FOURTH QUARTER REPORT TO SHAREHOLDERS

FOR THE TWELVE MONTHS ENDED
DECEMBER 31, 2013

WAJAX CORPORATION 2013	

WAJAX CORPORATION
News Release

TSX Symbol: WJX

WAJAX ANNOUNCES 2013 FOURTH QUARTER EARNINGS

(Dollars in millions, except per share data)	Three Months Ended December 31		Year Ended December 31	
	2013	2012	2013	2012
CONSOLIDATED RESULTS				
Revenue	**$391.7**	**$364.9**	**$1,428.5**	**$1,466.0**
Net earnings	**$12.2**	**$14.2**	**$47.7**	**$65.9**
Basic earnings per share	**$0.73**	**$0.85**	**$2.85**	**$3.95**
SEGMENTS				
Revenue - Equipment	**$218.0**	**$201.6**	**$763.5**	**$778.5**
- Power Systems	**$85.4**	**$79.0**	**$304.0**	**$332.3**
- Industrial Components	**$89.1**	**$85.3**	**$364.9**	**$360.0**
Earnings - Equipment(1)	**$13.4**	**$14.0**	**$49.0**	**$56.1**
% margin	*6.2%*	*6.9%*	*6.4%*	*7.2%*
- Power Systems(1)	**$6.0**	**$5.0**	**$17.1**	**$26.1**
% margin	*7.0%*	*6.3%*	*5.6%*	*7.9%*
- Industrial Components(1)	**$2.1**	**$3.6**	**$15.0**	**$22.1**
% margin	*2.4%*	*4.2%*	*4.1%*	*6.1%*

(1) Segment earnings before finance costs and income taxes.

Toronto, Ontario – March 4, 2014 – Wajax Corporation ("Wajax" or the "Corporation") today announced its 2013 fourth quarter earnings.

Fourth Quarter Highlights

- Consolidated fourth quarter revenue of $391.7 million increased $26.8 million, or 7%, compared to last year, on gains in all three segments. The Equipment segment's revenue increased 8%, particularly on stronger forestry and construction equipment sales. Power Systems segment revenue increased 8% on higher power generation equipment and on-highway parts and service volume. A 4% increase in Industrial Components segment revenue was attributable to the Kaman Canada acquisition completed at the end of last year.

- Net earnings for the quarter were $12.2 million, or $0.73 per share, compared to $14.2 million, or $0.85 per share, recorded in 2012. Equipment segment earnings decreased slightly, due primarily to a lower gross margin percentage related to sales mix that more than offset higher revenue and lower selling and administrative expenses. Power Systems segment earnings increased $1.0 million, attributable to higher revenue and Industrial Components segment earnings decreased $1.5 million, mainly as a result of lower gross margins due to sales mix and competitive pricing pressures.

- Consolidated backlog of $155.1 million at December 31, 2013 decreased $49.7 million compared to September 30, 2013. The majority of the decline relates to the fourth quarter delivery of four Hitachi mining trucks and a number of power generation packages by the Equipment and Power Systems segments respectively.

- Funded net debt at December 31, 2013 of $205.0 million decreased $20.3 million compared to September 30, 2013, primarily as a result of a $16.8 million reduction in non-cash operating working capital.

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

On October 23, 2013 the Corporation issued $125 million of senior unsecured notes. The notes, which bear an interest rate of 6.125% per annum, will mature on October 23, 2020. The net proceeds of the notes were used to repay borrowings under the Corporation's senior secured bank credit facility, which in turn may be redrawn for general corporate purposes. Effective upon the closing of the note offering, the Corporation reduced the total available committed amount of the bank credit facility from $300 million to $250 million. The issuance of the notes introduces a longer term fixed rate layer of debt into Wajax's capital structure at a time when interest rates remain historically low.

The Corporation declared monthly dividends of $0.20 per share ($2.40 annualized) for the months of March and April, 2014.

Outlook

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

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

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

Wajax Corporation

Wajax is a leading Canadian distributor engaged in the sale, rental and after-sale parts and service support of equipment, power systems and industrial components, through a network of 125 branches across Canada. The Corporation is a multi-line distributor and represents a number of leading worldwide manufacturers across its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

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 2014 outlook regarding market conditions, including the oil and gas and mining markets, some of the challenges to our growth in 2014 and our earnings outlook for the first quarter of 2014, our investment in our strategic and growth initiatives, including the expansion of our aftermarket business, and the management of our total costs, asset base and leverage. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions, the supply and demand for, and the level and volatility of prices for, commodities, financial market conditions, including interest rates, the future financial performance of the Corporation, our costs, market competition, our ability to attract and retain skilled staff, our ability to procure quality products and inventory and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions, volatility in the supply and demand for, and the level of prices for, commodities, fluctuations in financial market conditions, including interest rates, the level of demand for, and prices of, the products and services we offer, market acceptance of the products we offer, termination of distribution or original equipment manufacturer agreements, unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters), our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. The forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in our Annual Information Form for the year ended December 31, 2013, filed on SEDAR.

Management's Discussion and Analysis – 2013

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

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

Responsibility of Management and the Board of Directors

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

As at December 31, 2013, Wajax's management, under the supervision of its CEO and CFO, had designed DC&P to provide reasonable assurance that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is accumulated and communicated to Wajax's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

As at December 31, 2013, Wajax's management, under the supervision of its CEO and CFO, had designed internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its 1992 version of Internal Control – Integrated Framework. With regard to general controls over information technology, management also used the set of practices of Control Objectives for Information and related Technology ("COBIT") created by the IT Governance Institute.

During the year, Wajax's management, under the supervision of its CEO and CFO, evaluated the effectiveness and operation of its DC&P and ICFR. This evaluation included a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud. The CEO and CFO have concluded that Wajax's DC&P and ICFR were effective as at December 31, 2013.

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

Cautionary Statement Regarding Forward-Looking Information

This MD&A contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, "**forward-looking statements**"). These forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "anticipates", "intends", "predicts", "expects", "is expected", "scheduled", "believes", "estimates", "projects" or "forecasts", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation's ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this MD&A are made as of the date of this MD&A, reflect management's current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this MD&A includes forward looking statements regarding, among other things, our plans for revenue and earnings growth, including planned business and strategic initiatives and their intended outcomes, our objective with respect to the future payment of dividends, our financing and capital requirements, as well as our capital structure, our 2014 outlook regarding market conditions, including the oil and gas and mining markets, some of the challenges to our growth in 2014 and our earnings outlook for the first quarter of 2014, our investment in our strategic and growth initiatives, including the expansion of our aftermarket business, and the management of our total costs, asset base and leverage. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions, the supply and demand for, and the level and volatility of prices for, commodities, financial market conditions, including interest rates, the future financial performance of the Corporation, our costs, market competition, our ability to attract and retain skilled staff, our ability to procure quality products and inventory and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions, volatility in the supply and demand for, and the level of prices for, commodities, fluctuations in financial market conditions, including interest rates, the level of demand for, and prices of, the products and services we offer, market acceptance of the products we offer, termination of distribution or original equipment manufacturer agreements, unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters), our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in this MD&A under the heading "Risk Management and Uncertainties" and in our Annual Information Form for the year ended December 31, 2013, filed on SEDAR. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

Wajax Corporation Overview

Wajax's core distribution businesses are engaged in the sale, rental and after-sale parts and service support of mobile equipment, power systems and industrial components through a network of 125 branches across Canada. Wajax is a multi-line distributor and represents a number of leading worldwide manufacturers in its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

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

Annual Consolidated Results

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

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

Revenue by Geographic Region

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

* Includes Quebec and the Atlantic provinces.

Revenue by Segment

	2013	2012
Equipment	53%	53%
Power Systems	21%	23%
Industrial Components	26%	24%

EBIT by Segment

	2013	2012
Equipment	60%	54%
Power Systems	21%	25%
Industrial Components	19%	21%

Revenue by Market

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

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

Mining activity, including the oil sands market, was softer than last year as lower commodity prices combined with a lack of financing for new mines influenced customers to take a more cautious approach in making commitments to buy equipment. This factor, coupled with the loss of the LeTourneau mining equipment distribution rights in mid-2012, resulted in lower annual mining equipment revenue in the Equipment segment. In addition, mining sector related revenue was lower in the Power Systems and Industrial Components segments. Partially mitigating this was meaningful mining parts and service growth in the Equipment segment during the year, driven by its installed base of Hitachi hydraulic mining shovels and growth from its rotating products initiative in the oil sands market.

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

Revenue

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

Gross profit

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

Selling and administrative expenses

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

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

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

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

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

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

On October 23, 2013, the Corporation issued $125 million of senior unsecured notes (the "senior notes") bearing an annual interest rate of 6.125%, payable semi-annually, and maturing on October 23, 2020. The net proceeds of the senior notes were used to repay borrowings under the Corporation's senior secured bank credit facility (the "bank credit facility") which in turn may be redrawn for general corporate purposes. Effective upon the closing of the senior note offering, the Corporation reduced the total available committed amount of the bank credit facility from $300 million to $250 million. The issuance of the senior notes introduces a longer term fixed rate layer of debt into Wajax's capital structure at a time when interest rates remain historically low. See the Liquidity and Capital Resources section.

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

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

Annual Results of Operations

Equipment

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

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

Revenue by Product Type 2013 versus 2012

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

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

- Equipment revenue decreased $41.8 million with specific year-over-year variances as follows:
  - Forestry equipment revenue increased $16.4 million as strength in the lumber market led to higher market demand for Tigercat and Hitachi forestry equipment in all regions.
  - Construction equipment revenue increased $12.3 million mainly as a result of an increase in JCB equipment volumes in eastern Canada and higher Hitachi excavator and Bell articulated dump truck ("ADT") volumes in western Canada. These increases were partially offset by decreases in Hitachi excavator sales in central Canada due to lower demand and competitive market pressures.
  - Material handling equipment revenue increased $4.1 million mainly as a result of higher lift truck revenues in western and eastern Canada and the sale of higher dollar value reach stacker units in eastern Canada.
  - Crane and utility equipment revenue decreased $3.6 million attributable to lower crane sales in eastern Canada offset somewhat by higher equipment sales to utility customers in central Canada.
  - Mining equipment sales decreased $71.0 million. Excluding the impact of the loss of the LeTourneau product distribution rights, for which distribution rights were discontinued in mid-2012, mining sales decreased $45.2 million on fewer Hitachi hydraulic mining shovel deliveries. This decrease was offset somewhat by the sale of four Hitachi EH5000 320 ton mining trucks in 2013.

- Parts and service volumes increased $26.8 million, or 10%, compared to last year. Excluding the effect of the discontinued LeTourneau product distribution rights, parts and service volumes for the year increased $39.3 million, or 15%. The increase was led by higher non-LeTourneau related mining sector volumes in western Canada, driven by the segment's installed base of Hitachi mining equipment and growth in rotating products, and additional construction and forestry sector volumes.

- Segment earnings decreased $7.1 million to $49.0 million compared to last year. This was due mainly to the negative impact of the discontinued LeTourneau product distribution rights, on both volumes and gross profit margins, and an increase in selling and administrative expenses. These declines were partially offset by the positive impact on earnings of increased non-LeTourneau parts and service volumes. For the year ended December 31, 2012, the LeTourneau product distribution rights contributed approximately $8.5 million to the segment's earnings. Selling and administrative expenses increased $3.2 million compared to last year as higher operating costs in western Canada, driven in part by growth in the segment's rotating products group, offset personnel cost reductions in eastern Canada.

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

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

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

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

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

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

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

Power Systems

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

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

Revenue by Market 2013 versus 2012

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

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

- Equipment revenue decreased $23.8 million, due mainly to lower off-highway sales to oil and gas customers as a result of reduced industry activity in western Canada. In eastern and central Canada, reduced off-highway sales to mining customers and the military also contributed to the revenue decline. The decrease in revenue was somewhat offset by higher rental volumes in all regions.

- Parts and service volumes decreased $4.5 million compared to last year as a result of lower sales to off-highway customers on decreased activity in western and central Canada. These decreases were partially offset by increased sales to on-highway customers, primarily in western and central Canada.

- Segment earnings decreased $9.0 million compared to last year due to the impact of reduced sales activity and higher selling and administrative expenses. Selling and administrative expenses increased $0.7 million due principally to higher occupancy costs and professional fees.

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

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

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

- The primary growth focus of the Power Systems segment is to establish Wajax as one of Canada’s leaders in commercial EPG systems through a broad range of available products, services and project engineering capabilities to meet customer requirements from small standby systems to large prime power projects and cogeneration. Customer markets include commercial, data center, health care, marine, defense and resource. During 2013, the segment built a strong national team of EPG professionals with a wide spectrum of skills that improve the segment's management and executional capabilities. In addition, a new 68,000 square foot EPG engineering and fabrication facility near Drummondville, Quebec provides a platform for national product integration.

- The segment's off-highway business will expand its aftermarket capabilities through new products and the introduction of an expanded range of maintenance and repair services that will focus on leveraging the joint capabilities of the Power Systems and Industrial Components segments in the oil and gas sector.

- The segment will begin to augment its on-highway engine and transmission business by leveraging its Canada-wide footprint and relationship with "Wheel Time", an association of North American distributors. "Wheel Time" provides the segment with purchasing efficiencies and access to an expanded range of "all makes" parts for a wide range of on-highway vehicles, expanded marketing and training for additional vehicle services and fleet customer marketing.

Industrial Components

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

(1) Earnings before finance costs and income taxes.

Revenue by Market 2013 versus 2012

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

Revenue increased $4.9 million, or 1%, to $364.9 million in 2013 from $360.0 million in 2012. 2013 revenue included $21.1 million of revenue from the ACE Hydraulic and Kaman Canada businesses acquired in the fourth quarter of 2012. Segment earnings decreased $7.1 million, to $15.0 million, compared to $22.1 million in the previous year. The year-over-year changes in revenue and earnings were a result of the following factors:

- Bearings and power transmission parts sales increased $9.5 million, or 5%. This was more than accounted for by the Kaman Canada acquisition and increased sales to industrial sector customers in eastern Canada. This increase was offset somewhat by lower sales to mining and metal processing customers in eastern and central Canada and reduced oil and gas sector volumes in western Canada.

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

- Segment earnings decreased $7.1 million. The positive impact of higher volumes was offset by lower gross profit margins and a $2.8 million increase in selling and administrative expenses. The decline in gross profit margin resulted mainly from product mix and competitive market pressures, primarily in western Canada. The increase in selling and administrative expenses was attributed mainly to operating costs related to the ACE

Hydraulic and Kaman Canada acquisitions and higher bad debt and occupancy expenses compared to last year. These increases were offset partially by lower annual incentive accruals compared to last year.

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

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

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

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

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

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

Selected Annual Information

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

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

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

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

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

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

Selected Quarterly Information

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2013 annual audited Consolidated Financial Statements.

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

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

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

Consolidated Financial Condition

Capital Structure and Key Financial Condition Measures

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

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

The Corporation's capital structure is managed such that it maintains a relatively low leverage ratio as the Corporation pays dividends to shareholders equal to a significant portion of its earnings. The Corporation's objective is to maintain a leverage ratio between 1.5 times and 2.0 times. However, there may be instances where the Corporation is willing to maintain a leverage ratio outside the range to either support key growth initiatives or fluctuations in working capital levels during changes in economic cycles. See the Funded Net Debt section below.

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

Shareholders' Equity

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

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

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

At the date of this MD&A, the Corporation had 16,743,520 common shares outstanding.

Wajax has five share-based compensation plans; the Wajax Share Ownership Plan ("SOP"), the Deferred Share Program ("DSP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Share Unit Plan ("DSUP"). SOP, DSP and DDSUP rights are issued to the participants and are settled by issuing Wajax Corporation shares on a one-for-one basis. As of December 31, 2013, there were 282,573 (2012 – 254,952) SOP, DSP and DDSUP rights outstanding. The cash-settled MTIP and DSUP consist of annual grants that vest over three years and are subject to time and performance vesting criteria. A portion of the MTIP and the full amount of the DSUP grants are determined by the price of the Corporation's shares. Compensation expense for the SOP, DSP and DDSUP is determined based upon the fair value of the rights at the date of grant and charged to earnings on a straight line basis over the vesting period, with an offsetting adjustment to contributed surplus. Compensation expense for the DSUP and the share-based portion of the MTIP varies with the price of the Corporation's shares and is recognized over the vesting period. Wajax recorded compensation cost of $0.6 million for the year (2012 – $3.4 million) in respect of these plans.

Funded Net Debt

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

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

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

The Corporation's leverage ratio of 2.15 times at December 31, 2013 increased from the December 31, 2012 ratio of 1.55 times due to the combined impact of lower EBITDA for the year and higher funded net debt outstanding. See the Liquidity and Capital Resources and the Non-GAAP and Additional GAAP Measures sections.

Financial Instruments

Wajax uses derivative financial instruments in the management of its foreign currency and interest rate exposures. Wajax's policy restricts the use of derivative financial instruments for trading or speculative purposes. Significant derivative financial instruments outstanding at the end of the period were as follows:

- Wajax enters into short-term currency forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and certain foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. As at December 31, 2013, Wajax had contracts outstanding to buy U.S. $31.1 million (December 31, 2012 – to buy U.S. $26.5 million and to sell U.S. $11.1 million). The U.S. dollar contracts expire between January 2014 and February 2015, with a weighted average U.S./Canadian dollar rate of 1.0562.

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

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

Contractual Obligations

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

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

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

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

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

Wajax also has contingent contractual obligations where Wajax has guaranteed the resale value of equipment sold ("guaranteed residual value contracts") or has guaranteed a portion of customer lease payments ("recourse contracts"). These contracts are subject to certain conditions being met by the customer. As at December 31, 2013, Wajax had guaranteed $0.6 million of contracts (2012 – $1.2 million) with commitments arising in 2014. The commitments made by Wajax in these contracts reflect the estimated future value of the equipment, based on the judgment and experience of management. Wajax has recorded a nominal provision in 2013 (2012 – $0.1 million) as an estimate of the financial loss likely to result from such commitments.

The above table does not include obligations to fund pension benefits. Wajax sponsors certain defined benefit plans that cover executive employees, a small group of inactive employees and certain employees on long-term disability benefits. The defined benefit plans are subject to actuarial valuations in 2014 and 2015. Management does not expect future cash contribution requirements to change materially from the 2013 contribution level of $0.4 million as a result of these valuations or any declines in the fair value of the defined benefit plans' assets.

Off Balance Sheet Financing

Off balance sheet financing arrangements include operating lease contracts for facilities with various landlords and other equipment related mainly to office equipment. The total obligations for all operating leases are detailed in the Contractual Obligations section. At December 31, 2013, the non-discounted operating lease commitments for facilities totaled $100.6 million and for other equipment $0.7 million.

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

The Equipment segment had $68.9 million (2012 – $97.2 million) of consigned inventory on-hand from a major manufacturer at December 31, 2013. In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold to customers or purchased by Wajax. This consigned inventory is not included in Wajax's inventory as the manufacturer retains title to the goods. In the event the inventory consignment program was terminated, Wajax would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its credit facilities.

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

Liquidity and Capital Resources

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

Bank and Non-bank Credit Facilities and Senior Notes

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

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

- The facility is fully secured, expiring August 12, 2016, and is made up of a $60 million non-revolving term portion and a $190 million revolving term portion.
- Borrowing capacity is dependent upon the level of inventories on-hand and the outstanding trade accounts receivable.
- The facility contains customary restrictive covenants including limitations on the payment of cash dividends and the maintenance of certain financial ratios all of which were met as at December 31, 2013. Wajax is restricted from the declaration of monthly dividends in the event the Corporation's leverage ratio, as defined in the bank credit facility agreement, exceeds three times.
- Borrowings bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR rates or prime. Margins on the facility depend on Wajax's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

At December 31, 2013, Wajax had borrowed $75.0 million and issued $6.7 million of letters of credit for a total utilization of $81.7 million of its $250 million bank credit facility. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At December 31, 2013, borrowing capacity under the bank credit facility was equal to $250 million.

Under the terms of the bank credit facility, Wajax is permitted to have additional interest bearing debt of $15 million. As such, Wajax has up to $15 million of demand inventory equipment financing capacity with three non-bank lenders. At December 31, 2013 Wajax had no utilization of the interest bearing equipment financing facilities.

As of March 4, 2014, Wajax's $250 million bank credit facility, along with the additional $15 million of capacity permitted under the bank credit facility should be sufficient to meet Wajax's short-term normal course working capital and maintenance capital requirements. However, Wajax may be required to access the equity or debt markets or reduce dividends in order to fund significant acquisitions and growth related working capital and capital expenditures.

Cash Flow

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

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

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

Cash Generated From (Used In) Operating Activities
The $63.2 million year over year increase in cash flows generated from operating activities was mainly attributable to an increase in cash generated from changes in non-cash working capital of $17.7 million in 2013 as compared to a use of working capital of $114.3 million in 2012, offset mostly by significantly higher income taxes paid of $57.9 million and reduced earnings of $18.2 million. (Income taxes paid during the year of $60.3 million were comprised of $44.6 million related to 2011 and 2012 income taxes and 2013 income tax installments of $15.7 million.)

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

For the year ended December 31

Changes in Non-cash Operating Working Capital[(1)]		**2013**		**2012**
Trade and other receivables	**$**	**6.6**	$	(17.1)
Inventories		**(2.8)**		(39.0)
Prepaid expenses		**1.1**		1.0
Accounts payable and accrued liabilities		**13.3**		(58.9)
Provisions		**(0.5)**		(0.3)
Total Changes in Non-cash Operating Working Capital	**$**	**17.7**	$	(114.3)

(1) Increase (decrease) in cash flow

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

- Trade and other receivables decreased $6.6 million in 2013 compared to an increase of $17.1 million in 2012. The decrease in 2013 was mainly attributable to the collection of a large mining equipment receivable in the Equipment segment partially offset by an increase in the Power Systems segment due principally to a large power generation receivable. The increase in 2012 was attributable to a significant increase in the Equipment segment, related to a large mining equipment delivery and increased sales activity. This increase was partially offset by reductions in the Power Systems and Industrial Components segments due to lower sales activity in the fourth quarter of 2012.

- Inventories increased $2.8 million in 2013 compared to an increase of $39.0 million in 2012. The increase in 2012 was due principally to a $35.4 million increase in mining equipment (trucks and shovels) in the Equipment segment.

- Accounts payable and accrued liabilities increased $13.3 million in 2013 compared to a decrease of $58.9 million in 2012. The increase in 2013 resulted primarily from higher trade payables in the Industrial Components segment. The decrease last year was due primarily to reductions in the Equipment segment, attributable to lower trade payables and customer deposits related to mining equipment, and lower deferred income and inventory related trade payables in the Power Systems segment. Reductions in annual and mid-term incentive accruals also contributed to the decrease in 2012.

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

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

Dividends

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

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

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

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

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

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

Fourth Quarter Consolidated Results

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

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

The Equipment segment was positively impacted in the quarter by increased demand for forestry equipment, particularly in British Columbia, attributable to higher lumber prices. The Equipment segment also benefitted from a somewhat stronger construction market in the quarter compared to last year. Weakness in oil and gas sector activity in western Canada, which started in the third quarter of 2012, continued in the fourth quarter as declines in customer spending primarily affected the Power Systems and Industrial Components segments. Although mining activity including the oil sands market remained soft, mining sector sales were comparable to last year.

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

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

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

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

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

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

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

Funded net debt
Funded net debt of $205.0 million at December 31, 2013 decreased $20.3 million compared to September 30, 2013. The decrease during the quarter was due to $32.6 million of cash generated from operating activities exceeding dividends paid of $10.0 million, deferred financing costs of $3.0 million relating to the issuance of the senior notes and finance lease payments of $1.6 million. See the Fourth Quarter Cash Flows and Liquidity and Capital Resources sections.

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

Backlog
Consolidated backlog at December 31, 2013 of $155.1 million decreased $49.7 million, or 24%, compared to September 30, 2013 with reductions in all segments. Backlog includes the total retail value of customer purchase orders for future delivery or commissioning. See the Fourth Quarter Results of Operations section for further backlog detail by segment.

Fourth Quarter Results of Operations

Equipment

For the three months ended December 31		**2013**		2012
Equipment[1]	**$**	**145.6**	$	130.9
Parts and service	**$**	**72.4**	$	70.7
Segment revenue	**$**	**218.0**	$	201.6
Segment earnings[2]	**$**	**13.4**	$	14.0
Segment earnings margin		***6.2%***		*6.9%*

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

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

- Equipment revenue for the fourth quarter increased $14.7 million or 11% with specific year-over-year variances as follows:
  - Forestry equipment revenue increased $10.0 million driven by higher Tigercat equipment volumes in all regions.
  - Construction equipment revenue increased $7.0 million mainly as a result of higher Hitachi excavator volumes, primarily in western Canada, and an increase in JCB equipment volumes in eastern Canada.

- Mining equipment sales increased $0.8 million. The sale of four Hitachi EH5000 320 ton mining trucks and increased rotating equipment volumes in western Canada was mostly offset by a decline in Hitachi hydraulic mining shovel sales.
- Crane and utility equipment revenue increased $0.5 million.
- Material handling equipment revenue decreased $3.6 million due principally to declines in eastern and central Canada.

- Parts and service volumes increased $1.7 million or 2%. The increase was led by higher forestry sector volumes in all regions, higher mining sector volumes in western Canada and gains in crane and utility revenue.

- Segment earnings for the fourth quarter decreased $0.6 million to $13.4 million. The positive impact of higher volumes and a $0.7 million reduction in selling and administrative expenses was more than offset by a lower gross margin percentage due to product mix variances compared to last year.

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

Power Systems

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

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

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

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

- Parts and service volumes increased $2.0 million compared to last year, mainly attributable to higher sales to on-highway customers in western and central Canada.

- Segment earnings in the fourth quarter of 2013 increased $1.0 million compared to the same quarter last year as the positive impact of higher volumes was partially offset by a $0.5 million increase in selling and administrative expenses.

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

Industrial Components

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

(1) Earnings before finance costs and income taxes.

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

- Bearings and power transmission parts sales increased $3.3 million or 7% which was more than accounted for by the Kaman Canada acquisition. This increase was somewhat offset by reduced volumes to construction customers.

- Fluid power and process equipment products and service revenue in the fourth quarter of 2013 increased $0.5 million.

- Segment earnings decreased $1.5 million as the positive impact of higher volumes was offset by lower gross profit margins and a $0.8 million increase in selling and administrative expenses. The decline in gross profit margin resulted mainly from an unfavorable product mix and competitive market pressures primarily in western Canada. The increase in selling and administrative expenses resulted primarily from operating costs related to the Kaman Canada acquisition.

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

Fourth Quarter Cash Flows

Cash Flow

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

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

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

Cash Generated From (Used In) Operating Activities
The $41.4 million increase in cash flows generated from operating activities was mainly attributable to an increase in cash generated from changes in non-cash working capital of $16.8 million in 2013 as compared to a use of cash of $25.4 million in 2012.

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

For the quarter ended December 31

Changes in Non-cash Operating Working Capital(1)		2013		2012
Trade and other receivables	**$**	**(2.6)**	$	(6.9)
Inventories		**13.7**		8.9
Prepaid expenses		**0.1**		(0.7)
Accounts payable and accrued liabilities		**4.7**		(29.6)
Provisions		**0.9**		2.9
Total Changes in Non-cash Operating Working Capital	**$**	**16.8**	$	(25.4)

(1) Increase (decrease) in cash flow

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

- Trade and other receivables increased $2.6 million in 2013 compared to an increase of $6.9 million in 2012. The increase in 2012 was due to higher sales activity in the Equipment segment reduced somewhat by lower accounts receivable in the Industrial Components on lower sales activity.

- Inventories decreased $13.7 million in the current year, due to reductions in inventory in the Equipment segment. This compared to a decrease of $8.9 million in 2012 due mainly to decreases in the Equipment segment's inventory and lower stocking levels in Industrial Components.

- Accounts payable and accrued liabilities increased $4.7 million in 2013 compared to a decrease of $29.6 million in 2012. The increase in 2013 resulted primarily from higher inventory trade payables in the Industrial Components segment, offset somewhat by lower inventory trade payables in the Equipment segment. The decrease last year was attributable to lower mining inventory trade payables in the Equipment segment, offset somewhat by higher inventory related trade payables in the Industrial Components segment.

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

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

Non-GAAP and Additional GAAP Measures

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

(i) these measures are commonly reported and widely used by investors,
(ii) the non-GAAP measures are commonly used as an indicator of a company's cash operating performance and ability to raise and service debt, and
(iii) the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital and tax structures.

Non-GAAP financial measures are identified and defined below:

Funded net debt — Funded net debt includes bank indebtedness, long-term debt and obligations under finance leases, net of cash.

EBITDA — Net earnings before finance costs, income tax expense, depreciation and amortization.

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

Funded net debt to total capital — Defined as funded net debt divided by total capital. Total capital is the funded net debt plus shareholder's equity.

Additional GAAP measures are identified and defined below:

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

Earnings before income taxes (EBT) — Earnings before income taxes, as presented on the Consolidated Statements of Earnings.

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

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

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

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

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

Critical Accounting Estimates

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

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

Allowance for doubtful accounts
The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is somewhat minimized by the Corporation’s large customer base which covers most business sectors across Canada. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains provisions for possible credit losses, and any such losses to date have been within management’s expectations. The provision for doubtful accounts is determined on an account-by-account basis. The $1.7 million provision for doubtful accounts at December 31, 2013 decreased $0.8 million from $2.5 million in 2012 primarily due to a reduction in the Equipment segment. As conditions change, actual results could differ from those estimates.

Inventory obsolescence
The value of the Corporation’s new and used equipment is evaluated by management throughout the year, on a unit-by-unit basis. When required, provisions are recorded to ensure that the book value of equipment is valued at the lower of cost or estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete parts inventories and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods. The inventory obsolescence charged to earnings for 2013 was $2.1 million compared to $1.9 million in 2012.

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

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

Changes in Accounting Policies

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

On January 1, 2013, the Corporation adopted the amendments to IFRS 7 Offsetting Financial Assets and Liabilities, which contains new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or are subject to master netting arrangements or similar arrangements. The impact on the disclosures in the consolidated financial statements from adopting IFRS 7 was not material.

On January 1, 2013, the Corporation adopted IFRS 10 Consolidated Financial Statements, which establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. There was no impact on the consolidated financial statements from adopting IFRS 10.

On January 1, 2013, the Corporation adopted IFRS 13 Fair Value Measurement, which defines fair value and sets out a framework for measuring fair value when fair value measurements are required or permitted by other standards. It also requires disclosure of the valuation techniques and inputs for financial instruments measured at fair value. The impact on the disclosures in the consolidated financial statements from adopting IFRS 13 was not material.

On January 1, 2013, the Corporation retrospectively adopted IAS 19R Employee Benefits, which requires recognition of actuarial gains and losses immediately in other comprehensive income, the full recognition of past service costs immediately in profit or loss, recognition of the expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation, and certain additional disclosures. No adjustment to prior years' financial statements was necessary. The impact on the current year's consolidated financial statements from adopting IAS 19R was not material.

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

New standards and interpretations not yet adopted

The new standards or amendments to existing standards that may be significant to the Corporation set out below are not yet effective for the year ended December 31, 2013 and have not been applied in preparing these consolidated financial statements.

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

It is currently anticipated that the Corporation will be required to adopt IFRS 9 Financial Instruments, which is the result of the first phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date has not been determined. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

Risk Management and Uncertainties

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

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

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

There is a continuing consolidation trend among industrial equipment and component manufacturers. Consolidation may impact the products distributed by Wajax, in either a favourable or unfavourable manner. Consolidation of manufacturers may have a negative impact on the results of operations or cash flow if product lines Wajax distributes become unavailable as a result of the consolidation.

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

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

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

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

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

Leverage, credit availability and restrictive covenants
Wajax has a $250 million bank credit facility which expires August 12, 2016 comprised of a $60 million non-revolving term portion and a $190 million revolving term portion. Wajax also has $125 million of senior notes outstanding bearing an annual interest rate of 6.125%, payable semi-annually, and maturing on October 23, 2020. The bank credit facility and senior notes contain restrictive covenants which place restrictions on, among other things, the ability of Wajax to encumber or dispose of its assets, the amount of interest cost incurred and dividends declared relative to earnings and certain reporting obligations. A failure to comply with the obligations of the facility or senior notes could result in an event of default which, if not cured or waived, could require an accelerated repayment of the facility or senior notes. There can be no assurance that Wajax's assets would be sufficient to repay the facility or senior notes in full.

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

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

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

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

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

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

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

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

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

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

Labour relations
Wajax has approximately 2,766 employees. Wajax is a party to thirteen collective agreements covering a total of approximately 339 employees. Of these, two collective agreements covering 56 employees have expired on or before December 31, 2013 and are currently being re-negotiated. Of the remaining eleven collective agreements, four expire in 2014, four expire in 2015, two expire in 2016, and one expires in 2017. Overall, Wajax believes its labour relations to be satisfactory and does not anticipate it will be unable to renew the collective agreements. If Wajax is unable to renew or negotiate collective agreements from time to time, it could result in work stoppages and other labour disturbances. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on Wajax’s businesses, results of operations or financial condition.

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

periodically institute price increases to offset the negative impact of foreign exchange rate increases on imported goods. The inability of Wajax to mitigate exchange rate risks or increase prices to offset foreign exchange rate increases, including sudden and volatile changes in the U.S. dollar exchange rate, may have a material adverse effect on the results of operations or financial condition of Wajax.

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

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

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

Competition

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

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

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

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

Litigation and product liability claims

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

Guaranteed residual value, recourse and buy-back contracts

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

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

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

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

Strategic Direction and Outlook

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

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

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

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

WAJAX CORPORATION

Unaudited Condensed Consolidated Financial Statements

For the three and twelve months ended December 31, 2013

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

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

W A J A X   C O R P O R A T I O N

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

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

These condensed consolidated financial statements were approved by the Board of Directors on March 4, 2014.

WAJAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited, in thousands of Canadian dollars, except per share data)	Note	Three months ended December 31 2013	Three months ended December 31 2012	Twelve months ended December 31 2013	Twelve months ended December 31 2012
Revenue		**$ 391,694**	$ 364,929	**$ 1,428,477**	$ 1,466,014
Cost of sales		**318,492**	291,319	**1,143,082**	1,164,199
Gross profit		**73,202**	73,610	**285,395**	301,815
Selling and administrative expenses		**53,572**	53,010	**211,732**	207,672
Earnings before finance costs and income taxes		**19,630**	20,600	**73,663**	94,143
Finance costs		**3,060**	1,337	**8,951**	4,442
Earnings before income taxes		**16,570**	19,263	**64,712**	89,701
Income tax expense	10	**4,356**	5,069	**17,027**	23,762
Net earnings		**$ 12,214**	$ 14,194	**$ 47,685**	$ 65,939
Basic earnings per share	11	**$ 0.73**	$ 0.85	**$ 2.85**	$ 3.95
Diluted earnings per share	11	**$ 0.72**	$ 0.84	**$ 2.81**	$ 3.89

WAJAX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)	Three months ended December 31 2013	Three months ended December 31 2012	Twelve months ended December 31 2013	Twelve months ended December 31 2012
Net earnings	**$ 12,214**	$ 14,194	**$ 47,685**	$ 65,939
Items that will not be reclassified to income				
Actuarial gains (losses) on pension plans, net of tax expense of $543 (2012 – tax recovery of $251) and year to date, net of tax expense of $543 (2012 – tax recovery of $251)	**1,545**	(683)	**1,545**	(683)
Items that may subsequently be reclassified to income				
(Gains) losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax expense of $14 (2012 – tax recovery of $66) and year to date, net of tax expense of $88 (2012 – tax recovery of $187)	**(41)**	186	**(247)**	517
Gains (losses) on derivative instruments outstanding at the end of the period designated as cash flow hedges, net of tax expense of $44 (2012 – tax recovery of $15) and year to date, net of tax expense of $148 (2012 – tax recovery of $149)	**124**	(42)	**416**	(423)
Other comprehensive income (loss), net of tax	**1,628**	(539)	**1,714**	(589)
Total comprehensive income	**$ 13,842**	$ 13,655	**$ 49,399**	$ 65,350

WAJAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve months ended December 31, 2013 (unaudited, in thousands of Canadian dollars)	Note		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) ("AOCI") Cash flow hedges		Total
January 1, 2013		$	106,651	4,346	130,944	(56)	$	241,885
Net earnings			-	-	47,685	-		47,685
Other comprehensive income			-	-	1,545	169		1,714
Total comprehensive income for the period			-	-	49,230	169		49,399
Shares issued to settle share-based compensation plans			53	(53)	-	-		-
Dividends	8		-	-	(44,857)	-		(44,857)
Share-based compensation expense	9		-	765	-	-		765
December 31, 2013		**$**	**106,704**	**5,058**	**135,317**	**113**	**$**	**247,192**

WAJAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

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 December 31 **2013**	Three months ended December 31 2012	Twelve months ended December 31 **2013**	Twelve months ended December 31 2012
OPERATING ACTIVITIES					
Net earnings		**$ 12,214**	$ 14,194	**$ 47,685**	$ 65,939
Items not affecting cash flow:					
Depreciation and amortization:					
Rental equipment		**2,923**	2,404	**10,117**	7,883
Property, plant and equipment		**2,810**	2,265	**9,661**	8,467
Intangible assets		**452**	376	**1,839**	1,466
Loss on disposal of property, plant and equipment	5	**158**	10	**129**	139
Share-based compensation expense	9	**205**	219	**765**	738
Non-cash rental expense		**13**	(1,024)	**(149)**	(1,687)
Employee benefits expense, net of payments		**18**	(633)	**477**	(618)
Unrealized (gain) loss on derivative instruments		**(241)**	(241)	**(243)**	72
Finance costs		**3,060**	1,337	**8,951**	4,442
Income tax expense	10	**4,356**	5,069	**17,027**	23,762
		25,968	23,976	**96,259**	110,603
Changes in non-cash operating working capital	12	**16,786**	(25,362)	**17,657**	(114,347)
Rental equipment additions	4	**(5,583)**	(3,583)	**(20,008)**	(25,076)
Other non-current liabilities		**(708)**	(562)	**(2,608)**	(3,784)
Finance costs paid		**(1,138)**	(1,377)	**(6,873)**	(4,118)
Income taxes paid		**(2,725)**	(1,887)	**(60,333)**	(2,387)
Cash generated from (used in) operating activities		**32,600**	(8,795)	**24,094**	(39,109)
INVESTING ACTIVITIES					
Property, plant and equipment additions	5	**(379)**	(586)	**(4,353)**	(6,234)
Proceeds on disposal of property, plant and equipment	5	**254**	28	**468**	523
Intangible assets additions		**(85)**	(32)	**(115)**	(237)
Acquisition of businesses		**-**	(10,078)	**-**	(10,078)
Cash used in investing activities		**(210)**	(10,668)	**(4,000)**	(16,026)
FINANCING ACTIVITIES					
Net (decrease) increase in bank debt		**(137,998)**	30,000	**(77,998)**	92,998
Issuance of senior unsecured note	6	**125,000**	-	**125,000**	-
Deferred financing costs	6	**(2,969)**	(343)	**(3,244)**	(568)
Finance lease payments		**(1,596)**	(819)	**(3,477)**	(2,553)
Dividends paid		**(10,043)**	(13,557)	**(46,027)**	(50,596)
Cash (used in) generated from financing activities		**(27,606)**	15,281	**(5,746)**	39,281
Change in cash (bank indebtedness)		**4,784**	(4,182)	**14,348**	(15,854)
(Bank indebtedness) cash - beginning of period		**(631)**	(6,013)	**(10,195)**	5,659
Cash (bank indebtedness) - end of period		**$ 4,153**	$ (10,195)	**$ 4,153**	$ (10,195)

DECEMBER 31, 2013
(unaudited, amounts in thousands of Canadian dollars, except share and per share data)

1. COMPANY PROFILE

Wajax Corporation (the "Corporation") is incorporated in Canada. The address of the Corporation's registered office is 3280 Wharton Way, Mississauga, Ontario, Canada. The Corporation's core distribution businesses are engaged in the sale, rental and after-sale parts and service support of mobile equipment, power systems and industrial components, through a network of 125 branches across Canada. The Corporation is a multi-line distributor and represents a number of leading worldwide manufacturers across its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and do not include all of the disclosures required for full consolidated financial statements. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Wajax Corporation for the year ended December 31, 2012. 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 consolidated financial statements have been prepared under the historical cost basis except for derivative financial instruments and liabilities for cash-settled share-based payment arrangements that have been measured at fair value. The defined benefit liability is recognized as the net of the fair value of the plan assets less 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 standards have been adopted in the current year:

On January 1, 2013, the Corporation adopted the amendments to IFRS 7 *Offsetting Financial Assets* and Liabilities, which contains new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or are subject to master netting arrangements or similar arrangements. The impact on the disclosures in the condensed consolidated financial statements from adopting IFRS 7 was not material.

On January 1, 2013, the Corporation adopted IFRS 10 *Consolidated Financial Statements*, which establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities. There was no impact on the condensed consolidated financial statements from adopting IFRS 10.

On January 1, 2013, the Corporation adopted IFRS 13 *Fair Value Measurement*, which defines fair value and sets out a framework for measuring fair value when fair value measurements are required or permitted by other standards. It also requires disclosure of the valuation techniques and inputs for financial instruments measured at fair value. The impact on the disclosures in the condensed consolidated financial statements from adopting IFRS 13 was not material.

On January 1, 2013, the Corporation retrospectively adopted IAS 19R *Employee Benefits*, which requires recognition of actuarial gains and losses immediately in other comprehensive income, the full recognition of past service costs immediately in profit or loss, recognition of the expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation, and certain additional disclosures. No adjustment to prior years' financial statements was necessary. The impact on the current year's condensed consolidated financial statements from adopting IAS 19R was not material.

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

4. RENTAL EQUIPMENT

The Corporation acquired rental equipment with a cost of $5,583 during the quarter (2012 – $3,583) and $20,008 year to date (2012 – $25,076). Rental equipment with a carrying amount of $239 during the quarter (2012 – nil) was transferred from inventories to rental equipment. No rental equipment during the quarter (2012 – $276) and $1,337 year to date (2012 – $1,522) ceased to be rented and was classified as held for sale in the normal course of business and transferred to inventories.

5. PROPERTY, PLANT AND EQUIPMENT

The Corporation acquired property, plant and equipment with a cost of $379 during the quarter (2012 – $586) and $4,353 year to date (2012 – $6,234). Assets with a carrying amount of $412 during the quarter (2012 – $38) and $597 year to date (2012 – $662) were disposed of, resulting in a loss on disposal of $158 during the quarter (2012 – $10) and $129 year to date (2012 – $139).

6. LONG-TERM DEBT

On October 23, 2013 the Corporation issued $125,000 of senior unsecured notes. The notes carry a coupon of 6.125% per annum and will mature on October 23, 2020. Effective upon the closing of the note offering, the Corporation reduced the total available committed amount of the bank credit facility from $300,000 to $250,000.

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

At December 31, 2013, the Corporation has estimated the fair value of its notes to be approximately $128,750.

7. SHARE CAPITAL

	Number of Common Shares		Amount
Balance, December 31, 2012	16,736,447	$	106,651
Common shares issued to settle share-based compensation plans	7,073		53
Balance, December 31, 2013	**16,743,520**	**$**	**106,704**

8. DIVIDENDS DECLARED

During the three months ended December 31, 2013, the Corporation declared cash dividends of $0.60 per share or $10,045 (2012 – dividends of $0.81 per share or $13,557).

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

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

9. SHARE-BASED COMPENSATION PLANS

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

a) Share rights plans

The Corporation recorded compensation cost of $205 for the quarter (2012 – $219) and $765 for the year to date (2012 – $738) in respect of these plans.

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

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

b) Cash-settled rights plans

The Corporation recorded compensation recovery of $111 for the quarter (2012 – $513) and $124 for the year to date (2012 – cost of $2,653) in respect of the share-based portion of the MTIP and DSUP. At December 31, 2013, the carrying amount of the share-based portion of these liabilities was $855 (2012 – $2,444).

10. INCOME TAXES

Income tax expense comprises current and deferred tax as follows:

For the twelve months ended December 31		**2013**		2012
Current	**$**	**15,784**	$	44,353
Deferred – Origination and reversal of temporary difference		**1,243**		(20,621)
– Change in tax law and rates		**-**		30
Income tax expense	**$**	**17,027**	$	23,762

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.1% (2012 – 26.2%). Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.1% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of effective income tax rate is as follows:

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

11. EARNINGS PER SHARE

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

	Three months ended December 31		Twelve months ended December 31	
	2013	2012	**2013**	2012
Numerator for basic and diluted earnings per share:				
– net earnings	**$ 12,214**	$ 14,194	**$ 47,685**	$ 65,939
Denominator for basic earnings per share: – weighted average shares	**16,738,984**	16,736,447	**16,737,086**	16,699,874
Denominator for diluted earnings per share:				
– weighted average shares	**16,738,984**	16,736,447	**16,737,086**	16,699,874
– effect of dilutive share rights	**271,045**	234,518	**260,390**	254,236
Denominator for diluted earnings per share	**17,010,029**	16,970,965	**16,997,476**	16,954,110
Basic earnings per share	**$ 0.73**	$ 0.85	**$ 2.85**	$ 3.95
Diluted earnings per share	**$ 0.72**	$ 0.84	**$ 2.81**	$ 3.89

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

12. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended December 31		Twelve months ended December 31	
	2013	2012	**2013**	2012
Trade and other receivables	**$ (2,642)**	$ (6,900)	**$ 6,593**	$ (17,139)
Inventories	**13,735**	8,854	**(2,777)**	(39,035)
Prepaid expenses	**93**	(680)	**1,109**	999
Accounts payable and accrued liabilities	**4,686**	(29,569)	**13,256**	(58,856)
Provisions	**914**	2,933	**(524)**	(316)
Total	**$ 16,786**	$ (25,362)	**$ 17,657**	$ (114,347)

13. OPERATING SEGMENTS

The Corporation operates through a network of 125 branches in Canada in three core businesses which reflect the internal organization and management structure according to the nature of the products and services provided. The Corporation's three core businesses are: i) the distribution, modification and servicing of equipment; ii) the distribution, servicing and assembly of power systems; and iii) the distribution, servicing and assembly of industrial components.

For the three months ended December 31, 2013	**Equipment**	**Power Systems**	**Industrial Components**	**Segment Eliminations**	**Total**
Equipment	$ 133,927	$ 34,307	$ -	$ -	$ 168,234
Parts	45,742	33,112	80,374	-	159,228
Service	26,700	16,426	8,691	-	51,817
Rental and other	11,663	1,602	-	(850)	12,415
Revenue	$ 218,032	$ 85,447	$ 89,065	$ (850)	$ 391,694
Earnings before finance costs and income taxes	$ 13,435	$ 6,021	$ 2,149	$ (1,975)	$ 19,630
Finance costs					3,060
Income tax expense					4,356
Net earnings					$ 12,214

For the twelve months ended December 31, 2013	**Equipment**	**Power Systems**	**Industrial Components**	**Segment Eliminations**	**Total**
Equipment	$ 426,141	$ 97,676	$ -	$ -	$ 523,817
Parts	182,661	133,419	342,477	-	658,557
Service	108,584	65,434	22,416	-	196,434
Rental and other	46,139	7,485	-	(3,955)	49,669
Revenue	$ 763,525	$ 304,014	$ 364,893	$ (3,955)	$ 1,428,477
Earnings before finance costs and income taxes	$ 49,031	$ 17,119	$ 14,990	$ (7,477)	$ 73,663
Finance costs					8,951
Income tax expense					17,027
Net earnings					$ 47,685

As at December 31, 2013					
Segment assets excluding intangible assets	$ 317,294	$ 150,019	$ 117,107	$ -	$ 584,420
Intangible assets	21,664	14,221	49,970	89	85,944
Corporate and other assets	-	-	-	6,589	6,589
Total assets	$ 338,958	$ 164,240	$ 167,077	$ 6,678	$ 676,953
Segment liabilities	$ 115,581	$ 44,581	$ 59,472	$ -	$ 219,634
Corporate and other liabilities	-	-	-	210,127	210,127
Total liabilities	$ 115,581	$ 44,581	$ 59,472	$ 210,127	$ 429,761

For the three months ended December 31, 2012	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Equipment	$ 119,056	$ 29,506	$ -	$ -	$ 148,562
Parts	42,318	31,857	80,626	-	154,801
Service	28,381	15,637	4,699	-	48,717
Rental and other	11,862	2,027	-	(1,040)	12,849
Revenue	$ 201,617	$ 79,027	$ 85,325	$ (1,040)	$ 364,929
Earnings before finance costs and income taxes	$ 13,995	$ 5,015	$ 3,607	$ (2,017)	$ 20,600
Finance costs					1,337
Income tax expense					5,069
Net earnings					$ 14,194

For the twelve months ended December 31, 2012	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Equipment	$ 475,888	$ 123,024	$ -	$ -	$ 598,912
Parts	165,521	135,595	341,111	-	642,227
Service	98,874	67,724	18,938	-	185,536
Rental and other	38,199	5,951	-	(4,811)	39,339
Revenue	$ 778,482	$ 332,294	$ 360,049	$ (4,811)	$ 1,466,014
Earnings before finance costs and income taxes	$ 56,130	$ 26,130	$ 22,130	$ (10,247)	$ 94,143
Finance costs					4,442
Income tax expense					23,762
Net earnings					$ 65,939

As at December 31, 2012					
Segment assets excluding intangible assets	$ 315,499	$ 145,444	$ 121,045	$ -	$ 581,988
Intangible assets	21,845	14,488	51,333	2	87,668
Corporate and other assets	-	-	-	2,206	2,206
Total assets	$ 337,344	$ 159,932	$ 172,378	$ 2,208	$ 671,862
Segment liabilities	$ 110,546	$ 47,663	$ 48,887	$ -	$ 207,096
Corporate and other liabilities	-	-	-	222,881	222,881
Total liabilities	$ 110,546	$ 47,663	$ 48,887	$ 222,881	$ 429,977

Segment assets and liabilities do not include assets and liabilities associated with the corporate office including deferred financing costs, income taxes, bank indebtedness, bank debt, employee benefits, and dividends payable.

14. COMPARATIVE FIGURES

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