013 the Corporation issued $125,000 of senior notes bearing an annual interest rate of 6.125%, payable semi-annually, and maturing on October 23, 2020. The $3,244 cost of issuing the senior notes has been capitalized and will be amortized over the remaining term of the notes using the interest rate method. Effective upon the closing of the note offering, the Corporation reduced the total available committed amount of the bank credit facility from $300,000 to $250,000.

The fully secured bank credit facility of $250,000, due August 12, 2016, is now comprised of a $60,000 non-revolving term portion and a $190,000 revolving term portion. 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. 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, 2013. 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.

	2013	2012
Bank credit facility		
Non-revolving term portion	**$ 60,000**	$ 80,000
Revolving term portion	**15,000**	73,000
	75,000	153,000
Senior notes	**125,000**	–
Deferred financing costs, net of accumulated amortization of $779 (2012 – $330)	**(4,094)**	(1,299)
Total long-term debt	**$ 195,906**	$ 151,701

The Corporation had $6,694 (2012 – $5,917) letters of credit outstanding at the end of the year.

Finance costs on long-term debt amounted to $8,315 (2012 – $3,782).

15. FINANCIAL INSTRUMENTS

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

	2013	2012
Loans and receivables:		
Cash (bank indebtedness)	**$ 4,153**	$ (10,195)
Trade and other receivables	**187,974**	194,567
Other financial liabilities:		
Accounts payable and accrued liabilities	**$ (201,122)**	$ (186,395)
Dividends payable	**(3,349)**	(4,519)
Other liabilities	**(624)**	(2,083)
Long-term debt	**(195,906)**	(151,701)
Derivative instruments – cash flow hedges:		
Foreign exchange forward contracts	**$ 323**	$ (149)

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 loans and receivables and other financial liabilities, excluding the senior notes, approximate their recorded values due to the short-term maturities of these instruments. The fair value of the senior notes is estimated based on the trading price of the notes, which takes into account the Corporation's own credit risk. At December 31, 2013, the Corporation has estimated the fair value of its senior notes to be approximately $128,750.

The following method and assumptions were used in 2013 and 2012 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 exchange 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:

	2013	2012
Current	**$ 97,411**	$ 108,914
Less than 60 days overdue	**63,325**	63,588
More than 60 days overdue	**6,278**	4,566
Total trade accounts receivable	**$ 167,014**	$ 177,068

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:

	2013	2012
Opening balance	**$ 2,458**	$ 3,514
Additions	**883**	302
Utilization	**(1,657)**	(1,358)
Closing balance	**$ 1,684**	$ 2,458

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 maturities of the bank credit facility and senior notes are August 12, 2016 and October 23, 2020, respectively. At December 31, 2013 the Corporation had borrowed $75,000 (2012 – $154,822) from the bank credit facility and $125,000 (2012 – nil) from the issuance of senior notes. The Corporation issued $6,694 (2012 – $5,917) of letters of credit for a total utilization of $81,694 (2012 – $160,739) of its $250,000 (2012 – $300,000) bank credit facility and had not utilized any (2012 – nil) of its $15,000 (2012 – $15,000) equipment financing facility.

The Corporation's $250,000 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, or reduce dividends, 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 contracts to buy and sell foreign currencies are summarized as follows:

		Notional Amount	Fair Value	Average Exchange Rate	Maturity
December 31, 2013					
Purchase contracts	**USD**	**$ 31,113**	**$ 323**	**1.0562**	**January 2014 to February 2015**
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

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. The impact of changes in interest rates is reduced by the fixed interest rate of the senior notes. As at December 31, 2013 and 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 amount outstanding under the bank credit facility for 2013 would result in a change to earnings before income taxes of approximately $1,832 for the year.

16. DIVIDENDS DECLARED

During 2013 the Corporation declared cash dividends of $2.68 per share, or $44,857 (2012, $3.10 per share or $51,789).

The Corporation has declared dividends of $0.20 per share or $3,349 for each of January, February, March and April 2014.

17. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of no par value common shares and an unlimited number of no par value preferred shares. Each common share entitles the holder of record to one vote at all meetings of shareholders. All issued common shares are fully paid. There were no preferred shares outstanding as at December 31, 2013 (2012 – nil). Each common 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 Common Shares	Amount
Balance, December 31, 2011	16,629,444	$ 105,371
Common shares issued to settle share-based compensation plans	107,003	1,280
Balance, December 31, 2012	16,736,447	106,651
Common shares issued to settle share-based compensation plans	7,073	53
Balance, December 31, 2013	**16,743,520**	**$ 106,704**

18. REVENUE

	2013	2012
Equipment	**$ 523,817**	$ 598,912
Parts	**658,557**	642,227
Service	**196,434**	185,537
Rental and other	**49,669**	39,338
Total revenues	**$ 1,428,477**	$ 1,466,014

19. FINANCE COSTS

	2013	2012
Interest on long-term debt	**$ 8,315**	$ 3,782
Interest on finance leases	**636**	660
Finance costs	**$ 8,951**	$ 4,442

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 $765 (2012 – $738) in respect of these plans.

	December 31, 2013		December 31, 2012	
	Number of Rights	Fair value at time of grant	Number of Rights	Fair value at time of grant
Outstanding at beginning of year	**254,952**	**$ 4,932**	316,595	$ 4,908
Granted in the year – new grants	**14,721**	**524**	27,231	1,304
– dividend equivalents	**19,973**	**–**	18,129	–
Settled in the year	**(7,073)**	**(53)**	(107,003)	(1,280)
Outstanding at end of year	**282,573**	**$ 5,403**	254,952	$ 4,932

At December 31, 2013, 266,579 share rights were vested (2012 – 240,102).

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

	2013	2012
	Number of Shares	Number of Shares
Approved by shareholders	**1,050,000**	1,050,000
Exercised to date	**(160,990)**	(153,917)
Rights outstanding	**(282,573)**	(254,952)
Available for future grants	**606,437**	641,131

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 recovery of $124 (2012 – cost of $2,653) in respect of these plans. The carrying amount of the share-based portion of these liabilities was $855 (2012 – $2,444).

21. EMPLOYEE COSTS

Employee costs for the Corporation during the year amounted to:

	2013	2012
Wages and salaries, including bonuses	**$ 219,805**	$ 214,841
Other benefits	**33,712**	30,953
Pension costs – defined contribution plans	**7,787**	7,823
Pension costs – defined benefit plans	**982**	557
Share-based payments expense	**641**	3,391
	$ 262,927	$ 257,565

22. INCOME TAXES

Income tax expense comprises current and deferred tax as follows:

	2013	2012
Current	**$ 15,784**	$ 44,353
Deferred		
– Origination and reversal of temporary difference	**1,243**	(20,621)
– Change in tax law and rate	**–**	30
Income tax expense	**$ 17,027**	$ 23,762

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.1% (2012 – 26.2%). 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:

	2013	2012
Combined statutory income tax rate	**26.1%**	26.2%
Expected income tax expense at statutory rates	**$ 16,890**	$ 23,502
Non-deductible expenses	**573**	548
Deferred tax related to changes in tax law and rates	**–**	30
Other	**(436)**	(318)
Income tax expense	**$ 17,027**	$ 23,762

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 2012	Recognized in profit or loss	Recognized in other comprehensive income	Recognized on acquisition of businesses	December 31 2013
Property, plant and equipment	**$ (2,099)**	**(552)**	**–**	**–**	**$ (2,651)**
Finance leases	**117**	**380**	**–**	**–**	**497**
Intangible assets	**(2,973)**	**(147)**	**–**	**–**	**(3,120)**
Accrued liabilities	**5,241**	**(1,887)**	**–**	**–**	**3,354**
Provisions	**2,265**	**332**	**–**	**–**	**2,597**
Derivative instruments	**18**	**–**	**(60)**	**–**	**(42)**
Employee benefits	**1,861**	**167**	**(543)**	**–**	**1,485**
Deferred financing costs	**81**	**(147)**	**–**	**–**	**(66)**
Partnership income not currently taxable	**(1,893)**	**831**	**–**	**–**	**(1,062)**
Tax loss carryforwards	**304**	**(220)**	**–**	**–**	**84**
Net deferred tax assets	**$ 2,922**	**(1,243)**	**(603)**	**–**	**$ 1,076**

	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 assets	$ (17,694)	20,591	213	(188)	$ 2,922

23. EARNINGS PER SHARE

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

	2013	2012
Numerator for basic and diluted earnings per share: – net earnings	**$ 47,685**	$ 65,939
Denominator for basic earnings per share: – weighted average shares	**16,737,086**	16,699,874
Denominator for diluted earnings per share: – weighted average shares	**16,737,086**	16,699,874
– effect of dilutive share rights	**260,390**	254,236
Denominator for diluted earnings per share	**16,997,476**	16,954,110
Basic earnings per share	**$ 2.85**	$ 3.95
Diluted earnings per share	**$ 2.81**	$ 3.89

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

24. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	2013	2012
Trade and other receivables	**$ 6,593**	$ (17,139)
Inventories	**(2,777)**	(39,035)
Prepaid expenses	**1,109**	999
Accounts payable and accrued liabilities	**13,256**	(58,856)
Provisions	**(524)**	(316)
Total	**$ 17,657**	$ (114,347)

25. CAPITAL MANAGEMENT

Objective

The Corporation defines its capital as the total of its shareholders' equity and long-term 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. However, there may be instances where the Corporation is willing to maintain a leverage ratio outside the range to either support key growth initiatives or fluctuations in working capital levels during changes in economic cycles.

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 long-term 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.

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 interest bearing debt includes a $250,000 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 $250,000 at December 31, 2013 and, as a result, did not restrict the borrowing capacity under the bank credit facility.
- 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.

The $125,000 senior notes which expire October 23, 2020 are unsecured and contain customary incurrence based covenants that, although different from those under the bank credit facility described above, are not expected to be any more restrictive than under the bank credit facility.

At December 31, 2013, 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 $250,000 bank credit facility, the Corporation is permitted to have additional interest bearing debt of $15,000. As a result, the Corporation has up to $15,000 of demand inventory equipment financing capacity with three-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, 2013, 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:

	2013	2012
Salaries, bonus and other short-term employee benefits	**$ 2,633**	$ 4,528
Defined benefit pension	**797**	433
Share-based compensation expense	**680**	2,819
Total compensation	**$ 4,110**	$ 7,780

27. OPERATING SEGMENTS

The Corporation operates through a network of 125 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.

2013	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Equipment	**$ 426,141**	**$ 97,676**	**$ –**	**$ –**	**$ 523,817**
Parts	**182,661**	**133,419**	**342,477**	**–**	**658,557**
Service	**108,584**	**65,434**	**22,416**	**–**	**196,434**
Rental and other	**46,139**	**7,485**	**–**	**(3,955)**	**49,669**
Revenue	**$ 763,525**	**$ 304,014**	**$ 364,893**	**$ (3,955)**	**$ 1,428,477**
Earnings before finance costs and income taxes	**$ 49,031**	**$ 17,119**	**$ 14,990**	**$ (7,477)**	**$ 73,663**
Finance costs					**8,951**
Income tax expense					**17,027**
Net earnings					**$ 47,685**
Segment assets excluding intangible assets	**$ 317,294**	**$ 150,019**	**$ 117,107**	**$ –**	**$ 584,420**
Intangible assets	**21,664**	**14,221**	**49,970**	**89**	**85,944**
Corporate and other assets				**6,589**	**6,589**
Total assets	**$ 338,958**	**$ 164,240**	**$ 167,077**	**$ 6,678**	**$ 676,953**
Segment liabilities	**$ 115,581**	**$ 44,581**	**$ 59,472**	**$ –**	**$ 219,634**
Corporate and other liabilities				**210,127**	**210,127**
Total liabilities	**$ 115,581**	**$ 44,581**	**$ 59,472**	**$ 210,127**	**$ 429,761**
Asset additions					
Rental equipment	**$ 16,876**	**$ 3,132**	**$ –**	**$ –**	**$ 20,008**
Property, plant and equipment	**6,127**	**2,079**	**578**	**664**	**9,448**
Intangible assets	**30**	**–**	**–**	**85**	**115**
	$ 23,033	**$ 5,211**	**$ 578**	**$ 749**	**$ 29,571**
Asset depreciation					
Rental equipment	**$ 8,670**	**$ 1,447**	**$ –**	**$ –**	**$ 10,117**
Property, plant and equipment	**5,200**	**3,030**	**1,331**	**100**	**9,661**
Intangible assets	**211**	**261**	**1,363**	**4**	**1,839**
	$ 14,081	**$ 4,738**	**$ 2,694**	**$ 104**	**$ 21,617**

2012	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Equipment	$ 475,888	$ 123,024	$ –	$ –	$ 598,912
Parts	165,521	135,595	341,111	–	642,227
Service	98,874	67,724	18,938	–	185,536
Rental and other	38,199	5,951	–	(4,811)	39,339
Revenue	$ 778,482	$ 332,294	$ 360,049	$ (4,811)	$ 1,466,014
Earnings before finance costs and income taxes	$ 56,130	$ 26,130	$ 22,130	$ (10,247)	$ 94,143
Finance costs					4,442
Income tax expense					23,762
Net earnings					$ 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				222,881	222,881
Total liabilities	$ 110,546	$ 47,663	$ 48,887	$ 222,881	$ 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

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.

28. COMPARATIVE FIGURES

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

SUMMARY OF QUARTERLY DATA – UNAUDITED

(in millions of dollars, except per share data)	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4
Revenue	**$ 336.3**	**$ 362.0**	**$ 338.5**	**$ 391.7**	$ 358.1	$ 386.6	$ 356.4	$ 364.9
Net earnings	**10.4**	**13.5**	**11.6**	**12.2**	17.1	18.5	16.2	14.2
Earnings per share – Basic	**$ 0.62**	**$ 0.81**	**$ 0.69**	**$ 0.73**	$ 1.03	$ 1.11	$ 0.97	$ 0.85
Earnings per share – Diluted	**0.61**	**0.80**	**0.68**	**0.72**	1.01	1.09	0.95	0.84

ELEVEN YEAR SUMMARY – UNAUDITED

For the years ended December 31 (in millions of dollars, except per share data) (2003 – 2009 reported under previous Canadian GAAP)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Results											
Revenue*	**$1,428.5**	$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
Net earnings*	**47.7**	65.9	63.8	56.4	34.2	75.8	72.0	71.5	35.6	17.6	9.6
Interest expense	**9.0**	4.4	4.6	5.2	4.5	4.7	4.9	4.5	4.6	7.5	10.9
Property, plant and equipment – net(1)	**3.9**	5.6	5.3	1.7	7.0	7.4	4.0	8.3	4.7	3.5	1.4
Rental equipment additions	**20.0**	25.1	20.2	5.8	0.4	7.0	8.6	7.9	6.2	5.4	6.6
Depreciation and amortization	**21.6**	17.8	13.5	11.2	9.7	9.7	9.9	10.0	10.0	10.3	11.9
Per Share											
Net earnings – Basic*	**$ 2.85**	$ 3.95	$ 3.84	$ 3.39	$ 2.06	$ 4.57	$ 4.34	$ 4.31	$ 2.19	$ 1.12	$ 0.61
Dividends declared	**2.68**	3.10	2.14	–	–	–	–	–	0.14	0.16	–
Distributions declared	**–**	–	–	3.40	2.47	4.13	4.36	4.43	1.89	–	–
Equity	**14.76**	14.45	13.69	12.00	12.07	12.40	11.94	11.89	11.88	12.39	11.38
Financial Position											
Working capital(2)*	**$ 272.4**	$ 230.1	$ 167.0	$ 77.9	$ 160.1	$ 198.8	$ 147.4	$ 147.8	$ 129.8	$ 153.0	$ 157.1
Rental equipment	**52.3**	43.7	28.1	15.8	16.4	21.8	21.7	18.9	17.2	16.4	16.2
Property, plant and equipment – net	**49.7**	50.7	47.9	43.3	36.2	33.6	29.5	33.3	29.0	28.8	31.9
Long-term debt excluding current portion	**195.9**	151.7	59.0	–	79.5	116.2	53.9	59.0	33.4	70.9	79.8
Shareholders' equity	**247.2**	241.9	227.6	199.3	200.4	205.7	198.1	197.2	197.1	195.0	178.7
Total assets*	**677.0**	671.9	589.9	522.5	448.2	529.6	468.2	500.6	437.9	418.1	409.7
Other Information											
Number of employees	**2,766**	2,833	2,738	2,382	2,291	2,662	2,551	2,566	2,387	2,357	2,279
Shares outstanding (000's)	**16,744**	16,736	16,629	16,629	16,603	16,585	16,585	16,585	16,582	15,739	15,697
Price range of shares											
High	**$ 46.24**	$ 53.43	$ 44.94	$ 38.50	$ 23.40	$ 35.75	$ 37.95	$ 47.00	$ 32.45	$ 14.90	$ 8.25
Low	**29.38**	38.59	27.80	21.65	10.95	14.00	24.80	24.60	13.00	7.70	3.10

* 2006, 2005 and 2004 exclude discontinued operations
(1) Property, plant and equipment additions, less proceeds on disposal of property, plant and equipment.
(2) Current assets less current liabilities.

Corporate Information

DIRECTORS

Paul E. Gagné
Chairman, Wajax Corporation
Corporate Director

Edward M. Barrett
Chairman and Co-Chief Executive Officer,
Barrett Corporation

Ian A. Bourne
Corporate Director

Douglas A. Carty
Corporate Director

Robert P. Dexter, Q.C.
Chairman and
Chief Executive Officer,
Maritime Travel Inc.

John C. Eby
Corporate Director

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

J.D. Hole
Corporate Director

Alexander S. Taylor
President, Power Group of
SNC-Lavalin Group Inc.

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

Steven C. Deck
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

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 Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, ON M5J 2Y1
Telephone: (514) 982-7555 or
1-800-564-6253
Fax: (514) 982-7635 or
1-888-453-0330
Web: investorcentre.com/service

Auditors
KPMG LLP

Exchange Listing
Toronto Stock Exchange

Symbol: WJX

Wajax Corporation Share Trading Information
(January 1 – December 31, 2013)

Open	High	Low	Close	Volume of Shares Traded
$41.97	$46.24	$29.38	$36.48	19,008,748

Quarterly Earnings Reports
Quarterly earnings for the balance of 2014 are anticipated to be announced on May 6, August 6 and November 4.

2014 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
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Fax: (905) 212-3350
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 Tuesday, May 6, 2014, 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
Edmonton, 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
Steve Deck,
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

Central
Winnipeg, MB
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
Redcliff, 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)
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
Edmundston, NB
Charlottetown, PEI
Dartmouth, NS
Port Hawkesbury, NS
Stellarton, NS
Corner Brook, NL
Mount Pearl, NL
Wabush, NL

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