



WAJAX CORPORATION

**SECOND QUARTER
REPORT TO SHAREHOLDERS**

**FOR THE THREE MONTHS ENDED
June 30, 2017**



WAJAX CORPORATION
News Release

TSX Symbol: WJX

WAJAX REPORTS 2017 SECOND QUARTER RESULTS

Toronto, Ontario – August 11, 2017 – Wajax Corporation (“Wajax” or the “Corporation”) today announced improved 2017 second quarter results compared to the previous year.

(Dollars in millions, except per share data)

CONSOLIDATED RESULTS

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Revenue	\$325.3	\$336.6	\$643.7	\$621.6
Equipment sales	\$109.3	\$129.4	\$206.7	\$211.8
Equipment rental	\$7.5	\$8.7	\$15.9	\$17.7
Industrial parts	\$87.0	\$82.6	\$176.6	\$163.2
Product support	\$107.9	\$101.6	\$218.1	\$200.5
Other	\$13.6	\$14.3	\$26.4	\$28.4
Net earnings (loss)	\$7.6	\$4.3	\$13.8	\$(5.4)
Basic earnings (loss) per share	\$0.39	\$0.22	\$0.70	\$(0.27)
Adjusted net earnings⁽¹⁾⁽²⁾	\$7.3	\$4.3	\$13.6	\$3.7
Adjusted basic earnings per share⁽¹⁾⁽²⁾⁽³⁾	\$0.37	\$0.22	\$0.69	\$0.19

Second Quarter Highlights

- The Corporation generated revenue of \$325.3 million in Q2 2017 versus \$336.6 million for the same period in 2016. Revenue in Q2 2016 included approximately \$20 million in additional mining equipment sales that were not repeated in Q2 2017. Adjusting for these sales, revenue increased 2.7% year-over-year, primarily on the strength of:
 - higher construction equipment sales in central and western Canada;
 - higher bearing and power transmission sales in eastern Canada;
 - higher hydraulic sales in western Canada;
 - higher construction and mining parts and services sales in western Canada; and
 - higher on-highway parts and service sales in all regions.
- EBIT increased to \$13.1 million in Q2 2017 versus \$8.8 million for the same period in 2016.⁽¹⁾ The year-over-year improvement is attributable to improved margins resulting from increasing revenue composition from industrial parts sales and product support sales as well as improved parts and service margin rates. The improvement in margin was partially offset by lower revenue and modestly higher selling and administrative expenses relating primarily to incentive compensation. In Q2 2017, the Corporation's active headcount was 6% lower compared to the same period in the prior year.

- Based on the improved EBIT result, the Corporation generated net earnings of \$7.6 million or \$0.39 per share for Q2 2017 versus \$4.3 million or \$0.22 per share for the same period in 2016.
- The Corporation's Q2 2017 backlog was \$159.7 million, materially unchanged from Q1 2017 backlog of \$160.0 million.⁽¹⁾ Compared to the second quarter of 2016, backlog decreased \$5.5 million, or 3%, due primarily to lower mining equipment orders.⁽¹⁾
- The Corporation's Q2 2017 leverage ratio of 1.95 times remained essentially unchanged from Q1 2017.⁽¹⁾
- Wajax declared a Q3 2017 dividend of \$0.25 per share payable on October 3, 2017 to shareholders of record on September 15, 2017.

Commenting on the Corporation's second quarter results, President and Chief Executive Officer Mark Foote stated, "We are satisfied with the improvement in our second quarter financial results which continued to benefit from improved volumes in western Canada. Higher construction equipment sales in western and central Canada helped offset lower mining equipment revenue. Industrial parts sales and product support volumes improved broadly, reflecting excellent work by our team to meet customer demand. We are also very pleased with our safety performance in the second quarter, with a 33% decline in recordable injuries versus the prior quarter and no lost time incidents. We express our thanks to the entire Wajax team for their hard work and ongoing dedication to improving customer service, working safely and delivering better financial results".

Mr. Foote continued, "Although second quarter results continue to show year-over-year improvement, we expect that most major resource and industrial markets will remain under ongoing spending constraints and margin pressures through the remainder of 2017. We remain focused on generating revenue sufficient to offset the four large mining shovel deliveries we made in 2016, which are not expected to be repeated in 2017, managing our margins effectively and ensuring we deliver the expected benefits from our 2016 strategic reorganization. Assuming the achievement of these objectives, management continues to anticipate adjusted net earnings for 2017 will increase compared to 2016 adjusted net earnings".

Wajax Corporation

Founded in 1858, Wajax (TSX: WJX) is one of Canada's longest-standing and most diverse industrial products and services providers. The Corporation operates an integrated distribution system providing sales, parts and services to a broad range of customers in diversified sectors of the Canadian economy, including: transportation, forestry, industrial and commercial, construction, oil sands, mining, metal processing, government and utilities and oil and gas.

The Corporation's goal is to be Canada's leading industrial products and services provider, distinguished through its three core capabilities: sales force excellence, the breadth and efficiency of repair and maintenance operations, and the ability to work closely with existing and new vendor partners to constantly expand its product offering to customers. The Corporation believes that achieving excellence in these three areas will position it to create value for its customers, employees, vendors and shareholders.

Notes

- (1) "Adjusted net earnings", "Adjusted basic earnings per share", "EBIT", "Backlog" and "Leverage ratio" are financial measures which do not have standardized meanings 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 three months ended June 30, 2017: net earnings (loss) excluding after-tax restructuring recovery of \$0.2 million, or basic earnings per share of \$0.01.
Adjusted net earnings for the six months ended June 30, 2017: net earnings (loss) excluding after-tax restructuring recovery of \$0.2 million (2016 – costs of \$9.1 million), or basic earnings per share of (\$0.01) (2016 - \$0.46).

- (3) For the three months ended June 30, 2017, the weighted average shares outstanding for calculation of basic earnings (loss) per share were 19,601,269 (2016 – 19,956,921).
For the six months ended June 30, 2017, the weighted average shares outstanding for calculation of basic earnings (loss) per share were 19,709,348 (2016 – 19,973,842).

Cautionary Statement Regarding Forward-Looking Information

This news release contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, “forward-looking statements”). These forward-looking statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as “plans”, “anticipates”, “intends”, “predicts”, “expects”, “is expected”, “scheduled”, “believes”, “estimates”, “projects” or “forecasts”, or variations of, or the negatives of, such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation’s ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this news release are made as of the date of this news release, reflect management’s current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this news release includes forward looking statements regarding, among other things, our outlook for major resource and industrial markets for the remainder of 2017; our areas of focus for the remainder of 2017, including generating revenue sufficient to offset the four large mining shovel deliveries we made in 2016 which are not expected to repeat in 2017, effectively managing our margins and delivering the expected benefits from our 2016 strategic reorganization; our outlook for 2017 adjusted net earnings should we be successful in achieving the forgoing objectives; our 4 Points of Growth Strategy and the goals for such strategy, including our goal of becoming Canada’s leading industrial products and services provider; and our belief that achieving excellence in our areas of core capability will position Wajax to create value for its customers, employees, vendors and shareholders. 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; our ability to realize the expected benefits from our 2016 strategic reorganization, including cost savings and productivity gains; 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 our Annual Information Form for the year ended December 31, 2016, filed on SEDAR. 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.

Additional information, including Wajax’s Annual Report, is available on SEDAR at www.sedar.com.

Wajax Corporation

Management's Discussion and Analysis – Q2 2017

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 quarter ended June 30, 2017. This MD&A should be read in conjunction with the information contained in the unaudited condensed consolidated financial statements and accompanying notes for the quarter ended June 30, 2017, the annual audited consolidated financial statements and accompanying notes for the year ended December 31, 2016 and the associated MD&A. Information contained in this MD&A is based on information available to management as of August 11, 2017.

Management is responsible for the information disclosed in this MD&A and the unaudited condensed 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 unaudited condensed 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 unaudited condensed consolidated financial statements and accompanying notes.

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.

Wajax Corporation Overview

Founded in 1858, Wajax (TSX: WJX) is one of Canada's longest-standing and most diverse industrial products and services providers. The Corporation operates an integrated distribution system providing sales, parts and services to a broad range of customers in diversified sectors of the Canadian economy, including: transportation, forestry, industrial and commercial, construction, oil sands, mining, metal processing, government and utilities and oil and gas.

The Corporation's goal is to be Canada's leading industrial products and services provider, distinguished through its three core capabilities: sales force excellence, the breadth and efficiency of repair and maintenance operations and the ability to work closely with existing and new vendor partners to constantly expand its product offering to customers. The Corporation believes that achieving excellence in these three areas will position it to create value for its customers, employees, vendors and shareholders.

Strategic Direction and Outlook

The strategic reorganization announced in March 2016 was completed during the first quarter of 2017. The Corporation continues to estimate annualized cost savings from the reorganization of approximately \$17 million in 2017. Management anticipates that certain volume related costs and investments in strategic initiatives to pursue organic growth opportunities will be incurred in 2017, which will partially offset these cost savings.

Management remains committed to, and confident in, the execution of our 4 Points of Growth Strategy to create value for customers, vendors and shareholders.

Wajax's 4 Points of Growth



Looking forward to the remainder of 2017, although second quarter results continue to show year-over-year improvement, management expects that most major resource and industrial markets will remain under ongoing spending constraints and margin pressures through the remainder of 2017. The Corporation remains focused on generating revenue sufficient to offset the four large mining shovel deliveries made in 2016, which are not expected to be repeated in 2017, managing margins effectively and ensuring the Corporation delivers the expected benefits from the 2016 strategic reorganization. Assuming the achievement of these objectives, management continues to anticipate adjusted net earnings for 2017 will increase compared to 2016 adjusted net earnings.⁽¹⁾ See the Non-GAAP and Additional GAAP Measures section.

Highlights for the Quarter

- The Corporation generated revenue of \$325.3 million in Q2 2017 versus \$336.6 million for the same period in 2016. Revenue in Q2 2016 included approximately \$20 million in additional mining equipment sales that were not repeated in Q2 2017. Adjusting for these sales, revenue increased 2.7% year-over-year; primarily on the strength of:
 - higher construction equipment sales in central and western Canada;
 - higher bearing and power transmission sales in eastern Canada;
 - higher hydraulic sales in western Canada;
 - higher construction and mining parts and service sales in western Canada; and
 - higher on-highway parts and service sales in all regions.
- EBIT increased to \$13.1 million in Q2 2017 versus \$8.8 million for the same period in 2016.⁽¹⁾ The year-over-year improvement is attributable to improved margins resulting from increasing revenue composition from industrial parts sales and product support sales as well as improved parts and service margin rates. The improvement in margin was partially offset by lower revenue and modestly higher selling and administrative expenses relating primarily to incentive compensation. In Q2 2017, the Corporation's active headcount was 6% lower compared to the same period in the prior year.
- Based on the improved EBIT result, the Corporation generated net earnings of \$7.6 million or \$0.39 per share for Q2 2017 versus \$4.3 million or \$0.22 per share for the same period in 2016.
- The Corporation's Q2 2017 backlog was \$159.7 million, materially unchanged from Q1 2017 backlog of \$160.0 million.⁽¹⁾ Compared to the second quarter of 2016, backlog decreased \$5.5 million, or 3%, due primarily to lower mining equipment orders.⁽¹⁾

- The Corporation's leverage ratio of 1.95 times remained essentially unchanged from Q1 2017.⁽¹⁾

(1) "Backlog", "Leverage Ratio", "Adjusted Net Earnings", "Adjusted EBITDA" and "EBIT" do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP"). See the Non-GAAP and Additional GAAP Measures section.

Summary of Operating Results

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Revenue	\$ 325.3	\$ 336.6	\$ 643.7	\$ 621.6
Gross profit	\$ 62.7	\$ 57.4	\$ 123.4	\$ 112.2
Selling and administrative expenses	\$ 49.9	\$ 48.6	\$ 99.5	\$ 101.3
Restructuring (recovery) costs	\$ (0.3)	\$ -	\$ (0.3)	\$ 12.5
Earnings (loss) before finance costs and income taxes ⁽¹⁾	\$ 13.1	\$ 8.8	\$ 24.3	\$ (1.7)
Finance costs	\$ 2.6	\$ 2.8	\$ 5.2	\$ 5.5
Earnings (loss) before income taxes ⁽¹⁾	\$ 10.4	\$ 6.0	\$ 19.1	\$ (7.2)
Income tax expense (recovery)	\$ 2.9	\$ 1.7	\$ 5.3	\$ (1.7)
Net earnings (loss)	\$ 7.6	\$ 4.3	\$ 13.8	\$ (5.4)
- Basic earnings (loss) per share ⁽²⁾⁽³⁾	\$ 0.39	\$ 0.22	\$ 0.70	\$ (0.27)
- Diluted earnings (loss) per share ⁽²⁾⁽³⁾	\$ 0.37	\$ 0.21	\$ 0.68	\$ (0.27)
Adjusted net earnings ⁽¹⁾⁽⁴⁾	\$ 7.3	\$ 4.3	\$ 13.6	\$ 3.7
- Adjusted basic earnings per share ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	\$ 0.37	\$ 0.22	\$ 0.69	\$ 0.19
- Adjusted diluted earnings per share ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	\$ 0.36	\$ 0.21	\$ 0.67	\$ 0.19
Key ratios:				
Gross profit margin	19.3%	17.1%	19.2%	18.0%
Selling and administrative expense as a percentage of revenue	15.3%	14.4%	15.5%	16.3%
EBIT margin ⁽¹⁾	4.0%	2.6%	3.8%	(0.3)%
Effective income tax rate	27.6%	28.3%	27.8%	23.9%

Statement of financial position highlights	June 30	March 31	December 31
As at	2017	2017	2016
Trade and other receivables	\$ 170.2	\$ 194.1	\$ 194.6
Inventories	\$ 305.1	\$ 290.6	\$ 283.4
Accounts payable and accrued liabilities	\$ (195.6)	\$ (221.0)	\$ (232.7)
Other working capital amounts ⁽¹⁾	\$ (10.4)	\$ 4.1	\$ 20.6
Working capital ⁽¹⁾	\$ 269.3	\$ 267.8	\$ 265.9
Rental equipment	\$ 56.6	\$ 57.6	\$ 58.1
Property, plant and equipment	\$ 42.9	\$ 44.4	\$ 45.7
Funded net debt ⁽¹⁾	\$ 141.2	\$ 134.0	\$ 126.0
Key ratios:			
Leverage ratio ⁽¹⁾	1.95 times	1.94 times	2.07 times

(1) These measures do not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Additional GAAP Measures section.

(2) Weighted average shares outstanding for calculation of basic and diluted earnings (loss) per share for the three months ended June 30,

2017 was 19,601,269 (2016 – 19,956,921) and 20,158,516 (2016 – 20,216,067), respectively.

(3) Weighted average shares outstanding for calculation of basic and diluted earnings (loss) per share for the six months ended June 30, 2017 was 19,709,348 (2016 – 19,973,842) and 20,228,511 (2016 – 19,973,842), respectively.

(4) Net earnings excluding after-tax restructuring recovery of \$0.2 million, or basic and diluted earnings per share of \$0.01, for the three months ended June 30, 2017.

Net earnings (loss) excluding after-tax restructuring (recovery) costs of (\$0.2 million) (2016 – \$9.1 million), or basic and diluted earnings per share of (\$0.01) (2016 – \$0.46), for the six months ended June 30, 2017.

Results of Operations

Revenue

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Equipment sales	\$ 109.3	\$ 129.4	\$ 206.7	\$ 211.8
Equipment rental	7.5	8.7	15.9	17.7
Industrial parts	87.0	82.6	176.6	163.2
Product support	107.9	101.6	218.1	200.5
Other	13.6	14.3	26.4	28.4
Total revenue	\$ 325.3	\$ 336.6	\$ 643.7	\$ 621.6

Revenue in the second quarter of 2017 decreased 3.3%, or \$11.3 million, to \$325.3 million, from \$336.6 million in the second quarter of 2016. The following factors contributed to the decrease in revenue:

- Equipment sales have decreased due primarily to lower mining equipment sales in western Canada, partly offset by an increase in construction equipment sales in western and central Canada.
- Revenue from industrial parts has increased due primarily to increased bearings and power transmission sales in eastern Canada and increased hydraulics sales in western Canada.
- Product support revenue has increased on strength in construction and mining parts and service sales in western Canada and higher on-highway parts and service sales in all regions.

For the six months ended June 30, 2017, revenue increased 3.6%, or \$22.1 million, to \$643.7 million, from \$621.6 million in 2016. The following factors contributed to the increase in revenue:

- Equipment sales have decreased due to lower mining and power generation sales in western Canada and lower material handling sales in eastern Canada, partly offset by increases in construction equipment sales in western Canada.
- Revenue from industrial parts has increased due primarily to increased bearings and power transmission sales in eastern Canada and increased fluid power and process equipment sales in western and eastern Canada.
- Product support revenue has increased on strength in construction parts sales in all regions, higher mining parts and service sales in western Canada and increased on-highway parts and service sales in all regions.

Backlog

Backlog of \$159.7 million at June 30, 2017 decreased \$0.3 million compared to March 31, 2017. Backlog decreased \$5.5 million compared to June 30, 2016 due primarily to decreases in mining equipment orders.

Gross Profit

Gross profit margin increases were partially offset by volume decreases in the second quarter of 2017, resulting in a \$5.3 million increase in gross profit. Gross profit margin of 19.3% in the second quarter of 2017 increased from 17.1% in the prior year due mainly to increasing revenue composition from industrial parts and product support, higher on-highway and off-highway parts margin rates, and improved service margins.

For the six months ended June 30, 2017, gross profit increased \$11.2 million as a result of higher gross profit margins and increased volumes. Gross profit margin of 19.2% increased from 18.0% in the prior year due mainly to higher mining, on-highway and off-highway parts and service margins and higher construction parts margins.

Selling and administrative expenses

Selling and administrative expenses increased \$1.3 million in the second quarter of 2017, compared to the same quarter last year, due mainly to higher annual incentive accruals. This increase was partially offset by lower personnel costs attributable to headcount reductions from the Corporation's 2016 strategic reorganization. Selling and administrative expenses as a percentage of revenue increased to 15.3% in the second quarter of 2017 from 14.4% in the second quarter of 2016.

For the six months ended June 30, 2017, selling and administrative expenses decreased 2%, or \$1.8 million, compared to the same period last year. This decrease was primarily due to lower personnel costs as a result of headcount reductions from the Corporation's 2016 strategic reorganization, partially offset by an increase in annual incentive accruals. Selling and administrative expenses as a percentage of revenue decreased to 15.5% in 2017 from 16.3% in 2016.

In the second quarter of 2017, the Corporation realized \$1.2 million (for the six months ended June 30, 2017 – \$4.2 million) of selling and administrative savings and an additional \$0.6 million (for the six months ended June 30, 2017 – \$1.7 million) of cost of sales savings related to the strategic reorganization. The Corporation continues to estimate annualized cost savings from the 2016 strategic reorganization of approximately \$17.0 million. The Corporation realized \$8.6 million in cost savings in 2016 as a result of the strategic reorganization. Management anticipates certain volume related costs and investments in strategic initiatives to pursue organic growth opportunities will be incurred in 2017, which will partially offset the cost savings from the strategic reorganization.

Finance costs

Quarterly finance costs of \$2.6 million decreased \$0.2 million compared to 2016 due to lower debt levels. See the Liquidity and Capital Resources section.

For the six months ended June 30, 2017, finance costs of \$5.2 million decreased \$0.3 million compared to the same period in 2016 due to lower debt levels. See the Liquidity and Capital Resources section.

Income tax expense (recovery)

The Corporation's effective income tax rate of 27.6% for the second quarter of 2017 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 rate of 28.3% for the second 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 statutory income tax rate of 26.9% is unchanged compared to 2016.

The Corporation's effective income tax rate for the six months ended June 30, 2017 of 27.8% 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 for the six months ended June 30, 2016 of 23.9% was lower compared to the statutory rate of 26.9% due to the impact of expenses not deductible for tax purposes. The statutory income tax rate of 26.9% is unchanged compared to 2016.

Net earnings (loss)

In the second quarter of 2017, the Corporation had net earnings of \$7.6 million, or \$0.39 per share, compared to \$4.3 million, or \$0.22 per share, in the second quarter of 2016. The \$3.3 million increase in net earnings resulted primarily from higher gross profit margins and a restructuring recovery of \$0.2 million after-tax or \$0.01 per share, offset partially by higher selling and administrative expenses due mainly to higher annual incentive accruals compared to the prior quarter.

For the six months ended June 30, 2017, the Corporation generated net earnings of \$13.8 million, or \$0.70 per share, compared to a net loss of \$5.4 million, or \$0.27 per share, in the same period in 2016. The \$19.2 million increase in net earnings resulted primarily from higher volumes and gross profit margins and a restructuring recovery of \$0.2 million after-tax or \$0.01 per share in the current year compared to restructuring costs of \$9.1 million after-tax, or \$0.46 per share, in the prior year.

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

Adjusted net earnings for the three and six months ended June 30, 2017 excludes the restructuring recovery of \$0.2 million after-tax, or \$0.01 per share. As such, adjusted net earnings was \$7.3 million, or \$0.37 per share for the three months ended June 30, 2017 and \$13.6 million, or \$0.69 per share, for the six months ended June 30, 2017.

For the six months ended June 30, 2016, adjusted net earnings excludes the restructuring provision of \$9.1 million after-tax, or \$0.46 per share. As such, adjusted net earnings was \$3.7 million, or \$0.19 per share, in 2016.

Comprehensive income

Total comprehensive income of \$7.0 million in the second quarter of 2017 included net earnings of \$7.6 million offset partially by an other comprehensive loss of \$0.5 million. In the second quarter of 2016, total comprehensive income consisted of net earnings of \$4.3 million.

For the six months ended June 30, 2017, the total comprehensive income of \$13.2 million included net earnings of \$13.8 million offset partially by an other comprehensive loss of \$0.6 million. For the six months ended June 30, 2016, the total comprehensive loss of \$7.0 million included a net loss of \$5.4 million and an other comprehensive loss of \$1.6 million. The other comprehensive loss in the prior year resulted from \$0.3 million of gains on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory and \$1.3 million of losses on derivative instruments designated as cash flow hedges outstanding at the end of the period.

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.

	2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$ 325.3	\$ 318.4	\$ 313.7	\$ 286.6	\$ 336.6	\$ 285.0	\$ 324.4	\$ 290.9
Net earnings (loss)	\$ 7.6	\$ 6.2	\$ 8.9	\$ 7.6	\$ 4.3	\$ (9.7)	\$ (33.3)	\$ 7.5
Net earnings (loss) per share								
- Basic	\$ 0.39	\$ 0.31	\$ 0.45	\$ 0.38	\$ 0.22	\$ (0.49)	\$ (1.66)	\$ 0.38
- Diluted	\$ 0.37	\$ 0.31	\$ 0.44	\$ 0.37	\$ 0.21	\$ (0.49)	\$ (1.66)	\$ 0.37

Although quarterly fluctuations in revenue and net earnings are difficult to predict, during times of weak energy sector activity, the first quarter will tend to have seasonally lower results. 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. 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.

Consolidated Financial Condition

Capital Structure and Key Financial Condition Measures

	June 30 2017	March 31 2017	December 31 2016
Shareholders' equity	\$ 274.4	\$ 276.6	\$ 276.8
Funded net debt ⁽¹⁾	141.2	134.0	126.0
Total capital	\$ 415.5	\$ 410.6	\$ 402.8
Funded net debt to total capital ⁽¹⁾	34.0%	32.6%	31.3%
Leverage ratio ⁽¹⁾	1.95	1.94	2.07

(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 June 30, 2017 of \$274.4 million decreased \$2.2 million from March 31, 2017, as earnings of \$7.6 million were more than offset by \$4.9 million of dividends declared and \$5.3 million in shares purchased through two employee benefit plan trusts funded by the Corporation (for future settlement of share-based compensation plan awards). For the six months ended June 30, 2017 the Corporation's shareholders' equity decreased \$2.4 million, as dividends declared of \$9.8 million and shares purchased through two employee benefit plan trusts funded by the Corporation (for future settlement of share-based compensation plan awards) of \$7.5 million exceeded earnings of \$13.8 million.

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

	Number of Common Shares	Amount
Issued and outstanding, December 31, 2016 and June 30, 2017	20,026,819	\$ 180.6
Shares held in trust, December 31, 2016	(200,968)	\$ (1.8)
Purchased for future settlement of certain share-based compensation plans	(321,744)	(2.9)
Shares held in trust, June 30, 2017	(522,712)	(4.7)
Issued and outstanding, net of shares held in trust, June 30, 2017	19,504,107	\$ 175.9

At the date of this MD&A, the Corporation had 19,504,107 common shares issued and outstanding, net of shares held in trust.

At June 30, 2017, 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”).

As of June 30, 2017, there were 366,679 (2016 – 349,910) SOP and DDSUP (treasury share settled) rights outstanding and 525,262 (2016 – 319,111) MTIP and DSUP (market-purchased share settled) rights outstanding. At June 30, 2017, 366,679 (2016 – 344,152) SOP and DDSUP rights were vested. At June 30, 2017, the number of shares held in trust approximates the number of market-purchased share settled rights outstanding. Depending on the actual level of achievement of the performance targets associated with such MTIP and DSUP grants, the number of shares required to satisfy the Corporation’s obligations could be higher or lower.

Wajax recorded compensation expense of \$1.1 million for the quarter (2016 – \$0.5 million) and \$1.9 million for the six months ended June 30, 2017 (2016 – \$0.8 million) in respect of these plans.

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

		June 30 2017		March 31 2017		December 31 2016
Bank indebtedness (cash)	\$	11.3	\$	3.7	\$	(4.9)
Obligations under finance lease		7.6		8.2		8.9
Long-term debt		122.3		122.1		122.0
Funded net debt ⁽¹⁾	\$	141.2	\$	134.0	\$	126.0

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

Funded net debt of \$141.2 million at June 30, 2017 increased \$7.2 million compared to \$134.0 million at March 31, 2017. During the quarter, cash generated from operating activities of \$3.8 million was offset by dividends paid of \$5.0 million and common shares purchased and held in trust for future settlement of awards made under certain share-based compensation plans of \$5.3 million.

Funded net debt of \$141.2 million at June 30, 2017 increased \$15.2 million compared to \$126.0 million at December 31, 2016. During the period, cash generated from operating activities of \$3.8 million was offset by dividends paid of \$9.9 million and common shares purchased and held in trust of \$7.5 million.

The Corporation’s ratio of funded net debt to total capital increased to 34.0% at June 30, 2017 from 32.6% at March 31, 2017, primarily due to the higher funded net debt in the current period.

The Corporation’s leverage ratio of 1.95 times at June 30, 2017 remained essentially unchanged from the March 31, 2017 ratio of 1.94 times. See the Non-GAAP and Additional GAAP Measures section.

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 June 30, 2017, Wajax had the following contracts outstanding:

- to buy U.S. \$35.2 million (December 31, 2016 – to buy U.S. \$55.1 million), and
- to sell U.S. \$9.2 million (December 31, 2016 – to sell U.S. \$10.8 million).

The U.S. dollar contracts expire between July 2017 and May 2018, with a weighted average U.S./Canadian dollar rate of 1.3355.

Contractual Obligations

There have been no material changes to the Corporation's contractual obligations since December 31, 2016. See the Liquidity and Capital Resources section.

Off Balance Sheet Financing

Off balance sheet financing arrangements include operating lease contracts for facilities with various landlords and other equipment related mainly to office equipment. There have been no material changes to the Corporation's total obligations for all operating leases since December 31, 2016. See the Contractual Obligations section above.

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 Corporation had \$51.4 million (March 31, 2017 – \$46.2 million) of consigned inventory on-hand from a major manufacturer at June 30, 2017, net of deposits of \$7.2 million (March 31, 2017 – \$12.8 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

At June 30, 2017, Wajax had borrowed \$6.9 million and issued \$7.0 million of letters of credit for a total utilization of \$13.9 million of its \$250 million bank credit facility. In addition, Wajax had \$125 million in senior notes outstanding bearing an interest rate of 6.125% per annum, payable semi-annually, maturing on October 23, 2020. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At June 30, 2017, borrowing capacity under the bank credit facility was equal to \$250 million.

The bank credit facility contains customary restrictive covenants, including limitations on the payment of cash dividends and an interest coverage maintenance ratio, all of which were met as at June 30, 2017. 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. 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 June 30, 2017.

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 June 30, 2017, Wajax had no utilization of the interest bearing equipment financing facilities.

As of August 11, 2017, Wajax's \$250 million bank credit facility, of which \$236.1 million was unutilized at June 30, 2017, 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 June 30, 2017, \$125 million of the Corporation's funded net debt, or 89%, 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 three and six months ended June 30, 2017 and June 30, 2016.

	Three months ended			Six months ended		
	June 30			June 30		
	2017	2016	Change	2017	2016	Change
Net earnings (loss)	\$ 7.6	\$ 4.3	\$ 3.3	\$ 13.8	\$ (5.4)	\$ 19.2
Items not affecting cash flow	12.3	11.4	0.9	23.8	17.3	6.5
Net change in non-cash operating working capital	(7.2)	7.7	(14.9)	(17.3)	13.9	(31.2)
Finance costs paid	(4.4)	(4.5)	0.1	(4.9)	(5.1)	0.2
Income taxes paid	(1.3)	(0.8)	(0.5)	(4.5)	(2.4)	(2.1)
Rental equipment additions	(3.1)	(3.3)	0.2	(6.5)	(5.2)	(1.3)
Other non-current liabilities	-	(0.3)	0.3	(0.6)	(1.0)	0.4
Cash generated from operating activities	\$ 3.8	\$ 14.4	\$ (10.6)	\$ 3.8	\$ 12.1	\$ (8.3)
Cash used in investing activities	\$ (0.1)	\$ (6.9)	\$ 6.8	\$ (0.5)	\$ (7.7)	\$ 7.2
Cash used in financing activities	\$ (11.3)	\$ (8.4)	\$ (2.9)	\$ (19.4)	\$ (14.3)	\$ (5.1)

Cash Generated From Operating Activities

Cash flows generated from operating activities amounted to \$3.8 million in the second quarter of 2017, compared to \$14.4 million in the same quarter of the previous year. The decrease of \$10.6 million was mainly attributable to a decrease in cash generated from non-cash working capital of \$14.9 million offset partially by higher net earnings of \$3.3 million.

Rental equipment additions in the second quarter of 2017 of \$3.1 million (2016 – \$3.3 million) related primarily to lift trucks.

For the six months ended June 30, 2017, cash flows generated from operating activities amounted to \$3.8 million, compared to \$12.1 million for the same period in the previous year. The \$8.3 million decrease in cash flows generated from operating activities was mainly attributable to a decrease in cash generated from non-cash working capital of \$31.2 million offset partially by higher net earnings of \$19.2 million.

For the six months ended June 30, 2017, rental equipment additions of \$6.5 million (2016 – \$5.2 million) related primarily to lift trucks.

Significant components of non-cash operating working capital, along with changes for the three and six months ended June 30, 2017 and June 30, 2016 include the following:

Changes in Non-cash Operating Working Capital ⁽¹⁾	Three months ended		Six months ended	
	June 30 2017	June 30 2016	June 30 2017	June 30 2016
Trade and other receivables	\$ 23.7	\$ (13.6)	\$ 24.1	\$ (8.6)
Contracts in progress	(0.1)	(3.5)	4.0	(0.2)
Inventories	(13.8)	26.6	(20.3)	20.4
Deposits on inventory	5.7	(0.3)	12.1	(0.5)
Prepaid expenses	0.3	(0.2)	(0.5)	1.0
Accounts payable and accrued liabilities	(23.1)	(1.0)	(36.4)	2.8
Provisions	-	(0.3)	(0.3)	(1.0)
Total Changes in Non-cash Operating Working Capital	\$ (7.2)	\$ 7.7	\$ (17.3)	\$ 13.9

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the quarter ended June 30, 2017 compared to the quarter ended June 30, 2016 are as follows:

- Trade and other receivables decreased \$23.7 million in 2017 compared to an increase of \$13.6 million in 2016. The decrease in 2017 resulted primarily from lower mining sales activity in the second quarter compared to the first quarter. The increase in 2016 resulted primarily from higher mining sales activity in the second quarter compared to the last quarter.
- Contracts in progress increased \$0.1 million in 2017 compared to an increase of \$3.5 million in 2016. The increase in 2016 was due to higher contract revenue recognized in advance of billings related to power generation projects.
- Inventories increased \$13.8 million in 2017 compared to a decrease of \$26.6 million in 2016. The increase in 2017 was due to higher equipment and parts inventory partially offset by lower mining equipment inventory. The decrease in 2016 was due mainly to lower construction and mining inventory.
- Accounts payable and accrued liabilities decreased \$23.1 million in 2017 compared to a decrease of \$1.0 million in 2016. The decrease in 2017 resulted primarily from lower trade payables due in part to the payment of mining equipment inventory.

Significant components of the changes in non-cash operating working capital for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 are as follows:

- Trade and other receivables decreased \$24.1 million in 2017 compared to an increase of \$8.6 million in 2016. The decrease in 2017 resulted primarily from lower mining sales activity in the second quarter. The increase in 2016 resulted primarily from higher mining sales activity in the second quarter.
- Contracts in progress decreased \$4.0 million in 2017 compared to an increase of \$0.2 million in 2016. The decrease in 2017 reflects a reduction in contract revenue recognized in advance of billings related to power generation projects.
- Inventories increased \$20.3 million in 2017 compared to a decrease of \$20.4 million in 2016. The increase in 2017 was due to higher equipment and work in process inventory partially offset by lower mining equipment inventory. The decrease in 2016 was due to lower inventory levels driven primarily by lower construction equipment inventory.
- Accounts payable and accrued liabilities decreased \$36.4 million in 2017 compared to an increase of \$2.8 million in 2016. The decrease in 2017 resulted primarily from lower trade payables due in part to the payment of equipment inventory. The increase in 2016 resulted from the restructuring cost provision recorded in the first quarter offset partially by lower trade payables.

Investing Activities

During the second quarter of 2017, Wajax invested \$0.1 million in property, plant and equipment additions, net of disposals, compared to \$1.3 million in the second quarter of 2016. For the six months ended June 30, 2017, Wajax invested \$0.5 million in property, plant and equipment additions, net of disposals, compared to \$2.1 million for the six months ended June 30, 2016.

Financing Activities

The Corporation used \$11.3 million of cash from financing activities in the second quarter of 2017 compared to \$8.4 million used in the same quarter of 2016. Financing activities in the quarter included dividends paid to shareholders of \$5.0 million (2016 – \$5.0 million), common shares purchased and held by trusts funded by the Corporation of \$5.3 million (2016 – \$2.0 million), and finance lease payments of \$1.0 million (2016 – \$1.1 million).

For the six months ended June 30, 2017, the Corporation used \$19.4 million of cash from financing activities compared to \$14.3 million in the same period of 2016. Financing activities for the six months ended June 30, 2017 included dividends paid to shareholders of \$9.9 million (2016 – \$10.0 million), common shares purchased and held by trusts funded by the Corporation of \$7.5 million (2016 – \$2.0 million) and finance lease payments of \$2.0 million (2016 – \$2.2 million).

Dividends

Dividends to shareholders were declared as follows:

Record Date	Payment Date	Per Share	Amount
March 15, 2017	April 4, 2017	\$ 0.25	\$ 5.0
June 15, 2017	July 5, 2017	\$ 0.25	\$ 4.9
Six months ended June 30, 2017		\$ 0.50	\$ 9.8

On August 11, 2017, Wajax announced a third quarter dividend of \$0.25 per share (\$1.00 per share annualized) payable on October 3, 2017 to shareholders of record on September 15, 2017.

Critical Accounting Estimates

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

The areas where significant judgements and assumptions are used to determine the amounts recognized in the financial statements include the allowance for doubtful accounts, inventory obsolescence and goodwill and intangible assets.

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 diversified customer base, of over 30,000 customers with no one customer accounting for more than 10% of the Corporation's annual consolidated sales, which covers most business sectors across Canada. In addition, the Corporation's customer base spans large public companies, small independent contractors, OEM's and various levels of government. 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 \$0.9 million provision for doubtful accounts at June 30, 2017 decreased \$0.2 million from December 31, 2016. As economic conditions change, 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 the three months ended June 30, 2017 was \$1.6 million (2016 - \$3.7 million) and for the six months ended June 30, 2017 was \$3.3 million (2016 - \$6.4 million). As economic conditions change, there is risk that the Corporation could have an increase in inventory obsolescence compared to prior periods which would result in an increased charge to earnings.

Goodwill and intangible assets

The Corporation performs an annual impairment test of its goodwill and intangible assets unless there is an early indication that the assets may be impaired in which case the impairment test would occur earlier. There was no early indication of impairment in the quarter ending June 30, 2017.

Operating segments

Determination of the Corporation's operating segments requires significant judgement. Operating segments have changed since December 31, 2016 as follows:

With the completion of the strategic reorganization during the first quarter of 2017, the Corporation's Chief Executive Officer, who is also the Chief Operating Decision Maker, regularly assesses the performance of, and makes resource allocation decisions based on, the Corporation as a whole. As a result, the Corporation has determined that it comprises a single operating segment and therefore a single reportable segment, which differs from the three reportable segments which existed prior to the reorganization.

As a result of the reorganization, 2016 revenue under the previous three reportable segments has been presented in the single segment view as follows:

For the three months ended June 30, 2016	Total	Equipment	Power Systems	Industrial Components	Segment Eliminations
Equipment sales	\$ 129.4	\$ 113.9	\$ 15.5	\$ -	\$ -
Equipment rental	8.7	6.2	2.5	-	-
Industrial parts	82.6	-	-	82.6	-
Product support	101.6	57.6	43.9	-	-
Other	14.3	0.3	-	14.9	(0.9)
Total revenue	\$ 336.6	\$ 178.0	\$ 61.9	\$ 97.5	\$ (0.9)

For the six months ended June 30, 2016	Total	Equipment	Power Systems	Industrial Components	Segment Eliminations
Equipment sales	\$ 211.8	\$ 181.0	\$ 30.8	\$ -	\$ -
Equipment rental	17.7	12.1	5.5	-	-
Industrial parts	163.2	-	-	163.2	-
Product support	200.5	112.0	88.5	-	-
Other	28.4	0.9	-	29.4	(1.9)
Total revenue	\$ 621.6	\$ 306.0	\$ 124.8	\$ 192.6	\$ (1.9)

Changes in Accounting Policies

New standards and interpretations adopted in the current period

Effective January 1, 2017, the Corporation adopted the amendments to IAS 7 Statement of Cash Flows, which requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash flow changes.

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, 2017 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 has established a project team to study the impact of the new standard and to manage its adoption. The team has documented the Corporation's revenue streams, has engaged the assistance of an expert and is analyzing the impact of the standard on its revenue recognition practices.

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.

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's long term leases primarily relate to rental of real estate. The new standard will result in a material increase in right of use assets and lease obligations but the impact to earnings has not yet been estimated.

Risk Management and Uncertainties

As with most businesses, Wajax is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results and Wajax's ability to pay cash dividends to shareholders. Wajax attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. In addition, Wajax has adopted an annual enterprise risk

management assessment which is prepared by the Corporation's senior management and overseen by the Board of Directors and committees of the Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Wajax. There are however, a number of risks that deserve particular comment which are discussed in detail in the MD&A for the year ended December 31, 2016 which can be found on SEDAR at www.sedar.com. There have been no material changes to the business of Wajax that require an update to the discussion of the applicable risks discussed in the MD&A for the year ended December 31, 2016.

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 June 30, 2017, 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 June 30, 2017, 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.

There was no change in Wajax's ICFR that occurred during the three months ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, Wajax's ICFR.

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 and restructuring costs; and
- (iv) "Adjusted net earnings" and "Adjusted basic and diluted earnings per share" provide indications of the results by the Corporation's principal business activities prior to recognizing restructuring (recovery) costs that are outside the Corporation's normal course of business. "Adjusted EBITDA" used in calculating the Leverage Ratio excludes restructuring (recovery) costs which is consistent with the leverage ratio calculations under the Corporation's bank credit and senior note agreements.

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 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 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.
Adjusted net earnings (loss)	Net earnings (loss) before after-tax restructuring (recovery) costs.
Adjusted basic and diluted earnings (loss) per share	Basic and diluted earnings per share before after-tax restructuring (recovery) costs.
Adjusted EBITDA	EBITDA before restructuring (recovery) costs.
Leverage ratio	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.
Funded net debt to total capital	Defined as funded net debt divided by total capital. Total capital is the funded net debt plus shareholder's equity.
Backlog	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:

Earnings (loss) before finance costs and income taxes (EBIT)	Earnings (loss) before finance costs and income taxes, as presented on the Consolidated Statements of Earnings.
EBIT Margin	Defined as EBIT divided by revenue, as presented on the Consolidated Statements of Earnings.
Earnings (loss) before income taxes (EBT)	Earnings (loss) before income taxes, as presented on the Consolidated Statements of Earnings.
Working capital	Defined as current assets less current liabilities, as presented on the Consolidated Statements of Financial Position.
Other working capital amounts	Defined as working capital less trade and other receivables and inventories plus accounts payable and accrued liabilities, as presented on the Consolidated Statements of Financial Position.

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

	Three months ended		Six months ended	
	June 30		June 30	
	2017	2016	2017	2016
Net earnings (loss)	\$ 7.6	\$ 4.3	\$ 13.8	\$ (5.4)
Restructuring (recovery) costs, after-tax	(0.2)	-	(0.2)	9.1
Adjusted net earnings	\$ 7.3	\$ 4.3	\$ 13.6	\$ 3.7
Adjusted basic earnings per share⁽¹⁾⁽²⁾	\$ 0.37	\$ 0.22	\$ 0.69	\$ 0.19
Adjusted diluted earnings per share⁽¹⁾⁽²⁾	\$ 0.36	\$ 0.21	\$ 0.67	\$ 0.19

(1) At June 30, 2017 the numbers of basic and diluted shares outstanding were 19,601,269 and 20,158,516, respectively for the three months ended and 19,709,348 and 20,228,511, respectively for the six months ended.

(2) At June 30, 2016 the numbers of basic and diluted shares outstanding were 19,956,921 and 20,216,067, respectively for the three months ended and 19,973,842 and 19,973,842, respectively for the six months ended.

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

	For the twelve months ended	For the twelve months ended	For the twelve months ended
	June 30	March 31	December 31
	2017	2017	2016
Net earnings	\$ 30.2	\$ 27.0	\$ 11.0
Income tax expense	11.7	10.6	4.7
EBT	41.9	37.6	15.7
Finance costs	10.9	11.0	11.2
EBIT	52.8	48.6	26.9
Depreciation and amortization	23.4	24.0	24.5
EBITDA	76.2	72.6	51.5
Restructuring (recovery) costs ⁽¹⁾	(0.3)	-	12.5
Adjusted EBITDA	\$ 76.0	\$ 72.6	\$ 64.0

(1) For the twelve months ended June 30, 2017 – Includes the \$0.3 million restructuring recovery recorded in the second quarter of 2017.

For the twelve months ended December 31, 2016 – Includes the \$12.5 million Wajax restructuring provision recorded in the first quarter of 2016.

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

	June 30	March 31	December 31
	2017	2017	2016
Bank indebtedness (cash)	\$ 11.3	\$ 3.7	\$ (4.9)
Obligations under finance leases	7.6	8.2	8.9
Long-term debt	122.3	122.1	122.0
Funded net debt	\$ 141.2	\$ 134.0	\$ 126.0
Letters of credit	7.0	7.0	6.4
Debt	\$ 148.2	\$ 141.0	\$ 132.4
Leverage ratio⁽¹⁾	1.95	1.94	2.07

(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.

Cautionary Statement Regarding Forward-Looking Information

This MD&A contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, “forward-looking statements”). These forward-looking statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as “plans”, “anticipates”, “intends”, “predicts”, “expects”, “is expected”, “scheduled”, “believes”, “estimates”, “projects” or “forecasts”, or variations of, or the negatives of, such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation’s ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this MD&A are made as of the date of this MD&A, reflect management’s current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this MD&A includes forward looking statements regarding, among other things, our 4 Points of Growth strategy and the goals for such strategy, including our goal of becoming Canada’s leading industrial products and services provider; our belief that achieving excellence in our areas of core capability will position Wajax to create value for its customers, employees, vendors and shareholders; our 2016 strategic reorganization and the benefits we expect to achieve therefrom, including, without limitation, full annualized cost savings of \$17 million starting in 2017; our expectation that, during 2017, the cost savings from the strategic reorganization will be partially offset by certain volume related costs and investments in strategic initiatives; our commitment to and confidence in the 4 Points of Growth strategy; our outlook for major resource and industrial markets for the remainder of 2017; our areas of focus for the remainder of 2017, including generating revenue sufficient to offset the four large mining shovel deliveries we made in 2016 which are not expected to repeat in 2017, effectively managing our margins and delivering the expected benefits from our 2016 strategic reorganization; our outlook for 2017 adjusted net earnings should we be successful in achieving the forgoing objectives; our target leverage ratio range of 1.5 – 2.0 times; our financing, working and maintenance capital requirements, as well as our capital structure and leverage ratio; our estimate of the number of shares required to settle our obligations under certain share-based compensation plans; the adequacy of our debt capacity and sufficiency of our debt facilities; our intention and ability to access debt and equity markets or reduce dividends should additional capital be required; our expectation that the covenants under our senior notes would not be any more restrictive than under our bank credit facility; and the potential that we may be required to access equity or debt markets to fund significant acquisitions. 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; our ability to execute our strategic reorganization and realize the benefits therefrom, including cost savings and productivity gains; 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.

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

WAJAX CORPORATION

Unaudited Condensed Consolidated Financial Statements

For the three and six months ended June 30, 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
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	June 30, 2017	December 31, 2016
ASSETS			
CURRENT			
Cash		\$ -	\$ 4,854
Trade and other receivables		170,242	194,613
Contracts in progress		3,079	7,095
Inventories		305,059	283,421
Deposits on inventory		7,357	19,407
Prepaid expenses		5,916	5,463
Derivative instruments		-	553
		491,653	515,406
NON-CURRENT			
Rental equipment	4	56,610	58,106
Property, plant and equipment	5	42,926	45,658
Intangible assets		40,938	41,205
Deferred tax assets	13	2,297	4,573
		142,771	149,542
		\$ 634,424	\$ 664,948
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT			
Bank indebtedness		\$ 11,264	\$ -
Accounts payable and accrued liabilities	6	195,612	232,715
Provisions		5,523	5,839
Dividends payable		4,876	4,956
Income taxes payable		584	2,287
Obligations under finance leases	7	3,310	3,701
Derivative instruments		1,162	-
		222,331	249,498
NON-CURRENT			
Provisions		2,397	2,305
Employee benefits		8,267	8,106
Other liabilities		457	1,118
Obligations under finance leases	7	4,264	5,154
Long-term debt	8	122,324	121,952
		137,709	138,635
SHAREHOLDERS' EQUITY			
Share capital	9	175,863	178,764
Contributed surplus		8,866	7,137
Retained earnings		90,171	90,812
Accumulated other comprehensive income		(516)	102
Total shareholders' equity		274,384	276,815
		\$ 634,424	\$ 664,948

These condensed consolidated financial statements were approved by the Board of Directors on August 11, 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 June 30 2017	2016	Six months ended June 30 2017	2016
Revenue	12	\$ 325,312	\$ 336,583	\$ 643,699	\$ 621,570
Cost of sales		262,652	279,154	520,273	509,416
Gross profit		62,660	57,429	123,426	112,154
Selling and administrative expenses		49,905	48,635	99,454	101,315
Restructuring (recovery) costs		(315)	-	(315)	12,500
Earnings (loss) before finance costs and income taxes		13,070	8,794	24,287	(1,661)
Finance costs		2,642	2,799	5,180	5,496
Earnings (loss) before income taxes		10,428	5,995	19,107	(7,157)
Income tax expense (recovery)	13	2,876	1,696	5,318	(1,709)
Net earnings (loss)		\$ 7,552	\$ 4,299	\$ 13,789	\$ (5,448)
Basic earnings (loss) per share	14	\$ 0.39	\$ 0.22	\$ 0.70	\$ (0.27)
Diluted earnings (loss) per share	14	\$ 0.37	\$ 0.21	\$ 0.68	\$ (0.27)

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 June 30 2017	2016	Six months ended June 30 2017	2016
Net earnings (loss)	\$ 7,552	\$ 4,299	\$ 13,789	\$ (5,448)
Items that may be subsequently reclassified to income				
(Gains) losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax expense of \$5 (2016 – recovery of \$132) and year to date, net of tax expense of \$30 (2016 – \$99)	(15)	359	(81)	(260)
Losses on derivative instruments outstanding at the end of the period designated as cash flow hedges, net of tax recovery of \$197 (2016 – \$139) and year to date, net of tax recovery of \$198 (2016 - \$488)	(534)	(377)	(537)	(1,326)
Other comprehensive loss, net of tax	(549)	(18)	(618)	(1,586)
Total comprehensive income (loss)	\$ 7,003	\$ 4,281	\$ 13,171	\$ (7,034)

WAJAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY

						Accumulated other comprehensive income (loss)		
For the six months ended June 30, 2017 (unaudited, in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Cash flow hedges		Total	
December 31, 2016		\$ 178,764	7,137	90,812	102	\$	276,815	
Net income		-	-	13,789	-		13,789	
Other comprehensive loss		-	-	-	(618)		(618)	
Total comprehensive income (loss) for the period		-	-	13,789	(618)		13,171	
Shares issued to settle share-based compensation plans	11	-	-	-	-		-	
Shares purchased and held in trust	9	(2,901)	-	(4,598)	-		(7,499)	
Dividends	10	-	-	(9,832)	-		(9,832)	
Share-based compensation expense	11	-	1,729	-	-		1,729	
June 30, 2017		\$ 175,863	8,866	90,171	(516)	\$	274,384	

WAJAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY

						Accumulated other comprehensive income (loss)		
For the six months ended June 30, 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 loss			-	-	(5,448)	-		(5,448)
Other comprehensive loss			-	-	-	(1,586)		(1,586)
Total comprehensive loss for the period			-	-	(5,448)	(1,586)		(7,034)
Shares issued to settle share-based compensation plans	11		58	(58)	-	-		-
Shares purchased and held in trust	9		(1,097)	-	(903)	-		(2,000)
Dividends	10		-	-	(9,966)	-		(9,966)
Share-based compensation expense	11		-	715	-	-		715
June 30, 2016			\$ 178,790	6,587	85,599	(757)	\$	270,219

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

(unaudited, in thousands of Canadian dollars)	Note	Three months ended June 30		Six months ended June 30	
		2017	2016	2017	2016
OPERATING ACTIVITIES					
Net earnings (loss)		\$ 7,552	\$ 4,299	\$ 13,789	\$ (5,448)
Items not affecting cash flow:					
Depreciation and amortization:					
Rental equipment		3,383	3,641	6,678	7,267
Property, plant and equipment		1,977	2,279	3,949	4,303
Intangible assets		142	180	284	467
Loss (gain) on disposal of property, plant and equipment	5	35	(102)	46	(130)
Share-based compensation expense	11	925	529	1,729	715
Non-cash rental expense		5	159	179	171
Employee benefits expense, net of payments		63	83	161	206
Change in fair value of non-hedge derivative instruments		239	87	262	511
Finance costs		2,642	2,799	5,180	5,496
Income tax expense (recovery)	13	2,876	1,696	5,318	(1,709)
		19,839	15,650	37,575	11,849
Changes in non-cash operating working capital	15	(7,244)	7,678	(17,260)	13,898
Rental equipment additions	4	(3,139)	(3,321)	(6,497)	(5,224)
Other non-current liabilities		15	(313)	(569)	(1,038)
Finance costs paid		(4,408)	(4,542)	(4,889)	(5,081)
Income taxes paid		(1,299)	(765)	(4,517)	(2,350)
Cash generated from operating activities		3,764	14,387	3,843	12,054
INVESTING ACTIVITIES					
Property, plant and equipment additions	5	(627)	(1,510)	(1,121)	(2,636)
Proceeds on disposal of property, plant and equipment	5	563	242	623	497
Intangible assets additions		(10)	(35)	(17)	(35)
Acquisition of business		-	(5,573)	-	(5,573)
Cash used in investing activities		(74)	(6,876)	(515)	(7,747)
FINANCING ACTIVITIES					
Common shares purchased and held in trust	9	(5,281)	(2,000)	(7,499)	(2,000)
Finance lease payments	7	(1,034)	(1,065)	(2,045)	(2,210)
Settlement of non-hedge derivative instruments		(27)	(336)	10	(123)
Dividends paid		(4,956)	(4,998)	(9,912)	(9,995)
Cash used in financing activities		(11,298)	(8,399)	(19,446)	(14,328)
Change in cash and bank indebtedness		(7,608)	(888)	(16,118)	(10,021)
(Bank indebtedness) cash - beginning of period		(3,656)	4,481	4,854	13,614
(Bank indebtedness) cash - end of period	\$	(11,264)	\$ 3,593	\$ (11,264)	\$ 3,593

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

JUNE 30, 2017

(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 operates an integrated distribution system providing sales, parts and services to a broad range of customers in diversified sectors of the Canadian economy, including: transportation, forestry, industrial and commercial, construction, oil sands, mining, metal processing, government and utilities and oil and gas.

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, 2016. The significant accounting policies follow those disclosed in the most recently reported audited consolidated financial statements, except as disclosed in Note 3.

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. CHANGE IN ACCOUNTING POLICIES

The following new standard has been adopted in the current year:

Effective January 1, 2017, the Corporation adopted the amendments to IAS 7 *Statement of Cash Flows*, which requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash flow changes. See Notes 7 and 8 for additional disclosures.

New standards and interpretations not yet adopted

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 has established a project team to study the impact of the new standard and to manage its adoption. The team has documented the Corporation's revenue streams, has engaged the assistance of an expert and is analyzing the impact of the standard on its revenue recognition practices.

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.

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's long term leases primarily relate to rental of real estate. The new standard will result in a material increase in right of use assets and lease obligations but the impact to earnings has not yet been estimated.

4. RENTAL EQUIPMENT

The Corporation acquired rental equipment with a cost of \$3,139 during the quarter (2016 – \$3,321) and \$6,497 year to date (2016 – \$5,224). Equipment with a carrying amount of \$31 during the quarter (2016 – \$938) and \$31 year to date (2016 – \$2,722) was transferred from inventories to rental equipment. Equipment with a carrying amount of \$729 during the quarter (2016 – \$1,866) and \$1,346 year to date (2016 – \$4,833) was transferred from rental equipment to inventories.

5. PROPERTY, PLANT AND EQUIPMENT

The Corporation acquired property, plant and equipment with a cost of \$627 during the quarter (2016 – \$4,495) and \$1,121 year to date (2016 – \$5,621). Assets with a carrying amount of \$598 during the quarter (2016 – \$140) and \$669 year to date (2016 – \$367) were disposed of, resulting in a loss on disposal of \$35 during the quarter (2016 – gain of \$102) and \$46 year to date (2016 – gain of \$130).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2017		December 31, 2016	
Trade payables	\$	96,715	\$	130,043
Deferred income – contract revenue		182		25
Deferred income – other		10,292		15,300
Supplier payables with extended terms		41,265		29,232
Payroll, bonuses and incentives		21,752		22,223
Restructuring accrual		1,145		4,687
Accrued liabilities		24,261		31,205
Accounts payable and accrued liabilities	\$	195,612	\$	232,715

7. OBLIGATIONS UNDER FINANCE LEASES

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Balance at beginning of period	\$ 8,164	\$ 10,945	\$ 8,855	\$ 11,042
Changes from financing cash flows				
Finance lease payments	(1,034)	(1,065)	(2,045)	(2,210)
Other changes				
New finance leases	444	421	764	1,469
Balance at end of period	\$ 7,574	\$ 10,301	\$ 7,574	\$ 10,301

8. LONG-TERM DEBT

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Balance at beginning of period	\$ 122,136	\$ 151,761	\$ 121,952	\$ 151,582
Amortization of capitalized transaction costs	188	180	372	359
Balance at end of period	\$ 122,324	\$ 151,941	\$ 122,324	\$ 151,941

9. SHARE CAPITAL

		Number of Common Shares		Amount
Issued and outstanding, December 31, 2016 and June 30, 2017		20,026,819	\$	180,572
Shares held in trust, December 31, 2016		(200,968)		(1,808)
Purchased for future settlement of certain share-based compensation plans		(321,744)		(2,901)
Shares held in trust, June 30, 2017		(522,712)		(4,709)
Issued and outstanding, net of shares held in trust, June 30, 2017		19,504,107	\$	175,863

		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	11	5,880		58
Issued and outstanding, June 30, 2016		19,992,121	\$	179,887
Shares held in trust, December 31, 2015		-		-
Purchased for future settlement of certain share-based compensation plans		(121,939)		(1,097)
Shares held in trust, June 30, 2016		(121,939)		(1,097)
Issued and outstanding, net of shares held in trust, June 30, 2016		19,870,182	\$	178,790

During the six months ended June 30, 2017, the Corporation purchased 321,744 (2016 – 121,939) common shares on the open market through Employee Benefit Plan Trusts for the future settlement of certain share-based compensation plans. The cash consideration paid for the purchase was \$7,499, (2016 - \$2,000) the reduction in share capital was \$2,901 (2016 - \$1,097) and the premium charged to retained earnings was \$4,598 (2016 - \$903).

10. DIVIDENDS DECLARED

During the three months ended June 30, 2017, the Corporation declared cash dividends of \$0.25 per share or \$4,876 (2016 – dividends of \$0.25 per share or \$4,968).

Year to date, the Corporation declared cash dividends of \$0.50 per share or \$9,832 (2016 – dividends of \$0.50 per share or \$9,966).

On August 11, 2017, the Corporation declared a third quarter 2017 dividend of \$0.25 per share or \$4,876.

11. 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 \$141 for the quarter (2016 – \$179) and \$318 for the year to date (2016 – \$365) in respect of the SOP and DDSUP plans.

	Six months ended June 30, 2017		Six months ended June 30, 2016	
	Number of rights	Fair value at time of grant	Number of rights	Fair value at time of grant
Outstanding at beginning of year	345,458	\$ 5,935	325,144	\$ 6,009
Granted in the period – new grants	13,502	300	20,926	336
– dividend equivalents	7,719	-	9,720	-
Settled in the period	-	-	(5,880)	(58)
Outstanding at end of period	366,679	\$ 6,235	349,910	\$ 6,287

At June 30, 2017, all share rights were vested (June 30, 2016 – 344,152).

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 \$784 for the quarter (2016 - \$350) and \$1,411 for the year to date (2016 – \$350) in respect of these plans. The following RSUs and PSUs under the plans are outstanding:

	Six months ended June 30, 2017		Six months ended June 30, 2016	
	Number of rights	Fair value at time of grant	Number of rights	Fair value at time of grant
Outstanding at beginning of year	315,916	\$ 5,211	-	\$ -
Granted in the period – new grants	211,940	5,223	324,702	5,549
– dividend equivalents	8,767	-	-	-
Forfeitures	(11,361)	(204)	(5,591)	(96)
Outstanding at end of period	525,262	\$ 10,230	319,111	\$ 5,453

At June 30, 2017, no RSUs or PSUs were vested (June 30, 2016 – nil).

c) Cash-settled rights plans

The Corporation recorded compensation cost of \$133 for the quarter (2016 – recovery of \$12) and compensation cost of \$207 for the year to date (2016 – \$107) in respect of the share-based portion of the MTIP and DSUP for grants dated before March, 2016. At June 30, 2017, the carrying amount of the share-based portion of these liabilities was \$1,125 (June 30, 2016 – \$965).

12. REVENUE

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Equipment sales	\$ 109,325	\$ 129,377	\$ 206,727	\$ 211,765
Equipment rental	7,494	8,683	15,895	17,685
Industrial parts	87,010	82,610	176,572	163,203
Product support	107,879	101,579	218,144	200,548
Other	13,604	14,334	26,361	28,369
Total	\$ 325,312	\$ 336,583	\$ 643,699	\$ 621,570

13. INCOME TAXES

Income tax expense (recovery) comprises current and deferred tax as follows:

For the six months ended June 30	2017	2016
Current	\$ 2,814	\$ (1,480)
Deferred – Origination and reversal of temporary differences	2,504	(229)
Income tax expense (recovery)	\$ 5,318	\$ (1,709)

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.9% (2016 – 26.9%). 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 the effective income tax rate is as follows:

For the six months ended June 30	2017	2016
Combined statutory income tax rate	26.9%	26.9%
Expected income tax expense (recovery) at statutory rates	\$ 5,140	\$ (1,925)
Non-deductible expenses	248	240
Other	(70)	(24)
Income tax expense (recovery)	\$ 5,318	\$ (1,709)

14. EARNINGS PER SHARE

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

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Numerator for basic and diluted earnings per share:				
– net earnings (loss)	\$ 7,552	\$ 4,299	\$ 13,789	\$ (5,448)
Denominator for basic earnings per share:				
– weighted average shares, net of shares held in trust	19,601,269	19,956,921	19,709,348	19,973,842
Denominator for diluted earnings per share:				
– weighted average shares, net of shares held in trust	19,601,269	19,956,921	19,709,348	19,973,842
– effect of dilutive share rights	557,247	259,146	519,163	-
Denominator for diluted earnings per share	20,158,516	20,216,067	20,228,511	19,973,842
Basic earnings (loss) per share	\$ 0.39	\$ 0.22	\$ 0.70	\$ (0.27)
Diluted earnings (loss) per share	\$ 0.37	\$ 0.21	\$ 0.68	\$ (0.27)

For the quarter, no share rights were excluded from the above calculation (2016 – nil) as all share rights were dilutive. For the year to date, 38,729 anti-dilutive share rights were excluded from the above calculation (2016 – 232,643 anti-dilutive share rights excluded).

15. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Trade and other receivables	\$ 23,707	\$ (13,561)	\$ 24,149	\$ (8,603)
Contracts in progress	(130)	(3,496)	4,016	(225)
Inventories	(13,811)	26,589	(20,323)	20,439
Deposits on inventory	5,715	(260)	12,050	(478)
Prepaid expenses	343	(223)	(453)	1,035
Accounts payable and accrued liabilities	(23,103)	(1,034)	(36,383)	2,779
Provisions	35	(337)	(316)	(1,049)
Total	\$ (7,244)	\$ 7,678	\$ (17,260)	\$ 13,898

16. OPERATING SEGMENTS

With the completion of the reorganization during the first quarter of 2017, the Corporation's Chief Executive Officer, who is also the Chief Operating Decision Maker, regularly assesses the performance of, and makes resource allocation decisions based on, the Corporation as a whole. As a result, the Corporation has determined that it comprises a single operating segment and therefore a single reportable segment, which differs from the three reportable segments which existed prior to the reorganization.