

**FOURTH QUARTER REPORT TO  
SHAREHOLDERS**  
FOR THE TWELVE MONTHS ENDED  
DECEMBER 31, 2016

W A J A X C O R P O R A T I O N 2 0 1 6





**WAJAX CORPORATION**  
**News Release**

**TSX Symbol: WJX**

**WAJAX ANNOUNCES IMPROVED 2016 FOURTH QUARTER RESULTS**

(Dollars in millions, except per share data)

	Three Months Ended December 31		Year Ended December 31	
	2016	2015	2016	2015
<b><u>CONSOLIDATED RESULTS</u></b>				
Revenue	\$313.7	\$324.4	\$1,221.9	\$1,273.3
Net earnings (loss)	\$8.9	\$(33.3)	\$11.0	\$(11.0)
Basic earnings (loss) per share	\$0.45	\$(1.66)	\$0.55	\$(0.59)
Adjusted net earnings <sup>(1)(2)</sup>	\$8.9	\$4.0	\$20.1	\$27.8
Adjusted basic earnings per share <sup>(1)(2)(3)</sup>	\$0.45	\$0.20	\$1.01	\$1.50
<b><u>SEGMENTS</u></b>				
Revenue – Equipment	\$152.3	\$160.1	\$597.2	\$601.9
- Power Systems	\$69.6	\$70.8	\$250.0	\$285.1
- Industrial Components	\$92.8	\$94.3	\$378.7	\$389.6
Earnings – Equipment <sup>(4)</sup>	\$11.7	\$9.4	\$42.4	\$38.4
% margin	7.7%	5.9%	7.1%	6.4%
- Power Systems <sup>(5)</sup>	\$6.5	\$0.1	\$0.1	\$7.8
% margin	9.3%	0.2%	0.0%	2.7%
- Industrial Components <sup>(6)</sup>	\$1.3	\$1.9	\$10.6	\$15.3
% margin	1.4%	2.0%	2.8%	3.9%

**Toronto, Ontario – March 7, 2017** – Wajax Corporation (“Wajax” or the “Corporation”) today announced improved 2016 fourth quarter results compared to the previous year.

**Fourth Quarter Highlights**

- Consolidated fourth quarter revenue of \$313.7 million decreased \$10.7 million, or 3%, compared to last year. The Equipment segment's fourth quarter revenue declined 5% on lower western Canada construction, material handling and forestry volumes. The Power Systems and Industrial Components segments each recorded 2% revenue declines on lower power generation and mining sector volumes respectively.
- Net earnings for the quarter of \$8.9 million, or \$0.45 per share, increased compared to a net loss in 2015 of \$33.3 million, or \$1.66 per share, which included a \$41.2 million (\$37.3 million after-tax) impairment of goodwill and intangible assets related to the Power Systems and Industrial Components segments. Excluding the asset impairment expense, adjusted net earnings in the fourth quarter of 2015 were \$4.0 million, or \$0.20 per share.

The increase in quarterly adjusted net earnings of \$4.9 million, or \$0.25 per share, was primarily attributable to an increase in gross profit margins, \$2.6 million (\$0.10 per share) of insurance recoveries and a reduction in selling and administrative expenses, which included a \$1.0 million (\$0.04 per share) environmental remediation provision. The insurance recoveries mainly relate to a claim associated with the May 2016 Fort McMurray wildfires.

Despite the lower volume, segment earnings before impairment of goodwill and intangible assets increased significantly in the Equipment and Power Systems segments largely as a result of improved gross margins, insurance recoveries and lower selling and administrative costs. The decline in segment earnings before impairment of goodwill and intangible assets in the Industrial Components segment was mainly due to lower volumes and gross margins and the \$1.0 million environmental remediation provision.

- Consolidated backlog at December 31, 2016 of \$116.7 million decreased \$25.4 million compared to September 30, 2016 due to decreases in the Equipment and Power Systems segments primarily as a result of the delivery of a large mining shovel in the quarter and lower power generation orders.<sup>(1)</sup>
- Funded net debt at December 31, 2016 of \$126.0 million decreased \$21.9 million compared to September 30, 2016, mainly attributable to a \$14.2 million reduction in non-cash operating working capital.<sup>(1)</sup>

Wajax declared a first quarter 2017 dividend of \$0.25 per share payable on April 4, 2017 to shareholders of record on March 15, 2017.

## **Board Chair**

Today the Corporation announced that Paul Gagné, a director since 1996 and Chairman of the Board since 2006, will retire from the Board of Directors at the close of the Corporation's 2017 annual meeting of shareholders. Rob Dexter has been nominated by his fellow directors to assume the duties of Chairman following the 2017 annual meeting. Rob has been a director since 1988 and has most recently served as Chair of the Human Resources and Compensation Committee of the board. Commenting on Mr. Gagne's retirement from the board, Mark Foote, CEO stated: "Paul has been an exceptional director and, as Chairman, has demonstrated great passion for the company, its strategic direction and how best to enhance shareholder value. The board, management team and I in particular will miss his influence, contributions and wisdom. We look forward to welcoming Rob as Chairman and we are fortunate that we will continue to benefit from his vast experience and insight as we move forward."

## **Executive Changes**

In January 2017, the role of Stuart Auld, Senior Vice President, Information Systems was expanded to include leading the Corporation's Human Resources team upon the departure of Kathleen Hassay, Senior Vice President, Human Resources, who left the organization in early 2017. Mr. Auld joined Wajax in 2014 and since that time has been instrumental in coordinating a number of change activities at Wajax.

Further to its press release issued December 22, 2016, Wajax also confirmed the appointment of Darren Yaworsky as Senior Vice President, Finance and Chief Financial Officer, to be effective March 8, 2017. Mr. Yaworsky succeeds John Hamilton, who has served as Senior Vice President, Finance and Chief Financial Officer since 1999. Mr. Hamilton's planned retirement from Wajax was announced in August 2016.

## Outlook

Commenting on the fourth quarter of 2016 and the Corporation's outlook for 2017, Mark Foote, President and CEO, stated:

"Despite the continuing challenging market conditions, Wajax delivered improved results in the fourth quarter. On an adjusted net earnings basis and excluding the impact of insurance recoveries and the environmental provision, fourth quarter results increased over the previous year as higher gross margins and lower selling and administrative costs more than made up for the reduction in revenue. We are pleased with the improvement in our Power Systems segment, where our cost reduction and margin improvement initiatives significantly benefitted fourth quarter results.

The reorganization announced in March 2016 is now complete and we will begin reporting externally under our new functional structure in 2017. Through much hard work by the entire Wajax team, our reorganization efforts are expected to improve the execution of our strategy and, additionally, we have realized approximately \$8.6 million of savings in 2016 and expect to begin realizing approximately \$17 million of annualized cost savings in 2017.

Our higher quarterly earnings combined with \$14.2 million of cash generated from reduced operating working capital resulted in a \$21.9 million reduction in funded net debt in the quarter. As a result, our year end leverage ratio was 2.1X, just slightly above our target range of 1.5X – 2.0X.

Looking forward to 2017, although there have been some announced increases in planned investments by Canadian oil and gas companies, we expect that most major resource and industrial markets will remain under continuing spending and resultant competitive pressure. Our focus in 2017 will be to generate revenue sufficient to offset the four large shovel deliveries made in 2016 (which are not expected to be repeated), effectively manage our margins and ensure we deliver the operational improvements and full annualized savings expected from our reorganization. Assuming the achievement of these objectives, we anticipate net earnings in 2017 will increase compared to 2016 adjusted net earnings."<sup>(1)</sup>

## Wajax Corporation

Wajax is a leading Canadian distributor engaged in the sale, rental and after-sale parts and service support of equipment, power systems and industrial components, through a network of 109 branch locations 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.

## Notes

- (1) "Adjusted net earnings", "Adjusted basic earnings per share", "Consolidated backlog", "funded net debt" and "leverage ratio" are financial measures which do not have a standardized meaning prescribed under generally accepted accounting principles (GAAP), and may not be comparable to similar measures presented by other issuers. The Corporation's Management's Discussion and Analysis (MD&A) includes additional information regarding these financial measures, including definitions and reconciliations to the most comparable GAAP measures, under the heading "Non-GAAP and Additional GAAP Measures".
- (2) Adjusted net earnings for the twelve months ended December 31, 2016: Net earnings excluding after-tax restructuring costs of \$9.1 million, or \$0.46 per share basic.  
Adjusted net earnings for the three months ended December 31, 2015: Net loss excluding after-tax impairment of goodwill and intangibles in 2015 of \$37.3 million, or \$1.87 per share basic.  
Adjusted net earnings for the twelve months ended December 31, 2015: Net loss excluding after-tax impairment of goodwill and intangibles of \$37.3 million or \$2.01 per share basic and after-tax restructuring costs of \$1.5 million or \$0.08 per share.
- (3) For the three months ended December 31, 2016, the weighted average number of basic shares outstanding were 19,805,485 (2015 – 19,983,800). For the twelve months ended December 31, 2016, the weighted average number of basic shares outstanding were 19,898,004 (2015 – 18,559,558).
- (4) Segment earnings before finance costs and income taxes.

- (5) For the three months ended December 31, 2015; Segment earnings before impairment of goodwill and intangible assets, finance costs and income taxes. For the twelve months ended December 31, 2015; Segment earnings before impairment of goodwill and intangible assets, restructuring costs, finance costs and income taxes.
- (6) For the three and twelve months ended December 31, 2015; Segment earnings before impairment of goodwill and intangible assets, finance costs and income taxes.

### **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, the benefits we expect to achieve from the strategic reorganization we undertook during 2016, including the improved execution of our 4 Points of Growth strategy and full annualized cost savings of approximately \$17 million in 2017; our outlook for major resource and industrial markets in 2017; our areas of focus in 2017, including generating revenue sufficient to offset four large shovel deliveries made in 2016 which are not expected to repeat, effectively managing our margins, and delivering the operational improvements and full annualized savings expected from the strategic reorganization; and our outlook for 2017 net earnings should we be successful in achieving the forgoing objectives. 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, oil and other commodities; financial market conditions, including interest rates; our ability to execute our 4 Points of Growth strategy, including our ability to develop our core capabilities, execute on our organic growth priorities, complete and effectively integrate acquisitions and to successfully implement new information technology platforms, systems and software; 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, oil and other commodities; a continued or prolonged decrease in the price of oil; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; 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, our inability to reduce costs in response to slow-downs in market activity, 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, 2016, filed on SEDAR.

# **Management's Discussion and Analysis – 2016**

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Corporation ("Wajax" or the "Corporation") for the year ended December 31, 2016. This MD&A should be read in conjunction with the information contained in the Corporation's Consolidated Financial Statements and accompanying notes for the year ended December 31, 2016. Information contained in this MD&A is based on information available to management as of March 7, 2017.

Unless otherwise indicated, all financial information within this MD&A is in millions of Canadian dollars, except ratio calculations, share, share rights and per share data. Additional information, including Wajax's Annual Report and Annual Information Form, are available on SEDAR at [www.sedar.com](http://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, 2016, Wajax's management, under the supervision of its CEO and CFO, had designed DC&P to provide reasonable assurance that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is accumulated and communicated to Wajax's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

As at December 31, 2016, Wajax's management, under the supervision of its CEO and CFO, had designed internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its 2013 version of Internal Control – Integrated Framework. With regard to general controls over information technology, management also used the set of practices of Control Objectives for Information and related Technology ("COBIT") created by the IT Governance Institute.

During the year, Wajax's management, under the supervision of its CEO and CFO, evaluated the effectiveness and operation of its DC&P and ICFR. This evaluation included a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud. The CEO and CFO have concluded that Wajax's DC&P and ICFR were effective as at December 31, 2016.

During the three months ended December 31, 2016, Wajax has made material changes to its ICFR. In particular, there were changes to ICFR when the remainder of the Power Systems segment adopted the Equipment segment's computer system as part of the transition to a new functional organization. See the Reorganization section.

## 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, the strategic reorganization we undertook during 2016 and the benefits we expect to achieve therefrom, including improved execution of our 4 Points of Growth strategy and full annualized cost savings of \$17 million starting in 2017; our 4 Points of Growth Strategy and the goals of such strategy, including our goal of becoming Canada’s leading industrial products and services provider; our “4 Points of Growth” framework to grow the corporation; our target leverage ratio range of 1.5 – 2.0 times; our continued focus on and execution of investments and strategies with respect to our core capabilities, organic growth programs, acquisitions and information systems/technology, as well as the expected benefits therefrom; our belief that we can leverage our sales force and geographic footprint to significantly grow the Wilson Machine business; our financing, working and maintenance capital requirements, as well as our capital structure and leverage ratio; our foreign exchange risks and exposures, including the impact of fluctuations in foreign currency values; our obligation to fund pension benefits; the adequacy of our debt capacity; our intention and ability to access debt and equity markets should additional capital be required; our outlook for major resource and industrial markets in 2017; our areas of focus in 2017, including generating revenue sufficient to offset four large shovel deliveries made in 2016 which are not expected to repeat, effectively managing our margins, and delivering the operational improvements and full annualized savings expected from the strategic reorganization; and our outlook for 2017 net earnings should we be successful in achieving the forgoing objectives. 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, oil and other commodities; financial market conditions, including interest rates; our ability to execute our 4 Points of Growth strategy, including our ability to develop our core capabilities, execute on our organic growth priorities, complete and effectively integrate acquisitions and to successfully implement new information technology platforms, systems and software; 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, oil and other commodities; a continued or prolonged decrease in the price of oil; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; 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, our inability to reduce costs in response to slow-downs in market activity, 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, 2016, 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

judgements 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.

## Non-GAAP and Additional GAAP Measures

This MD&A contains both non-GAAP and additional GAAP measures that do not have a standardized meaning prescribed by GAAP. These measures are defined and reconciled to the most comparable GAAP measure in the Non-GAAP and Additional GAAP Measures section.

## Wajax Corporation Overview

Wajax is a leading Canadian distributor engaged in the sale and service support of mobile equipment, power systems and industrial components through a network of 109 branch locations across Canada. Reflecting a diversified exposure to the Canadian economy, Wajax's customer base covers core sectors of the Canadian economy, including construction, industrial and commercial, transportation, the oil sands, forestry, oil and gas, metal processing and mining.

On March 1, 2016, Wajax announced that it would transition from its current three independent product divisions to a leaner and more integrated functional organization. The new structure is intended to improve Wajax's cross-company customer focus, closely align resources to the 4 Points of Growth strategy, improve operational leverage, and lower costs through productivity gains and the elimination of redundancy inherent in the previous structure. See the Reorganization section below.

## Strategy

The Corporation's goal is to be Canada's leading industrial products and services provider, distinguished through: sales force excellence, breadth and efficiency of repair and maintenance operations and an ability to work closely with existing and new vendor partners to constantly expand its product offering to customers.

As one of Canada's most diversified industrial distributors, the strategy builds upon the Corporation's dedicated team, national branch network, diverse end market expertise, world-class vendor base and strong customer relationships. These existing strengths will be leveraged through the following "4 Points of Growth":

- 1) Development of Core Capabilities including *Sales Force Excellence, Repair and Maintenance Operations and Product, Service and Vendor Development*;
- 2) Clear organic growth priorities;
- 3) Building the Corporation's capacity to complete and integrate Engineered Repair Services ("ERS") acquisitions; and
- 4) Investment in systems that will improve operational efficiencies and customer service.

As part of its long-term strategy, the Corporation established a target leverage ratio range of 1.5 – 2.0 times.

The Corporation has made progress moving forward on its strategy in 2016 and will continue to execute the initiatives that advance each of the components of the 4 Points of Growth Strategy as follows:

**Core Capabilities:** Core capabilities are the key organizational skills that create value for Wajax customers, vendors, investors and team members. Training, development and measurement systems are focused on three areas:

1. **Sales Force Excellence:** Wajax's sales team of approximately 600 team members is composed of inside and outside sales personnel. The team's focus is on achieving excellence in customer service, selling skills and technical expertise across the broadest range of industrial products and services in Canada. In 2016, Wajax:
  - Continued the investment in the IMPACT™ sales training for sales representatives and sales management to ensure that the team has the required support in its structured sales process. The 6-step IMPACT™ process is designed to improve customer knowledge and sales team productivity and is embedded in the Corporation's CRM (Customer Relationship Management system).
  - Completed the implementation of its CRM system to over 400 sales and management personnel, providing a consistent measurement, support and daily sales communications process across the company.

- Reorganized and consolidated the sales force to maintain product technical expertise closest to the customer while standardizing the process for sales support and management. Key markets such as the oil sands and mining have specialized sales teams on-the-ground to work closely with major customers.
2. **Repair and Maintenance Operations:** A team of approximately 950 technicians, parts and service personnel operate 54 major repair and maintenance locations positioned to serve customers coast-to-coast. The Corporation's objective is to achieve significant improvement, and ultimately leadership, in repair operations in terms of safety, customer service, breadth of repair services and profitability. In 2016, Wajax:
    - Achieved very strong improvements in safety results. Approximately 80% of all recordable injuries involve technicians and other trades personnel who work in high risk roles. Safety awareness, constant dialogue, ongoing improvements to support systems and enhanced training were significant contributors to a 39% reduction in recordable injuries and the Corporation's safest year on record.
    - Reorganized and consolidated its service management team and implemented standard operating procedures, new service management training and a consistent operational system for all main service branches. Like the sales reorganization, the service management team is now under one leadership structure which has improved overall efficiency and provided a consistent focus on parts and service operations, shop profitability and customer service.
  3. **Product, Service and Vendor Development:** Wajax works closely with world-class vendors to deliver a compelling range of products and services designed to meet the needs of customers across diverse markets in all regions of Canada. The ability to expand that range based on the needs of customers is an important factor in the growth of Wajax. In 2016, Wajax:
    - Continued to improve the vendor, product and service development process. The sales, business development, vendor and technical teams use customer feedback and market knowledge to determine the opportunities to expand the Corporation's product and service range to increase its ability to grow with its customers.
    - Added important new products and/or services in areas such as energy storage, alternative fuel systems, turbines and marine products. Completed important internal research on the Canadian industrial services market in order to validate the Corporation's target company acquisition pipeline and to review the opportunities to expand its acquisitions strategy.

**Organic Growth:** While market conditions, particularly in western Canada, made organic growth difficult in 2016, Wajax achieved wins in a number of important areas such as mining and protected its position in major categories such as construction, forestry, material handling, power generation and industrial components. 2016 highlights include:

- **Mining** – The Equipment segment achieved a 71% increase in mining equipment, parts and service sales due to the delivery of four large Hitachi mining shovels and an improvement in parts and service volumes related to higher equipment utilization in the oil sands. In addition to the equipment category, multi-year mining supply contracts for industrial components remain an important focus to build sustained revenue. Mining is one of Wajax's most important markets, contributing to the results of a broad range of product and service categories. Total sales to Wajax's mining customers (including oil sands mining) were \$254 million in 2016.
- **Material Handling** – The Corporation signed multi-year equipment, parts and service contracts with major customers including the Department of National Defense. In addition, Wajax will support Canadian Tire Corporation's project to use hydrogen fuel cell technology to replace lead acid batteries to power forklifts in two Ontario distribution centers. Canadian Tire conducted a comprehensive evaluation before selecting Hyster's Nuvera hydrogen fuel cell technology which will be exclusively supported in Canada by Wajax. Total sales of the material handling category were \$109 million in 2016.
- **Power Generation** – Working closely with its partner MTU, Wajax provides gas and diesel standby, prime power and CHP (combined heat and power) systems for a broad range of applications including data centers, water treatment, mining, oil and gas and commercial and defense marine. Major projects in 2016 included work with Urbacon, a leading data center provider, to supply a turnkey 12.5 MW standby system for the initial stage of Urbacon's Richmond Hill, Ontario site. Power Generation is an important area of organic growth due to growing demand from commercial, industrial, resource and marine markets. Total sales (including rental) of power generation were \$73 million in 2016.

- **Engineered Repair Services (ERS)** – The Corporation acquired and integrated the Wilson Machine Co. Ltd. (“Wilson Machine”) acquisition into its ERS group and continued to complete a range of engineering and repair and maintenance projects for customers with a primary focus on mining and oil sands customers. While market conditions in western Canada made organic growth challenging, management was pleased with the projects completed based on Wajax’s engineering capabilities, site teams and strong safety record. Total ERS sales were \$58 million in 2016.

**Acquisitions:** The Corporation’s acquisition strategy is focused on building capacity to acquire and integrate regional engineered repair services companies into its overall ERS business. Typical target companies are \$10 - \$20 million in volume, have low capital requirements, excellent customer relationships and whose growth can be accelerated by Wajax’s sales force.

Following the acquisition of Wilson Machine in 2016, acquisition activities were slowed to focus efforts on the reorganization. The pipeline of possible ERS acquisitions remains robust and acquisitions are expected to continue to play an important role in the growth of the Corporation’s ERS business.

**Systems:** Technology plays an increasingly important role in Wajax’s business and systems development and implementation activity was significant in 2016. The focus was on the systems required to support the reorganization, the continued development of information systems for the sales force and the use of technology to improve the Corporation’s ability to increase access to, and the productivity of, training. In 2016, Wajax:

- Merged all main repair and service locations onto a single information systems platform and reduced the total number of ERP systems at Wajax to two (from four in 2015 and five in 2014). The ongoing consolidation of systems has both short-term and medium-term benefits. In the short-term, the reorganized teams have more consistency in the information systems used to manage the business day-to-day. In the medium-term, fewer base operating systems materially lowers the risk of the implementation of a new ERP which is planned to proceed with when conditions support investment in the project.

## Reorganization

On March 1, 2016, Wajax announced that one of its main objectives for the year would be transitioning from its then present organizational structure of three independent product segments, to a leaner and more integrated functional organization. Sales and service functions will be supported by common support groups including supply chain, finance, human resources, information systems and environment, health and safety. During 2016, the Corporation implemented workforce reductions and role changes to align the organization to the new functional structure. The transition to the new structure was largely completed by the end of 2016 and external reporting under the new structure will commence in 2017.

Restructuring costs of \$12.5 million, consisting principally of severance costs, were recorded in the first quarter of 2016. The net cost savings benefit of the reorganization was approximately \$8.6 million for the year ended December 31, 2016 (approximately \$3.6 million for the three months ended December 31, 2016), with estimated annualized cost savings of approximately \$17 million expected to be realized beginning in 2017. The headcount reduction as at December 31, 2016 was 14.8% since the beginning of 2015. This reduction also reflects lower staffing levels related to reduced economic activity in western Canada, as well as the 2015 Power Systems segment restructuring.

# Annual Consolidated Results

	2016	2015
Revenue	\$ 1,221.9	\$ 1,273.3
Gross profit	\$ 230.9	\$ 253.9
Selling and administrative expenses	\$ 195.2	\$ 203.1
Impairment of goodwill and intangible assets	\$ -	\$ 41.2
Restructuring costs	\$ 12.5	\$ 2.1
Insurance recoveries	\$ (3.7)	\$ -
Earnings before finance costs and income taxes <sup>(1)</sup>	\$ 26.9	\$ 7.5
Finance costs	\$ 11.2	\$ 12.2
Earnings (loss) before income taxes <sup>(1)</sup>	\$ 15.7	\$ (4.7)
Income tax expense	\$ 4.7	\$ 6.3
<b>Net earnings (loss)</b>	<b>\$ 11.0</b>	<b>\$ (11.0)</b>
- <b>Basic earnings (loss) per share<sup>(2)</sup></b>	<b>\$ 0.55</b>	<b>\$ (0.59)</b>
- <b>Diluted earnings (loss) per share<sup>(3)</sup></b>	<b>\$ 0.54</b>	<b>\$ (0.59)</b>
<b>Adjusted net earnings<sup>(1) (4)</sup></b>	<b>\$ 20.1</b>	<b>\$ 27.8</b>
- <b>Adjusted basic earnings per share<sup>(1) (2) (4)</sup></b>	<b>\$ 1.01</b>	<b>\$ 1.50</b>
- <b>Adjusted diluted earnings per share<sup>(1) (3) (4)</sup></b>	<b>\$ 1.00</b>	<b>\$ 1.50</b>

(1) These amounts do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP"). See the Non-GAAP and Additional GAAP Measures section.

(2) Weighted average shares outstanding for calculation of basic earnings (loss) per share 19,898,004 (2015 – 18,559,558)

(3) Weighted average shares outstanding for calculation of diluted earnings (loss) per share 20,203,771 (2015 – 18,559,558)

(4) Net earnings (loss) excluding after-tax restructuring costs of \$9.1 million (2015 – \$1.5 million) or \$0.46 (2015 – \$0.08) per share basic and impairment of goodwill and intangible assets of \$37.3 million or \$2.01 per share basic in 2015.

## Revenue by Geographic Region

	2016	2015
Western Canada	40%	44%
Central Canada	26%	26%
Eastern Canada *	34%	30%

\* Includes Quebec and the Atlantic provinces.

## Revenue by Segment

	2016	2015
Equipment	49%	47%
Power Systems	20%	22%
Industrial Components	31%	31%

## EBIT by Segment<sup>(1)</sup>

	2016	2015
Equipment	80%	62%
Power Systems	0%	13%
Industrial Components	20%	25%

**Revenue by Market**

	<u>2016</u>	<u>2015</u>
Transportation	15%	15%
Forestry	15%	14%
Industrial/Commercial	15%	14%
Construction	14%	15%
Oil Sands	11%	10%
Mining	9%	9%
Metal Processing	6%	6%
Government & Utilities	5%	5%
Oil and Gas	2%	5%
Other	8%	7%

<sup>(1)</sup> Calculated based on segment earnings before impairment of goodwill and intangible assets and restructuring costs in 2015. See the Non-GAAP and Additional GAAP Measures section.

Overall, 2016 revenue decreased \$51.4 million due primarily to ongoing weakness in most western Canada markets. In particular, Power Systems experienced declines in off-highway and power generation revenues, mainly attributable to continued weakness in oil and gas activity in western Canada. In the Equipment segment, lower sales to construction, material handling and forestry customers, as a result of lower demand and competitive market pressures, were offset by an increase in mining sector activity including the delivery of four large mining shovels to customers in the oil sands and eastern Canada mining markets. The Industrial Components segment's western Canada operation was also negatively impacted by the decline in oil and gas and oil sands activity.

**Revenue**

Revenue in 2016 of \$1,221.9 million decreased 4%, or \$51.4 million, from \$1,273.3 million in 2015. Equipment segment revenue decreased 1%, or \$4.7 million, primarily due to lower volumes in the construction, material handling and forestry sectors in western Canada offset partially by higher volumes to oil sands and mining sector customers. Power Systems segment revenue decreased 12%, or \$35.1 million, driven by a reduction in oil and gas related revenue in western Canada. Industrial Components segment revenue decreased 3%, or \$10.9 million, as lower sales to oil and gas and oil sands customers in western Canada were offset partially by increased revenue resulting from the acquisition of Wilson Machine on April 20, 2016. See the Acquisition of Wilson Machine section.

**Gross profit**

The decrease in revenue and a lower gross profit margin percentage were the primary contributors to the \$23.0 million, or 9%, decrease in gross profit in 2016 compared to last year. The gross profit margin percentage of 18.9% in 2016 decreased from 19.9% in 2015 mainly as a result of the negative impact of lower parts margins in the Power Systems and Industrial Components segments compared to last year and a \$2.8 million gain on the monetization of six Hitachi mining trucks in the Equipment segment in the third quarter of 2015.

**Selling and administrative expenses**

Selling and administrative expenses decreased 4%, or \$7.9 million, in 2016 compared to last year. The decrease in selling and administrative expenses was attributable to headcount reductions, resulting primarily from the Corporation's 2016 strategic reorganization and reduced economic activity in western Canada, and lower sales related expenses. These decreases were partially offset by an increase in annual incentive accruals and a \$1.0 million environmental remediation provision. Selling and administrative expenses as a percentage of revenue increased slightly to 16.0% in 2016 from 15.9% in 2015.

**Impairment of goodwill and intangible assets**

In 2015, the Corporation recorded an impairment of goodwill and intangible assets of \$41.2 million (\$37.3 million after-tax), comprised of \$13.7 million related to the Power Systems segment and \$27.5 million related to the Industrial Components segment. See the Critical Accounting Estimates section.

**Restructuring costs**

Restructuring costs of \$12.5 million (\$9.1 million after-tax), consisting principally of severance costs, were recorded in the first quarter of 2016 compared to restructuring costs of \$2.1 million (\$1.5 million after-tax), recorded in the second quarter of 2015 in the Power Systems segment.

The net cost savings benefit of the 2016 reorganization for the year ended December 31, 2016 was approximately \$8.6 million, with an estimated \$17 million of annualized cost savings expected to be realized beginning in 2017. See the Reorganization section.

**Insurance recoveries**

The Corporation recorded \$3.7 million of expected compensation from insurers for business interruption losses, mainly related to the Fort McMurray wildfires, which occurred in early May 2016. Wajax's branch facilities in the area of the wildfires incurred minimal damage and operations resumed in June 2016.

**Finance costs**

Finance costs of \$11.2 million decreased \$1.0 million compared to 2015 due to lower funded net debt levels mainly as a result of the \$71.4 million in proceeds from the issuance of share capital in the second quarter of 2015. See the Liquidity and Capital Resources section.

**Income tax expense**

The Corporation's effective income tax rate was 30.0% (2015 – negative 134%) compared to the Corporation's statutory income tax rate of 26.9% (2015 – 26.5%). The effective income tax rate of 30.0% in 2016 was higher compared to the statutory rate of 26.9% attributable to expenses not deductible for income tax purposes. The negative effective income tax rate in 2015 is due to expenses not deductible for income tax purposes, including \$26.5 million relating to the impairment of goodwill and intangible assets. The statutory income tax rate of 26.9% increased compared to 2015, due to the full year impact of the increase in the July 1, 2015 Alberta provincial income tax rate.

**Net earnings (loss)**

In 2016, the Corporation generated net earnings of \$11.0 million, or \$0.55 per share, compared to a net loss of \$11.0 million, or \$0.59 per share, in 2015. The \$22.0 million increase in net earnings resulted primarily from an impairment of goodwill and intangible assets of \$37.3 million after-tax, or \$2.01 per share, incurred in the fourth quarter of 2015, \$3.7 million of insurance recoveries and reduced selling and administrative expenses and finance costs compared to last year. These increases were partially offset by lower volumes and gross profit margins and higher restructuring costs in 2016. The \$1.14 per share increase in basic earnings per share reflects the increase in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the basic earnings per share by \$0.04, or 7%.

**Adjusted net earnings (See the Non-GAAP and Additional GAAP Measures section)**

Adjusted net earnings excludes restructuring costs of \$9.1 million after-tax, or \$0.46 per share (2015 – \$1.5 million or \$0.08 per share) and impairment of goodwill and intangible assets of \$37.3 million after-tax, or \$2.01 per share in 2015.

As such, adjusted net earnings decreased \$7.7 million to \$20.1 million, or \$1.01 per share, in 2016 from \$27.8 million, or \$1.50 per share, in 2015. The \$7.7 million decrease in adjusted net earnings resulted primarily from lower volumes and gross profit margins offset by \$3.7 million of insurance recoveries and a reduction in selling and administrative expenses and finance costs compared to last year. The \$0.49 per share decrease in adjusted basic earnings per share reflects the decrease in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the basic earnings per share by \$0.07, or 7%.

**Comprehensive income**

Total comprehensive income of \$9.5 million in 2016 included net earnings of \$11.0 million offset partially by an other comprehensive loss of \$1.5 million. The other comprehensive loss resulted from after-tax actuarial losses on pension plans of \$0.8 million and a \$0.7 million change in the amount of losses on derivative instruments designated as cash flow hedges recorded in the year.

**Funded net debt (See the Non-GAAP and Additional GAAP Measures section)**

Funded net debt of \$126.0 million at December 31, 2016 decreased \$23.0 million compared to \$149.0 million at December 31, 2015. The decrease during the year was mainly attributable to net cash generated from operating activities of \$58.2 million, offset somewhat by dividends paid of \$19.9 million, investing activities of \$8.9 million, common shares purchased and held in trust of \$3.2 million and a \$2.2 million reduction in obligations under finance leases.

On September 6, 2016, the Corporation amended its bank credit facility, extending the maturity date from August 12, 2019 to August 12, 2020. In addition, the \$30 million non-revolving term portion of the facility was repaid, using proceeds from a drawdown under the revolving term portion of the facility, and the \$220 million revolving term portion of the facility was increased to \$250 million. The \$0.4 million cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility. See the Liquidity and Capital Resources section.

**Dividends**

For the twelve months ended December 31, 2016, dividends declared totaled \$1.00 per share. For the twelve months ended December 31, 2015 dividends declared totaled \$1.23 per share.

**Backlog (See the Non-GAAP and Additional GAAP Measures section)**

Consolidated backlog at December 31, 2016 of \$116.7 million decreased \$52.5 million, or 31%, from \$169.2 million at December 31, 2015. The decline was primarily attributable to decreases in the Equipment segment, driven by lower mining orders and the delivery of large mining shovels to customers in 2016 and lower crane and utility orders in central Canada. See the Annual Results of Operations section for further backlog detail by segment.

**Acquisition of Wilson Machine**

Effective April 20, 2016, the Corporation acquired the assets of Wilson Machine for \$5.6 million. Wilson Machine is a North American leader in the manufacturing and repair of precision rotating machinery and gearboxes with annual sales of approximately \$6 million and its major customers in eastern Canada align well with Wajax's existing customer base. Wilson Machine's service offerings are an ideal fit for Wajax's 4 Points of Growth strategy and management believes it can leverage the Corporation's sales force and larger geographic footprint to significantly grow the business.

**Board Chair**

On March 7, 2017, the Corporation announced that Paul Gagné, a director since 1996 and Chairman of the Board since 2006, will retire from the Board of Directors at the close of the Corporation's 2017 annual meeting of shareholders. Rob Dexter has been nominated by his fellow directors to assume the duties of Chairman following the 2017 annual meeting. Rob has been a director since 1988 and has most recently served as Chair of the Human Resources and Compensation Committee of the board.

**Senior Vice President, Finance and Chief Financial Officer**

Effective March 8, 2017, Darren Yaworsky will assume the role of Senior Vice President, Finance and Chief Financial Officer. Mr. Yaworsky is an experienced finance executive with an extensive background in corporate finance, treasury and risk management. Most recently, he served as Vice President, Finance and Treasurer at Canadian Pacific Railway and, prior to that, held several senior financial executive roles within the Enbridge Group of Companies, including Treasurer of Enbridge Energy Partners LP and Treasurer of Enbridge Income Fund.

Mr. Yaworsky succeeds John Hamilton, who joined Wajax as Senior Vice President, Finance and Chief Financial Officer in 1999. Mr. Hamilton's planned retirement from Wajax in March 2017 was announced in August 2016.

**Senior Vice President, Human Resources / Information Systems**

In January 2017, the role of Stuart Auld, Senior Vice President, Information Systems was expanded to include leading the Corporation's Human Resources team upon the departure of Kathleen Hassay, Senior Vice President, Human Resources, who left the organization in early 2017. Mr. Auld joined Wajax in 2014 and since that time has been instrumental in coordinating a number of change activities at Wajax.

# Annual Results of Operations

## Equipment

For the year ended December 31	2016	2015
Equipment <sup>(1)</sup>	\$ 369.6	\$ 368.9
Parts and service	\$ 227.6	\$ 233.0
Segment revenue	\$ 597.2	\$ 601.9
Segment earnings <sup>(2)</sup>	\$ 42.4	\$ 38.4
Segment earnings margin <sup>(2)</sup>	7.1%	6.4%

(1) Includes rental and other revenue.

(2) Earnings before finance costs and income taxes.

### Revenue by Product Type 2016 versus 2015

Market	2016	2015
Construction	28%	34%
Mining/Oil sands	25%	14%
Forestry	22%	24%
Material Handling	18%	21%
Crane & Utility	7%	7%

Revenue decreased 1%, or \$4.7 million, to \$597.2 million, from \$601.9 million in 2015. Segment earnings increased 10%, or \$4.0 million, to \$42.4 million in 2016 compared to \$38.4 million in 2015. The following factors contributed to the Equipment segment's 2016 results compared to 2015:

- Equipment revenue increased \$0.7 million with specific year-over-year variances as follows:
  - Construction equipment revenue decreased \$27.1 million, mainly as a result of decreases in Hitachi excavator and JCB equipment sales in western and central Canada due to lower market demand and competitive market pressures. These decreases were offset partially by increased Hitachi excavator and Bell articulated dump truck sales in eastern Canada.
  - Forestry equipment revenue decreased \$10.9 million due to lower Hitachi equipment sales in western Canada, caused by lower market demand, offset partially by higher Tigercat equipment sales in central Canada.
  - Mining equipment sales increased \$50.3 million as a result of four higher dollar value Hitachi mining shovel deliveries to customers in the oil sands and the eastern Canada mining market.
  - Crane and utility equipment revenue increased \$0.3 million.
  - Material handling equipment revenue decreased \$11.9 million, due primarily to the sale of higher dollar value units in western Canada in 2015 not repeated in 2016 and lower market demand.
- Parts and service revenue decreased \$5.4 million compared to last year. The decrease was mostly confined to the western Canada market where lower construction and material handling sales were offset by increases in mining volumes.
- Segment earnings increased \$4.0 million compared to last year as a \$4.0 million reduction in selling and administrative expenses combined with \$1.8 million of insurance recoveries, related to the Fort McMurray wildfires, more than offset the negative impact of lower volumes and gross profit margins. Lower gross profit margins resulted primarily from a \$2.8 million gain on the monetization of six Hitachi mining trucks, in the third quarter of 2015, offset by higher equipment margins. The \$4.0 million decrease in selling and administrative expenses, compared to last year, was mainly attributable to headcount reductions and lower sales related expenses, offset partially by higher annual incentive accruals. See the Insurance Recoveries section.

Backlog of \$46.9 million at December 31, 2016 decreased \$56.7 million compared to December 31, 2015, driven by lower mining orders in western Canada, due to the delivery of two large mining shovels to customers in the oil sands in 2016, and lower crane and utility orders.

## Power Systems

For the year ended December 31	2016	2015
Equipment <sup>(1)</sup>	\$ 79.5	\$ 92.1
Parts and service	\$ 170.5	\$ 193.0
Segment revenue	\$ 250.0	\$ 285.1
Segment earnings before impairment of goodwill and intangible assets and restructuring costs <sup>(2)</sup>	0.1	7.8
Impairment of goodwill and intangible assets	-	(13.7)
Restructuring costs	-	(2.1)
Segment earnings (loss) <sup>(3)</sup>	\$ 0.1	\$ (8.0)
Segment earnings margin before impairment of goodwill and intangible assets and restructuring costs <sup>(2)</sup>	-	2.7%
Impairment of goodwill and intangible assets	-	(4.8%)
Restructuring costs	-	(0.7%)
Segment earnings (loss) margin <sup>(3)</sup>	-	(2.8%)

(1) Includes rental and other revenue.

(2) Earnings before impairment of goodwill and intangible assets, restructuring costs, finance costs and income taxes. See the Non-GAAP and Additional GAAP Measures section.

(3) Earnings (loss) before finance costs and income taxes.

### Revenue by Market 2016 versus 2015

Market	2016	2015
On-highway Transportation	48%	39%
Industrial/Commercial	19%	15%
Oil Sands	9%	9%
Construction	8%	6%
Mining	6%	7%
Oil & Gas	2%	10%
Other	8%	14%

Revenue decreased \$35.1 million, or 12%, to \$250.0 million compared to \$285.1 million in 2015. 2016 segment earnings of \$0.1 million compared to a loss of \$8.0 million in 2015. However, 2016 segment earnings of \$0.1 million decreased \$7.7 million compared to 2015 segment earnings before impairment of goodwill and intangible assets and restructuring costs of \$7.8 million. See the Non-GAAP and Additional GAAP Measures section. The following factors impacted year-over-year revenue and earnings:

- Equipment revenue decreased \$12.6 million due to lower power generation and off-highway equipment volumes in western Canada, resulting from the decline in oil and gas activity, somewhat offset by increases in power generation and on-highway equipment sales in eastern Canada.
- Parts and service revenue decreased \$22.5 million, attributable to lower sales to off-highway and on-highway customers in western Canada owing to the decline in oil and gas activity.
- Segment earnings increased \$8.1 million to \$0.1 million in 2016 compared to a loss of \$8.0 million last year. Excluding the impairment of goodwill and intangible assets of \$13.7 million and restructuring costs of \$2.1 million in the prior year, 2016 segment earnings before impairment of goodwill and intangible assets and restructuring costs decreased \$7.7 million to \$0.1 million compared to \$7.8 million in 2015. This decrease was primarily due to lower volumes and lower gross profit margins, partially offset by a \$5.4 million reduction in selling and administrative expenses and \$1.2 million of insurance recoveries. The lower gross profit margins, primarily parts related, resulted from the combination of competitive pricing pressures, negative product mix and approximately \$2.4 million of adjustments to provisions and accruals, including \$1.1 million related to inventory obsolescence. Selling and administrative expenses decreased \$5.4 million due mainly to lower personnel costs as a result of the reorganization and volume related workforce reductions compared to last year. Insurance recoveries of \$1.2 million were mainly associated with the Fort McMurray wildfires that occurred in May 2016. See the Insurance Recoveries and Non-GAAP and Additional GAAP Measures sections.

Backlog of \$25.9 million as of December 31, 2016 increased \$2.3 million compared to December 31, 2015, due primarily to higher off-highway orders in central and eastern Canada offset partially by lower power generation orders in all regions.

## Industrial Components

For the year ended December 31	2016	2015
Segment revenue	\$ 378.7	\$ 389.6
Segment earnings before impairment of goodwill and intangible assets <sup>(1)</sup>	\$ 10.6	\$ 15.3
Impairment of goodwill and intangible assets	\$ -	\$ (27.5)
Segment earnings (loss) <sup>(2)</sup>	\$ 10.6	\$ (12.2)
Segment earnings margin before impairment of goodwill and intangible assets <sup>(1)</sup>	2.8%	3.9%
Impairment of goodwill and intangible assets	-	(7.0%)
Segment earnings (loss) margin <sup>(2)</sup>	2.8%	(3.1%)

(1) Earnings before impairment of goodwill and intangible assets, finance costs and income taxes. See the Non-GAAP and Additional GAAP Measures section.

(2) Earnings (loss) before finance costs and income taxes.

### Revenue by Market 2016 versus 2015

Market	2016	2015
Industrial/Manufacturing	18%	18%
Mining	18%	18%
Forestry	17%	16%
Metal Processing	7%	7%
Oil Sands	5%	7%
Construction	5%	5%
Food & Beverage	5%	5%
Oil & Gas	4%	5%
Transportation	4%	4%
Other	16%	15%

Revenue decreased \$10.9 million, or 3%, to \$378.7 million in 2016 from \$389.6 million in 2015. 2016 segment earnings of \$10.6 million compared to a loss of \$12.2 million in 2015. However, 2016 segment earnings of \$10.6 million decreased \$4.7 million compared to segment earnings before impairment of goodwill and intangible assets of \$15.3 million in 2015. See the Non-GAAP and Additional GAAP Measures section. The following factors contributed to the segment's year-over-year results:

- Bearings and power transmission parts sales increased \$0.6 million due mainly to \$5.6 million of revenue from Wilson Machine, acquired on April 20, 2016, partially offset by lower sales to mining sector customers, in eastern and western Canada, and lower sales to oil and gas and oil sands sector customers in western Canada.
- Fluid power and process equipment products and service revenue decreased \$11.5 million, or 8%, compared to last year principally as a result of reduced activity in the oil and gas and oil sands sectors in western Canada. The decrease was partially offset by modest increases in eastern Canada volumes.
- Segment earnings increased \$22.8 million to \$10.6 million in 2016 compared to a segment loss of \$12.2 million in 2015. Excluding the impairment of goodwill and intangible assets of \$27.5 million in 2015, segment earnings decreased \$4.7 million in 2016. This reduction was attributable to the negative impact of lower volumes and gross profit margins, offset partially by a \$1.5 million decrease in selling and administrative expenses and \$0.7 million of insurance recoveries related to the Fort McMurray wildfires. Lower gross profit margins resulted principally from higher inventory obsolescence charges of \$2.3 million and lower gross profit margins in western Canada. The decrease in selling and administrative expenses resulted mainly from lower personnel costs and other sales related expenses, offset partially by higher annual incentive accruals and a \$1.0 million environmental remediation provision. See the Insurance Recoveries and Non-GAAP and Additional GAAP Measures sections.

Backlog of \$43.9 million as of December 31, 2016 increased \$1.9 million compared to December 31, 2015 due to higher orders in eastern Canada offset somewhat by lower orders in western Canada.

## Selected Annual Information

The following selected annual information is audited and has been prepared on the same basis as the 2016 annual audited Consolidated Financial Statements.

	2016	2015	2014
Revenue	\$ 1,221.9	\$ 1,273.3	\$ 1,451.3
Net earnings (loss)	\$ 11.0	\$ (11.0)	\$ 41.2
Basic earnings (loss) per share	\$ 0.55	\$ (0.59)	\$ 2.46
Diluted earnings (loss) per share	\$ 0.54	\$ (0.59)	\$ 2.42
Total assets	\$ 664.9	\$ 677.5	\$ 723.6
Non-current liabilities	\$ 138.6	\$ 169.5	\$ 202.0
Dividends declared per share	\$ 1.00	\$ 1.23	\$ 2.40

Revenue in 2016 of \$1,221.9 million decreased \$51.4 million compared to 2015. The decrease is attributable to ongoing weakness in most western Canada markets, resulting in lower revenues in the Power Systems and Industrial Components segments. In the Equipment segment, lower sales to construction, material handling and forestry customers due to lower demand and competitive market pressures, were offset by an increase in mining sector activity including the delivery of four large mining shovels into the oil sands and eastern Canada mining markets. Revenue in 2015 of \$1,273.3 million decreased \$178.0 million compared to 2014 due to a slowdown in western Canada, resulting in lower equipment and parts and service revenue in the Equipment and Power Systems segments and decreased revenue in the Industrial Components segment.

The net earnings of \$11.0 million decreased \$30.2 million, or \$1.91 per share, from 2014 to 2016. Excluding the after-tax restructuring costs of \$9.1 million (\$0.46 per share) in 2016 and \$2.1 million (\$0.12 per share) in 2014, net earnings declined \$23.2 million, or \$1.57 per share, due principally to lower volumes and gross profit margins offset partially by reduced selling and administrative expenses. Decreased selling and administrative expenses of \$21.7 million were primarily driven by lower personnel costs, as a result of headcount reductions of 14.8% since the beginning of 2015, and lower sales related expenses. See the Non-GAAP and Additional GAAP Measures and Liquidity and Capital Resources sections.

The \$58.7 million decrease in total assets between December 31, 2014 and December 31, 2016 was mainly attributable to the \$41.2 million impairment of goodwill and intangible assets writedown in 2015 and lower inventory in all segments, offset partially by higher trade receivables in the Equipment segment.

Non-current liabilities at December 31, 2016 of \$138.6 million decreased \$63.4 million from December 31, 2014 primarily attributable to a \$59.0 million decrease in long-term debt. The decrease in long-term debt resulted mainly from \$71.4 million in proceeds from the issuance of share capital in the second quarter of 2015.

## 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 2016 annual audited Consolidated Financial Statements.

	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 313.7	\$ 286.6	\$ 336.6	\$ 285.0	\$ 324.4	\$ 290.9	\$ 340.7	\$ 317.2
Net earnings (loss)	\$ 8.9	\$ 7.6	\$ 4.3	\$ (9.7)	\$ (33.3)	\$ 7.5	\$ 9.0	\$ 5.7
Net earnings (loss) per share								
- Basic	\$ 0.45	\$ 0.38	\$ 0.22	\$ (0.49)	\$ (1.66)	\$ 0.38	\$ 0.52	\$ 0.34
- Diluted	\$ 0.44	\$ 0.37	\$ 0.21	\$ (0.49)	\$ (1.66)	\$ 0.37	\$ 0.51	\$ 0.34

Although quarterly fluctuations in revenue and net earnings are difficult to predict, Wajax has experienced weaker first quarter results in 2016 and 2015 due to various factors including reduced activity in the oil and gas and mining markets. As well, large deliveries of mining trucks and shovels and power generation packages can shift the revenue and net earnings throughout the year.

The first quarter 2016 net loss of \$9.7 million included after-tax restructuring costs of \$9.1 million. Excluding the restructuring costs, first quarter 2016 adjusted net loss was \$0.6 million. See the Non-GAAP and Additional GAAP Measures section.

The fourth quarter 2015 net loss of \$33.3 million included after-tax impairment of goodwill and intangible assets of \$37.3 million. Excluding the impairment of goodwill and intangible assets, fourth quarter 2015 adjusted net earnings was \$4.0 million. See the Non-GAAP and Additional GAAP Measures section.

A discussion of Wajax's previous quarterly results can be found in Wajax's quarterly MD&A available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Consolidated Financial Condition

### Capital Structure and Key Financial Condition Measures

	December 31 2016	December 31 2015
Shareholders' equity	\$ 276.8	\$ 288.5
Funded net debt <sup>(1)</sup>	126.0	149.0
Total capital	\$ 402.8	\$ 437.5
Funded net debt to total capital <sup>(1)</sup>	31.3%	34.1%
Leverage ratio <sup>(1)</sup>	2.07	2.05

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

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

### Shareholders' Equity

The Corporation's shareholders' equity at December 31, 2016 of \$276.8 million decreased \$11.7 million from December 31, 2015, as earnings of \$11.0 million were more than offset by \$19.9 million of dividends declared and \$3.2 million in shares purchased during the year through two employee benefit plan trusts funded by the Corporation (for future settlement of share-based compensation plan awards).

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

Issued and fully paid common shares as at December 31, 2016	Number	Amount
Balance at the beginning of the year	19,986,241	\$ 179.8
Common shares issued to settle share-based compensation plans	40,578	0.7
Common shares purchased for future settlement of share-based compensation plans	(200,968)	(1.8)
Balance at the end of the year	19,825,851	\$ 178.8

At the date of this MD&A, the Corporation had 19,825,851 common shares issued and outstanding, net of shares held in trust.

At December 31, 2016, Wajax had four share-based compensation plans: the Wajax Share Ownership Plan ("SOP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Share Unit Plan ("DSUP").

SOP and DDSUP rights are granted to the participants and are settled in treasury issued common shares on a one-for-one basis. As of December 31, 2016, there were 345,458 (2015 – 325,144) SOP and DDSUP rights outstanding of which 339,504 (2015 – 319,553) were vested.

The MTIP and DSUP consist of annual grants that vest over three years and are subject to time and performance vesting criteria.

- Rights granted under the MTIP and DSUP prior to 2016 are cash settled and a portion of the MTIP and the full amount of the DSUP grants are determined by the price of the Corporation's shares.
- Rights granted under the 2016 MTIP, comprised of restricted share units ("RSUs") and performance share units ("PSUs"), and rights granted under the 2016 DSUP will be settled in market-purchased common shares of the Corporation on a one-for-one basis provided that the time and performance vesting criteria are met. As of December 31, 2016, there were 315,916 (2015 – nil) 2016 MTIP and DSUP rights outstanding, none of which were vested.

Compensation expense for the SOP, DDSUP and 2016 MTIP and DSUP 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 cash-settled DSUP and the cash settled 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 expense of \$2.7 million for the year (2015 – \$1.0 million) in respect of these plans.

### **Funded Net Debt (See the Non-GAAP and Additional GAAP Measures section)**

	<b>December 31 2016</b>	<b>December 31 2015</b>
Cash	<b>\$ (4.9)</b>	\$ (13.6)
Obligations under finance lease	<b>8.9</b>	11.0
Long-term debt	<b>122.0</b>	151.6
<b>Funded net debt<sup>(1)</sup></b>	<b>\$ 126.0</b>	\$ 149.0

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

Funded net debt of \$126.0 million at December 31, 2016 decreased \$23.0 million compared to December 31, 2015. The decrease during the year was due mainly to \$58.2 million of cash generated from operating activities being greater than: dividends paid of \$19.9 million, investing activities of \$8.9 million, common shares purchased and held in trust of \$3.2 million and a \$2.2 million reduction in obligations under finance leases. Investing activities included the \$5.6 million acquisition of Wilson Machine. See the Wilson Machine Acquisition section.

The Corporation's ratio of funded net debt to total capital decreased to 31.3% at December 31, 2016 from 34.1% at December 31, 2015 primarily due to the lower funded net debt level at December 31, 2016.

The Corporation's leverage ratio of 2.07 times at December 31, 2016 increased slightly from the December 31, 2015 ratio of 2.05 times.

See the Liquidity and Capital Resources section.

### **Financial Instruments**

Wajax uses derivative financial instruments in the management of its foreign currency and interest rate exposures. Wajax's policy restricts the use of derivative financial instruments for trading or speculative purposes.

Wajax enters into short-term currency forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. As at December 31, 2016, Wajax had the following contracts outstanding:

- to buy U.S. \$55.1 million (December 31, 2015 – \$31.8 million), and
- to sell U.S. \$10.8 million (December 31, 2015 – \$2.0 million).

The U.S. dollar contracts expire between January 2017 and March 2018, with a weighted average U.S./Canadian dollar rate of 1.3270.

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 or inventory. 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.

A change in foreign currency, relative to the Canadian dollar, on transactions with customers that include unhedged foreign currency exposures is not expected to have a material impact on the Corporation's results of operations or financial condition over the longer term.

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. However, a sudden strengthening of the U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short term prior to price increases taking effect.

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

## Contractual Obligations

Contractual Obligations	Total	< 1 year	1 - 5 years	After 5 years
Senior notes <sup>(1)</sup>	\$ 125.0	\$ -	\$ 125.0	\$ -
Operating leases	\$ 90.0	\$ 18.5	\$ 47.5	\$ 24.0
Obligations under finance leases <sup>(1)</sup>	\$ 8.9	\$ 3.7	\$ 5.2	\$ -
Total	\$ 223.9	\$ 22.2	\$ 177.7	\$ 24.0

(1) Amounts exclude finance costs.

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

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

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

The above table does not include obligations to fund pension benefits. Wajax sponsors certain defined benefit plans that cover executive employees, a small group of inactive employees and certain employees on long-term disability benefits. The defined benefit plans are subject to actuarial valuations in 2018. Management does not expect future cash contribution requirements to change materially from the 2016 contribution level of \$0.9 million as a result of these valuations or any declines in the fair value of the defined benefit plans' assets.

## Related Party Transactions

The Corporation's related party transactions, consisting of the compensation of the Board of Directors and key management personnel, totaled \$6.6 million in 2016 (2015 – \$4.5 million).

## Off Balance Sheet Financing

Off balance sheet financing arrangements include operating lease contracts for facilities with various landlords, a portion of the long-term lift truck rental fleet in the Equipment segment and other equipment related mainly to office equipment. The total obligations for all operating leases are detailed in the

Contractual Obligations section. At December 31, 2016, the non-discounted operating lease commitments for facilities totaled \$88.9 million, for rental fleet totaled \$1.0 million and for other equipment \$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 \$44.4 million (2015 – \$55.8 million) of consigned inventory on hand from a major manufacturer at December 31, 2016, net of deposits of \$19.1 million (2015 – \$21.1 million). In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally rented or sold to customers or purchased by Wajax. Under the terms of the consignment program, Wajax is required to make periodic deposits to the manufacturer on the consigned inventory that is rented to Wajax customers or on hand for greater than nine months. This consigned inventory is not included in Wajax's inventory as the manufacturer retains title to the goods. In the event the inventory consignment program was terminated, Wajax would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its credit facilities.

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

## **Liquidity and Capital Resources**

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

### **Bank and Non-bank Credit Facilities and Senior Notes**

On September 6, 2016, the Corporation amended its committed bank credit facility, extending the maturity date from August 12, 2019 to August 12, 2020. In addition, the \$30 million non-revolving term portion of the facility was repaid, using proceeds from a drawdown under the revolving term portion of the facility, and the \$220 million revolving term portion of the facility was increased to \$250 million. The \$0.4 million cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility.

The terms of the \$250 million revolving bank credit facility include the following:

- The facility is fully secured and expires August 12, 2020.
- Borrowing capacity is dependent upon the level of inventories on hand and the outstanding trade accounts receivable.
- The bank credit 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, 2016. In particular, the Corporation is restricted from declaring dividends in the event the Corporation's leverage ratio, as defined in the bank credit facility agreement, exceeds 3.25 times.
- Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR rates or prime. Margins on the facility depend on the Corporation's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

At December 31, 2016, Wajax had issued \$6.4 million of letters of credit for a total utilization of \$6.4 million of its \$250 million bank credit facility. At December 31, 2016, borrowing capacity under the bank credit facility was equal to \$250 million.

In addition, Wajax had \$125 million of senior notes outstanding at December 31, 2016 bearing an interest rate of 6.125% per annum, payable semi-annually, maturing on October 23, 2020. The senior notes are unsecured and contain customary incurrence based covenants that, although different from those under the bank credit facility described above, are not expected to be any more restrictive than under the bank credit facility. All covenants were met as at December 31, 2016.

Under the terms of the bank credit facility, Wajax is permitted to have additional interest bearing debt of \$15 million. As such, Wajax has up to \$15 million of demand inventory equipment financing capacity with two

non-bank lenders. At December 31, 2016, Wajax had no utilization of the interest bearing equipment financing facilities.

As of March 7, 2017, Wajax's \$250 million bank credit facility, of which \$243.6 million was unutilized at the end of 2016, 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 and certain strategic investments. However, Wajax may be required to access the equity or debt markets to fund significant acquisitions.

In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. At December 31, 2016, \$125 million of the Corporation's funded net debt, or 99%, was at a fixed interest rate which is within the Corporation's interest rate risk policy.

## Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the years ended December 31, 2016 and December 31, 2015.

For the year ended December 31	2016	2015	Change
Net earnings (loss)	\$ 11.0	\$ (11.0)	\$ 22.0
Items not affecting cash flow	43.4	84.4	(41.0)
Net change in non-cash operating working capital	30.9	(20.0)	50.9
Finance costs paid	(10.3)	(11.4)	1.1
Income taxes paid	(2.4)	(10.3)	7.9
Rental equipment additions	(13.5)	(23.0)	9.5
Other non-current liabilities	(0.9)	(0.8)	(0.1)
Cash generated from operating activities	\$ 58.2	\$ 7.9	\$ 50.3
Cash used in investing activities	\$ (8.9)	\$ (4.3)	\$ (4.6)
Cash (used in) generated from financing activities	\$ (58.1)	\$ 17.7	\$ (75.8)

### Cash Generated From Operating Activities

The \$50.3 million year over year increase in cash flows generated from operating activities was mainly attributable to an increase in cash generated from changes in non-cash operating working capital of \$50.9 million, increased net earnings of \$22.0 million, reduced rental equipment additions of \$9.5 million and a decrease in income taxes paid of \$7.9 million. These increases were offset partially by a decrease in items not affecting cash flow of \$41.0 million. Both the increase in net earnings and decrease in items not affecting cash flow include the 2015 impairment of goodwill and intangible assets of \$41.2 million (\$37.3 million after-tax).

Rental equipment additions in 2016 of \$13.5 million (2015 – \$23.0 million) related primarily to lift trucks in the Equipment segment.

Significant components of non-cash operating working capital, along with changes for years ended December 31, 2016 and December 31, 2015 include the following:

Changes in Non-cash Operating Working Capital <sup>(1)</sup>	2016	2015
Trade and other receivables	\$ (26.5)	\$ 16.6
Contracts in progress	(2.3)	4.2
Inventories	29.5	19.0
Deposits on inventory	2.0	(12.5)
Prepaid expenses	1.6	0.9
Accounts payable and accrued liabilities	25.9	(47.6)
Provisions	0.6	(0.5)
<b>Total Changes in Non-cash Operating Working Capital</b>	<b>\$ 30.9</b>	<b>\$ (20.0)</b>

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the year ended December 31, 2016 compared to the year ended December 31, 2015 are as follows:

- Trade and other receivables increased \$26.5 million in 2016 compared to a decrease of \$16.6 million in 2015. The increase in 2016 resulted primarily from an increase in the Equipment segment including higher oil sands sales activity in western Canada compared to last year. The decrease in 2015 resulted primarily from reductions in the Power Systems and Industrial Components segments due to lower sales activity in the fourth quarter compared to the previous year.
- Inventories decreased \$29.5 million in 2016 compared to \$19.0 million in 2015. The decrease in 2016 was attributable to lower inventory levels in all segments. The decrease in 2015 was due mainly to lower mining equipment inventory in the Equipment segment offset partially by higher parts inventory in the Industrial Components and Power Systems segments.
- Deposits on inventory decreased \$2.0 million in 2016 compared to an increase of \$12.5 million in 2015. The increase in 2015 resulted from an increase in deposits on aged consignment inventory in the Equipment segment. See the Off Balance Sheet Financing section.
- Accounts payable and accrued liabilities increased \$25.9 million in 2016 compared to a decrease of \$47.6 million in 2015. The increase in 2016 resulted primarily from higher trade payables related to mining equipment inventory in the Equipment segment. The decrease in 2015 resulted from lower trade payables in all segments, due in part to the payment of equipment inventory in the Equipment segment and decreased purchasing activity in all segments.

### Investing Activities

For the year ended December 31, 2016, Wajax invested \$3.1 million in property, plant and equipment additions, net of disposals, compared to \$4.1 million for the year ended December 31, 2015. In addition, during the second quarter of 2016, Wajax acquired the assets of Wilson Machine for \$5.6 million. See the Acquisition of Wilson Machine section.

### Financing Activities

The Corporation used \$58.1 million of cash from financing activities in 2016 compared to \$17.7 million generated from financing activities in 2015. Financing activities during the year included bank credit facility repayments of \$30.0 million (2015 – \$30.0 million), dividends paid to shareholders totaling \$19.9 million (2015 – \$21.5 million), finance lease payments of \$4.3 million (2015 – \$3.9 million) and common shares purchased and held in trust funded by the Corporation totaling \$3.2 million (2015 – nil). In 2015, the Corporation generated \$71.4 million proceeds from the issuance of share capital.

## Dividends

Dividends to shareholders for the periods January 1, 2016 to December 31, 2016 and January 1, 2015 to December 31, 2015 were declared and payable to shareholders of record as follows:

Month <sup>(1)</sup>	2016		2015	
	Per Share	Amount	Per Share	Amount
January	\$ -	\$ -	\$ 0.20	\$ 3.4
February	-	-	0.20	3.4
March	0.25	5.0	0.08	1.4
June	0.25	5.0	0.25	5.0
September	0.25	4.9	0.25	5.0
December	0.25	5.0	0.25	5.0
<b>Total dividends for the years ended December 31</b>	<b>\$ 1.00</b>	<b>\$ 19.9</b>	<b>\$ 1.23</b>	<b>\$ 23.1</b>

(1) In the second quarter of 2015, the Corporation commenced paying dividends on a quarterly basis. Dividends are generally payable to shareholders of record on or about the 15<sup>th</sup> business day of the last month of each quarter and paid on or about the 4<sup>th</sup> day of the following quarter.

For the year ended December 31, 2016, Wajax declared dividends to shareholders totaling \$1.00 per share. For the year ended December 31, 2015, Wajax declared dividends to shareholders totaling \$1.23 per share. Dividends paid in 2016 were funded from cash generated from operating activities. On March 7, 2017, the Corporation declared a dividend of \$0.25 per share for the first quarter of 2017, payable on April 4, 2017 to shareholders of record on March 15, 2017.

# Fourth Quarter Consolidated Results

For the three months ended December 31

	2016	2015
Revenue	\$ 313.7	\$ 324.4
Gross profit	\$ 62.8	\$ 59.9
Selling and administrative expenses	\$ 50.3	\$ 51.5
Impairment of goodwill and intangible assets	\$ -	\$ 41.2
Insurance recoveries	\$ (2.6)	\$ -
Earnings (loss) before finance costs and income taxes <sup>(1)</sup>	\$ 15.2	\$ (32.8)
Finance costs	\$ 2.8	\$ 2.8
Earnings (loss) before income taxes <sup>(1)</sup>	\$ 12.4	\$ (35.6)
Income tax expense (recovery)	\$ 3.5	\$ (2.3)
<b>Net earnings (loss)</b>	<b>\$ 8.9</b>	<b>\$ (33.3)</b>
- <b>Basic earnings (loss) per share</b>	<b>\$ 0.45</b>	<b>\$ (1.66)</b>
- <b>Diluted earnings (loss) per share</b>	<b>\$ 0.44</b>	<b>\$ (1.66)</b>
<b>Adjusted net earnings<sup>(1)(4)</sup></b>	<b>\$ 8.9</b>	<b>\$ 4.0</b>
- <b>Adjusted basic earnings per share<sup>(1)(2)(4)</sup></b>	<b>\$ 0.45</b>	<b>\$ 0.20</b>
- <b>Adjusted diluted earnings per share<sup>(1)(3)(4)</sup></b>	<b>\$ 0.44</b>	<b>\$ 0.20</b>

(1) These amounts do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP"). See the Non-GAAP and Additional GAAP Measures section.

(2) Weighted average shares outstanding for calculation of basic earnings (loss) per share 19,805,485 (2015 – 19,983,800)

(3) Weighted average shares outstanding for calculation of diluted earnings (loss) per share 20,250,820 (2015 – 19,983,800)

(4) Net earnings (loss) excluding after-tax impairment of goodwill and intangible assets in 2015 of \$37.3 million, or \$1.87 per share.

Fourth quarter revenue decreased \$10.7 million, due in part to weakness in several western and central Canada markets. In the Equipment segment, lower western Canada sales to construction, material handling and forestry customers, attributable to lower demand and competitive market pressures, were offset by an increase in oil sands sector activity, including the delivery of a large mining shovel. The Power Systems segment experienced declines in power generation revenues, due mainly to continued weakness in oil and gas activity in western Canada. In addition, the Equipment segment was impacted by lower construction volumes in central Canada.

## Revenue

Revenue in the fourth quarter of 2016 decreased 3%, or \$10.7 million, to \$313.7 million, from \$324.4 million in the fourth quarter of 2015. Segment revenue decreased 5% in the Equipment segment on lower volumes in western Canada, 2% in the Power Systems segment due mainly to lower power generation revenues in western Canada and 2% in the Industrial Components segment driven by lower mining sector volumes in all regions.

## Gross profit

Gross profit in the fourth quarter of 2016 increased \$2.9 million or 5%, as an increase in the gross profit margin percentage offset the impact of lower volumes compared to the prior year. The gross profit margin percentage for the quarter of 20.0% increased from 18.5% in the fourth quarter of 2015 primarily due to higher parts and service margins in the Power Systems segment and higher equipment margins in the Equipment segment compared to last year.

## Selling and administrative expenses

Selling and administrative expenses decreased \$1.2 million in the fourth quarter of 2016 compared to the same quarter last year as the benefit of headcount reductions resulting from the Corporation's 2016 corporate reorganization and lower sales related expenses, were offset partially by higher annual employee incentives of \$2.2 million and a \$1.0 million environmental remediation provision. Selling and administrative expenses as a percentage of revenue increased slightly to 16.0% in the fourth quarter of 2016 from 15.9% in the same quarter of 2015. See the Reorganization section.

**Insurance recoveries**

The Corporation recorded \$2.6 million of additional compensation expected from insurers for business interruption losses, mainly related to the Fort McMurray wildfires which occurred in early May 2016.

**Finance costs**

Quarterly finance costs of \$2.8 million remained unchanged from the same period last year.

**Income tax expense**

The Corporation's effective income tax rate of 28.2% for the fourth quarter of 2016 was higher compared to the statutory rate of 26.9% due to the impact of expenses not deductible for tax purposes. The Corporation's effective income tax recovery rate of 6.5% for the fourth quarter of 2015 was lower compared to the statutory rate of 26.5% due to the impact of expenses not deductible for tax purposes including \$26.5 million relating to the impairment of goodwill and intangible assets.

**Net earnings (loss)**

In the fourth quarter of 2016, the Corporation generated net earnings of \$8.9 million, or \$0.45 per share, compared to a net loss of \$33.3 million, or \$1.66 per share, in the fourth quarter of 2015. The \$42.2 million increase in net earnings resulted from an impairment of goodwill and intangible assets of \$37.3 million after-tax, or \$1.87 per share, incurred in the fourth quarter of 2015, an increase in gross profit, \$2.6 million of insurance recoveries and a reduction in selling and administrative expenses compared to the prior year.

**Adjusted net earnings (See the Non-GAAP and Additional GAAP Measures section)**

Adjusted net earnings exclude an impairment of goodwill and intangible assets of \$37.3 million after-tax, or \$1.87 per share, in 2015.

As such, adjusted net earnings increased \$4.9 million to \$8.9 million, or \$0.45 per share, in 2016 from \$4.0 million, or \$0.20 per share, in 2015. The \$4.9 million increase in adjusted net earnings resulted primarily from an increase in gross profit, \$2.6 million of insurance recoveries and a reduction in selling and administrative expenses.

**Comprehensive income**

Total comprehensive income of \$8.2 million in the fourth quarter of 2016 was comprised of net earnings of \$8.9 million and an other comprehensive loss of \$0.7 million. The other comprehensive loss resulted mainly from after-tax actuarial losses on pension plans of \$0.8 million recorded in the year.

**Funded net debt (See the Non-GAAP and Additional GAAP Measures section)**

Funded net debt of \$126.0 million at December 31, 2016 decreased \$21.9 million compared to September 30, 2016. The decrease during the quarter was due mainly to \$28.2 million of cash generated from operating activities exceeding dividends paid of \$4.9 million, investing activities of \$0.8 million and a reduction of obligations under finance leases of \$0.7 million. See the Fourth Quarter Cash Flows and Liquidity and Capital Resources sections.

**Dividends**

For the fourth quarter ended December 31, 2016 dividends declared totaled \$0.25 per share (2015 - \$0.25 per share).

**Backlog (See the Non-GAAP and Additional GAAP Measures section)**

Consolidated backlog at December 31, 2016 of \$116.7 million decreased \$25.4 million, or 18%, compared to September 30, 2016 due to decreases in the Equipment and Power Systems segments that were partially offset by an increase in the Industrial Components segment. See the Fourth Quarter Results of Operations section for further backlog detail by segment.

# Fourth Quarter Results of Operations

## Equipment

For the three months ended December 31		2016		2015
Equipment <sup>(1)</sup>	\$	93.5	\$	100.7
Parts and service	\$	58.8	\$	59.4
Segment revenue	\$	152.3	\$	160.1
Segment earnings <sup>(2)</sup>	\$	11.7	\$	9.4
Segment earnings margin <sup>(2)</sup>		7.7%		5.9%

(1) Includes rental and other revenue.

(2) Earnings before finance costs and income taxes.

Revenue in the fourth quarter of 2016 decreased \$7.8 million, or 5%, to \$152.3 million, from \$160.1 million in the fourth quarter of 2015. Segment earnings for the quarter increased \$2.3 million, to \$11.7 million, compared to the fourth quarter of 2015. The following factors contributed to the Equipment segment's fourth quarter results compared to the fourth quarter of 2015:

- Equipment revenue decreased \$7.2 million, or 7%, with specific year-over-year variances as follows:
  - Construction equipment revenue decreased \$8.8 million as a result of decreases in Bell articulated dump truck, Hitachi excavator and JCB equipment volumes in both western and central Canada due to lower market demand and competitive market pressures.
  - Forestry equipment revenue decreased \$3.8 million due to lower sales of Hitachi equipment in western Canada, offset partially by higher Tigercat and Peterson equipment sales in central Canada.
  - Mining equipment sales increased \$12.8 million due primarily to a large Hitachi mining shovel delivery in western Canada.
  - Crane and utility equipment revenue increased \$1.8 million as a result of higher sales to utility customers in eastern Canada.
  - Material handling equipment revenue decreased \$9.2 million mainly related to the sale of lower dollar value unit sales in all regions in 2016 compared to 2015 and lower market demand.
- Parts and service revenue decreased \$0.6 million, or 1%.
- Segment earnings for the fourth quarter increased \$2.3 million to \$11.7 million. The increase was primarily attributable to higher equipment gross profit margins and a \$1.3 million reduction in selling and administrative expenses combined with \$1.0 million of Fort McMurray wildfires related insurance recoveries, offset partially by lower volumes. Selling and administrative expenses decreased \$1.3 million as the benefit of headcount reductions and lower sales related expenses, more than offset higher annual employee incentives.

Backlog of \$46.9 million at December 31, 2016 decreased \$21.5 million compared to September 30, 2016 due mainly to a decrease in mining equipment orders.

## Power Systems

For the three months ended December 31	2016	2015
Equipment <sup>(1)</sup>	\$ 26.6	\$ 24.8
Parts and service	\$ 43.0	\$ 46.0
Segment revenue	\$ 69.6	\$ 70.8
Segment earnings before impairment of goodwill and intangible assets <sup>(2)</sup>	\$ 6.5	\$ 0.1
Impairment of goodwill and intangible assets	-	(13.7)
Segment earnings (loss) <sup>(3)</sup>	\$ 6.5	\$ (13.6)
Segment earnings before impairment of goodwill and intangible assets margin <sup>(2)</sup>	9.3%	0.2%
Impairment of goodwill and intangible assets	-	(19.4%)
Segment earnings (loss) margin <sup>(3)</sup>	9.3%	(19.2%)

(1) Includes rental and other revenue.

(2) Earnings before impairment of goodwill and intangible assets, finance costs and income taxes. See the Non-GAAP and Additional GAAP Measures section.

(3) Earnings (loss) before finance costs and income taxes.

Revenue in the fourth quarter of 2016 decreased \$1.2 million, or 2%, to \$69.6 million, compared to \$70.8 million in the fourth quarter of 2015. The segment recorded earnings of \$6.5 million in the fourth quarter of 2016 compared to a loss of \$13.6 million in 2015. Excluding the impairment of goodwill and intangible assets costs of \$13.7 million in the fourth quarter of 2015, segment earnings increased \$6.4 million. The following factors impacted quarterly revenue and earnings compared to last year:

- Equipment revenue increased \$1.8 million, due principally to higher on-highway sales in eastern Canada and higher power generation sales in central and eastern Canada.
- Parts and service revenue decreased \$3.0 million compared to last year, mainly attributable to lower power generation sales in all regions.
- Segment earnings increased \$20.1 million to \$6.5 million in 2016 compared to a segment loss of \$13.6 million in the fourth quarter of 2015. Excluding the impairment of goodwill and intangible assets charge of \$13.7 million in the fourth quarter of 2015, segment earnings increased \$6.4 million due to higher gross profit margins, a \$1.3 million decrease in selling and administrative expenses and \$1.1 million of insurance recoveries, mainly related to the Fort McMurray wildfires. The increase in gross profit margins resulted primarily from parts pricing initiatives, favorable product mix, lower service department overheads and a reduction in inventory obsolescence expense. The decrease in selling and administrative expenses was driven mainly by workforce reductions.

Backlog of \$25.9 million as of December 31, 2016 decreased \$7.1 million compared to September 30, 2016 as lower power generation orders in central and eastern Canada were only partially offset by higher off-highway orders in central Canada.

## Industrial Components

For the three months ended December 31	2016	2015
Segment revenue	\$ 92.8	\$ 94.3
Segment earnings before impairment of goodwill and intangible assets <sup>(1)</sup>	\$ 1.3	\$ 1.9
Impairment of goodwill and intangible assets	-	(27.5)
Segment earnings (loss) <sup>(2)</sup>	\$ 1.3	\$ (25.6)
Segment earnings margin before impairment of goodwill and intangible assets <sup>(1)</sup>	1.4%	2.0%
Impairment of goodwill and intangible assets	-	(29.2%)
Segment earnings (loss) margin <sup>(2)</sup>	1.4%	(27.2%)

(1) Earnings before impairment of goodwill and intangible assets, finance costs and income taxes. See the Non-GAAP and Additional GAAP Measures section.

(2) Earnings (loss) before finance costs and income taxes.

Revenue of \$92.8 million in the fourth quarter of 2016 decreased \$1.5 million, or 2%, from \$94.3 million in the fourth quarter of 2015. The segment recorded earnings of \$1.3 million in the fourth quarter of 2016 compared to a loss of \$25.6 million in the fourth quarter of 2015. Excluding the impairment of goodwill and intangible assets of \$27.5 million in the fourth quarter of 2015, segment earnings decreased \$0.6 million in the fourth quarter of 2016. The following factors contributed to the segment's fourth quarter year-over-year results:

- Bearings and power transmission parts sales increased \$0.8 million, or 1%, primarily due to increased sales to oil sands customers in western Canada and \$1.1 million of revenues realized from the Wilson Machine acquisition, offset partially by weakness in the mining sector in eastern Canada.
- Fluid power and process equipment products and service revenue in the fourth quarter of 2016 decreased \$2.3 million, or 6%, driven by lower mining sector sales in all regions and lower sales to oil sands customers in western Canada.
- Segment earnings increased \$26.9 million to \$1.3 million in the fourth quarter of 2016 compared to a segment loss of \$25.6 million in the prior year. Excluding the impairment of goodwill and intangible assets charge of \$27.5 million in the fourth quarter of 2015, segment earnings decreased \$0.6 million in the fourth quarter of 2016 due to lower volumes and gross profit margins and increased selling and administrative expenses. These decreases were offset partially by \$0.5 million of insurance recoveries related to the Fort McMurray wildfires. Lower gross profit margins resulted principally from higher inventory obsolescence expenses of \$0.5 million. Selling and administrative expenses increased slightly as the benefit of headcount reductions and lower sales related expenses, were more than offset by higher annual employee incentives and a \$1.0 million environmental remediation provision.

Backlog of \$43.9 million as of December 31, 2016 increased \$3.2 million compared to September 30, 2016 due primarily to higher orders in eastern Canada partially reduced by lower orders in western Canada. See the Non-GAAP and Additional GAAP Measures section.

# Fourth Quarter Cash Flows

## Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the quarters ended December 31, 2016 and December 31, 2015.

For the quarter ended December 31	2016	2015	Change
Net earnings (loss)	\$ 8.9	\$ (33.3)	\$ 42.2
Items not affecting cash flow	13.4	48.6	(35.2)
Net change in non-cash operating working capital	14.2	21.9	(7.7)
Finance costs paid	(4.5)	(4.6)	0.1
Income taxes paid	-	(1.9)	1.9
Rental equipment additions	(3.8)	(4.5)	0.7
Other non-current liabilities	-	(0.1)	0.1
Cash generated from operating activities	\$ 28.2	\$ 26.1	\$ 2.1
Cash used in investing activities	\$ (0.8)	\$ (1.2)	\$ 0.4
Cash used in financing activities	\$ (23.0)	\$ (9.8)	\$ (13.2)

### Cash Generated From Operating Activities

The \$2.1 million increase in cash flows generated from operating activities was mainly attributable to an increase in net earnings of \$42.2 million offset partially by a decrease in items not affecting cash flow of \$35.2 million and a decrease in cash generated from changes in non-cash operating working capital of \$7.7 million. Both the increase in net earnings and decrease in items not affecting cash flow include the 2015 impairment of goodwill and intangible assets of \$41.2 million (\$37.3 million after-tax).

Significant components of non-cash operating working capital, along with changes for the quarters ended December 31, 2016 and December 31, 2015 include the following:

Changes in Non-cash Operating Working Capital <sup>(1)</sup>	2016	2015
Trade and other receivables	\$ (18.5)	\$ 9.6
Contracts in progress	(2.7)	4.6
Inventories	8.8	4.3
Deposits on inventory	2.5	(4.7)
Prepaid expenses	1.1	(0.6)
Accounts payable and accrued liabilities	21.5	8.4
Provisions	1.5	0.2
<b>Total Changes in Non-cash Operating Working Capital</b>	<b>\$ 14.2</b>	<b>\$ 21.9</b>

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the quarter ended December 31, 2016 compared to the quarter ended December 31, 2015 are as follows:

- Trade and other receivables increased \$18.5 million in 2016 compared to a decrease of \$9.6 million in 2015. The increase in 2016 resulted primarily from an increase in the Equipment segment due to higher sales activity in the fourth quarter compared to the previous quarter. The decrease in 2015 resulted mainly from improved collections in the Power Systems segment compared to the previous quarter.
- Inventories decreased \$8.8 million in the current quarter compared to a decrease of \$4.3 million in 2015. The decrease in 2016 was due to inventory reduction measures executed in all segments. The decrease in 2015 was primarily due to lower inventory in the Equipment segment.

- Accounts payable and accrued liabilities increased \$21.5 million in 2016 compared to an increase of \$8.4 million in 2015. The increase in 2016 resulted primarily from higher trade payables related to mining equipment inventory in the Equipment segment and higher inventory trade payables in the Power Systems segment. The increase in 2015 resulted primarily from higher inventory trade payables in the Equipment segment.

### **Investing Activities**

During the fourth quarter of 2016, Wajax invested \$0.7 million in property, plant and equipment additions, net of disposals, compared to \$1.1 million in the fourth quarter of 2015.

### **Financing Activities**

The Corporation used \$23.0 million of cash in financing activities in the fourth quarter of 2016 compared to \$9.8 million of cash used in the same quarter of 2015. Financing activities in the quarter included bank credit facility repayments of \$17.0 million (2015 – \$4.0 million), dividends paid to shareholders totaling \$4.9 million (2015 – \$5.0 million) and finance lease payments of \$1.0 million (2015 – \$1.0 million). See the Liquidity and Capital Resources section.

## **Non-GAAP and Additional GAAP Measures**

The MD&A contains certain non-GAAP and additional GAAP measures that do not have a standardized meaning prescribed by GAAP. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to net earnings or to cash flow from operating, investing, and financing activities determined in accordance with GAAP as indicators of the Corporation's performance. The Corporation's management believes that:

- (i) these measures are commonly reported and widely used by investors and management,
- (ii) the non-GAAP measures are commonly used as an indicator of a company's cash operating performance, profitability and ability to raise and service debt,
- (iii) the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital, tax structures, impairment of goodwill and intangible assets and restructuring costs, and
- (iv) "Adjusted net earnings", "Adjusted basic earnings per share", "Adjusted diluted earnings per share" and "segment earnings before impairment of goodwill and intangible assets and restructuring costs" provide indications of the results by the Corporation's principal business activities prior to recognizing the impairment of goodwill and intangible assets and restructuring costs that are outside the Corporation's normal course of business. "Adjusted EBITDA" used in calculating the Leverage Ratio excludes the impairment of goodwill and intangible assets and restructuring costs which is consistent with the leverage ratio calculations under the Corporation's bank credit and senior note agreements. See the Annual Consolidated Results – Impairment of Goodwill and Intangible Assets and the Annual Consolidated Results – Restructuring Costs sections.

Non-GAAP financial measures are identified and defined below:

#### **Funded net debt**

Funded net debt includes bank indebtedness, long-term debt and obligations under finance leases, net of cash. Funded net debt is a component relevant in calculating the Corporation's Funded Net Debt to Total Capital, which is a non-GAAP measure commonly used as an indicator of a company's ability to raise and service debt.

#### **Debt**

Debt is funded net debt plus letters of credit. Debt is a component relevant in calculating the Corporation's Leverage Ratio, which is a non-GAAP measure commonly used as an indicator of a company's ability to raise and service debt.

#### **EBITDA**

Net earnings (loss) before finance costs, income tax expense, depreciation and amortization. EBITDA is a non-GAAP measure commonly used as an indicator of a company's cash operating performance.

#### **Adjusted net earnings**

Net earnings (loss) before after tax impairment of goodwill and intangible assets and restructuring costs.

<b>Adjusted basic and diluted earnings per share</b>	Basic and diluted earnings per share before after tax impairment of goodwill and intangible assets and restructuring costs.
<b>Adjusted EBITDA</b>	EBITDA before impairment of goodwill and intangible assets and restructuring costs.
<b>Leverage ratio</b>	The leverage ratio is defined as debt at the end of a particular quarter divided by trailing 12-month Adjusted EBITDA. The Corporation's objective is to maintain this ratio between 1.5 times and 2.0 times.
<b>Funded net debt to total capital</b>	Defined as funded net debt divided by total capital. Total capital is the funded net debt plus shareholder's equity.
<b>Backlog</b>	Backlog includes the total sales value of customer purchase commitments for future delivery or commissioning of equipment, parts and related services.

Additional GAAP measures are identified and defined below:

<b>Earnings (loss) before finance costs and income taxes (EBIT)</b>	Earnings (loss) before finance costs and income taxes, as presented on the Consolidated Statements of Earnings.
<b>Earnings (loss) before income taxes (EBT)</b>	Earnings (loss) before income taxes, as presented on the Consolidated Statements of Earnings.
<b>Segment earnings before impairment of goodwill and intangible assets and restructuring costs</b>	Segment earnings before impairment of goodwill and intangible assets, restructuring costs, finance costs and income taxes.
<b>Segment earnings margin before impairment of goodwill and intangible assets and restructuring costs</b>	Segment earnings before impairment of goodwill and intangible assets, restructuring costs, finance costs and income taxes divided by segment revenue.

Reconciliation of the Corporation's net earnings (loss) to adjusted net earnings and basic and diluted adjusted earnings per share is as follows:

	Three months ended		Twelve months ended	
	December 31		December 31	
	2016	2015	2016	2015
Net earnings (loss)	\$ 8.9	\$ (33.3)	\$ 11.0	\$ (11.0)
Impairment of goodwill and intangible assets, after tax	-	37.3	-	37.3
Restructuring costs, after-tax	-	-	9.1	1.5
<b>Adjusted net earnings</b>	<b>\$ 8.9</b>	<b>\$ 4.0</b>	<b>\$ 20.1</b>	<b>\$ 27.8</b>
<b>Adjusted basic earnings per share<sup>(1)(2)</sup></b>	<b>\$ 0.45</b>	<b>\$ 0.20</b>	<b>\$ 1.01</b>	<b>\$ 1.50</b>
<b>Adjusted diluted earnings per share<sup>(1)(2)</sup></b>	<b>\$ 0.44</b>	<b>\$ 0.20</b>	<b>\$ 1.00</b>	<b>\$ 1.50</b>

(1) At December 31, 2016 the numbers of basic and diluted weighted average shares outstanding were 19,805,485 and 20,250,820, respectively for the three months ended and 19,898,004 and 20,203,771, respectively for the twelve months ended.

(2) At December 31, 2015 the numbers of basic and diluted weighted average shares outstanding were 19,983,800 and 19,983,800, respectively for the three months ended and 18,559,558 and 18,559,558, respectively for the twelve months ended.

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

	Twelve months ended	
	December 31	
	2016	2015
<b>Net earnings (loss)</b>	<b>\$ 11.0</b>	<b>\$ (11.0)</b>
Income tax expense	4.7	6.3
<b>EBT</b>	<b>15.7</b>	<b>(4.7)</b>
Finance costs	11.2	12.2
<b>EBIT</b>	<b>26.9</b>	<b>7.5</b>
Depreciation and amortization	24.5	24.5
<b>EBITDA</b>	<b>51.5</b>	<b>32.0</b>
Impairment of goodwill and intangible assets	-	41.2
Restructuring costs <sup>(1)</sup>	12.5	2.1
<b>Adjusted EBITDA</b>	<b>\$ 64.0</b>	<b>\$ 75.3</b>

(1) For the twelve months ended December 31, 2016 - Includes the \$12.5 million restructuring provision recorded in the first quarter of 2016.

For the twelve months ended December 31, 2015 - Includes the \$2.1 million Power Systems segment restructuring provision recorded in the second quarter of 2015.

Calculation of the Corporation's funded net debt, debt and leverage ratio is as follows:

	December 31	December 31
	2016	2015
Cash	\$ (4.9)	\$ (13.6)
Obligations under finance leases	8.9	11.0
Long-term debt	122.0	151.6
<b>Funded net debt</b>	<b>\$ 126.0</b>	<b>\$ 149.0</b>
Letters of credit	6.4	5.1
<b>Debt</b>	<b>132.4</b>	<b>154.1</b>
<b>Leverage ratio<sup>(1)</sup></b>	<b>2.07</b>	<b>2.05</b>

(1) Calculation uses trailing four-quarter Adjusted EBITDA.

This leverage ratio is calculated for purposes of monitoring the Corporation's objective target leverage ratio of between 1.5 times and 2.0 times. The calculation contains some differences from the leverage ratios calculated under the Corporation's bank credit facility and senior note agreements ("the agreements"). The resulting leverage ratios under the agreements are not significantly different. See the Liquidity and Capital Resources section.

# 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 and disclosures made in these consolidated financial statements. Actual results could differ from those judgements, estimates and assumptions. Note 3 of 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 of over 30,000 customers with no single customer accounting for more than 10% of the Corporation's annual consolidated revenue. In addition, the Corporation's customer base spans large public companies, small independent contractors, OEMs and various levels of government and covers most business sectors across Canada. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains provisions for possible credit losses, and any such losses to date have been within management's expectations. The provision for doubtful accounts is determined on an account-by-account basis. The \$1.1 million provision for doubtful accounts at December 31, 2016 remained unchanged from the prior year. As economic conditions deteriorate, there is risk that the Corporation could experience a greater number of defaults compared to 2016 which would result in an increased charge to earnings.

## **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 2016 was \$10.3 million compared to \$6.0 million in 2015. As economic conditions deteriorate or customer demand changes, there is risk that the Corporation could have an increase in inventory obsolescence compared to 2016 which would result in an increased charge to earnings.

## **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, discount rate 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.

During the year, the Corporation performed impairment tests, based on value in use, of the goodwill and intangible assets with an indefinite life in each of its cash generating unit groups and concluded that no impairment existed. During 2015, the Corporation performed impairment tests, based on value in use, of its goodwill and intangible assets with an indefinite life and concluded that impairments existed in the cash generating unit groups of the Power Systems segment and the Industrial Components segment totaling \$41.2 million. See the Annual Consolidated Results – Impairment of Goodwill and Intangible Assets section.

# Changes in Accounting Policies

No new standards have been adopted in the current year:

## **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, 2016 and have not been applied in preparing these consolidated financial statements.

On January 1, 2018, the Corporation will be required to adopt IFRS 15 Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation is currently assessing the impact of this standard on its consolidated financial statements and business.

On January 1, 2018, the Corporation will be required to adopt IFRS 9 Financial Instruments, which will 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. Additional changes to the new standard will align hedge accounting more closely with risk management. The Corporation is currently assessing the impact of this standard on its consolidated financial statements and business.

On January 1, 2019, the Corporation will be required to adopt IFRS 16 Leases. The new standard contains a single lease accounting model for lessees, whereby all leases with a term longer than 12 months are recognized on-balance sheet through a right-of-use asset and lease liability. The model features a front-loaded total lease expense recognized through a combination of depreciation and interest. Lessor accounting remains similar to current requirements. The Corporation is currently assessing the impact of this standard on its consolidated financial statements and business.

## **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, Wajax's ability to meet its established financial targets as set out in the Strategy section, Wajax's ability to achieve the expected benefits of transitioning to its new structure as set out in the Reorganization section and Wajax's ability to pay cash dividends to shareholders. Wajax attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. In addition, Wajax has adopted an annual enterprise risk management assessment which is prepared by the Corporation's senior management and overseen by the Board of Directors and Committees of the Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Wajax.

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

### **Manufacturer relationships and product access**

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

There is a continuing consolidation trend among industrial equipment and component manufacturers. Consolidation may impact the products distributed by Wajax, in either a favourable or unfavourable manner.

Consolidation of manufacturers may have a negative impact on the results of operations or cash flow if product lines Wajax distributes become unavailable as a result of the consolidation.

Suppliers generally have the ability to unilaterally change distribution terms and conditions, product lines 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. A change in one of a supplier's product lines can result in conflicts with another supplier's product lines that may have a negative impact on the results of operations or cash flow if one of the suppliers cancels its distribution with Wajax due to the conflict. 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, deposits on inventory, trade and other payables and bank debt.

### **Economic conditions/Business cyclicalities**

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 cyclicalities 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, the Corporation established its 4 Points of Growth strategy including a target leverage ratio range of 1.5 – 2.0 times. See the Strategy section and the Non-GAAP and Additional GAAP Measures sections. While conditions remain challenging, the Corporation has a strong strategy and is confident in its growth prospects. The Corporation's confidence is strengthened by the enhanced earnings potential of a reorganized Corporation and by relationships with its customers and vendors. See the Reorganization section. Wajax's ability to develop core capabilities and successfully grow its business through organic growth will be dependent on the segments' achieving their individual growth initiatives. Wajax's ability to successfully grow its business through acquisitions will be dependent on a number of factors including: identification of accretive new business or acquisition opportunities; negotiation of purchase agreements on satisfactory terms and prices; prior approval of acquisitions by third parties, including regulatory authorities; securing attractive financing arrangements; and integration of newly acquired operations into the existing business. All of these activities associated with growing the business, realizing enhanced earnings potential from the new structure and investments made in systems 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 reorganize into a new structure and 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, in particular through the reorganization into a new structure in 2016, may have an adverse impact on Wajax's current operations or future prospects. See the Reorganization section.

**Leverage, credit availability and restrictive covenants**

Wajax has a \$250 million revolving bank credit facility which expires August 12, 2020. Wajax also has \$125 million of senior notes outstanding bearing an annual interest rate of 6.125%, payable semi-annually, and maturing on October 23, 2020. The bank credit facility and senior notes contain restrictive covenants which place restrictions on, among other things, the ability of Wajax to encumber or dispose of its assets, the amount of finance costs incurred and dividends declared relative to earnings and certain reporting obligations. A failure to comply with the obligations of the facility or senior notes could result in an event of default which, if not cured or waived, could require an accelerated repayment of the facility or senior notes. There can be no assurance that Wajax's assets would be sufficient to repay the facility or senior notes in full.

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

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

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

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

**Quality of products distributed**

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

**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.

**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.

**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 or new systems due, for example,

to the upgrade or conversion thereof, or the failure of these systems or new systems to operate as expected could, depending on the magnitude of the problem, adversely affect Wajax's operating results by limiting the ability to effectively monitor and control Wajax's operations.

### **Credit risk**

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

### **Labour relations**

Wajax has approximately 2,318 employees. Wajax is party to thirteen collective agreements covering a total of approximately 311 employees. Of these, two collective agreements covering 31 employees have been renegotiated (one with a two year mandate), one collective agreement covering 49 employees has been ratified, but is still pending signatures, and one collective agreement covering 7 employees expired in 2016 and is currently being re-negotiated. Of the remaining nine collective agreements, five will expire in 2017 and preparations for re-negotiations are under way. Of the remaining four collective agreements, three expire in 2018 and one expires in 2019. 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 Wajax will periodically institute price increases on inventory imported from the U.S. to offset the negative impact of foreign exchange rate increases to ensure margins are not eroded. However, a sudden strengthening U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short-term prior to price increases taking effect.

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 and primarily with Freightliner and Western Star truck dealers for on-highway business. Competition is based primarily on product quality, pricing and the ability to service the product after the sale.

In terms of the Industrial Components segment, the hydraulics and process equipment branches compete with other distributors of hydraulics components and process equipment on the basis of quality and price of the product lines, the capacity to provide custom-engineered solutions and high service standards. The

bearings and power transmission product branches compete with a number of distributors representing the same or competing product lines and rely primarily on high service standards, price and value added services to gain market advantage.

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

#### **Litigation and product liability claims**

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

#### **Guaranteed residual value, recourse and buy-back contracts**

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

#### **Future warranty claims**

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

#### **Maintenance and repair contracts**

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

#### **Environmental factors**

From time to time, Wajax experiences environmental incidents, emissions or spills in the course of its normal business activities. Wajax has established environmental compliance and monitoring programs, including an internal compliance audit function, which management believes are appropriate for its operations. In addition, Wajax retains environmental engineering consultants to conduct the following activities: environmental site assessments prior to the acquisition or occupation by Wajax; ongoing monitoring of soil and groundwater contamination; and remediation of contaminated sites. 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. Management is not aware of any material environmental concerns for which a provision has not been recorded.

#### **Cyber security**

Wajax's business relies on information technology including third party service providers, to process, transmit and store electronic information including that related to customers, vendors and employees. A breach in the security of the Corporation's information technology, or that of its third party service providers, could expose the business to a risk of loss, misuse of confidential information and/or business interruption.

The Corporation has general security controls in place, including security tools, and is currently implementing recommendations from a recently completed security review performed by a third party. In addition, the Corporation has policies in place regarding security over confidential customer, vendor and employee information, commenced employee security training in late 2016, and has recovery plans in place in the event of a cyber-attack.

Despite such security controls, there is no assurance that cyber security threats can be fully detected, prevented or mitigated. Should such threats materialize and depending on the magnitude of the problem, they could have a material impact on Wajax's business, results of operations or financial condition.

## **Strategic Direction and Outlook**

Despite the continuing challenging market conditions, Wajax delivered improved results in the fourth quarter. On an adjusted net earnings basis and excluding the impact of insurance recoveries and the environmental provision, fourth quarter results increased over the previous year as higher gross margins and lower selling and administrative costs more than made up for the reduction in revenue. Management is pleased with the improvement in the Power Systems segment, where cost reduction and margin improvement initiatives significantly benefitted fourth quarter results.

The reorganization announced in March 2016 is now complete and the Corporation will begin reporting externally under the new functional structure in 2017. Through much hard work by the entire Wajax team, the reorganization efforts are expected to improve the execution of the Corporation's strategy. Additionally, the Corporation realized approximately \$8.6 million of savings in 2016 and expects to begin realizing approximately \$17 million of annualized cost savings in 2017.

Higher quarterly earnings combined with \$14.2 million of cash generated from reduced operating working capital resulted in a \$21.9 million reduction in funded net debt in the quarter. As a result, the year end leverage ratio was 2.1X, just slightly above the Corporation's target range of 1.5X – 2.0X.

Looking forward to 2017, although there have been some announced increases in planned investments by Canadian oil and gas companies, management expects that most major resource and industrial markets will remain under continuing spending and resultant competitive pressure. The focus in 2017 will be to generate revenue sufficient to offset the four large shovel deliveries made in 2016 (which are not expected to be repeated), effectively manage margins and ensure the Corporation delivers the operational improvements and full annualized savings expected from the reorganization. Assuming the achievement of these objectives, management anticipates net earnings in 2017 will increase compared to 2016 adjusted net earnings.

See the Non-GAAP and Additional GAAP Measures section.

Additional information, including Wajax's Annual Report and Annual Information Form, are available on SEDAR at [www.sedar.com](http://www.sedar.com).

# WAJAX CORPORATION

Unaudited Condensed Consolidated Financial Statements

For the three and twelve months ended December 31, 2016

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.

**W A J A X C O R P O R A T I O N**  
**C O N D E N S E D C O N S O L I D A T E D S T A T E M E N T S O F**  
**F I N A N C I A L P O S I T I O N**

As at (unaudited, in thousands of Canadian dollars)	Note	December 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash		\$ 4,854	\$ 13,614
Trade and other receivables		194,613	167,176
Contracts in progress		7,095	4,842
Inventories		283,421	305,669
Deposits on inventory		19,407	21,419
Income taxes receivable		-	841
Prepaid expenses		5,463	6,978
Derivative instruments		553	1,611
		<b>515,406</b>	<b>522,150</b>
<b>NON-CURRENT</b>			
Rental equipment	3	58,106	64,104
Property, plant and equipment	4	45,658	46,217
Intangible assets		41,205	41,767
Deferred tax asset	10	4,573	3,230
		<b>149,542</b>	<b>155,318</b>
		<b>\$ 664,948</b>	<b>\$ 677,468</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities	5	\$ 232,715	\$ 204,999
Provisions		5,839	5,244
Dividends payable		4,956	4,997
Income taxes payable		2,287	-
Obligations under finance leases		3,701	4,198
		<b>249,498</b>	<b>219,438</b>
<b>NON-CURRENT</b>			
Provisions		2,305	3,300
Employee benefits		8,106	6,752
Other liabilities		1,118	1,048
Obligations under finance leases		5,154	6,844
Long-term debt	6	121,952	151,582
		<b>138,635</b>	<b>169,526</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	178,764	179,829
Contributed surplus		7,137	5,930
Retained earnings		90,812	101,916
Accumulated other comprehensive income		102	829
Total shareholders' equity		<b>276,815</b>	<b>288,504</b>
		<b>\$ 664,948</b>	<b>\$ 677,468</b>

These condensed consolidated financial statements were approved by the Board of Directors on March 7, 2017.

**W A J A X C O R P O R A T I O N**  
**C O N D E N S E D C O N S O L I D A T E D S T A T E M E N T S O F**  
**E A R N I N G S**

(unaudited, in thousands of Canadian dollars, except per share data)	Note	Three months ended December 31		Twelve months ended December 31	
		<b>2016</b>	2015	<b>2016</b>	2015
Revenue		\$ 313,725	\$ 324,438	\$ 1,221,908	\$ 1,273,308
Cost of sales		<b>250,917</b>	264,514	<b>990,966</b>	1,019,408
Gross profit		<b>62,808</b>	59,924	<b>230,942</b>	253,900
Selling and administrative expenses		<b>50,264</b>	51,505	<b>195,203</b>	203,087
Impairment of goodwill and intangible assets		-	41,220	-	41,220
Restructuring costs	14	-	-	<b>12,500</b>	2,060
Insurance recoveries	16	<b>(2,646)</b>	-	<b>(3,663)</b>	-
Earnings (loss) before finance costs and income taxes		<b>15,190</b>	(32,801)	<b>26,902</b>	7,533
Finance costs		<b>2,809</b>	2,776	<b>11,181</b>	12,233
Earnings (loss) before income taxes		<b>12,381</b>	(35,577)	<b>15,721</b>	(4,700)
Income tax expense (recovery)	10	<b>3,486</b>	(2,318)	<b>4,722</b>	6,315
Net earnings (loss)		\$ <b>8,895</b>	\$ (33,259)	\$ <b>10,999</b>	\$ (11,015)
Basic earnings (loss) per share	11	\$ <b>0.45</b>	\$ (1.66)	\$ <b>0.55</b>	\$ (0.59)
Diluted earnings (loss) per share	11	\$ <b>0.44</b>	\$ (1.66)	\$ <b>0.54</b>	\$ (0.59)

**W A J A X C O R P O R A T I O N**  
**C O N D E N S E D C O N S O L I D A T E D S T A T E M E N T S O F**  
**C O M P R E H E N S I V E I N C O M E**

(unaudited, in thousands of Canadian dollars)	Three months ended December 31		Twelve months ended December 31	
	<b>2016</b>	2015	<b>2016</b>	2015
Net earnings (loss)	\$ <b>8,895</b>	\$ (33,259)	\$ <b>10,999</b>	\$ (11,015)
<b>Items that will not be reclassified to income</b>				
Actuarial (losses) gains on pension plans, net of tax recovery of \$293 (2015 – expense of \$279) and year to date, net of tax recovery of \$293 (2015 – expense of \$279)	<b>(797)</b>	758	<b>(797)</b>	758
<b>Items that may be subsequently reclassified to income</b>				
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 \$11 (2015 – expense of \$206) and year to date, net of tax recovery of \$147 (2015 – expense of \$815)	<b>31</b>	(581)	<b>408</b>	(2,301)
Gains (losses) on derivative instruments outstanding at the end of the period designated as cash flow hedges, net of tax expense of \$33 (2015 – \$237) and year to date, net of tax recovery of \$418 (2015 – expense of \$891)	<b>91</b>	667	<b>(1,135)</b>	2,513
Other comprehensive (loss) income, net of tax	<b>(675)</b>	844	<b>(1,524)</b>	970
Total comprehensive income (loss)	\$ <b>8,220</b>	\$ (32,415)	\$ <b>9,475</b>	\$ (10,045)

**W A J A X   C O R P O R A T I O N**  
**C O N D E N S E D   C O N S O L I D A T E D   S T A T E M E N T S   O F**  
**C H A N G E S   I N   S H A R E H O L D E R S '   E Q U I T Y**

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						Accumulated other comprehensive income (loss)		
For the twelve months ended December 31, 2016 (unaudited, in thousands of Canadian dollars)		Note	Share capital	Contributed surplus	Retained earnings	Cash flow hedges	Total	
December 31, 2015			\$ 179,829	5,930	101,916	829	\$	288,504
Net earnings			-	-	10,999	-		10,999
Other comprehensive loss			-	-	(797)	(727)		(1,524)
Total comprehensive income (loss) for the period			-	-	10,202	(727)		9,475
Shares issued to settle share-based compensation plans	9		743	(743)	-	-		-
Shares purchased and held in trust	7		(1,808)	-	(1,437)	-		(3,245)
Dividends	8		-	-	(19,869)	-		(19,869)
Share-based compensation expense	9		-	1,950	-	-		1,950
<b>December 31, 2016</b>			<b>\$ 178,764</b>	<b>7,137</b>	<b>90,812</b>	<b>102</b>	<b>\$</b>	<b>276,815</b>

**WAJAX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF**  
**CHANGES IN SHAREHOLDERS' EQUITY**

For the twelve months ended December 31, 2015 (unaudited, in thousands of Canadian dollars)		Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income		Total
						Cash flow hedges		
December 31, 2014			\$ 107,454	5,176	135,269	617	\$	248,516
Net loss			-	-	(11,015)	-		(11,015)
Other comprehensive income			-	-	758	212		970
Total comprehensive (loss) income for the period			-	-	(10,257)	212		(10,045)
Issuance of common shares			72,278	-	-	-		72,278
Shares issued to settle share-based compensation plans		9	97	(97)	-	-		-
Dividends		8	-	-	(23,096)	-		(23,096)
Share-based compensation expense		9	-	851	-	-		851
<b>December 31, 2015</b>			<b>\$ 179,829</b>	<b>5,930</b>	<b>101,916</b>	<b>829</b>	<b>\$</b>	<b>288,504</b>

**W A J A X   C O R P O R A T I O N**

**C O N D E N S E D   C O N S O L I D A T E D   S T A T E M E N T S   O F**

**C A S H   F L O W S**

		Three months ended December 31		Twelve months ended December 31	
(unaudited, in thousands of Canadian dollars)	Note	2016	2015	2016	2015
<b>OPERATING ACTIVITIES</b>					
Net earnings (loss)		\$ 8,895	\$ (33,259)	\$ 10,999	\$ (11,015)
Items not affecting cash flow:					
Depreciation and amortization:					
Rental equipment		3,635	3,768	14,578	13,879
Property, plant and equipment		2,506	2,423	9,161	9,114
Intangible assets		153	301	809	1,471
(Gain) loss on disposal of property, plant and equipment	4	(21)	42	(197)	56
Impairment of goodwill and intangible assets		-	41,220	-	41,220
Share-based compensation expense	9	622	194	1,950	851
Non-cash rental expense		313	50	476	173
Employee benefits (recovery) expense, net of payments		(36)	350	264	532
Change in fair value of non-hedge derivative instruments		(39)	(206)	475	(1,404)
Finance costs		2,809	2,776	11,181	12,233
Income tax expense (recovery)	10	3,486	(2,318)	4,722	6,315
		<b>22,323</b>	<b>15,341</b>	<b>54,418</b>	<b>73,425</b>
Changes in non-cash operating working capital	12	14,208	21,895	30,900	(20,023)
Rental equipment additions	3	(3,790)	(4,498)	(13,538)	(22,952)
Other non-current liabilities		(48)	(110)	(925)	(849)
Finance costs paid		(4,473)	(4,573)	(10,299)	(11,433)
Income taxes paid		(2)	(1,926)	(2,373)	(10,292)
Cash generated from operating activities		<b>28,218</b>	<b>26,129</b>	<b>58,183</b>	<b>7,876</b>
<b>INVESTING ACTIVITIES</b>					
Property, plant and equipment additions	4	(754)	(1,290)	(3,888)	(4,643)
Proceeds on disposal of property, plant and equipment	4	67	191	833	513
Intangible assets additions		(107)	(93)	(247)	(144)
Acquisition of business	15	8	-	(5,565)	-
Cash used in investing activities		<b>(786)</b>	<b>(1,192)</b>	<b>(8,867)</b>	<b>(4,274)</b>
<b>FINANCING ACTIVITIES</b>					
Net decrease in bank debt	6	(17,000)	(4,000)	(30,000)	(30,000)
Proceeds from issuance of share capital		-	-	-	71,366
Common shares purchased and held in trust	7	-	-	(3,245)	-
Deferred financing costs		-	-	(367)	-
Finance lease payments		(1,000)	(997)	(4,254)	(3,884)
Settlement of non-hedge derivative instruments		(4)	194	(300)	1,698
Dividends paid		(4,948)	(4,996)	(19,910)	(21,455)
Cash (used in) generated from financing activities		<b>(22,952)</b>	<b>(9,799)</b>	<b>(58,076)</b>	<b>17,725</b>
<b>Change in cash and bank indebtedness</b>		<b>4,480</b>	<b>15,138</b>	<b>(8,760)</b>	<b>21,327</b>
Cash (bank indebtedness) - beginning of period		<b>374</b>	<b>(1,524)</b>	<b>13,614</b>	<b>(7,713)</b>
Cash - end of period		<b>\$ 4,854</b>	<b>\$ 13,614</b>	<b>\$ 4,854</b>	<b>\$ 13,614</b>

**W A J A X   C O R P O R A T I O N**  
**N O T E S   T O   C O N D E N S E D   C O N S O L I D A T E D**  
**F I N A N C I A L   S T A T E M E N T S**

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DECEMBER 31, 2016

(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 2250 Argentia Road, Mississauga, Ontario, Canada. The Corporation is a leading Canadian distributor engaged in the sale and service support of mobile equipment, power systems and industrial components. Reflecting a diversified exposure to the Canadian economy, the Corporation has three distinct product divisions which operate through a network of 109 branch locations across Canada.

The Corporation’s customer base covers core sectors of the Canadian economy, including construction, industrial and commercial, transportation, the oil sands, forestry, oil and gas, metal processing and mining.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 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 the Corporation for the year ended December 31, 2015. The significant accounting policies follow those disclosed in the most recently reported audited consolidated financial statements.

**Basis of measurement**

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

**Functional and presentation currency**

These 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. RENTAL EQUIPMENT

The Corporation acquired rental equipment with a cost of \$3,790 during the quarter (2015 – \$4,498) and \$13,538 year to date (2015 – \$22,952). Equipment with a carrying amount of \$507 during the quarter (2015 - \$929) and \$3,998 year to date (2015 – \$6,210) was transferred from inventories to rental equipment. Equipment with a carrying amount of \$2,131 during the quarter (2015 - \$2,236) and \$8,956 year to date (2015 – \$10,573) was transferred from rental equipment to inventories.

### 4. PROPERTY, PLANT AND EQUIPMENT

The Corporation acquired property, plant and equipment with a cost of \$1,051 during the quarter (2015 – \$1,290) and \$7,170 year to date (2015 – \$4,643). Assets with a carrying amount of \$46 during the quarter (2015 – \$233) and \$636 year to date (2015 – \$569) were disposed of, resulting in a gain on disposal of \$21 during the quarter (2015 – loss of \$42) and \$197 year to date (2015 – loss of \$56).

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2016	December 31, 2015
Trade payables	\$ 130,043	\$ 91,090
Deferred income – contract revenue	25	270
Deferred income – other	15,300	7,431
Supplier payables with extended terms	29,232	44,255
Payroll, bonuses and incentives	22,223	18,235
Restructuring accrual	4,687	1,667
Accrued liabilities	31,205	42,051
Accounts payable and accrued liabilities	\$ 232,715	\$ 204,999

### 6. LONG-TERM DEBT

On September 6, 2016, the Corporation amended its committed bank credit facility, extending the maturity date from August 12, 2019 to August 12, 2020. In addition, the \$30,000 non-revolving term portion of the facility was repaid, using proceeds from a drawdown under the revolving term portion of the facility, and the \$220,000 revolving term portion of the facility was increased to \$250,000. The \$367 cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility.

### 7. SHARE CAPITAL

		Number of Common Shares	Amount
Issued and outstanding, December 31, 2015		19,986,241	\$ 179,829
Common shares issued to settle share-based compensation plans	9	40,578	743
Issued and outstanding, December 31, 2016		20,026,819	\$ 180,572
Shares purchased and held in trust for future settlement of DSUs, RSUs and PSUs		(200,968)	(1,808)
<b>Issued and outstanding, net of shares held in trust, December 31, 2016</b>		<b>19,825,851</b>	<b>\$ 178,764</b>

For the future settlement of DSUs, RSUs, and PSUs the Corporation purchased 200,968 common shares year to date on the open market through Employee Benefit Plan Trusts. The cash consideration paid for the purchase was \$3,245, the reduction in share capital was \$1,808 and the premium charged to Retained Earnings was \$1,437.

## 8. DIVIDENDS DECLARED

During the three months ended December 31, 2016, the Corporation declared cash dividends of \$0.25 per share or \$4,956 (2015 – dividends of \$0.25 per share or \$4,997).

Year to date, the Corporation declared cash dividends of \$1.00 per share or \$19,869 (2015 – dividends of \$1.23 per share or \$23,096).

On March 7, 2017, the Corporation declared a first quarter 2017 dividend of \$0.25 per share or \$4,956.

## 9. SHARE-BASED COMPENSATION PLANS

The Corporation has four share-based compensation plans: the Wajax Share Ownership Plan (“SOP”), the Directors’ Deferred Share Unit Plan (“DDSUP”), the Mid-Term Incentive Plan for Senior Executives (“MTIP”) and the Deferred Share Unit Plan (“DSUP”).

### a) Treasury share rights plans

The Corporation recorded compensation cost of \$187 for the quarter (2015 – \$194) and \$731 for the year to date (2015 – \$851) in respect of the SOP and DDSUP plans.

	Twelve months ended December 31, 2016		Twelve months ended December 31, 2015	
	Number of rights	Fair value at time of grant	Number of rights	Fair value at time of grant
Outstanding at beginning of year	325,144	\$ 6,008	287,550	\$ 5,420
Granted in the period – new grants	39,164	670	32,997	685
– dividend equivalents	21,728	-	14,955	-
Settled in the period	(40,578)	(743)	(10,358)	(97)
Outstanding at end of period	345,458	\$ 5,935	325,144	\$ 6,008

At December 31, 2016, 339,504 share rights were vested (December 31, 2015 – 319,553).

### b) Market-purchased share rights plans

In March 2016, the MTIP and DSUP were amended such that all new grants under the MTIP, comprised of restricted share units (“RSUs”) and performance share units (“PSUs”), and all new grants under the DSUP will be settled in market-purchased common shares of the Corporation on a one-for-one basis provided that the time and performance vesting criteria are met. Whenever dividends are paid on the Corporation’s shares, additional rights with a value equal to the dividends are credited to the participants’ accounts with the same vesting conditions as the original MTIP and DSUP rights. Grants prior to March 2016 under these plans will be settled in cash. The Corporation recorded compensation cost of \$435 for the quarter (2015 - \$nil) and \$1,219 for the year to date (2015 – \$nil) in respect of these plans. The following new MTIP and DSUP rights are outstanding:

	Twelve months ended December 31, 2016	
	Number of Rights	Fair value at time of grant
Outstanding at beginning of year	-	\$ -
Granted in the period – new grants	324,702	5,549
– dividend equivalents	11,007	-
Forfeitures	(19,793)	(338)
Outstanding at end of period	315,916	\$ 5,211

At December 31, 2016, no rights were vested.

### c) Cash-settled rights plans

The Corporation recorded compensation cost of \$538 for the quarter (2015 – compensation recovery of \$60) and compensation cost of \$776 for the year to date (2015 – \$115) in respect of the share-based portion of the MTIP and DSUP for grants dated before March 2016. At December 31, 2016, the carrying amount of the share-based portion of these liabilities was \$1,634 (December 31, 2015 – \$858).

## 10. INCOME TAXES

Income tax expense comprises current and deferred tax as follows:

For the twelve months ended December 31	2016	2015
Current	\$ 5,501	\$ 9,482
Deferred – Origination and reversal of temporary differences	(779)	(3,167)
Income tax expense	\$ 4,722	\$ 6,315

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.9% (2015 – 26.5%). 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 26.9% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of effective income tax rate is as follows:

	2016	2015
Combined statutory income tax rate	26.9%	26.5%
Expected income tax expense (recovery) at statutory rates	\$ 4,229	\$ (1,246)
Non-deductible impairment of goodwill and intangible assets	-	7,012
Other non-deductible expenses	474	575
Other	19	(26)
Income tax expense	\$ 4,722	\$ 6,315

## 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	
	2016	2015	2016	2015
Numerator for basic and diluted earnings (loss) per share:				
– net earnings (loss)	\$ 8,895	\$ (33,259)	\$ 10,999	\$ (11,015)
Denominator for basic earnings per share:				
– weighted average shares, net of shares held in trust	19,805,485	19,983,800	19,898,004	18,559,558
Denominator for diluted earnings per share:				
– weighted average shares, net of shares held in trust	19,805,485	19,983,800	19,898,004	18,559,558
– effect of dilutive share rights	445,335	-	305,767	-
Denominator for diluted earnings per share	20,250,820	19,983,800	20,203,771	18,559,558
Basic earnings (loss) per share	\$ 0.45	\$ (1.66)	\$ 0.55	\$ (0.59)
Diluted earnings (loss) per share	\$ 0.44	\$ (1.66)	\$ 0.54	\$ (0.59)

No share rights were excluded from the above calculations for the quarter (2015 – 313,393 anti-dilutive share rights excluded) and no share rights were excluded for the year to date (2015 – 303,865 anti-dilutive share rights excluded) as all share rights were dilutive.

## 12. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended December 31		Twelve months ended December 31	
	2016	2015	2016	2015
Trade and other receivables	\$ (18,463)	\$ 9,622	\$ (26,462)	\$ 16,583
Contracts in progress	(2,654)	4,627	(2,253)	4,161
Inventories	8,836	4,289	29,506	18,994
Deposits on inventory	2,491	(4,670)	2,012	(12,456)
Prepaid expenses	1,050	(592)	1,567	858
Accounts payable and accrued liabilities	21,482	8,437	25,935	(47,649)
Provisions	1,466	182	595	(514)
Total	\$ 14,208	\$ 21,895	\$ 30,900	\$ (20,023)

### 13. OPERATING SEGMENTS

The Corporation operates through a network of 109 branch locations 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.

<b>For the three months ended December 31, 2016</b>					
	<b>Equipment</b>	<b>Power Systems</b>	<b>Industrial Components</b>	<b>Segment Eliminations</b>	<b>Total</b>
Equipment	\$ 83,072	\$ 24,788	\$ -	\$ -	\$ 107,860
Parts	40,480	30,398	87,150	-	158,028
Service	18,298	12,573	5,688	-	36,559
Rental and other	10,460	1,872	-	(1,054)	11,278
<b>Revenue</b>	<b>\$ 152,310</b>	<b>\$ 69,631</b>	<b>\$ 92,838</b>	<b>\$ (1,054)</b>	<b>\$ 313,725</b>
Earnings before finance costs and income taxes	\$ 11,720	\$ 6,460	\$ 1,310	\$ (4,300)	\$ 15,190
Finance costs					2,809
Income tax expense					3,486
<b>Net earnings</b>					<b>\$ 8,895</b>

<b>For the twelve months ended December 31, 2016</b>					
	<b>Equipment</b>	<b>Power Systems</b>	<b>Industrial Components</b>	<b>Segment Eliminations</b>	<b>Total</b>
Equipment	\$ 332,231	\$ 69,037	\$ -	\$ -	\$ 401,268
Parts	158,130	119,506	361,282	-	638,918
Service	69,445	51,027	17,427	-	137,899
Rental and other	37,358	10,387	-	(3,922)	43,823
<b>Revenue</b>	<b>\$ 597,164</b>	<b>\$ 249,957</b>	<b>\$ 378,709</b>	<b>\$ (3,922)</b>	<b>\$ 1,221,908</b>
Earnings before restructuring costs, finance costs and income taxes	\$ 42,389	\$ 75	\$ 10,569	\$ (13,631)	\$ 39,402
Restructuring costs	-	-	-	12,500	12,500
Earnings before finance costs and income taxes	\$ 42,389	\$ 75	\$ 10,569	\$ (26,131)	\$ 26,902
Finance costs					11,181
Income tax expense					4,722
<b>Net earnings</b>					<b>\$ 10,999</b>

<b>As at December 31, 2016</b>	<b>Equipment</b>	<b>Power Systems</b>	<b>Industrial Components</b>	<b>Segment Eliminations</b>	<b>Total</b>
<b>Segment assets excluding intangible assets</b>	<b>\$ 327,710</b>	<b>\$ 150,326</b>	<b>\$ 133,142</b>	<b>\$ -</b>	<b>\$ 611,178</b>
Intangible assets	21,549	131	19,488	37	41,205
Corporate and other assets	-	-	-	12,565	12,565
<b>Total assets</b>	<b>\$ 349,259</b>	<b>\$ 150,457</b>	<b>\$ 152,630</b>	<b>\$ 12,602</b>	<b>\$ 664,948</b>
<b>Segment liabilities</b>	<b>\$ 136,376</b>	<b>\$ 39,367</b>	<b>\$ 60,966</b>	<b>\$ -</b>	<b>\$ 236,709</b>
Corporate and other liabilities	-	-	-	151,424	151,424
<b>Total liabilities</b>	<b>\$ 136,376</b>	<b>\$ 39,367</b>	<b>\$ 60,966</b>	<b>\$ 151,424</b>	<b>\$ 388,133</b>

**For the three months ended  
December 31, 2015**

	<b>Equipment</b>	<b>Power Systems</b>	<b>Industrial Components</b>	<b>Segment Eliminations</b>	<b>Total</b>
Equipment	\$ 89,637	\$ 22,503	\$ -	\$ -	\$ 112,140
Parts	41,135	30,544	91,153	-	162,832
Service	18,250	15,449	3,176	-	36,875
Rental and other	11,031	2,267	-	(707)	12,591
<b>Revenue</b>	<b>\$ 160,053</b>	<b>\$ 70,763</b>	<b>\$ 94,329</b>	<b>\$ (707)</b>	<b>\$ 324,438</b>
Earnings before impairment of goodwill and intangible assets, finance costs and income taxes	\$ 9,413	\$ 125	\$ 1,856	\$ (2,975)	\$ 8,419
Impairment of goodwill and intangible assets	-	13,720	27,500	-	41,220
Earnings (loss) before finance costs and income taxes	\$ 9,413	\$ (13,595)	\$ (25,644)	\$ (2,975)	\$ (32,801)
Finance costs					2,776
Income tax recovery					(2,318)
<b>Net loss</b>					<b>\$ (33,259)</b>

**For the twelve months  
ended December 31, 2015**

	<b>Equipment</b>	<b>Power Systems</b>	<b>Industrial Components</b>	<b>Segment Eliminations</b>	<b>Total</b>
Equipment	\$ 325,426	\$ 82,091	\$ -	\$ -	\$ 407,517
Parts	160,004	129,188	378,501	-	667,693
Service	72,974	63,755	11,118	-	147,847
Rental and other	43,512	10,042	-	(3,303)	50,251
<b>Revenue</b>	<b>\$ 601,916</b>	<b>\$ 285,076</b>	<b>\$ 389,619</b>	<b>\$ (3,303)</b>	<b>\$ 1,273,308</b>
Earnings before impairment of goodwill and intangible assets, restructuring costs, finance costs and income taxes	\$ 38,371	\$ 7,820	\$ 15,308	\$ (10,686)	\$ 50,813
Impairment of goodwill and intangible assets	-	13,720	27,500	-	41,220
Restructuring costs	-	2,060	-	-	2,060
Earnings before finance costs and income taxes	\$ 38,371	\$ (7,960)	\$ (12,192)	\$ (10,686)	\$ 7,533
Finance costs					12,233
Income tax expense					6,315
<b>Net loss</b>					<b>\$ (11,015)</b>

**As at December 31, 2015**

	<b>Equipment</b>	<b>Power Systems</b>	<b>Industrial Components</b>	<b>Segment Eliminations</b>	<b>Total</b>
<b>Segment assets excluding intangible assets</b>	<b>\$ 324,977</b>	<b>\$ 155,603</b>	<b>\$ 134,800</b>	<b>\$ -</b>	<b>\$ 615,380</b>
Intangible assets	21,549	-	20,127	91	41,767
Corporate and other assets	-	-	-	20,321	20,321
<b>Total assets</b>	<b>\$ 346,526</b>	<b>\$ 155,603</b>	<b>\$ 154,927</b>	<b>\$ 20,412</b>	<b>\$ 677,468</b>
<b>Segment liabilities</b>	<b>\$ 121,701</b>	<b>\$ 41,751</b>	<b>\$ 56,873</b>	<b>\$ -</b>	<b>\$ 220,325</b>
Corporate and other liabilities	-	-	-	168,639	168,639
<b>Total liabilities</b>	<b>\$ 121,701</b>	<b>\$ 41,751</b>	<b>\$ 56,873</b>	<b>\$ 168,639</b>	<b>\$ 388,964</b>

Segment eliminations include costs, assets and liabilities related to the corporate office. Corporate office assets and liabilities include deferred financing costs, income taxes, cash and bank indebtedness, bank debt, employee benefits, and dividends payable.

#### **14. RESTRUCTURING COSTS**

On March 1, 2016, the Corporation announced that one of its main objectives for the year would be transitioning from its then present organizational structure, to a leaner and more integrated functional organization. During 2016, the Corporation implemented workforce reductions and role changes to align the organization to the new functional structure. The transition to the new structure was largely completed by the end of 2016 and reporting under the new structure will commence in 2017. The Corporation recorded restructuring costs of \$12,500 year to date relating to the strategic reorganization.

#### **15. ACQUISITION OF BUSINESS**

On April 20, 2016, the Corporation's Industrial Components segment acquired the assets of Montreal-based Wilson Machine Co. Ltd. ("Wilson"), a North American leader in the manufacturing and repair of precision rotating machinery and gearboxes with annual revenues of approximately \$6,000.

Recognized amounts of identifiable assets acquired and liabilities assumed for the acquisition are equal to their fair values, and are as follows:

Trade and other receivables	\$	821
Inventories		2,300
Prepaid expenses		52
Property, plant and equipment		3,282
Accounts payable and accrued liabilities		(890)
Tangible net assets acquired	\$	5,565
Consideration paid	\$	5,565

#### **16. INSURANCE RECOVERIES**

The Corporation recorded \$2,646 for the quarter and \$3,663 for the year to date of expected compensation from insurers for business interruption losses, mainly related to the Fort McMurray wildfires in early May 2016. The branch facilities incurred minimal damage and operations resumed in June 2016.

#### **17. COMPARATIVE INFORMATION**

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