FOURTH QUARTER REPORT TO SHAREHOLDERS

FOR THE TWELVE MONTHS ENDED
DECEMBER 31, 2012

WAJAX CORPORATION 2012	

WAJAX CORPORATION
News Release

TSX Symbol: WJX

WAJAX ANNOUNCES 2012 FOURTH QUARTER EARNINGS

(Dollars in millions, except per share data)	Three Months Ended December 31		Year Ended December 31	
	2012	2011	2012	2011
CONSOLIDATED RESULTS				
Revenue	**$364.9**	**$377.2**	**$1,466.0**	**$1,377.1**
Net earnings	**$14.2**	**$16.6**	**$65.9**	**$63.8**
Basic earnings per share	**$0.85**	**$1.00**	**$3.95**	**$3.84**
SEGMENTS				
Revenue - Equipment	**$201.6**	**$192.3**	**$778.5**	**$685.8**
- Power Systems	**$79.0**	**$95.5**	**$332.3**	**$347.4**
- Industrial Components	**$85.3**	**$90.2**	**$360.0**	**$347.5**
Net Earnings - Equipment	**$14.0**	**$14.3**	**$56.1**	**$50.2**
% margin	*6.9%*	*7.5%*	*7.2%*	*7.3%*
- Power Systems	**$5.0**	**$7.9**	**$26.1**	**$32.9**
% margin	*6.3%*	*8.3%*	*7.9%*	*9.5%*
- Industrial Components	**$3.6**	**$5.9**	**$22.1**	**$23.1**
% margin	*4.2%*	*6.5%*	*6.1%*	*6.6%*

Toronto, Ontario – March 5, 2013 – Wajax Corporation ("Wajax" or the "Corporation") today announced its 2012 fourth quarter earnings.

Fourth Quarter Highlights

- Consolidated fourth quarter revenue of $364.9 million decreased $12.3 million, or 3%, compared to last year, as weakness in the western Canadian oil and gas market overshadowed strength in the forestry and construction markets. The Equipment segment's revenue increased 5% on stronger demand in the forestry and construction markets, particularly in western Canada. Softness in western Canadian oil and gas industry activity was the primary cause of declines in revenues for the Power Systems and Industrial Components segments of 17% and 5%, respectively.

- Net earnings for the quarter were $14.2 million, or $0.85 per share, compared to $16.6 million, or $1.00 per share, recorded in 2011. Equipment segment net earnings decreased slightly as selling and administrative cost increases more than offset the benefit of higher revenue. Power Systems and Industrial Components segment net earnings declined $2.9 million and $2.3 million, respectively, on lower revenues and gross margins.

- Consolidated backlog of $184.1 million at December 31, 2012 decreased 9% compared to September 30, 2012, on lower customer orders in the mining and oil and gas sectors in the Equipment and Power Systems segments.

- Funded net debt at December 31, 2012 of $173.7 million increased $34.4 million compared to September 30, 2012, primarily as a result of increases in mining equipment related working capital and a total of $10.1 million paid for the acquisition of two businesses, Kaman Industrial Technologies, Ltd. (discussed below) and Ace Hydraulic Ltd.

On December 7, 2012, Wajax increased the limit of its bank credit facility by $75 million, on substantially the same terms and conditions as the existing facility. The fully secured facility, due August 12, 2016, is now comprised of an $80 million non-revolving term portion and a $220 million revolving term portion. The additional borrowing capacity is available to fund future growth, including increases in working capital and acquisitions.

On December 31, 2012, Industrial Components acquired the assets of Kaman Industrial Technologies, Ltd. ("Kaman Canada"), consisting of six branch locations in British Columbia and one branch location in Ontario. The Kaman Canada branches are engaged in the distribution of industrial components, with annual revenues of approximately $21.0 million. Subsequent to completing the acquisition, on February 21, 2013, Industrial Components announced the formation of a strategic alliance with Kaman Canada's U.S.-based parent corporation, Kaman Industrial Technologies Corporation ("Kaman U.S."), to target North American parts-supply contracts. The alliance will operate as Sourcepoint Industrial and provide customers with an alternative to country based supply agreements. Customers of the alliance will be served through Industrial Components' 65 branches across Canada and Kaman U.S.'s more than 200 customer service centers and five distribution centers across the U.S., Mexico and Puerto Rico.

The Corporation declared dividends of $0.27 per share ($3.24 annualized) for the months of March and April.

Outlook

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

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

Wajax Corporation

Wajax is a leading Canadian distributor and service support provider of mobile equipment, power systems and industrial components. Reflecting a diversified exposure to the Canadian economy, its three distinct core businesses operate through a network of 128 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Cautionary Statement Regarding Forward Looking Information

This news release 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 news release are made as of the date of this news release, 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 news release includes forward looking statements regarding, among other things, our outlook for certain of our key end markets, some of the challenges we face in 2013, and our outlook with respect to our financial results for the 2013 financial year. 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. The forward-looking statements contained in this news release 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. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in our Annual Information Form for the year ended December 31, 2012, filed on SEDAR.

Management's Discussion and Analysis – 2012

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

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

Responsibility of Management and the Board of Directors

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

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

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

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

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

Wajax Corporation Overview

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

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

Cautionary Statement Regarding Forward-Looking Information

This 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 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 MD&A includes forward looking statements regarding, among other things, our plans for revenue and earnings growth, including planned marketing, strategic, operational and growth initiatives and their intended outcomes, our plans regarding the expansion of our businesses, our financing and capital requirements, our outlook for certain of our key end markets, some of the challenges we face in 2013, our outlook with respect to our financial results for the 2013 financial year, and our objective with respect to the future payment of dividends. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions, the supply and demand for, and the level and volatility of prices for, commodities, financial market conditions, including interest rates, the future financial performance of the Corporation, our costs, market competition, our ability to attract and retain skilled staff, our ability to procure quality products and inventory and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions, volatility in the supply and demand for, and the level of prices for, commodities, fluctuations in financial market conditions, including interest rates, the level of demand for, and prices of, the products and services we offer, market acceptance of the products we offer, termination of distribution or original equipment manufacturer agreements, unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters), our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in this MD&A under the heading "Risk Management and Uncertainties" and in our Annual Information Form for the year ended December 31, 2012, filed on SEDAR. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

Annual Consolidated Results

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

Pie Charts – Revenue by Geographic Region

	2012	2011
Western Canada	54%	54%
Eastern Canada *	27%	29%
Ontario	19%	17%

* Includes Quebec and the Atlantic provinces.

Pie Charts – Revenue by Segment

	2012	2011
Equipment	53%	50%
Power Systems	23%	25%
Industrial Components	24%	25%

Pie Charts – EBIT by Segment

	2012	2011
Equipment	54%	47%
Power Systems	25%	31%
Industrial Components	21%	22%

Pie Charts – Revenue by Market

	2012	2011
Construction	17%	14%
Industrial/Commercial	14%	16%
Mining	12%	11%
Oil Sands	11%	11%
Oil and Gas	10%	13%
Forestry	10%	9%
Transportation	9%	9%
Government & Utilities	6%	6%
Metal Processing	5%	4%
Other	6%	7%

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

Revenue

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

Gross profit

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

Selling and administrative expenses

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

Finance costs

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

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

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

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

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

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

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

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

CEO
On March 5, 2012, Mark Foote assumed the role of President and CEO of Wajax, and was appointed a director effective March 6, 2012. Mark has extensive experience in distribution, supply chain management and logistics. Most recently, he served as the President and Chief Executive Officer of Zellers, and prior to that, was the President and Chief Merchandising Officer at Loblaws Companies. Mark also had a career of more than 20 years at Canadian Tire Corporation, including five years as President, Canadian Tire Retail.

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

Annual Results of Operations

Equipment

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

(1) Includes rental and other revenue.

Revenue by Product Type 2012 versus 2011

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

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

- Equipment revenue increased $85.9 million compared to last year. Specific year-over-year variances included the following:

  - Construction equipment revenue increased $39.4 million mainly as a result of market demand which drove higher sales of Hitachi excavators and JCB construction equipment, primarily in western Canada and Ontario. Sales of Wirtgen road building equipment in Ontario also contributed to the increase. These increases were offset partially by declines in eastern Canada due to competitive pressures.
  - Mining equipment sales increased $23.9 million due primarily to the delivery of three additional LeTourneau loaders. Excluding the LeTourneau product line, which was discontinued in the second quarter of 2012, mining sales increased $5.6 million on higher Hitachi and rotating equipment deliveries.
  - Forestry equipment revenues increased $9.1 million as strength in the lumber market led to higher market demand for Tigercat and forestry related Hitachi equipment.
  - Material handling equipment revenue increased $8.7 million as higher market demand and increased market share resulted in higher volumes in all regions.
  - Crane and utility equipment revenue increased $4.8 million attributable to higher crane sales in western and eastern Canada.

- Parts and service volumes increased $6.8 million compared to last year. Excluding the LeTourneau product line, parts and service volumes increased $17.9 million, or 8%, owing to higher mining and construction volumes in western Canada.

- Segment earnings increased $5.9 million to $56.1 million compared to last year. The positive impact of higher volumes outweighed the negative impact of a slightly lower gross profit margin and a $5.0 million increase in selling and administrative expenses. The lower gross profit margin resulted primarily from a higher proportion of equipment sales compared to last year. Selling and administrative expenses increased as higher personnel and sales related expenses and additional environmental remediation provisions more than offset lower bad debt expenses compared to last year.

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

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

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

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

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

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

- The segment will maintain its focus on increasing market share in key product lines through continued sales force effectiveness improvements including the development of in-house training programs and by providing tools to track sales lead generation, coverage and performance.

- Expansion of the segment's mining operations includes the continued development of the required infrastructure and organization to sell and service both above ground and underground mining products in central and eastern Canada. The segment is also actively marketing the 320 ton and new 240 ton Hitachi mine trucks across Canada and working with the manufacturer to clearly demonstrate the value proposition to customers including quality and cost effectiveness. In addition, the segment is working to introduce new underground and drilling product lines to provide customers with an expanded product and service offering in the future. Wajax has invested in mining equipment inventory, including shovels and trucks, to ensure product is available to execute this initiative.

- The capacity and quality of the service operation's delivery structure will be enhanced through a focus on operational effectiveness. This will include service management training and stronger benchmarking and key performance indicator ("KPI") measurements to identify and market more profitable business opportunities. The segment intends to implement bolt-on service management system technologies that will enhance the segment's productivity.

- The segment will actively market the Bell ADT product line through its Canada-wide distribution network by leveraging its current construction equipment market position. As well, Equipment intends to capitalize on the immediate parts and service opportunity of the existing installed base of trucks in Canada manufactured by Bell, which is estimated to be 300 units.

- The recently formed Rotating Products group in Fort McMurray is planned to be further developed to maximize the significant opportunities in the oil sands market. The main focus is on marketing high quality and cost effective slurry system products, parts and services through exclusive vendor relationships. The segment's secondary focus will include the provisioning of plant and field service labour and engineering expertise to support customer's plant maintenance and field service activities. While currently built around the oil sands market in Fort McMurray, this business represents future growth opportunities in other major mining market areas such as northern Ontario and Quebec.

Power Systems

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

(1) Includes rental and other revenue.

Revenue by Market 2012 versus 2011

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

Revenue decreased $15.1 million, or 4%, to $332.3 million in 2012 from $347.4 million in 2011. (Excluding revenue from the former Harper operation, Power Systems revenue decreased $27.8 million, or 9%, compared to last year.) Segment earnings decreased $6.8 million to $26.1 million in 2012 from $32.9 million in 2011. The following factors impacted year-over-year revenue and earnings:

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

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

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

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

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

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

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

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

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

Industrial Components

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

Revenue by Market 2012 versus 2011

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

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

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

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

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

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

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

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

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

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

Particulars of these initiatives are as follows:

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

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

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

Annual Cash Flows

Cash Flows Used In Operating Activities

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

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

Changes in non-cash operating working capital *

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

* Cash used in (generated)

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

- Trade and other receivables increased $17.1 million. A significant increase in the Equipment segment, related to a large mining equipment delivery and increased sales activity, was partially offset by reductions in the Power Systems and Industrial Components segments due to lower sales activity in the fourth quarter compared to last year.
- Inventories increased $39.0 million due principally to a $35.4 million increase in mining equipment (trucks and shovels) in the Equipment segment.
- Accounts payable and accrued liabilities decreased $58.4 million reflecting reductions in the Equipment and Power Systems segments. Reductions in the Equipment segment were attributable to lower trade payables and customer deposits related to mining equipment. Decreases in the Power Systems segment resulted from lower deferred income and inventory related trade payables. Reductions in annual and mid-term incentive accruals also contributed to the decrease.

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

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

Investing Activities

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

Financing Activities

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

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

Selected Annual Information

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

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

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

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

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

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

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

Selected Quarterly Information

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

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

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

See the Annual Cash Flows section for further detail.

Contractual Obligations

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

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

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

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

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

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

Financial Instruments

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

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

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

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

Off Balance Sheet Financing

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

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

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

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

Share Capital

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

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

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

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

Dividends

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

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

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

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

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

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

Fourth Quarter Consolidated Results

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

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

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

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

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

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

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

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

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

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

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

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

Fourth Quarter Results of Operations

Equipment

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

(1) Includes rental and other revenue.

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

- Equipment revenue for the fourth quarter increased $5.3 million compared to the same quarter last year. Specific quarter-over-quarter variances included the following:
  - Forestry equipment revenues increased $9.0 million resulting from higher Tigercat product sales in all regions and increased sales of forestry related Hitachi equipment in western Canada on strong market demand in British Columbia.
  - Construction equipment revenue increased $3.2 million mainly as a result of market demand which drove increased sales of Hitachi excavators in western Canada and Ontario, offset partially by lower JCB and other equipment sales in eastern Canada owing to lower demand and competitive market pressures.
  - Crane and utility equipment revenue increased $0.7 million mainly attributable to higher new equipment sales to utility customers.
  - Mining equipment sales decreased $7.3 million as Hitachi mining equipment deliveries in western Canada were, on average, of a smaller size with a lower per unit sales value.
  - Material handling equipment revenue decreased $0.3 million.

- Parts and service volumes for the fourth quarter increased $4.0 million compared to the same quarter last year. Excluding the LeTourneau product line, which was discontinued in the second quarter of this year, parts and service volumes for the fourth quarter increased $10.2 million, or 17%. The $10.2 million increase was due primarily to higher mining sector volumes in western Canada driven by the installed base of Hitachi equipment and growth in the Rotating Products Group in Fort McMurray. Increased materials handling sector sales in western Canada also contributed to the increase.

- Segment earnings for the fourth quarter decreased $0.3 million to $14.0 million compared to the same quarter last year. The negative impact of a $2.1 million increase in selling and administrative expenses outweighed the positive impact of higher volumes. Selling and administrative expenses increased on higher personnel and sales related expenditures and additional environmental remediation provisions compared to last year.

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

Power Systems

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

(1) Includes rental and other revenue.

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

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

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

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

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

Industrial Components

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

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

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

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

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

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

Fourth Quarter Cash Flows

Cash Flows Used In Operating Activities

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

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

Changes in non-cash operating working capital*

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

* Cash used in (generated)

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

- Trade and other receivables increased $6.9 million due primarily to higher sales activity in the Equipment segment reduced somewhat by lower accounts receivable in the Industrial Components segment on lower sales activity.
- Inventories decreased $8.9 million due mainly to lower stocking levels in Industrial Components and decreases in the Equipment segment as reductions in construction equipment were only partially offset by an increase in mining equipment.
- Accounts payable and accrued liabilities decreased $29.1 million resulting from lower mining inventory trade payables in the Equipment segment. These decreases were offset in part by higher inventory related trade payables in the Industrial Components segments.

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

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

Investing Activities

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

Financing Activities

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

Non-IFRS Measures

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

These financial measures are identified and defined below:

Leverage ratio	At the end of a particular quarter, the leverage ratio is defined as funded net debt at the end of a particular quarter divided by trailing 12-month EBITDA. The Corporation's objective is to maintain this ratio between 1.5 times and 2.0 times.
Funded net debt	Funded net debt includes bank debt, bank indebtedness and obligations under finance leases, net of cash.
EBITDA	Earnings before finance costs, income tax expense, depreciation and amortization.

Reconciliation of the Corporations earnings to EBITDA is as follows:

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

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

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

Critical Accounting Estimates

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

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

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

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

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

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

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

Changes in Accounting Policy

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

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

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

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

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

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

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

Risk Management and Uncertainties

As with most businesses, Wajax is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results and Wajax's ability to pay cash dividends to shareholders. Wajax attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. In addition, Wajax has adopted an annual enterprise risk management assessment which is prepared by the Corporation's senior management and overseen by the Board of Directors and Committees of the Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Wajax.

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

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

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

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

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

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

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

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

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

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

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

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

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

Quality of products distributed
The ability of Wajax to maintain and expand its customer base is dependent upon the ability of the manufacturers represented by Wajax to improve and sustain the quality of their products. The quality and reputation of such

products are not within Wajax's control, and there can be no assurance that manufacturers will be successful in meeting these goals. The failure of these manufacturers to maintain a market presence could adversely affect Wajax's results of operations or cash flow.

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

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

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

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

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

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

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

increases, including sudden and volatile changes in the U.S. dollar exchange rate, may have a material adverse effect on the results of operations or financial condition of Wajax.

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

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

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

Competition

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

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

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

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

Litigation and product liability claims

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

Guaranteed residual value, recourse and buy-back contracts

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

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

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

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

Strategic Direction and Outlook

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

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

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

WAJAX CORPORATION

Unaudited Condensed Consolidated Financial Statements

For the three and twelve months ended December 31, 2012

Notice required under National Instrument 51-102, “Continuous Disclosure Obligations” Part 4.3(3)(a):

The attached condensed consolidated financial statements have been prepared by Management of Wajax Corporation and have not been reviewed by the Corporation’s auditors.

WAJAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

These condensed consolidated financial statements were approved by the Board of Directors on March 5, 2013.

WAJAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited, in thousands of Canadian dollars, except per share data)	Note	Three months ended December 31 2012	2011	Twelve months ended December 31 2012	2011
Revenue		**$ 364,929**	$ 377,182	**$ 1,466,014**	$ 1,377,100
Cost of sales		**291,319**	297,850	**1,164,199**	1,084,667
Gross profit		**73,610**	79,332	**301,815**	292,433
Selling and administrative expenses		**53,010**	55,698	**207,672**	200,321
Earnings from operating activities		**20,600**	23,634	**94,143**	92,112
Finance costs		**1,337**	1,153	**4,442**	4,630
Earnings before income taxes		**19,263**	22,481	**89,701**	87,482
Income tax expense	10	**5,069**	5,920	**23,762**	23,679
Net earnings		**$ 14,194**	$ 16,561	**$ 65,939**	$ 63,803
Basic earnings per share	11	**$ 0.85**	$ 1.00	**$ 3.95**	$ 3.84
Diluted earnings per share	11	**$ 0.84**	$ 0.98	**$ 3.89**	$ 3.77

WAJAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)	Three months ended December 31 2012	2011	Twelve months ended December 31 2012	2011
Net earnings	**$ 14,194**	$ 16,561	**$ 65,939**	$ 63,803
Items that will not be reclassified to income				
Actuarial losses on pension plans, net of tax recovery of $251 (2011 – $885) and year to date, net of tax recovery of $251 (2011 – $885)	**(683)**	(2,544)	**(683)**	(2,544)
Items that may subsequently be reclassified to income				
Losses (gains) 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 recovery of $66 (2011 – expense of $224) and year to date, net of tax recovery of $187 (2011 – $237)	**186**	(649)	**517**	565
(Losses) gains on derivative instruments outstanding at the end of the period designated as cash flow hedges, net of tax recovery of $15 (2011 – $126) and year to date, net of tax recovery of $149 (2011 – expense of $381)	**(42)**	(354)	**(423)**	1,062
Other comprehensive loss, net of tax	**(539)**	(3,547)	**(589)**	(917)
Total comprehensive income	**$ 13,655**	$ 13,014	**$ 65,350**	$ 62,886

WAJAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve months ended December 31, 2012 (unaudited, in thousands of Canadian dollars)	Note		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income ("AOCL") Cash flow hedges		Total
January 1, 2012		$	105,371	4,888	117,477	(150)	$	227,586
Net earnings			-	-	65,939	-		65,939
Other comprehensive loss			-	-	(683)	94		(589)
Total comprehensive income for the period			-	-	65,256	94		65,350
Shares issued to settle share-based compensation plans	9		1,280	(1,280)	-	-		-
Dividends	8		-	-	(51,789)	-		(51,789)
Share-based compensation expense	9		-	738	-	-		738
December 31, 2012		**$**	**106,651**	**4,346**	**130,944**	**(56)**	**$**	**241,885**

WAJAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve months ended December 31, 2011 (unaudited, in thousands of Canadian dollars)	Note	Share capital	Trust units	Contributed surplus	Retained earnings	AOCL Cash flow hedges	Total
January 1, 2011		$ -	105,371	3,931	91,805	(1,777)	$ 199,330
Conversion to corporation		105,371	(105,371)	-	-	-	-
Net earnings		-	-	-	63,803	-	63,803
Other comprehensive loss		-	-	-	(2,544)	1,627	(917)
Total comprehensive income for the period		-	-	-	61,259	1,627	62,886
Dividends	8	-	-	-	(35,587)	-	(35,587)
Share-based compensation expense	9	-	-	957	-	-	957
December 31, 2011		$ 105,371	-	4,888	117,477	(150)	$ 227,586

WAJAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian dollars)	Note	Three months ended December 31 2012	Three months ended December 31 2011	Twelve months ended December 31 2012	Twelve months ended December 31 2011
OPERATING ACTIVITIES					
Net earnings		**$ 14,194**	$ 16,561	**$ 65,939**	$ 63,803
Items not affecting cash flow:					
Depreciation and amortization					
Rental equipment		**2,404**	1,471	**7,883**	4,838
Property, plant and equipment		**2,265**	2,035	**8,467**	7,441
Intangible assets		**376**	315	**1,466**	1,216
Loss on disposal of property, plant and equipment	5	**10**	75	**139**	61
Share rights plans compensation expense (income)	9	**219**	(386)	**738**	957
Non-cash rental expense		**(1,024)**	(125)	**(1,687)**	(303)
Employee benefits (income) expense, net of payments		**(633)**	46	**(618)**	(478)
Non-cash (gain) loss on derivative instruments		**(241)**	-	**72**	-
Finance costs		**1,337**	1,153	**4,442**	4,630
Income tax expense	10	**5,069**	5,920	**23,762**	23,679
		23,976	27,065	**110,603**	105,844
Changes in non-cash operating working capital	12	**(25,362)**	26,655	**(114,347)**	(20,253)
Rental equipment additions	4	**(3,583)**	(4,996)	**(25,076)**	(20,177)
Other non-current liabilities		**(562)**	1,041	**(3,784)**	95
Finance costs paid		**(1,377)**	(1,011)	**(4,118)**	(4,132)
Income taxes paid		**(1,887)**	(18)	**(2,387)**	(116)
Cash (used in) generated from operating activities		**(8,795)**	48,736	**(39,109)**	61,261
INVESTING ACTIVITIES					
Property, plant and equipment additions	5	**(586)**	(2,682)	**(6,234)**	(5,499)
Proceeds on disposal of property, plant and equipment	5	**28**	47	**523**	132
Intangible assets additions		**(32)**	(413)	**(237)**	(664)
Acquisition of businesses	13	**(10,078)**	10	**(10,078)**	(23,247)
Cash used in investing activities		**(10,668)**	(3,038)	**(16,026)**	(29,278)
FINANCING ACTIVITIES					
Increase (decrease) in bank debt	6	**30,000**	(27,000)	**92,998**	(20,000)
Debt facility amendment (costs) income	6	**(343)**	11	**(568)**	(1,061)
Finance lease payments		**(819)**	(975)	**(2,553)**	(3,484)
Dividends paid		**(13,557)**	(9,978)	**(50,596)**	(44,733)
Cash generated from (used in) financing activities		**15,281**	(37,942)	**39,281**	(69,278)
Change in cash		**(4,182)**	7,756	**(15,854)**	(37,295)
(Bank indebtedness) cash - beginning of period		**(6,013)**	(2,097)	**5,659**	42,954
(Bank indebtedness) cash - end of period		**$ (10,195)**	$ 5,659	**$ (10,195)**	$ 5,659

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

1. COMPANY PROFILE

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

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and do not include all of the disclosures required for full consolidated financial statements. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Wajax Corporation for the year ended December 31, 2011. The significant accounting policies follow those disclosed in the most recently reported audited consolidated financial statements.

Basis of measurement

The condensed 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 employee benefit liability is recognized as the net total of the pension plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and losses and the present value of the defined benefit obligation.

Functional and presentation currency

These condensed 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.

3. CHANGE IN ACCOUNTING POLICY

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

4. RENTAL EQUIPMENT

The Corporation acquired rental equipment with a cost of $3,583 during the quarter (2011 – $4,996) and $25,076 year to date (2011 – $20,177). Rental equipment with a carrying amount of $276 during the quarter (2011 – $777) and $1,522 year to date (2011 – $3,073) ceased to be rented and was classified as held for sale in the normal course of business and transferred to inventories.

5. PROPERTY, PLANT AND EQUIPMENT

The Corporation acquired property, plant and equipment with a cost of $586 during the quarter (2011 – $2,682) and $6,234 year to date (2011 – $5,499). Assets with a carrying amount of $38 during the quarter (2011 – $122) and $662 year to date (2011 – $193) were disposed of, resulting in losses on disposal of $10 during the quarter (2011 – $75) and $139 year to date (2011 – $61).

6. BANK DEBT

On May 24, 2012 and December 7, 2012, the Corporation amended its bank credit facility to increase the limit of the facility by $50,000 and $75,000 respectively, on substantially the same terms and conditions as the existing facility. The fully secured facility of $300,000, due August 12, 2016, is now comprised of an $80,000 non-revolving term portion and a $220,000 revolving term portion. The $568 cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility.

7. SHARE CAPITAL

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

8. DIVIDENDS DECLARED

During the three months ended December 31, 2012, the Corporation declared cash dividends of $0.81 per share or $13,557 (December 31, 2011, dividends of $0.60 per share or $9,978).

Year to date, the Corporation declared cash dividends of $3.10 per share or $51,789 (December 31, 2011, dividends of $2.14 per share or $35,587).

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

9. 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

The Corporation recorded compensation cost of $219 for the quarter (2011 – recovery of $386) and $738 for the year to date (2011 – $957) in respect of these plans.

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

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

b) Cash-settled rights plans

The Corporation recorded a compensation recovery of $513 for the quarter (2011 – expense of $568) and an expense of $2,653 for the year to date (2011 – $4,420) in respect of the share-based portion of the MTIP. At December 31, 2012, the carrying amount of the share-based portion of these liabilities was $2,444 (2011 – $8,272).

10. INCOME TAXES

Income tax expense comprises current and deferred tax as follows:

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

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

The reconciliation of effective income tax is as follows:

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

Recognized deferred tax assets and liabilities

Recognized deferred tax assets and liabilities are comprised as follows:

		December 31, 2012		December 31, 2011
Property, plant and equipment	**$**	**(2,099)**	$	(1,773)
Finance leases		**117**		(195)
Intangible assets		**(2,973)**		(2,355)
Accrued liabilities		**5,241**		5,249
Provisions		**2,265**		2,504
Derivative instruments		**18**		56
Employee benefits		**1,861**		1,752
Deferred financing costs		**81**		(29)
Partnership income not currently taxable		**(1,893)**		(23,236)
Tax loss carryforwards		**304**		333
Net deferred tax assets (liabilities)	**$**	**2,922**	$	(17,694)

11. EARNINGS PER SHARE

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

	Three months ended December 31				Twelve months ended December 31			
		2012		2011		**2012**		2011
Numerator for basic and diluted earnings per share:								
– net earnings	**$**	**14,194**	$	16,561	**$**	**65,939**	$	63,803
Denominator for basic earnings per share: – weighted average shares		**16,736,447**		16,629,444		**16,699,874**		16,629,444
Denominator for diluted earnings per share:								
– weighted average shares		**16,736,447**		16,629,444		**16,699,874**		16,629,444
– effect of dilutive share rights		**234,518**		307,790		**254,236**		294,555
Denominator for diluted earnings per share		**16,970,965**		16,937,234		**16,954,110**		16,923,999
Basic earnings per share	**$**	**0.85**	$	1.00	**$**	**3.95**	$	3.84
Diluted earnings per share	**$**	**0.84**	$	0.98	**$**	**3.89**	$	3.77

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

12. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended December 31		Twelve months ended December 31	
	2012	2011	**2012**	2011
Trade and other receivables	**$ (6,900)**	$ 13,770	**$ (17,139)**	$ (27,054)
Inventories	**8,854**	(9,250)	**(39,035)**	(34,959)
Prepaid expenses	**(680)**	1,535	**999**	(571)
Accounts payable and accrued liabilities	**(29,067)**	18,761	**(58,354)**	39,833
Provisions	**2,431**	1,839	**(818)**	2,498
Total	**$ (25,362)**	$ 26,655	**$ (114,347)**	$ (20,253)

13. ACQUISITION OF BUSINESSES

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

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

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

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

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

14. OPERATING SEGMENTS

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

For the three months ended December 31, 2012	Equipment	Power Systems	Industrial Components	Segment Eliminations and Unallocated Amounts	Total
Equipment	$ 118,815	$ 29,506	$ -	$ -	$ 148,321
Parts	42,195	31,305	80,679	-	154,179
Service	28,746	16,189	4,646	-	49,581
Rental and other	11,861	2,027	-	(1,040)	12,848
Revenue	$ 201,617	$ 79,027	$ 85,325	$ (1,040)	$ 364,929
Segment earnings before finance costs and income taxes	$ 13,995	$ 5,015	$ 3,607	$	$ 22,617
Corporate costs and eliminations				(2,017)	(2,017)
Earnings before finance costs and income taxes	13,995	5,015	3,607	(2,017)	20,600
Finance costs				1,337	1,337
Income tax expense				5,069	5,069
Net earnings	$ 13,995	$ 5,015	$ 3,607	$ (8,423)	$ 14,194

For the twelve months ended December 31, 2012	Equipment	Power Systems	Industrial Components	Segment Eliminations and Unallocated Amounts	Total
Equipment	$ 475,647	$ 123,024	$ -	$ -	$ 598,671
Parts	165,398	135,043	341,164	-	641,605
Service	99,239	68,276	18,885	-	186,400
Rental and other	38,198	5,951	-	(4,811)	39,338
Revenue	$ 778,482	$ 332,294	$ 360,049	$ (4,811)	$ 1,466,014
Segment earnings before finance costs and income taxes	$ 56,130	$ 26,130	$ 22,130	$	$ 104,390
Corporate costs and eliminations				(10,247)	(10,247)
Earnings before finance costs and income taxes	56,130	26,130	22,130	(10,247)	94,143
Finance costs				4,442	4,442
Income tax expense				23,762	23,762
Net earnings	$ 56,130	$ 26,130	$ 22,130	$ (38,451)	$ 65,939
As at December 31, 2012					
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

For the three months ended December 31, 2011	Equipment	Power Systems	Industrial Components	Segment Eliminations and Unallocated Amounts	Total
Equipment	$ 117,581	$ 42,341	$ -	$ -	$ 159,922
Parts	44,004	35,273	85,185	-	164,462
Service	22,854	16,329	5,007	-	44,190
Rental and other	7,849	1,546	-	(787)	8,608
Revenue	$ 192,288	$ 95,489	$ 90,192	$ (787)	$ 377,182
Segment earnings before finance costs and income taxes	$ 14,337	$ 7,885	$ 5,902	$	$ 28,124
Corporate costs and eliminations				(4,490)	(4,490)
Earnings before finance costs and income taxes	14,337	7,885	5,902	(4,490)	23,634
Finance costs				1,153	1,153
Income tax expense				5,920	5,920
Net earnings	$ 14,337	$ 7,885	$ 5,902	$ (11,563)	$ 16,561

For the twelve months ended December 31, 2011	Equipment	Power Systems	Industrial Components	Segment Eliminations and Unallocated Amounts	Total
Equipment	$ 397,613	$ 155,876	$ -	$ -	$ 553,489
Parts	173,188	125,509	328,993	-	627,690
Service	84,697	61,134	18,545	-	164,376
Rental and other	30,342	4,906	-	(3,703)	31,545
Revenue	$ 685,840	$ 347,425	$ 347,538	$ (3,703)	$ 1,377,100
Segment earnings before finance costs and income taxes	$ 50,193	$ 32,915	$ 23,106	$	$ 106,214
Corporate costs and eliminations				(14,102)	(14,102)
Earnings before finance costs and income taxes	50,193	32,915	23,106	(14,102)	92,112
Finance costs				4,630	4,630
Income tax expense				23,679	23,679
Net earnings	$ 50,193	$ 32,915	$ 23,106	$ (42,411)	$ 63,803

As at December 31, 2011					
Segment assets excluding intangible assets	$ 238,161	$ 146,695	$ 114,714	$	$ 499,570
Intangible assets	22,083	14,760	47,643	7	84,493
Cash				5,659	5,659
Corporate and other assets				204	204
Total assets	$ 260,244	$ 161,455	$ 162,357	$ 5,870	$ 589,926

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