FOURTH QUARTER REPORT TO SHAREHOLDERS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015

WAJAX CORPORATION 2015

WAJAX CORPORATION
News Release

TSX Symbol: WJX

WAJAX ANNOUNCES 2015 FOURTH QUARTER RESULTS, INCLUDING A GOODWILL IMPAIRMENT AND PLANS FOR STRATEGIC REORGANIZATION

(Dollars in millions, except per share data)	Three Months Ended December 31		Year Ended December 31	
	2015	2014	2015	2014
CONSOLIDATED RESULTS				
Revenue	$324.4	$386.1	$1,273.3	$1,451.3
Net (loss) earnings	$(33.3)	$11.2	$(11.0)	$41.2
Basic (loss) earnings per share	$(1.66)	$0.67	$(0.59)	$2.46
Adjusted net earnings (1)(2)	$4.0	$11.0	$27.8	$43.3
Adjusted basic earnings per share (1)(3)	$0.20	$0.66	$1.50	$2.58

Toronto, Ontario – March 1, 2016 – Wajax Corporation ("Wajax" or the "Corporation") today announced its 2015 fourth quarter results, including a goodwill and intangible asset impairment charge, plans to reorganize its business segments and the entering into of an agreement to acquire Wilson Machine Co. Ltd..

Fourth Quarter Highlights

- Consolidated fourth quarter revenue of $324.4 million decreased $61.7 million, or 16%, compared to last year. All three segments recorded reduced revenue compared to the previous year primarily as a result of the energy sector related slowdown in western Canada.

- A net loss for the quarter of $33.3 million, or $1.66 per share, included a $41.2 million ($37.3 million after-tax) impairment of goodwill and intangible assets related to the Power Systems and Industrial Components segments. Excluding the asset impairment expense and 2014 restructuring recovery, adjusted net earnings of $4.0 million, or $0.20 per share, declined from $11.0 million, or $0.66 per share, recorded in 2014. Segment earnings before impairment of goodwill and intangible assets and restructuring recovery declined in all three segments largely as a result of the lower volume. On a consolidated basis, the negative effect of lower revenue was only partially offset by a $3.6 million reduction in selling and administrative expenses as a result of lower personnel costs and a $0.4 million reduction in finance costs on lower debt levels.

- Consolidated backlog of $169.2 million at December 31, 2015 increased $13.1 million compared to September 30, 2015 driven by higher Equipment segment crane orders.(2)

- Funded net debt at December 31, 2015 of $149.0 million decreased $18.5 million compared to September 30, 2015, primarily as a result of a $22.0 million reduction in non-cash operating working capital.[(2)]

Wajax declared a first quarter 2016 dividend of $0.25 per share payable on April 4, 2016 to shareholders of record on March 15, 2016.

Strategic Reorganization

The Corporation also announced today that, during 2016, it will be transitioning from its current three independent product divisions to a leaner and more integrated organization. The new organization will be based on three main functional groups: business development, service operations and vendor development. These groups will be supported by centralized functions including supply chain, information systems, human resources, environmental health and safety and finance. The new structure is intended to improve the Corporation's cross-company customer focus, closely align resources to the 4 Points of Growth strategy, improve operational leverage, and lower costs through productivity gains and the elimination of redundancy inherent in the current structure. Excluding an estimated $12 million restructuring provision in the first quarter of 2016, an estimated net benefit of approximately $4 million is expected to occur in 2016, with anticipated annual cost savings of approximately $15 million flowing into 2017 earnings. While ongoing cost reduction is necessary due to market conditions, it is a byproduct of the Corporation's primary objective to re-align its organizational structure to enhance the execution of its strategy. Upon successful completion of this restructuring, the Corporation will have reduced headcount across its Canada-wide organization by approximately 10% since the beginning of 2015.

Acquisition of Wilson Machine Co. Ltd.

On February 12, 2016, the Corporation entered into an agreement to acquire the assets of Montreal-based Wilson Machine Co. Ltd ("Wilson") for approximately $5 million. Subject to the satisfaction of customary closing conditions, the acquisition is expected to be completed within the next 60 days. Wilson is a North American leader in the manufacturing and repair of precision rotating machinery and gearboxes with annual sales of approximately $6 million, and its major customers in eastern Canada align well with Wajax's existing customer base. Wilson's service offerings are an ideal fit for Wajax's 4 Points of Growth strategy and management believes it can leverage the Corporation's sales force and larger geographic footprint to significantly grow the business.

Outlook

Commenting on the fourth quarter of 2015 and the Corporation's outlook for 2016, Mark Foote, President and CEO, stated:

"On an adjusted net earnings basis, fourth quarter results were significantly negatively impacted by the energy sector related slowdown in western Canada. Results from the Power Systems and Industrial Components segments were softer than expected, as reductions in selling and administrative costs could not offset lower than expected volumes and gross margins, primarily in western Canada. However, in light of the economic pressures faced in western Canada, we were pleased with results from the Equipment segment.

The Power Systems segment continued to progress as expected in executing the restructuring plan announced in the second quarter of 2015, with anticipated cost savings realized in the fourth quarter. In addition, we generated $22.0 million of cash from reduced operating working capital, the majority of which was used to reduce indebtedness.

Our outlook for 2016 is that market conditions will remain very challenging. We expect that earnings will be under significant pressure due to ongoing market conditions in western Canada, resource customer capital and operating expenditure reductions and a weak Canadian dollar. Excluding the impact of the $12 million restructuring provision, we expect lower year-over-year earnings in the first half of 2016. During the second half of 2016, earnings are expected to improve slightly, driven by customer equipment deliveries and cost reductions. We will continue to manage our balance sheet carefully throughout 2016 and expect our leverage ratio to be within a reasonable tolerance of our target range of 1.5x – 2.0x.[(1)] With respect to our dividend, the current quarterly amount of $0.25 per share was established in March 2015 at a level that we believe is sustainable through our expectations of a negative cycle. We will continue to consider the amount of the dividend quarterly, taking into account the Corporation's forecasted earnings, leverage and other investment opportunities.

As a result of the greater than expected decline in the western Canada economy and the difficulty in predicting the duration of this decline, we will no longer provide a net earnings CAGR target for the 2015 – 2019 outlook period. While conditions remain challenging, we are very confident in the growth activities outlined in our 4 Points of Growth strategy. Our confidence is strengthened by the enhanced earnings potential of a reorganized Corporation and the relationships we have with customers and vendors."

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 123 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.

Notes

(1) "Adjusted net earnings", "Adjusted basic earnings per share", "Consolidated backlog", "funded net debt" and "leverage ratio" are financial measures which do not have a standardized meaning prescribed under generally accepted accounting principles (GAAP), and may not be comparable to similar measures presented by other issuers. The Corporation's Management's Discussion and Analysis (MD&A) includes additional information regarding these financial measures, including definitions and reconciliations to the most comparable GAAP measures, under the heading "Non-GAAP and Additional GAAP Measures".

(2) Adjusted net earnings for the three months ended December 31, 2015: Net (loss) earnings excluding after tax goodwill and intangibles impairment in 2015 of $37.3 million, or $1.87 per share basic, and after-tax restructuring recovery in 2014 of $0.2 million, or $0.01 per share basic.
Adjusted net earnings for the twelve months ended December 31, 2015: Net (loss) earnings excluding after-tax goodwill and intangibles impairment of $37.3 million or $2.01 per share basic (2014 - $nil) and after-tax restructuring costs of $1.5 million or $0.08 per share (2014 - $2.1 million or $0.12 per share basic).

(3) For the three months ended December 31, 2015, the numbers of basic shares outstanding were 19,983,800 (2014 - 16,778,883). For the twelve months ended December 31, 2015, the numbers of basic shares outstanding were 18,559,558 (2014 - 16,772,769).

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 planned strategic reorganization and the benefits we expect to achieve therefrom, including, without limitation, improved operational leverage, cost savings of $4 million in 2016 and $15 million in 2017, and the enhanced ability to execute our growth strategy; our expected completion of the Wilson acquisition and our belief that we can leverage our sales force and geographic footprint to significantly grow the Wilson business; our outlook for 2016, including the expected effect of market conditions in western Canada, reduced resource customer expenditures and a weak Canadian dollar on our earnings, our expectation for year-over-year earnings in the first and the second halves of 2016; our expected leverage range for 2016; the current amount of our dividend being sustainable throughout our expectations of a negative cycle; and our confidence in our 4 Points of Growth strategy. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions; the supply and demand for, and the level and volatility of prices for, oil and other commodities; financial market conditions, including interest rates; our ability to execute our 4 Points of Growth strategy, including our ability to develop our core capabilities, execute on our organic growth priorities, complete and effectively integrate acquisitions and to successfully implement new information technology platforms, systems and software; the future financial performance of the Corporation; our costs; market competition; our ability to attract and retain skilled staff; our ability to procure quality products and inventory; and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions; volatility in the supply and demand for, and the level of prices for, oil and other commodities; a continued or prolonged decrease in the price of oil; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; market acceptance of the products we offer; termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters), our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. The forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in our Annual Information Form for the year ended December 31, 2015, filed on SEDAR.

Management’s Discussion and Analysis – 2015

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, 2015. 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, 2015. Information contained in this MD&A is based on information available to management as of March 1, 2016.

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

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, 2015, 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, 2015, Wajax’s management, under the supervision of its CEO and CFO, had designed internal control over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (“IFRS”). In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in its 2013 version of Internal Control – Integrated Framework. With regard to general controls over information technology, management also used the set of practices of Control Objectives for Information and related Technology (“COBIT”) created by the IT Governance Institute.

During the year, Wajax’s management, under the supervision of its CEO and CFO, evaluated the effectiveness and operation of its DC&P and ICFR. This evaluation included a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud. The CEO and CFO have concluded that Wajax’s DC&P and ICFR were effective as at December 31, 2015.

There was no change in Wajax's ICFR that occurred during the three months ended December 31, 2015 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 4 Points of Growth Strategy and the goals for such strategy, including our goal of becoming Canada's leading industrial products and services provider; our "4 Points of Growth" framework to grow the corporation; our target leverage ratio range of 1.5 – 2.0 times; our continued focus on investments and strategies with respect to our core capabilities, organic growth programs, acquisitions and information systems/technology, as well as the expected benefits therefrom and our plans to manage these plans and programs, and our inventory, prudently given our expectation of continued weak market conditions; our planned strategic reorganization and the benefits we expect to achieve therefrom, including, without limitation, improved operational leverage, cost savings of $5 million in 2016 and $15 million in 2017, and the enhanced ability to execute our growth strategy; the completion of the restructuring of our Power Systems segment which began in Q2 2015 and the cost savings we expect will result therefrom; our financing, working and maintenance capital requirements, as well as our capital structure and leverage ratio; our foreign exchange risks and exposures, including the impact of fluctuations in foreign currency values; our obligation to fund pension benefits; the adequacy of our debt capacity; our intention and ability to access debt and equity markets should additional capital be required; our expected completion of the Wilson acquisition and our belief that we can leverage our sales force and geographic footprint to significantly grow the Wilson business; our outlook for 2016, including the expected effect of market conditions in western Canada, reduced resource customer expenditures and a weak Canadian dollar on our earnings; our expectation for year-over-year earnings in the first and the second halves of 2016; our expected leverage range for 2016; the current amount of our dividend being sustainable throughout our expectations of a negative cycle; and our confidence in our 4 Points of Growth strategy. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions; the supply and demand for, and the level and volatility of prices for, oil and other commodities; financial market conditions, including interest rates; our ability to execute our 4 Points of Growth strategy, including our ability to develop our core capabilities, execute on our organic growth priorities, complete and effectively integrate acquisitions and to successfully implement new information technology platforms, systems and software; the future financial performance of the Corporation; our costs; market competition; our ability to attract and retain skilled staff; our ability to procure quality products and inventory; and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions; volatility in the supply and demand for, and the level of prices for, oil and other commodities; a continued or prolonged decrease in the price of oil; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; market acceptance of the products we offer; termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters); our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in this MD&A under the heading "Risk Management and Uncertainties" and in our Annual Information Form for the year ended December 31, 2015, filed on SEDAR. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgements and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

Non-GAAP and Additional GAAP Measures

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

Wajax Corporation Overview

Wajax is a leading Canadian distributor engaged in the sale and service support of mobile equipment, power systems and industrial components through a network of 123 branches across Canada. Reflecting a diversified exposure to the Canadian economy, Wajax's customer base covers core sectors of the Canadian economy, including construction, industrial and commercial, transportation, the oil sands, forestry, oil and gas, metal processing and mining.

On March 1, 2016, Wajax announced that it will be transitioning from its current three independent product divisions to a leaner and more integrated organization. The new organization will be based on three main functional groups: business development, service operations and vendor development. These groups will be supported by centralized functions including supply chain, information systems, human resources, environmental, health and safety and finance. The new structure is intended to improve Wajax's cross-company customer focus, closely align resources to the 4 Points of Growth strategy, improve operational leverage, and lower costs through productivity gains and the elimination of redundancy inherent in the current structure. See the Reorganization section below.

Strategy

On March 3, 2015, the Corporation introduced the 4 Points of Growth long-term strategy. The Corporation's goal is to be Canada's leading industrial products and services provider, distinguished through: sales force excellence, breadth and efficiency of repair and maintenance operations and an ability to work closely with existing and new vendor partners to constantly expand its product offering to customers.

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

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

As part of its long-term strategy, the Corporation established financial targets for the 5-year timeframe from 2015 – 2019. Goals over that period were to grow net earnings at a minimum compounded annual growth rate ("CAGR") of 7.5% and to target a leverage ratio range of 1.5 – 2.0 times.

As a result of the greater than expected decline in the western Canada economy and the difficulty in predicting the duration of this decline, the Corporation will no longer provide a net earnings CAGR target for the 2015 – 2019 outlook period. While conditions remain challenging, management is very confident in the growth activities outlined in the 4 Points of Growth strategy. Their confidence is strengthened by the enhanced earnings potential of a reorganized Corporation and its relationships with customers and vendors. See the Reorganization and Non-GAAP and Additional GAAP Measures sections.

The Corporation has made progress moving forward on its strategy in 2015 and will continue to execute the initiatives that advance each of the components of the 4 Points of Growth Strategy as follows:

- **Core Capabilities**: Significant progress is being made to drive core capabilities:
  Sales Force Excellence: Wajax designed and trained almost 500 of its sales professionals on a new standard sales process which focuses on building a stronger future sales pipeline and improving close rates. A CRM system was designed and is scheduled for deployment in March 2016. In addition, a Key Account Program was developed based on the needs and expectations of major customers and will be introduced in 2016 to a limited number of large mining and oil sands customers.
  Repair and Maintenance Operations: A national Service Advisory Committee was created in 2015 to design standard service operations processes and measurement systems for application at branches with core on-highway and off-highway businesses. New training programs will be rolled out to service leaders in 2016 covering safety, customer service, operational processes and financial results and measures. *Product and Vendor Development:* A new product and service development process to identify market and customer needs, including vendor relationships, was implemented in the Industrial Components segment where over $50 million of future opportunities are at various stages of development. In addition, in the Power Systems segment, new product and service opportunities have been secured to diversify into aftermarket-oriented products and growth businesses such as power generation and marine.

- **Organic Growth:** Organic growth programs hold the most significant long-term growth opportunities for Wajax, although expected growth in 2015 was not achieved due primarily to weak market conditions in western Canada. In particular, ***ERS*** sales were $61 million in 2015, down 11% due to a 20% decline in western Canada. The ERS business in the rest of Canada, however, grew 10%. ***Power Generation*** sales were $82 million in 2015, down 6% due in part to a 15% decline in western Canada. ***Mining*** sales in the Equipment segment were $86 million in 2015, down 35% due to declines in western Canada, although revenue improvements are expected in 2016 due to the delivery of 3 large mining shovels to customers in eastern and western Canada. ***Oil & Gas Diversification*** was impacted by the decline in oil prices which had a material effect on Wajax revenue in 2015 which totaled $64 million, a reduction of 41%. As such, Wajax will continue to manage its plans, programs and inventory prudently given our expectation that weak market conditions will continue.

  Wajax remains committed to these initiatives despite current market conditions, as they offer improved earnings durability in the future, due to their significant aftermarket or services potential. Further, a number of these programs offer growth opportunity nationally, mitigating Wajax's exposure to the western Canadian economy.

  In addition to these programs, Wajax will continue to focus in 2016 on improving market share in its construction equipment and forestry businesses and taking advantage of growth opportunities in the commercial and defense marine market.

- **Acquisitions:** As noted above, expanding Wajax's ERS business is an important growth program and acquisitions are integral to the strategic plan. Based on management's current view of the Canadian marketplace, it is anticipated that Wajax will allocate up to $100 million in capital for the acquisition of ERS businesses over the 5-year timeframe of 2015 – 2019. The acquisition pipeline of potential targets was strengthened in 2015 via the completion of a regional assessment in consultation with selected major customers. In furtherance of its ERS acquisition strategy, Wajax entered into an agreement on February 12, 2016 to acquire the assets of Montreal-based Wilson Machine Co. Ltd. ("Wilson") for approximately $5 million subject to the satisfaction of customary closing conditions. Wilson is a North American leader in the manufacturing and repair of precision rotating machinery and gearboxes with annual sales of approximately $6 million.

- **Systems**: Investment in systems remains an important aspect of Wajax's strategy. In 2015, a new digital learning platform was implemented for sales force and service operations training, as were new systems for health and safety and human resources management. Deployment of a CRM system commenced in 2016. Wajax plans to invest up to an incremental $30 million in systems during the 5 year outlook period, the majority of which will be directed towards a common ERP platform. The start-up of the ERP investment has been deferred until 2017 in order to allow the systems team to support the upcoming reorganization of Wajax. See the Reorganization section.

Reorganization

In addition to the 4 Four Points of Growth strategic initiatives, one of the Corporation's major objectives in 2016 will be the reorganization of the Corporation. The Corporation's business will now be based around the following three main functional groups:

- **Business Development** is the "front-end" of the business. The group will have the primary relationship with customers, represent products and services, provide solutions and will assist in the development of the market and customer knowledge necessary to drive the Corporation's new product and service pipeline. The group will include regional and category inside and outside sales teams along with specialized end market and major customer teams. Business Development will be accountable for the Core Capability of *Sales Force Excellence*.

- **Service Operations** will be the parts and service operation for the Corporation's main on-highway and off-highway product categories. The group will include service branch operations and the majority of technicians and parts and service personnel for both shop and field services. Service Operations will be accountable for the Core Capability of *Repair and Maintenance Operations*.

- **Vendor Development** will create a world-class interface between the Corporation's vendor partners and its main sales and service functions. Working with internal groups and partners, Vendor Development will be the backbone of a new product development pipeline and will be accountable for the Core Capability of *Product and Vendor Development* to constantly expand our offering to customers.

These groups will be supported by centralized functions including supply chain, information systems, human resources, environmental, health and safety and finance.

The new structure is intended to improve the Corporation's cross-company customer focus, closely align resources to the 4 Points of Growth strategy, improve operational leverage, and lower costs through productivity gains and the elimination of redundancy inherent in the current structure. The Corporation will transition into the new structure throughout 2016. Excluding an estimated $12 million restructuring provision in the first quarter of 2016, an estimated net benefit of approximately $4 million is expected to occur in 2016, with anticipated annual cost savings of approximately $15 million flowing into 2017 earnings. While ongoing cost reduction is necessary due to market conditions, it is a by-product of the Corporation's primary objective to re-align its organization structure to enhance the execution of its strategy. Upon successful completion of the restructuring, the Corporation will have reduced headcount across its Canada-wide organization by approximately 10% since the beginning of 2015. See the Strategy section.

Annual Consolidated Results

		2015		2014
Revenue	**$**	**1,273.3**	$	1,451.3
Gross profit	**$**	**253.9**	$	289.3
Selling and administrative expenses	**$**	**203.1**	$	216.9
Goodwill and intangible assets impairment	**$**	**41.2**	$	-
Restructuring costs	**$**	**2.1**	$	2.8
Earnings before finance costs and income taxes(1)	**$**	**7.5**	$	69.6
Finance costs	**$**	**12.2**	$	13.0
(Loss) earnings before income taxes(1)	**$**	**(4.7)**	$	56.6
Income tax expense	**$**	**6.3**	$	15.3
Net (loss) earnings	**$**	**(11.0)**	$	41.2
- **Basic (loss) earnings per share(2)**	**$**	**(0.59)**	$	2.46
- **Diluted (loss) earnings per share(3)**	**$**	**(0.58)**	$	2.42
Adjusted net earnings(1) (4)	**$**	**27.8**	$	43.3
- **Adjusted basic earnings per share(1) (2) (4)**	**$**	**1.50**	$	2.58
- **Adjusted diluted earnings per share(1) (3) (4)**	**$**	**1.47**	$	2.54

(1) These amounts do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP"). See the Non-GAAP and Additional GAAP Measures section.
(2) Weighted average shares for calculation of basic (loss) earnings per share 18,559,558 (2014 – 16,772,769)
(3) Weighted average shares for calculation of diluted (loss) earnings per share 18,863,423 (2014 – 17,037,382)
(4) Net (loss) earnings excluding after-tax goodwill and intangible assets impairment of $37.3 million or $2.01 per share basic (2014 – $nil) and after-tax restructuring costs of $1.5 million or $0.08 per share (2014 – $2.1 million or $0.12 per share basic).

Revenue by Geographic Region

	2015	2014
Western Canada	44%	52%
Central Canada	26%	21%
Eastern Canada *	30%	27%

* Includes Quebec and the Atlantic provinces.

Revenue by Segment

	2015	2014
Equipment	47%	50%
Power Systems	22%	22%
Industrial Components	31%	28%

EBIT by Segment(1)

	2015	2014
Equipment	62%	58%
Power Systems	13%	20%
Industrial Components	25%	22%

Revenue by Market(2)

	2015	2014
Construction	15%	17%
Transportation	15%	13%
Forestry	14%	11%
Industrial/Commercial	14%	14%
Oil Sands	10%	13%
Mining	9%	8%

Metal Processing	6%	5%
Oil and Gas	5%	7%
Government & Utilities	5%	4%
Other	7%	8%

(1) Calculated based on segment earnings before goodwill and intangible assets impairment and restructuring costs. See the Non-GAAP and Additional GAAP Measures section.
(2) Certain 2014 amounts have been reclassified to conform with current year classifications.

Overall, 2015 revenue decreased $178.0 million due primarily to ongoing weakness in the construction, oil and gas and oil sands markets in western Canada.

The impact was most significant in the Equipment segment, which experienced a 20% decline in equipment revenue due to lower demand and competitive market pressures, plus a 10% reduction in parts and service revenues as oil sands operators and mining customers continued to idle portions of their equipment fleets and defer maintenance spending. The Power Systems segment experienced a decline in both off-highway and on-highway equipment and parts and service volumes due to the lower oil and gas activity in western Canada. The Industrial Components segment's western Canada operation was also negatively impacted by the decline in oil and gas and oil sands activity. Partly offsetting these conditions, the Equipment and Industrial Components segments benefited from strength in the forestry sector across Canada.

Revenue
Revenue in 2015 of $1,273.3 million decreased 12%, or $178.0 million, from $1,451.3 million in 2014. Equipment segment revenue decreased 16%, or $117.9 million, primarily due to lower volumes in the construction and mining sectors in western Canada. Power Systems segment revenue decreased 12%, or $40.6 million, driven by a reduction in oil and gas related revenues in western Canada. Industrial Components segment revenue decreased 5%, or $22.4 million, as lower sales to oil and gas and oil sands customers in western Canada were offset partially by increased sales in central and eastern Canada.

Gross profit
The decrease in revenue was the primary contributor to the $35.4 million, or 12%, decrease in gross profit in 2015 compared to last year. The gross profit margin percentage of 19.9% remained unchanged from 2014 as the negative impact of lower parts and service margins was offset by a lower proportion of equipment volumes compared to last year.

Selling and administrative expenses
Selling and administrative expenses decreased $13.8 million in the year. The decrease was due mainly to lower incentive accruals, sales related expenses and workforce reductions. Selling and administrative expenses as a percentage of revenue increased to 15.9% in 2015 from 14.9% in 2014.

Goodwill and intangible assets impairment
Goodwill and intangible assets impairment of $41.2 million ($37.3 million after-tax) was recorded in 2015, comprised of $13.7 million related to the Power Systems segment and $27.5 million related to the Industrial Components segment. As a result, the carrying value of goodwill and intangible assets of each segment approximates their recoverable amounts as at December 31, 2015 of $nil in the Power Systems segment and $18.3 million in the Industrial Components segment. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues. See the Critical Accounting Estimates section.

Restructuring costs
Restructuring costs of $2.1 million, consisting of severance costs, were recorded in the second quarter of 2015 in the Power Systems segment. The Power Systems' restructuring plan is anticipated to be completed by the first quarter of 2016 and is expected to result in annualized savings of approximately $7.4 million. In 2014, the Industrial Components segment recorded restructuring costs of $2.8 million as part of its plan to simplify and improve the effectiveness of the sales force and branch management organization.

Finance costs
Finance costs of $12.2 million decreased $0.8 million compared to 2014 due to lower funded net debt levels mainly as a result of the $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015. See the Liquidity and Capital Resources section.

Income tax expense
The Corporation's effective income tax rate was negative 134% (2014 – 27.1%) compared to the Corporation's statutory income tax rate of 26.5% (2014 – 26.1%). The negative effective income tax rate in 2015 is due to expenses not deductible for income tax purposes, including $26.5 million of goodwill and intangible assets impairment. The effective income tax rate of 27.1% in 2014 was higher compared to the statutory rate of 26.1% attributable to expenses not deductible for income tax purposes. The statutory income tax rate of 26.5% increased compared to 2014 resulting from the increase in the Alberta provincial income tax rate.

Net (loss) earnings
In 2015, the Corporation incurred a net loss of $11.0 million, or $0.59 per share, compared to net earnings of $41.2 million, or $2.46 per share, in 2014. The $52.2 million decrease in net earnings resulted from goodwill and intangible assets impairment of $37.3 million after-tax, or $2.01 per share, and lower volumes offset partially by a reduction in selling and administrative expenses and finance costs. The $3.05 per share decrease in basic earnings per share reflects the decrease in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the basic loss per share by $0.06, or 10%.

Adjusted net earnings (See the Non-GAAP and Additional GAAP Measures section)
Adjusted net earnings excludes goodwill and intangible assets impairment of $37.3 million after-tax, or $2.01 per share, and restructuring costs of $1.5 million after-tax, or $0.08 per share (2014 – $2.1 million or $0.12 per share).

As such, adjusted net earnings decreased $15.5 million to $27.8 million, or $1.50 per share, in 2015 from $43.3 million, or $2.58 per share, in 2014. The $15.5 million decrease in adjusted net earnings resulted primarily from lower volumes offset by a reduction in selling and administrative expenses and finance costs. The $1.08 per share decrease in basic earnings per share reflects the decrease in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the basic loss per share by $0.16, or 10%.

Issuance of share capital
On June 12, 2015, Wajax completed a "bought deal" offering of 3,197,000 common shares for total gross proceeds of $74.8 million. This included 417,000 common shares issued pursuant to the exercise in full of an over-allotment option granted to the underwriters. Issuance costs relating to the equity offering totaled $3.4 million, $2.5 million after-tax, including the underwriters' fee and other expenses. The $71.4 million in net cash proceeds from the offering were used to reduce outstanding borrowings under the revolving portion of the Corporation's bank credit facility, providing Wajax with additional financial flexibility to execute its long-term growth strategy.

Comprehensive loss
Total comprehensive loss of $10.0 million in 2015 included net loss of $11.0 million offset partially by other comprehensive income of $1.0 million. The other comprehensive income resulted from after-tax actuarial gains on pension plans of $0.8 million and a $0.2 million change in the amount of gains on derivative instruments designated as cash flow hedges recorded in the year.

Funded net debt (See the Non-GAAP and Additional GAAP Measures section)
Funded net debt of $149.0 million at December 31, 2015 decreased $52.0 million compared to $201.0 million at December 31, 2014. The decrease during the year was due to net proceeds from the issuance of share capital of $71.4 million and cash generated from operating activities of $9.6 million, offset somewhat by dividends paid of $21.5 million, investing activities of $4.3 million and finance lease payments of $3.9 million.

Dividends
For the twelve months ended December 31, 2015, dividends declared totaled $1.23 per share. For the twelve months ended December 31, 2014 dividends declared totaled $2.40 per share.

Backlog (See the Non-GAAP and Additional GAAP Measures section)
Consolidated backlog at December 31, 2015 of $169.2 million decreased $8.5 million, or 5%, from $177.7 million at December 31, 2014. The decline was primarily attributable to decreases in the Power Systems segment, driven by lower power generation and off-highway related orders in western Canada, partially offset by higher construction and mining related orders in the Equipment. See the Annual Results of Operations section for further backlog detail by segment.

Director
Effective May 5, 2015, Sylvia Chrominska was elected a director of the Corporation. Ms. Chrominska brings over 30 years of experience as a senior executive in the banking sector, and was previously Group Head, Global Human Resources and Communications at The Bank of Nova Scotia.

Acquisition of Wilson
On February 12, 2016, the Corporation entered into an agreement to acquire the assets of Montreal-based Wilson for approximately $5 million. Subject to the satisfaction of customary closing conditions, the acquisition is expected to be completed within the next 60 days. Wilson is a North American leader in the manufacturing and repair of precision rotating machinery and gearboxes with annual sales of approximately $6 million, and its major customers in eastern Canada align well with Wajax's existing customer base. Wilson's service offerings are an ideal fit for Wajax's 4 Points of Growth strategy and management believes it can leverage the Corporation's sales force and larger geographic footprint to significantly grow the business.

Annual Results of Operations

Equipment

For the year ended December 31		**2015**		2014
Equipment(1)	**$**	**368.9**	$	460.0
Parts and service	**$**	**233.0**	$	259.8
Segment revenue	**$**	**601.9**	$	719.8
Segment earnings(2)	**$**	**38.4**	$	48.9
Segment earnings margin(2)		***6.4%***		*6.8%*

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

Revenue by Product Type 2015 versus 2014

Market	2015	2014
Construction	34%	38%
Forestry	24%	19%
Material Handling	21%	17%
Mining/Oil sands	14%	18%
Crane & Utility	7%	8%

Revenue decreased 16%, or $117.9 million, to $601.9 million, from $719.8 million in 2014. Segment earnings decreased 21%, or $10.5 million, to $38.4 million, compared to $48.9 million in 2014. The following factors contributed to the Equipment segment's 2015 results compared to 2014:

- Equipment revenue decreased $91.1 million with specific year-over-year variances as follows:
  - Construction equipment revenue decreased $67.0 million, mainly as a result of decreases in Hitachi excavator, JCB equipment and Bell articulated dump truck sales in western Canada due to lower market demand and competitive market pressures.
  - Forestry equipment revenue increased $5.3 million due to increases in Tigercat equipment in all regions, offset partially by lower Hitachi equipment sales in western Canada due in part to an increase in the number of customers deciding to rent equipment with a purchase option as well as disruptions due to forest fires in British Columbia.

- Mining equipment sales decreased $19.7 million as a result of lower dollar value Hitachi mining equipment deliveries in western Canada compared to the prior year.
- Crane and utility equipment revenue decreased $15.1 million, mainly as a result of lower sales in western Canada and lower sales to utility customers in central and eastern Canada.
- Material handling equipment revenue increased $5.4 million, due to higher sales in western and central Canada offset partially by lower sales in eastern Canada.

• Parts and service revenue decreased $26.8 million compared to last year. The decrease was primarily attributable to lower mining sector volumes in western Canada, including the oil sands, as customers continued to idle portions of their equipment fleet and defer maintenance spending due to weak oil and commodity prices.

• Segment earnings decreased $10.5 million compared to last year mainly attributable to western Canada operations. Overall, the impact of the decline in volumes was partially offset by higher gross profit margins and a $4.9 million reduction in selling and administrative expenses compared to last year. Gross profit margins increased due to a $2.8 million gain on the monetization of six Hitachi mining trucks in the third quarter of 2015, and the positive impact of a higher proportion of parts and service volumes that was somewhat offset by lower parts and service margins compared to last year. Selling and administrative expenses decreased $4.9 million, attributable to reductions in the workforce, lower annual incentive accruals and lower sales related expenses.

Backlog of $103.6 million at December 31, 2015 increased $9.8 million compared to December 31, 2014, due to increases in construction and mining orders in western Canada.

By the end of the year, headcount in the Equipment segment had been reduced by approximately 6%, primarily in western Canada, in response to market conditions.

Power Systems

For the year ended December 31		**2015**		2014
Equipment(1)	**$**	**92.1**	$	113.6
Parts and service	**$**	**193.0**	$	212.1
Segment revenue	**$**	**285.1**	$	325.7
Segment earnings before goodwill and intangible assets impairment and restructuring costs(2)		**7.8**		16.5
Goodwill and intangible assets impairment		**(13.7)**		-
Restructuring costs		**(2.1)**		-
Segment (loss) earnings(3)	**$**	**(8.0)**	$	16.5
Segment earnings margin before goodwill and intangible assets impairment and restructuring costs(2)		***2.7%***		*5.1%*
Goodwill and intangible assets impairment		***(4.8%)***		-
Restructuring costs		***(0.7%)***		-
Segment (loss) earnings margin(3)		***(2.8%)***		*5.1%*

(1) Includes rental and other revenue.
(2) Earnings before goodwill and intangible assets impairment, restructuring costs, finance costs and income taxes. See the Non-GAAP and Additional GAAP Measures section.
(3) (Loss) earnings before finance costs and income taxes.

Revenue by Market 2015 versus 2014

Market	2015	2014
On-highway Transportation	39%	37%
Industrial/Commercial	15%	16%
Oil & Gas	10%	15%
Oil Sands	9%	12%
Mining	7%	6%
Construction	6%	3%
Other	14%	11%

Revenue decreased $40.6 million, or 12%, to $285.1 million compared to $325.7 million in 2014. In 2015, the segment experienced a loss of $8.0 million compared to earnings of $16.5 million in 2014. 2015 segment earnings before goodwill and intangible assets impairment and restructuring costs of $7.8 million decreased $8.7 million compared to 2014 segment earnings of $16.5 million. See the Non-GAAP and Additional GAAP Measures section. The following factors impacted year-over-year revenue and earnings:

- Equipment revenue decreased $21.5 million due to declines in off-highway equipment volumes to oil and gas customers in western Canada and lower power generation volumes. These declines were somewhat offset by increases in off-highway equipment sales to mining customers in central Canada.

- Parts and service revenue decreased $19.1 million, attributable to lower sales to on-highway and off-highway customers in western Canada resulting from the decline in oil and gas activity. These decreases were partially offset by higher sales to off-highway customers in central and eastern Canada.

- Segment earnings decreased $24.5 million to a segment loss of $8.0 million in 2015 compared to segment earnings of $16.5 million last year. Excluding the goodwill and intangible assets impairment of $13.7 million and restructuring costs of $2.1 million, segment earnings decreased $8.7 million due to lower volumes and a reduction in power generation product margins, partially offset by reduced selling and administrative expenses. Selling and administrative expenses decreased $2.3 million due mainly to lower annual incentive accruals, workforce reductions and a reduction in bad debt expense compared to last year. See the Non-GAAP and Additional GAAP Measures section.

Goodwill and intangible assets impairment of $13.7 million was recorded in the Power Systems segment in 2015. As a result, the carrying value of the goodwill and intangible assets of the segment approximates their recoverable amounts as at December 31, 2015 of $nil. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues.

The Power Systems segment was restructured in the second quarter to realign branch support activities, including the centralization of supply chain management and certain other administrative support functions. The restructuring, combined with other cost reductions realized to date and cost reductions related to reduced economic activity in western Canada, are anticipated to result in annualized savings of approximately $7.4 million.

Backlog of $23.6 million as of December 31, 2015 decreased $17.0 million compared to December 31, 2014, due mainly to lower power generation and off-highway orders in western Canada.

Industrial Components

For the year ended December 31		**2015**		2014
Segment revenue	**$**	**389.6**	$	412.0
Segment earnings before goodwill and intangible assets impairment and restructuring costs(1)	**$**	**15.3**	$	18.4
Goodwill and intangible assets impairment		**(27.5)**		-
Restructuring costs	**$**	**-**	$	(2.8)
Segment (loss) earnings(2)	**$**	**(12.2)**	$	15.5
Segment earnings margin before goodwill and intangible assets impairment and restructuring costs(1)		***3.9%***		*4.5%*
Goodwill and intangible assets impairment		***(7.0%)***		-
Restructuring costs		***-***		*(0.7%)*
Segment (loss) earnings margin(2)		***(3.1%)***		*3.8%*

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

Revenue by Market 2015 versus 2014

Market	2015	2014
Industrial/Manufacturing	18%	18%
Mining	18%	17%
Forestry	16%	13%
Oil Sands	7%	8%
Metal Processing	7%	7%
Oil & Gas	5%	9%
Construction	5%	5%
Food & Beverage	5%	4%
Transportation	4%	4%
Other	15%	15%

Revenue decreased $22.4 million, or 5%, to $389.6 million in 2015 from $412.0 million in 2014. In 2015 the segment experienced a loss of $12.2 million compared to earnings of $15.5 million in the previous year. The segment earnings before goodwill and intangible assets impairment and restructuring costs of $15.3 million in 2015 was a decrease of $3.1 million compared to $18.4 million in 2014. See the Non-GAAP and Additional GAAP Measures section. The following factors contributed to the segment's year-over-year results:

- Bearings and power transmission parts sales increased $2.5 million, with higher forestry sales across Canada, higher mining sales in central Canada and increases in volumes to food and beverage customers. These increases were offset partially by lower oil and gas sales in western Canada and reduced volumes to metal processing customers in all regions.

- Fluid power and process equipment products and service revenue, including the oil sands services business, decreased $24.9 million, or 13%, compared to last year due mainly to reduced activity in the oil and gas and oil sands sectors in western Canada. The decrease was partially offset by modest increases in central and eastern Canada volumes.

- Segment earnings decreased $27.7 million to a segment loss of $12.2 million in 2015 compared to segment earnings of $15.5 million last year. Excluding the goodwill and intangible assets impairment of $27.5 million in 2015 and restructuring costs of $2.8 million in 2014, segment earnings decreased $3.1 million. This reduction was attributable to the negative impact of lower volumes and slightly lower gross profit margins, due to competitive market pressures, offset partially by a $6.1 million decrease in selling and administrative expenses. The decrease in selling and administrative expenses resulted mainly from lower personnel costs, including annual incentive accruals, and other sales related expenses. See the Non-GAAP and Additional GAAP Measures section.

Goodwill and intangible assets impairment of $27.5 million was recorded in the Industrial Components segment in 2015. As a result, the carrying value of the goodwill and intangible assets of the segment approximates their recoverable amounts as at December 31, 2015 of $18.3 million. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues.

Backlog of $42.0 million as of December 31, 2015 decreased $1.3 million compared to December 31, 2014.

Selected Annual Information

The following selected annual information is audited and has been prepared on the same basis as the 2015 annual audited Consolidated Financial Statements.

	2015	2014	2013
Revenue	**$ 1,273.3**	$ 1,451.3	$ 1,428.5
Net (loss) earnings	**$ (11.0)**	$ 41.2	$ 47.7
Basic (loss) earnings per share	**$ (0.59)**	$ 2.46	$ 2.85
Diluted (loss) earnings per share	**$ (0.58)**	$ 2.42	$ 2.81
Total assets	**$ 677.5**	$ 723.6	$ 682.1
Non-current liabilities	**$ 169.5**	$ 202.0	$ 214.5
Dividends declared per share	**$ 1.23**	$ 2.40	$ 2.68

Revenue in 2015 of $1,273.3 million decreased $178.0 million compared to 2014. The decrease is attributable to a slowdown in western Canada, resulting in lower equipment and parts and service revenue in the Equipment and Power Systems segments and decreased revenue in the Industrial Components segment. Revenue in 2014 of $1,451.3 million increased $22.8 million compared to 2013 as increased equipment and parts and service revenue in the Power Systems segment and increased revenue in the Industrial Components segment more than offset a decrease in equipment and parts and service revenue in the Equipment segment.

The net loss of $11.0 million was a decrease of $58.7 million, or $3.44 per share, from 2013 to 2015. Excluding the after-tax goodwill and intangible assets impairment in 2015 of $37.3 million ($2.01 per share) and after-tax restructuring costs in 2015 of $1.5 million ($0.08 per share), net earnings declined to $27.8 million ($1.50 per share), due principally to lower volumes and higher finance costs offset partially by reduced selling and administrative expenses. Increased finance costs of $3.2 million were driven by higher debt levels and increased costs of borrowing in 2014 resulting from the Corporation's issuance of $125 million in senior notes on October 23, 2013. See the Non-GAAP and Additional GAAP Measures and Liquidity and Capital Resources sections.

The $4.6 million decrease in total assets between December 31, 2013 and December 31, 2015 was mainly attributable to the $41.2 million goodwill and intangible assets impairment writedown in 2015 and lower volume related accounts receivable in all segments, offset partially by higher inventory in the Equipment segment and increased rental equipment in the Equipment and Power Systems segments.

Non-current liabilities at December 31, 2015 of $169.5 million decreased $45.0 million from December 31, 2013 attributable to a $44.3 million decrease in long-term debt. The decrease in long-term debt resulted from $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015, offset in part by cash used in investing and other financing activities.

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 2015 annual audited Consolidated Financial Statements.

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 324.4**	$ 290.9	$ 340.7	$ 317.2	$ 386.1	$ 359.5	$ 374.4	$ 331.4
Net (loss) earnings	**$ (33.3)**	$ 7.5	$ 9.0	$ 5.7	$ 11.2	$ 11.1	$ 12.3	$ 6.7
Net (loss) earnings per share								
- Basic	**$ (1.66)**	$ 0.38	$ 0.52	$ 0.34	$ 0.67	$ 0.66	$ 0.73	$ 0.40
- Diluted	**$ (1.64)**	$ 0.37	$ 0.51	$ 0.34	$ 0.66	$ 0.65	$ 0.72	$ 0.39

Although quarterly fluctuations in revenue and net earnings are difficult to predict, Wajax has experienced weaker first quarter results in 2015 and 2014 due to various factors including reduced activity in the oil and gas and mining markets. As well, large deliveries of mining trucks and shovels and power generation packages can shift the revenue and net earnings throughout the year.

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

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

Consolidated Financial Condition

Capital Structure and Key Financial Condition Measures

	December 31 2015	December 31 2014
Shareholders' equity	**$ 288.5**	$ 248.5
Funded net debt(1)	**149.0**	201.0
Total capital	**$ 437.5**	$ 449.5
Funded net debt to total capital(1)	**34.1%**	44.7%
Leverage ratio(1)	**1.98**	2.12

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

The Corporation's objective is to maintain a leverage ratio between 1.5 times and 2.0 times. However, there may be instances where the Corporation is willing to maintain a leverage ratio outside this range to either support key growth initiatives or fluctuations in working capital levels during changes in economic cycles. See the Funded Net Debt section below.

Shareholders' Equity

The Corporation's shareholders' equity at December 30, 2015 of $288.5 million increased $40.0 million from December 31, 2014, as the $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015 was partially offset by $23.1 million of dividends declared during the year and a 2015 net loss of $11.0 million that included a $37.3 million after-tax goodwill and intangible assets impairment.

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, 2015	**Number**	**Amount**
Balance at the beginning of the year	16,778,883	$ 107.5
Shares issued	3,207,358	72.3
Balance at the end of the year	**19,986,241**	**$ 179.8**

At the date of this MD&A, the Corporation had 19,992,121 common shares issued and outstanding.

At December 31, 2015, Wajax had four share-based compensation plans; the Wajax Share Ownership Plan ("SOP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Share Unit Plan ("DSUP"). In the first quarter of 2014, all of the outstanding Deferred Share Program ("DSP") rights were settled. 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, 2015, there were 325,144 (2014 – 287,550) SOP 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 expense of $1.0 million for the year (2014 – $1.5 million) in respect of these plans.

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

	December 31 2015	December 31 2014
(Cash) bank indebtedness	**$ (13.6)**	$ 7.7
Obligations under finance lease	**11.0**	12.3
Long-term debt	**151.6**	180.9
Funded net debt[(1)]	**$ 149.0**	$ 201.0

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

Funded net debt of $149.0 million at December 31, 2015 decreased $52.0 million compared to December 31, 2014. The decrease during the year was due to $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015 and $9.6 million of cash generated from operating activities being greater than: dividends paid of $21.5 million, investing activities of $4.3 million and finance lease payments of $3.9 million.

The Corporation's ratio of funded net debt to total capital decreased to 34.1% at December 31, 2015 from 44.7% at December 31, 2014 primarily due to the $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015 less the impact of the $37.3 million after-tax goodwill and intangible assets impairment.

The Corporation's leverage ratio of 1.98 times at December 31, 2015 decreased from the December 31, 2014 ratio of 2.12 times mainly due to the lower funded net debt level at December 31, 2015.

See the Liquidity and Capital Resources section.

Financial Instruments

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

Wajax enters into short-term currency forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. As at December 30, 2015, Wajax had the following contracts outstanding:

- to buy U.S. $31.8 million (December 31, 2014 – to buy U.S. $41.8 million), and
- to sell U.S. $2.0 million (December 31, 2014 – nil).

The U.S. dollar contracts expire between January 2016 and November 2016, with a weighted average U.S./Canadian dollar rate of 1.3349.

Wajax measures derivative instruments not accounted for as hedging items at fair value with subsequent changes in fair value being recorded in earnings. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being recorded in other comprehensive income until the related hedged item is recorded and affects income or inventory. The fair value of derivative instruments is estimated based upon market conditions using appropriate valuation models. The carrying values reported in the balance sheet for financial instruments are not significantly different from their fair values.

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

Wajax will periodically institute price increases to offset the negative impact of foreign exchange rate increases and volatility on imported goods to ensure margins are not eroded. However, a sudden strengthening of the U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short term prior to price increases taking effect.

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

Contractual Obligations

Contractual Obligations		**Total**		< 1 year		1 - 5 years		After 5 years
Bank debt[1]	**$**	**30.0**	$	-	$	30.0	$	-
Senior notes[1]	**$**	**125.0**	$	-	$	125.0	$	-
Operating leases	**$**	**95.3**	$	18.5	$	53.1	$	23.7
Obligations under finance leases[1]	**$**	**11.0**	$	4.2	$	6.8	$	-
Total	**$**	**261.3**	$	22.7	$	214.9	$	23.7

(1) Amounts exclude finance costs.

The $30.0 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, a portion of the long-term lift truck rental fleet in the Equipment segment and office equipment. See the Off Balance Sheet Financing section for additional information.

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

The above table does not include obligations to fund pension benefits. Wajax sponsors certain defined benefit plans that cover executive employees, a small group of inactive employees and certain employees on long-term disability benefits. The defined benefit plans are subject to actuarial valuations in 2017 and 2018. Management does not expect future cash contribution requirements to change materially from the 2015 contribution level of $0.7 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, a portion of the long-term lift truck rental fleet in the Equipment segment and other equipment related mainly to office equipment. The total obligations for all operating leases are detailed in the Contractual Obligations section. At December 31, 2015, the non-discounted operating lease commitments for facilities totaled $94.2 million, for rental fleet totaled $0.9 million and for other equipment $0.2 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 $61.1 million (2014 – $95.8 million) of consigned inventory on-hand from a major manufacturer at December 31, 2015, net of deposits of $21.1 million (2014 – $8.8 million). In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally rented or sold to customers or purchased by Wajax. Under the terms of the consignment program, Wajax is required to make periodic deposits to the manufacturer on the consigned inventory that is rented to Wajax customers or on-hand for greater than nine months. This consigned inventory is not included in Wajax's inventory as the manufacturer retains title to the goods. In the event the inventory consignment program was terminated, Wajax would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its credit facilities.

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

Liquidity and Capital Resources

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

Bank and Non-bank Credit Facilities and Senior Notes

At December 31, 2015, Wajax had borrowed $30.0 million and issued $5.1 million of letters of credit for a total utilization of $35.1 million of its $250 million bank credit facility. In addition, Wajax had $125 million in senior notes outstanding bearing an interest rate of 6.125% per annum, payable semi-annually, maturing on October 23, 2020. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At December 31, 2015, borrowing capacity under the bank credit facility was equal to $250 million.

The bank credit facility contains customary restrictive covenants, including limitations on the payment of cash dividends and an interest coverage maintenance ratio, all of which were met as at December 31, 2015. In particular, the Corporation is restricted from declaring dividends in the event the Corporation's leverage ratio, as defined in the bank credit facility agreement, exceeds 3.25 times. The senior notes are unsecured and contain customary incurrence based covenants that, although different from those under the bank credit facility described above, are not expected to be any more restrictive than under the bank credit facility. All covenants were met as at December 31, 2015.

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, 2015, Wajax had no utilization of the interest bearing equipment financing facilities.

As of March 1, 2016, Wajax's $250 million bank credit facility, of which $214.9 million was unutilized at the end of the year, along with the additional $15 million of capacity permitted under the bank credit facility, should be sufficient to meet Wajax's short-term normal course working capital and maintenance capital requirements and certain strategic investments. However, Wajax may be required to access the equity or debt markets to fund significant acquisitions.

In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. At December 31, 2015, $125 million of the Corporation's funded net debt, or 84%, was at a fixed interest rate which is within the Corporation's interest rate risk policy.

Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the years ended December 31, 2015 and December 31, 2014.

For the year ended December 31		**2015**		2014		Change
Net (loss) earnings	**$**	**(11.0)**	$	41.2	$	(52.2)
Items not affecting cash flow		**85.8**		51.7		34.1
Net change in non-cash operating working capital		**(19.7)**		7.4		(27.1)
Finance costs paid		**(11.4)**		(12.3)		0.9
Income taxes paid		**(10.3)**		(13.4)		3.1
Rental equipment additions		**(23.0)**		(23.1)		0.1
Other non-current liabilities		**(0.8)**		1.4		(2.2)
Cash generated from operating activities	**$**	**9.6**	$	52.9	$	(43.3)
Cash used in investing activities	**$**	**(4.3)**	$	(5.4)	$	1.1
Cash generated from (used in) financing activities	**$**	**16.0**	$	(59.4)	$	75.4

Cash Generated From Operating Activities
The $43.3 million year over year decrease in cash flows generated from operating activities was mainly attributable to a decrease in net earnings of $52.2 million and a decrease in cash generated from changes in non-cash operating working capital of $27.1 million offset partially by an increase in items not affecting cash flow of $34.1 million. Both the decrease in net earnings and the increase in items not affecting cash flow include the 2015 goodwill and intangible assets impairment of $41.2 million ($37.3 million after-tax).

Rental equipment additions in 2015 of $23.0 million (2014 – $23.1 million) related primarily to lift trucks in the Equipment segment.

Significant components of non-cash operating working capital, along with changes for years ended December 31, 2015 and December 31, 2014 include the following:

Changes in Non-cash Operating Working Capital[1]		**2015**		2014
Trade and other receivables	**$**	**16.6**	$	4.2
Contracts in progress		**4.2**		(3.8)
Inventories		**19.0**		(31.9)
Deposits on inventory		**(12.5)**		3.2
Prepaid expenses		**0.9**		(2.1)
Accounts payable and accrued liabilities		**(47.4)**		39.1
Provisions		**(0.5)**		(1.3)
Total Changes in Non-cash Operating Working Capital	**$**	**(19.7)**	$	7.4

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the year ended December 31, 2015 compared to the year ended December 31, 2014 are as follows:

- Trade and other receivables decreased $16.6 million in 2015 compared to a decrease of $4.2 million in 2014. The decrease in 2015 resulted primarily from reductions in the Power Systems and Industrial Components segments due to lower sales activity in the fourth quarter compared to last year. The decrease in 2014 was mainly attributable to reductions in the Equipment segment due to lower sales activity in the fourth quarter compared to 2013 partially offset by higher sales activity in the Industrial Components segment.

- Contracts in progress decreased $4.2 million in 2015 compared to an increase of $3.8 million in 2014. The decrease in 2015 was due to a reduction in contract revenue recognized in advance of billings related to power generation projects in the Power Systems segment. The increase in 2014 reflected higher contract revenue recognized in advance of billings related to power generation projects in the Power Systems segment.

- Inventories decreased $19.0 million in 2015 compared to an increase of $31.9 million in 2014. The decrease in 2015 was due mainly to lower mining equipment inventory in the Equipment segment offset partially by higher parts inventory in the Industrial Components and Power Systems segments. The increase in 2014 was primarily related to higher construction, forestry and material handling inventory in the Equipment segment.

- Deposits on inventory increased $12.5 million in 2015 compared to a decrease of $3.2 million in 2014. The increase in 2015 resulted from an increase in the aging of inventory on consignment in the Equipment segment resulting in additional payments to the manufacturer. See the Off Balance Sheet Financing section.

- Accounts payable and accrued liabilities decreased $47.4 million in 2015 compared to an increase of $39.1 million in 2014. The decrease in 2015 resulted from lower trade payables in all segments, due in part to the payment of equipment inventory on supplier financing in the Equipment segment and decreased purchasing activity in all segments. The increase in 2014 was driven by higher inventory trade payables in the Equipment segment.

Investing Activities
For the year ended December 31, 2015, Wajax invested $4.1 million in property, plant and equipment additions, net of disposals, compared to $5.4 million for the year ended December 31, 2014.

Financing Activities
The Corporation generated $16.0 million of cash from financing activities in 2015 compared to a use of cash of $59.4 million in 2014. Financing activities during the year included proceeds from the issuance of share capital of $71.4 million (2014 – nil) offset partially by bank credit facility repayments of $30.0 million (2014 – $15.0 million), dividends paid to shareholders totaling $21.5 million (2014 – $40.2 million) and finance lease payments of $3.9 million (2014 – $3.4 million).

Dividends

Dividends to shareholders for the periods January 1, 2015 to December 31, 2015 and January 1, 2014 to December 31, 2014 were declared and payable to shareholders of record as follows:

	2015				2014			
Month (1)		**Per Share**		**Amount**		Per Share		Amount
January	**$**	**0.20**	**$**	**3.4**	$	0.20	$	3.3
February		**0.20**		**3.4**		0.20		3.3
March		**0.08**		**1.4**		0.20		3.4
April		**-**		**-**		0.20		3.4
May		**-**		**-**		0.20		3.4
June		**0.25**		**5.0**		0.20		3.4
July		**-**		**-**		0.20		3.4
August		**-**		**-**		0.20		3.4
September		**0.25**		**5.0**		0.20		3.4
October		**-**		**-**		0.20		3.4
November		**-**		**-**		0.20		3.4
December		**0.25**		**5.0**		0.20		3.4
Total dividends for the years ended December 31	**$**	**1.23**	**$**	**23.1**	$	2.40	$	40.3

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

For the year ended December 31, 2015, Wajax declared dividends to shareholders totaling $1.23 per share. For the year ended December 31, 2014, Wajax declared dividends to shareholders totaling $2.40 per share. Dividends paid in 2015 were funded from cash generated from operating activities.

On March 1, 2016, the Corporation declared a dividend of $0.25 per share for the first quarter of 2016, payable on April 4, 2016 to shareholders of record on March 15, 2016.

Fourth Quarter Consolidated Results

For the three months ended December 31		2015		2014
Revenue	$	**324.4**	$	386.1
Gross profit	$	**59.9**	$	73.5
Selling and administrative expenses	$	**51.5**	$	55.1
Goodwill and intangible assets impairment	$	**41.2**	$	-
Restructuring cost recovery	$	**-**	$	(0.2)
(Loss) earnings before finance costs and income taxes(1)	$	**(32.8)**	$	18.6
Finance costs	$	**2.8**	$	3.2
(Loss) earnings before income taxes(1)	$	**(35.6)**	$	15.4
Income tax (recovery) expense	$	**(2.3)**	$	4.2
Net (loss) earnings	$	**(33.3)**	$	11.2
- **Basic (loss) earnings per share**	$	**(1.66)**	$	0.67
- **Diluted (loss) earnings per share**	$	**(1.64)**	$	0.66
Adjusted net earnings(1)(4)	$	**4.0**	$	11.0
- **Adjusted basic earnings per share**(1)(2)(4)	$	**0.20**	$	0.66
- **Adjusted diluted earnings per share**(1)(3)(4)	$	**0.20**	$	0.65

(1) These amounts do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP"). See the Non-GAAP and Additional GAAP Measures section.
(2) Weighted average shares for calculation of basic (loss) earnings per share 19,983,800 (2014 – 16,778,883)
(3) Weighted average shares for calculation of diluted (loss) earnings per share 20,297,193 (2014 – 17,051,027)
(4) Net (loss) earnings excluding after-tax goodwill and intangible assets impairment in 2015 of $37.3 million, or $1.87 per share basic, and after-tax restructuring recovery in 2014 of $0.2 million, or $0.01 per share basic.

Fourth quarter revenue decreased $61.7 million. Ongoing weakness in oil and other commodity prices in the quarter continued to have a negative effect on Wajax customers in all segments in the construction, mining, oil and gas, oil sands and on-highway markets in western Canada.

The impact was most significant in the Equipment segment, which experienced a 22% decline in equipment revenue due to lower demand and competitive market pressures, and a 6% reduction in parts and service revenues as oil sands operators and mining customers continued to idle portions of their equipment fleets and defer maintenance spending. The Power Systems segment experienced a decline in equipment, parts and service volumes due to the lower oil and gas activity in western Canada. In addition, the Industrial Components segment's western Canada operation was negatively impacted by the decline in oil and gas and oil sands activity.

Revenue
Revenue in the fourth quarter of 2015 decreased 16%, or $61.7 million, to $324.4 million, from $386.1 million in the fourth quarter of 2014. Segment revenue decreased 20% in the Power Systems segment, driven by a reduction in oil and gas related revenues in western Canada, 17% in the Equipment segment on lower volumes in western and eastern Canada, and 12% in the Industrial Components segment, primarily due to lower volumes in western Canada.

Gross profit
Gross profit in the fourth quarter of 2015 decreased $13.6 million due to lower volumes and a slightly lower gross profit margin percentage compared to the prior year. The gross profit margin percentage for the quarter of 18.5% decreased from 19.0% in the fourth quarter of 2014 resulting from lower parts margins offset partially by the positive impact of a higher proportion of parts and service revenues compared to last year.

Selling and administrative expenses
Selling and administrative expenses decreased $3.6 million in the fourth quarter of 2015 compared to the same quarter last year due mainly to lower personnel related costs, including lower annual employee incentives. Selling and administrative expenses as a percentage of revenue increased to 15.9% in the fourth quarter of 2015 from 14.3% in the same quarter of 2014.

Goodwill and intangible assets impairment
Goodwill and intangible assets impairment of $41.2 million ($37.3 million after-tax) was recorded in 2015, comprised of $13.7 million related to the Power Systems segment and $27.5 million related to the Industrial Components segment. The impairment was determined such that the carrying value of the goodwill and intangible assets of each segment approximates their recoverable amounts as at December 31, 2015 of $nil in the Power Systems segment and $18.3 million in the Industrial Components segment. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues.

Finance costs
Quarterly finance costs of $2.8 million decreased $0.4 million compared to the same quarter last year due primarily to lower funded net debt levels resulting from the $71.4 million in proceeds from the issuance of share capital in the second quarter of 2015.

Income tax expense
The Corporation's effective income tax recovery rate of 6.5% for the fourth quarter of 2015 was lower compared to the statutory rate of 26.5% due to the impact of expenses not deductible for tax purposes including $26.5 million of goodwill and intangible assets impairment. The Corporation's effective income tax rate of 27.1% for the fourth quarter of 2014 was higher compared to the statutory rate of 26.1% due to the impact of expenses not deductible for tax purposes.

Net (loss) earnings
In the fourth quarter of 2015 the Corporation incurred a net loss of $33.3 million, or $1.66 per share, compared to net earnings of $11.2 million, or $0.67 per share. The $44.5 million decrease in net earnings resulted from goodwill and intangible assets impairment of $37.3 million after-tax, or $1.87 per share, and lower volumes offset partially by a reduction in selling and administrative expenses and finance costs. The $2.33 per share decrease in basic earnings per share reflects the decrease in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the basic loss per share by $0.32 or 16%.

Adjusted net earnings (See the Non-GAAP and Additional GAAP Measures section)
Adjusted net earnings excludes goodwill and intangible assets impairment of $37.3 million after-tax, or $1.87 per share, in 2015 and restructuring recovery of $0.2 million after-tax, or $0.01 per share in 2014.

As such, adjusted net earnings decreased $7.0 million to $4.0 million, or $0.20 per share, in 2015 from $11.0 million, or $0.66 per share, in 2014. The $7.0 million decrease in adjusted net earnings resulted primarily from lower volumes offset by a reduction in selling and administrative expenses and finance costs. The $0.46 per share decrease in basic earnings per share reflects the decrease in net earnings, as described above, combined with the impact of the equity offering completed in the second quarter of 2015, which reduced the basic loss per share by $0.04, or 16%.

Comprehensive loss
Total comprehensive loss of $32.4 million in the fourth quarter of 2015 was comprised of net loss of $33.3 million offset partially by other comprehensive income of $0.8 million. The other comprehensive income resulted from after-tax actuarial gains on pension plans of $0.8 million and a $0.1 million change in the amount of gains on derivative instruments designated as cash flow hedges recorded in the year.

Funded net debt (See the Non-GAAP and Additional GAAP Measures section)
Funded net debt of $149.0 million at December 31, 2015 decreased $18.5 million compared to September 30, 2015. The decrease during the quarter was due to $26.3 million of cash generated from operating activities exceeding dividends paid of $5.0 million, investing activities of $1.2 million and finance lease payments of $1.0 million. See the Fourth Quarter Cash Flows and Liquidity and Capital Resources sections.

Dividends
For the fourth quarter ended December 31, 2015 dividends declared totaled $0.25 per share. For the fourth quarter ended December 31, 2014 monthly dividends declared were $0.60 per share.

Backlog (See the Non-GAAP and Additional GAAP Measures section)
Consolidated backlog at December 31, 2015 of $169.2 million increased $13.1 million, or 8%, compared to September 30, 2015 as increases in the Equipment segment were partially offset by modest decreases in both the Power Systems and Industrial Components segments. 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		**2015**		2014
Equipment(1)	**$**	**100.7**	$	128.7
Parts and service	**$**	**59.4**	$	63.1
Segment revenue	**$**	**160.1**	$	191.8
Segment earnings(2)	**$**	**9.4**	$	12.4
Segment earnings margin(2)		***5.9%***		*6.5%*

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

Revenue in the fourth quarter of 2015 decreased $31.7 million, or 17%, to $160.1 million, from $191.8 million in the fourth quarter of 2014. Segment earnings for the quarter decreased $3.0 million, to $9.4 million, compared to the fourth quarter of 2014. The following factors contributed to the Equipment segment's fourth quarter results compared to the fourth quarter of 2014:

- Equipment revenue for the fourth quarter decreased $28.0 million, or 22%, with specific year-over-year variances as follows:
  - Construction equipment revenue decreased $19.6 million as a result of decreases in Hitachi excavator sales in western Canada due to lower market demand and competitive market pressures.
  - Forestry equipment revenue decreased $3.5 million due to lower sales activity and an increase in the number of customers choosing to rent equipment with a purchase option.
  - Mining equipment sales increased $0.3 million.
  - Crane and utility equipment revenue decreased $4.3 million as a result of lower crane sales in western Canada and lower sales to utility customers in central and eastern Canada.
  - Material handling equipment revenue decreased $0.9 million.

- Parts and service revenue decreased $3.7 million, or 6%. The decrease was led by lower mining sector volumes mainly in western Canada, including the oil sands, and lower material handling volumes in all regions. These declines were offset partially by higher construction sector revenues in central and eastern Canada.

- Segment earnings for the fourth quarter decreased $3.0 million to $9.4 million. The decrease was primarily attributable to lower volumes, offset partially by a higher gross profit margin percentage and a $0.7 million reduction in selling and administrative expenses due to lower annual incentives compared to last year. The higher gross profit margin percentage was driven by the positive impact of a higher proportion of parts and service volumes partially offset by lower parts and service margins due to competitive market pressures compared to last year.

Backlog of $103.6 million at December 31, 2015 increased $16.4 million compared to September 30, 2015 due mainly to increases in crane and utility and construction equipment orders.

Power Systems

For the three months ended December 31		2015		2014
Equipment[1]	**$**	**24.8**	$	33.3
Parts and service	**$**	**46.0**	$	55.0
Segment revenue	**$**	**70.8**	$	88.3
Segment earnings before goodwill and intangible assets impairment[2]	**$**	**0.1**	$	3.5
Goodwill and intangible assets impairment		**(13.7)**		-
Segment (loss) earnings[3]	**$**	**(13.6)**	$	3.5
Segment earnings before goodwill and intangible assets impairment margin[2]		***0.2%***		*3.9%*
Goodwill and intangible assets impairment		***(19.4%)***		-
Segment (loss) earnings margin[3]		***(19.2%)***		*3.9%*

(1) Includes rental and other revenue.
(2) Earnings before goodwill and intangible assets impairment, finance costs and income taxes. See the Non-GAAP and Additional GAAP Measures section.
(3) (Loss) earnings before finance costs and income taxes.

Revenue in the fourth quarter of 2015 decreased $17.5 million, or 20%, to $70.8 million, compared to $88.3 million in the fourth quarter of 2014. The segment experienced a loss of $13.6 million in the fourth quarter of 2015 compared to earnings of $3.5 million in 2014. Segment earnings before goodwill and intangible assets impairment of $0.1 million in the fourth quarter of 2015 was a decrease of $3.4 million compared to segment earnings of $3.5 million in 2014. The following factors impacted quarterly revenue and earnings compared to last year:

- Equipment revenue decreased $8.5 million, due principally to lower off-highway oil and gas and power generation sales in western Canada.

- Parts and service revenue decreased $9.0 million compared to last year, mainly attributable to lower sales to off-highway and on-highway customers as a result of the decline in oil and gas activity in western Canada.

- Segment earnings decreased $17.1 million to a segment loss of $13.6 million in 2015 compared to segment earnings of $3.5 million in the fourth quarter of 2014. Excluding the goodwill and intangible assets impairment costs of $13.7 million, segment earnings decreased $3.4 million due to lower volumes and gross profit margins offset partially by a $1.7 million decrease in selling and administrative expenses. The decrease in selling and administrative expenses was driven mainly by workforce reductions.

Goodwill and intangible assets impairment costs of $13.7 million were recorded in the Power Systems segment in 2015. The impairment was determined such that the carrying value of the goodwill and intangible assets of the segment approximates their recoverable amounts as at December 31, 2015 of $nil. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues.

Backlog of $23.6 million as of December 31, 2015 decreased $1.4 million compared to September 30, 2015.

Industrial Components

For the three months ended December 31		**2015**		2014
Segment revenue	**$**	**94.3**	$	107.5
Segment earnings before goodwill and intangible assets impairment and restructuring recovery(1)	**$**	**1.9**	$	5.9
Goodwill and intangible assets impairment		**(27.5)**		-
Restructuring cost recovery	**$**	**-**	$	0.2
Segment (loss) earnings(2)	**$**	**(25.6)**	$	6.2
Segment earnings margin before goodwill and intangible assets impairment and restructuring recovery(1)		***2.0%***		*5.5%*
Goodwill and intangible assets impairment		***(29.2%)***		-
Restructuring recovery		**-**		*0.2%*
Segment (loss) earnings margin(2)		***(27.2%)***		*5.7%*

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

Revenue of $94.3 million in the fourth quarter of 2015 decreased $13.2 million, or 12%, from $107.5 million in the fourth quarter of 2014. The segment experienced a loss of $25.6 million in the fourth quarter of 2015 compared to earnings of $6.2 million in 2014. Segment earnings before goodwill and intangible assets impairment and restructuring recovery of $1.9 million in the fourth quarter of 2015 decreased $4.0 million compared to $5.9 million in 2014. The following factors contributed to the segment's fourth quarter year-over-year results:

- Bearings and power transmission parts sales decreased $3.8 million, or 7%, primarily due to weakness in the oil and gas, mining and metal processing sectors. These decreases were partially offset by strength in the forestry sector.

- Fluid power and process equipment products and service revenue in the fourth quarter of 2015 decreased $9.4 million, or 19%. Lower sales in the oil and gas and oil sands sectors in western Canada were partially offset by higher volumes in central and eastern Canada.

- Segment earnings decreased $31.8 million to a segment loss of $25.6 million in 2015 compared to segment earnings of $6.2 million in the prior year. Excluding the goodwill and intangible assets impairment costs of $27.5 million and restructuring recovery of $0.2 million in 2014, segment earnings decreased $4.0 million due to lower volumes and gross profit margins offset partially by a $0.9 million decrease in selling and administrative expenses. The gross profit margins were negatively impacted by an increase in inventory obsolescence and to a lesser extent competitive market pressures. The reduction in selling and administrative expenses was due to lower annual incentives and other sales related cost reductions compared to last year.

Goodwill and intangible assets impairment costs of $27.5 million were recorded in the Industrial Components segment in 2015. The impairment was determined such that the carrying value of the goodwill and intangible assets of the segment approximates their recoverable amounts as at December 31, 2015 of $18.3 million. The recoverable amounts assumed that weakness in oil and gas activity in western Canada continues.

Backlog of $42.0 million as of December 31, 2015 decreased $1.9 million compared to September 30, 2015. See the Non-GAAP and Additional GAAP Measures section.

Fourth Quarter Cash Flows

Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the quarters ended December 31, 2015 and December 31, 2014.

For the quarter ended December 31		2015		2014		Change
Net (loss) earnings	**$**	**(33.3)**	$	11.2	$	(44.5)
Items not affecting cash flow		**48.7**		13.3		35.4
Net change in non-cash operating working capital		**22.0**		28.4		(6.4)
Finance costs paid		**(4.6)**		(5.0)		0.4
Income taxes paid		**(1.9)**		(2.6)		0.7
Rental equipment additions		**(4.5)**		(8.6)		4.1
Other non-current liabilities		**(0.1)**		0.1		(0.2)
Cash generated from operating activities	**$**	**26.3**	$	36.8	$	(10.5)
Cash used in investing activities	**$**	**(1.2)**	$	(1.6)	$	0.4
Cash used in financing activities	**$**	**(10.0)**	$	(37.8)	$	27.8

Cash Generated From Operating Activities
The $10.5 million decrease in cash flows generated from operating activities was mainly attributable to a decrease in net earnings of $44.5 million and a decrease in cash generated from changes in non-cash operating working capital of $6.4 million, offset partially by an increase in items not affecting cash flow of $35.4 million and a $4.1 million decrease in rental equipment additions primarily in the Power Systems segment. Both the decrease in net earnings and the increase in items not affecting cash flow include the 2015 goodwill and intangible assets impairment of $41.2 million ($37.3 million after-tax).

Significant components of non-cash operating working capital, along with changes for the quarters ended December 31, 2015 and December 31, 2014 include the following:

Changes in Non-cash Operating Working Capital[(1)]		2015		2014
Trade and other receivables	**$**	**9.6**	$	18.4
Contracts in progress		**4.6**		(3.4)
Inventories		**4.3**		0.2
Deposits on inventory		**(4.7)**		1.0
Prepaid expenses		**(0.6)**		(0.4)
Accounts payable and accrued liabilities		**8.5**		12.1
Provisions		**0.2**		0.5
Total Changes in Non-cash Operating Working Capital	**$**	**22.0**	$	28.4

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the quarter ended December 31, 2015 compared to the quarter ended December 31, 2014 are as follows:

- Trade and other receivables decreased $9.6 million in 2015 compared to a decrease of $18.4 million in 2014. The decrease in 2015 resulted primarily from lower sales activity in the Power Systems segment due to lower sales activity in the fourth quarter compared to the last quarter. The decrease in 2014 was mainly attributable to improved collections in the Equipment segment and the collection of a large power generation receivable in the Power Systems segment.

- Contracts in progress decreased $4.6 million in the current quarter compared to an increase of $3.4 million in 2014. The decrease in 2015 was due to a reduction in contract revenue recognized in advance of billings related to power generation projects in the Power Systems segment. The increase in 2014 reflects higher contract revenue recognized in advance of billings related to power generation projects in the Power Systems segment.

- Inventories decreased $4.3 million in the current quarter compared to a decrease of $0.2 million in 2014. The decrease in 2015 was primarily due to lower inventory in the Equipment segment.

- Deposits on inventory increased $4.7 million in the current quarter compared to a decrease of $1.0 million in 2014. The increase in 2015 resulted from an increase in the aging of inventory on consignment in the Equipment segment resulting in additional payments to the manufacturer. See the Off Balance Sheet Financing section.

- Accounts payable and accrued liabilities increased $8.5 million in 2015 compared to an increase of $12.1 million in 2014. The increase in 2015 resulted primarily from higher inventory trade payables in the Equipment segment. The increase in 2014 resulted primarily from higher inventory trade payables in the Power Systems and Industrial Components segments.

Investing Activities
During the fourth quarter of 2015, Wajax invested $1.1 million in property, plant and equipment additions, net of disposals, compared to $1.6 million in the fourth quarter of 2014.

Financing Activities
The Corporation used $10.0 million of cash in financing activities in the fourth quarter of 2015 compared to $37.8 million of cash used in the same quarter of 2014. Financing activities in the quarter included bank credit facility repayments of $4.0 million, dividends paid to shareholders totaling $5.0 million and finance lease payments of $1.0 million. See the Liquidity and Capital Resources section.

Non-GAAP and Additional GAAP Measures

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

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

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

(iii) the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital, tax structures, goodwill and intangible assets impairment and restructuring costs (recovery).

(iv) "Adjusted net earnings", "Basic and diluted adjusted net earnings per share" and "segment earnings before goodwill and intangible assets impairment and restructuring costs (recovery)" provide indications of the results by the Corporation's principal business activities prior to recognizing goodwill and intangible assets impairment and restructuring costs (recovery) that are outside the Corporation's normal course of business. "Adjusted EBITDA" used in calculating the Leverage Ratio excludes goodwill and intangible assets impairment and restructuring costs (recovery) which is consistent with the leverage ratio calculations under the Corporation's bank credit and senior note agreements. See the Annual Consolidated Results – Goodwill and intangible assets impairment and the Annual Consolidated Results – Restructuring costs sections.

Non-GAAP financial measures are identified and defined below:

Funded net debt	Funded net debt includes bank indebtedness, long-term debt and obligations under finance leases, net of cash.
EBITDA	Net earnings before finance costs, income tax expense, depreciation and amortization.
Adjusted net earnings	Net earnings before after tax goodwill and intangible assets impairment and restructuring costs (recovery).
Basic and diluted adjusted net earnings per share	Basic and diluted earnings per share before after tax goodwill and intangible assets impairment and restructuring costs (recovery).
Adjusted EBITDA	EBITDA before goodwill and intangible assets impairment and restructuring costs (recovery).
Leverage ratio	The leverage ratio is defined as funded net debt at the end of a particular quarter divided by trailing 12-month Adjusted EBITDA. The Corporation's objective is to maintain this ratio between 1.5 times and 2.0 times.
Funded net debt to total capital	Defined as funded net debt divided by total capital. Total capital is the funded net debt plus shareholder's equity.
Backlog	Backlog includes the total sales value of customer purchase commitments for future delivery or commissioning of equipment, parts and related services.

Additional GAAP measures are identified and defined below:

Earnings 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.
Segment earnings before goodwill and intangible assets impairment and restructuring costs (recovery)	Segment earnings before goodwill and intangible assets impairment, restructuring costs (recovery), finance costs and income taxes.
Segment earnings margin before goodwill and intangible assets impairment and restructuring costs (recovery)	Segment earnings before goodwill and intangible assets impairment, restructuring costs (recovery), finance costs and income taxes divided by segment revenue.

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

	Three months ended December 30				Twelve months ended December 30			
	2015		2014		**2015**		2014	
Net (loss) earnings	**$**	**(33.3)**	$	11.2	**$**	**(11.0)**	$	41.2
Goodwill and intangible assets impairment, after tax		**37.3**		-		**37.3**		-
Restructuring (recovery) costs, after-tax		**-**		(0.2)		**1.5**		2.1
Adjusted net earnings	**$**	**4.0**	$	11.0	**$**	**27.8**	$	43.3
Basic adjusted earnings per share(1)(2)	**$**	**0.20**	$	0.66	**$**	**1.50**	$	2.58
Diluted adjusted earnings per share(1)(2)	**$**	**0.20**	$	0.65	**$**	**1.47**	$	2.54

(1) At December 30, 2015 the numbers of basic and diluted shares outstanding were 19,983,800 and 20,297,193, respectively for the three months ended and 18,559,558 and 18,863,423, respectively for the twelve months ended.

(2) At December 30, 2014 the numbers of basic and diluted shares outstanding were 16,778,883 and 17,051,027, respectively for the three months ended and 16,772,769 and 17,037,382, respectively for the twelve months ended.

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

	Twelve months ended December 31			
	2015		**2014**	
Net (loss) earnings	**$**	**(11.0)**	$	41.2
Income tax expense		**6.3**		15.3
EBT		**(4.7)**		56.5
Finance costs		**12.2**		13.0
EBIT		**7.5**		69.5
Depreciation and amortization		**24.5**		22.5
EBITDA		**32.0**		92.0
Goodwill and intangible assets impairment(1)		**41.2**		-
Restructuring costs(2)		**2.1**		2.8
Adjusted EBITDA	**$**	**75.3**	$	95.0

(1) See the Annual Consolidated Results – Goodwill and intangible assets impairment section.

(2) For the twelve months ended December 31, 2015 - Includes the $2.1 million Power Systems segment restructuring provision recorded in the second quarter of 2015.
For the twelve months ended December 31, 2014 - Includes the $2.8 million Industrial Components segment restructuring provision recorded in 2014.

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

	December 31 2015		December 31 2014	
(Cash) bank indebtedness	**$**	**(13.6)**	$	7.7
Obligations under finance leases		**11.0**		12.3
Long-term debt		**151.6**		180.9
Funded net debt	**$**	**149.0**	$	201.0
Leverage ratio(1)		**1.98**		2.12

(1) Calculation uses trailing four-quarter Adjusted EBITDA and finance costs. This leverage ratio contains some differences to the leverage ratio calculated under the Corporation's bank credit facility and senior note agreements ("the agreements"). In particular, the leverage ratio under the agreements exclude finance lease obligations and cash from funded debt and exclude other non-cash items from EBITDA.

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 of the annual Consolidated Financial Statements describes the significant accounting policies and methods used in preparation of the annual Consolidated Financial Statements. The Corporation bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances.

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

Allowance for doubtful accounts
The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is somewhat minimized by the Corporation's large customer base 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 $1.1 million provision for doubtful accounts at December 31, 2015 decreased $0.5 million from $1.6 million in 2014. As economic conditions change, there is risk that the Corporation could experience a greater number of defaults compared to 2015 which would result in an increased charge to earnings.

Inventory obsolescence
The value of the Corporation's new and used equipment is evaluated by management throughout the year, on a unit-by-unit basis. When required, provisions are recorded to ensure that the book value of equipment is valued at the lower of cost or estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete parts inventories and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods. The inventory obsolescence charged to earnings for 2015 was $6.0 million compared to $3.5 million in 2014. As economic conditions change, there is risk that the Corporation could have an increase in inventory obsolescence compared to 2015 which would result in an increased charge to earnings.

Goodwill and intangible assets
The value in use of goodwill and intangible assets has been estimated using the forecasts prepared by management for the next three years. The key assumptions for the estimate are those regarding revenue growth, gross margin and the level of working capital required to support the business. These estimates are based on past experience and management's expectations of future changes in the market and forecasted growth initiatives.

During the year, the Corporation performed impairment tests, based on value in use, of its goodwill and intangible assets with an indefinite life and concluded that impairments existed in the cash generating units of the Power Systems segment and the Industrial Components segment. See the Annual Consolidated Results – Goodwill and intangible assets impairment section.

Changes in Accounting Policies

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

Effective January 1, 2015, the Corporation early adopted the amendments to IAS 1 Presentation of Financial Statements. The amendments impacted certain disclosure requirements only and had no effect 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, 2015 and have not been applied in preparing these consolidated financial statements.

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

On January 1, 2018, the Corporation will be required to adopt IFRS 9 Financial Instruments, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Additional changes to the new standard will align hedge accounting more closely with risk management. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

On January 1, 2019, the Corporation will be required to adopt IFRS 16 Leases. The new standard contains a single lease accounting model for lessees, whereby all leases with a term longer than 12 months are recognized on-balance sheet through a right-of-use asset and lease liability. The model features a front-loaded total lease expense recognized through a combination of depreciation and interest. Lessor accounting remains similar to current requirements. The Corporation 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, Wajax's ability to meet its established financial targets as set out in the Strategy section, Wajax's ability to achieve the expected benefits of transitioning to its new structure as set out in the Reorganization section and Wajax's ability to pay cash dividends to shareholders. Wajax attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. In addition, Wajax has adopted an annual enterprise risk management assessment which is prepared by the Corporation's senior management and overseen by the Board of Directors and Committees of the Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across Wajax.

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

Manufacturer relationships and product access

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

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

Suppliers generally have the ability to unilaterally change distribution terms and conditions 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, deposits on inventory, 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, the Corporation established its 4 Points of Growth strategy including a target leverage ratio range of 1.5 – 2.0 times. See the Strategy section and the Non-GAAP and Additional GAAP Measures sections. While conditions remain challenging, the Corporation has a strong strategy and is confident in its growth prospects. The Corporation's confidence is strengthened by the enhanced earnings potential of a reorganized Corporation and by relationships with its customers and vendors. See the Reorganization section. Wajax's ability to develop core capabilities and successfully grow its business through organic growth will be dependent on the segments' achieving their individual growth initiatives. Wajax's ability to successfully grow its business through acquisitions will be dependent on a number of factors including: identification of accretive new business or acquisition opportunities; negotiation of purchase agreements on satisfactory terms and prices; prior approval of acquisitions by third parties, including regulatory authorities; securing attractive financing arrangements; and integration of newly acquired operations into the existing business. All of these activities associated with growing the business, realizing enhanced earnings potential from the new structure and investments made in systems may be more difficult to implement or may take longer to execute than management anticipates. Further, any significant expansion of the business may increase the operating complexity of Wajax, and divert management away from regular business activities. Any failure of Wajax to reorganize into a new structure and manage its growth strategy, including acquisitions, successfully could have a material adverse impact on Wajax's business, results of operations or financial condition.

Key personnel
The success of Wajax is largely dependent on the abilities and experience of its senior management team and other key personnel. Its future performance will also depend on its ability to attract, develop and retain highly qualified employees in all areas of its business. Competition for skilled management, sales and technical personnel is intense, particularly in certain markets where Wajax competes. Wajax continuously reviews and makes adjustments to its hiring, training and compensation practices in an effort to attract and retain a highly competent workforce. However, there can be no assurance that Wajax will be successful in its efforts and a loss of key employees, or failure to attract and retain new talent as needed, in particular through the reorganization into a new structure in 2016, may have an adverse impact on Wajax's current operations or future prospects. See the Reorganization section.

Leverage, credit availability and restrictive covenants
Wajax has a $250 million bank credit facility which expires August 12, 2019 comprised of a $30 million non-revolving term portion and a $220 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 finance costs incurred and dividends declared relative to earnings and certain reporting obligations. A failure to comply with the obligations of the facility or senior notes could result in an event of default which, if not cured or waived, could require an accelerated repayment of the facility or senior notes. There can be no assurance that Wajax's assets would be sufficient to repay the facility or senior notes in full.

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

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

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

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

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

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

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

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

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

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

Labour relations
Wajax has approximately 2,609 employees. Wajax is party to thirteen collective agreements covering a total of approximately 346 employees. Of these, one collective agreement covering 72 employees has completed mediation and is in the final stages of ratifying. One collective agreement covering 18 employees expired in 2015 and is currently being re-negotiated. Of the remaining eleven collective agreements, two will expire in 2016 and preparations for re-negotiations are under way. Of the remaining nine collective agreements, six expire in 2017, two expire in 2018 and one expires in 2019. Overall, Wajax believes its labour relations to be satisfactory and does not anticipate it will be unable to renew the collective agreements. If Wajax is unable to renew or negotiate collective agreements from time to time, it could result in work stoppages and other labour disturbances. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on Wajax’s businesses, results of operations or financial condition.

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

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

A strengthening U.S. dollar relative to the Canadian dollar can have a positive effect on Wajax’s revenue, as Wajax will periodically institute price increases on inventory imported from the U.S. to offset the negative impact of foreign exchange rate increases to ensure margins are not eroded. However, a sudden strengthening U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short term prior to price increases taking effect.

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

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

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

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

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

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

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

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

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

Environmental factors
From time to time, Wajax experiences environmental incidents, emissions or spills in the course of its normal business activities. 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

On an adjusted net earnings basis, fourth quarter results were significantly negatively impacted by the energy sector related slowdown in western Canada. Results from the Power Systems and Industrial Components segments were softer than expected, as reductions in selling and administrative costs could not offset lower than expected volumes and gross margins, primarily in western Canada. However, in light of the economic pressures faced in western Canada, management was pleased with results from the Equipment segment.

The Power Systems segment continued to progress as expected in executing the restructuring plan announced in the second quarter of 2015, with anticipated cost savings realized in the fourth quarter. In addition, Wajax generated $22.0 million of cash from reduced operating working capital, the majority of which was used to reduce indebtedness.

Management's outlook for 2016 is that market conditions will remain very challenging. Earnings are expected to be under significant pressure due to ongoing market conditions in western Canada, resource customer capital and operating expenditure reductions and a weak Canadian dollar. Excluding the impact of the $12 million restructuring provision, management expects lower year-over-year earnings in the first half of 2016. During the second half of 2016, earnings are expected to improve slightly, driven by customer equipment deliveries and cost reductions. The Corporation will continue to manage its balance sheet carefully throughout 2016 and expects its leverage ratio to be within a reasonable tolerance of its target range of 1.5x – 2.0x. With respect to the Corporation's dividend, the current quarterly amount of $0.25 per share was established in March 2015 at a level that is believed sustainable through expectations of a negative cycle. Wajax will continue to consider the amount of the dividend quarterly, taking into account the Corporation's forecasted earnings, leverage and other investment opportunities.

As a result of the greater than expected decline in the western Canada economy and the difficulty in predicting the duration of this decline, the Corporation will no longer provide a net earnings CAGR target for the 2015 – 2019 outlook period. While conditions remain challenging, management is very confident in the growth activities outlined in the 4 Points of Growth strategy. Their confidence is strengthened by the enhanced earnings potential of a reorganized Corporation and its relationships with customers and vendors.

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, 2015

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

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

WAJAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at (unaudited, in thousands of Canadian dollars)	Note		**December 31, 2015**		December 31, 2014
ASSETS					
CURRENT					
Cash		**$**	**13,614**	$	-
Trade and other receivables			**167,176**		183,759
Contracts in progress			**4,842**		9,003
Inventories			**305,669**		320,300
Deposits on inventory			**21,419**		8,963
Income taxes receivable			**841**		31
Prepaid expenses			**6,978**		7,836
Derivative instruments			**1,611**		1,343
			522,150		531,235
NON-CURRENT					
Rental equipment	3		**64,104**		59,394
Property, plant and equipment	4		**46,217**		48,665
Intangible assets	5		**41,767**		84,314
Deferred tax asset			**3,230**		-
			155,318		192,373
		$	**677,468**	$	723,608
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT					
Bank indebtedness		**$**	**-**	$	7,713
Accounts payable and accrued liabilities			**204,999**		252,079
Provisions			**5,244**		5,758
Dividends payable			**4,997**		3,356
Obligations under finance leases			**4,198**		4,175
			219,438		273,081
NON-CURRENT					
Provisions			**3,300**		4,250
Deferred taxes	9		**-**		494
Employee benefits			**6,752**		7,257
Other liabilities			**1,048**		947
Obligations under finance leases			**6,844**		8,160
Long-term debt			**151,582**		180,903
			169,526		202,011
SHAREHOLDERS' EQUITY					
Share capital	6		**179,829**		107,454
Contributed surplus			**5,930**		5,176
Retained earnings			**101,916**		135,269
Accumulated other comprehensive income			**829**		617
Total shareholders' equity			**288,504**		248,516
		$	**677,468**	$	723,608

These condensed consolidated financial statements were approved by the Board of Directors on March 1, 2016.

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

(unaudited, in thousands of Canadian dollars, except per share data)	Note	Three months ended December 31 **2015**	Three months ended December 31 2014	Twelve months ended December 31 **2015**	Twelve months ended December 31 2014
Revenue		**$ 324,438**	$ 386,106	**$ 1,273,308**	$ 1,451,333
Cost of sales		**264,514**	312,623	**1,019,408**	1,162,006
Gross profit		**59,924**	73,483	**253,900**	289,327
Selling and administrative expenses		**51,505**	55,110	**203,087**	216,914
Impairment of goodwill and intangible assets	5	**41,220**	-	**41,220**	-
Restructuring (recovery) costs	14	**-**	(229)	**2,060**	2,849
(Loss) earnings before finance costs and income taxes		**(32,801)**	18,602	**7,533**	69,564
Finance costs		**2,776**	3,249	**12,233**	12,982
(Loss) earnings before income taxes		**(35,577)**	15,353	**(4,700)**	56,582
Income tax (recovery) expense	9	**(2,318)**	4,161	**6,315**	15,349
Net (loss) earnings		**$ (33,259)**	$ 11,192	**$ (11,015)**	$ 41,233
Basic (loss) earnings per share	10	**$ (1.66)**	$ 0.67	**$ (0.59)**	$ 2.46
Diluted (loss) earnings per share	10	**$ (1.64)**	$ 0.66	**$ (0.58)**	$ 2.42

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

(unaudited, in thousands of Canadian dollars)	Three months ended December 31 **2015**	Three months ended December 31 2014	Twelve months ended December 31 **2015**	Twelve months ended December 31 2014
Net (loss) earnings	**$ (33,259)**	$ 11,192	**$ (11,015)**	$ 41,233
Items that will not be reclassified to income				
Actuarial gains (losses) on pension plans, net of tax expense of $279 (2014 – tax recovery of $351) and year to date, net of tax expense of $279 (2014 – tax recovery of $351)	**758**	(1,026)	**758**	(1,026)
Items that may be subsequently reclassified to income				
Gains on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory during the period, net of tax expense of $206 (2014 – $114) and year to date, net of tax expense of $815 (2014 – $144)	**(581)**	(322)	**(2,301)**	(405)
Gains on derivative instruments outstanding at the end of the period designated as cash flow hedges, net of tax expense of $237 (2014 – $198) and year to date, net of tax expense of $891 (2014 – $322)	**667**	559	**2,513**	909
Other comprehensive income (loss), net of tax	**844**	(789)	**970**	(522)
Total comprehensive (loss) income	**$ (32,415)**	$ 10,403	**$ (10,045)**	$ 40,711

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

C O N D E N S E D   C O N S O L I D A T E D   S T A T E M E N T S   O F
C H A N G E S   I N   S H A R E H O L D E R S ’   E Q U I T Y

For the twelve months ended December 31, 2015 (unaudited, in thousands of Canadian dollars)	Note		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income Cash flow hedges		Total
December 31, 2014		$	107,454	5,176	135,269	617	$	248,516
Net loss			-	-	(11,015)	-		(11,015)
Other comprehensive income			-	-	758	212		970
Total comprehensive (loss) income for the period			-	-	(10,257)	212		(10,045)
Issuance of common shares	6		72,278	-	-	-		72,278
Shares issued to settle share-based compensation plans	8		97	(97)	-	-		-
Dividends	7		-	-	(23,096)	-		(23,096)
Share-based compensation expense	8		-	851	-	-		851
December 31, 2015		**$**	**179,829**	**5,930**	**101,916**	**829**	**$**	**288,504**

WAJAX CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve months ended December 31, 2014 (unaudited, in thousands of Canadian dollars)	Note		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income: Cash flow hedges		Total
December 31, 2013		$	106,704	5,058	135,317	113	$	247,192
Net earnings			-	-	41,233	-		41,233
Other comprehensive (loss) income			-	-	(1,026)	504		(522)
Total comprehensive income for the period			-	-	40,207	504		40,711
Shares issued to settle share-based compensation plans	8		750	(750)	-	-		-
Dividends	7		-	-	(40,255)	-		(40,255)
Share-based compensation expense	8		-	868	-	-		868
December 31, 2014		**$**	**107,454**	**5,176**	**135,269**	**617**	**$**	**248,516**

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 2015	Three months ended December 31 2014	Twelve months ended December 31 2015	Twelve months ended December 31 2014
OPERATING ACTIVITIES					
Net (loss) earnings		**$ (33,259)**	$ 11,192	**$ (11,015)**	$ 41,233
Items not affecting cash flow:					
Depreciation and amortization:					
Rental equipment		**3,768**	3,076	**13,879**	11,905
Property, plant and equipment		**2,423**	2,354	**9,114**	8,970
Intangible assets		**301**	406	**1,471**	1,670
Loss (gain) on disposal of property, plant and equipment	4	**42**	(61)	**56**	(41)
Impairment of goodwill and intangible assets	5	**41,220**	-	**41,220**	-
Share-based compensation expense	8	**194**	243	**851**	868
Non-cash rental expense		**50**	6	**173**	46
Employee benefits expense, net of payments		**350**	(3)	**532**	331
Unrealized (gain) loss on derivative instruments		**(105)**	(4)	**20**	(338)
Finance costs		**2,776**	3,249	**12,233**	12,982
Income tax (recovery) expense	9	**(2,318)**	4,161	**6,315**	15,349
		15,442	24,619	**74,849**	92,975
Changes in non-cash operating working capital	11	**21,988**	28,355	**(19,749)**	7,415
Rental equipment additions	3	**(4,498)**	(8,594)	**(22,952)**	(23,103)
Other non-current liabilities		**(110)**	69	**(849)**	1,369
Finance costs paid		**(4,573)**	(5,008)	**(11,433)**	(12,313)
Income taxes paid		**(1,926)**	(2,602)	**(10,292)**	(13,434)
Cash generated from operating activities		**26,323**	36,839	**9,574**	52,909
INVESTING ACTIVITIES					
Property, plant and equipment additions	4	**(1,290)**	(1,763)	**(4,643)**	(5,802)
Proceeds on disposal of property, plant and equipment	4	**191**	164	**513**	417
Intangible assets additions		**(93)**	-	**(144)**	(40)
Cash used in investing activities		**(1,192)**	(1,599)	**(4,274)**	(5,425)
FINANCING ACTIVITIES					
Net decrease in bank debt		**(4,000)**	(27,000)	**(30,000)**	(15,000)
Proceeds from issuance of share capital	6	**-**	-	**71,366**	-
Deferred financing costs		**-**	(3)	**-**	(691)
Finance lease payments		**(997)**	(751)	**(3,884)**	(3,411)
Dividends paid		**(4,996)**	(10,068)	**(21,455)**	(40,248)
Cash (used in) generated from financing activities		**(9,993)**	(37,822)	**16,027**	(59,350)
Change in cash (bank indebtedness)		**15,138**	(2,582)	**21,327**	(11,866)
(Bank indebtedness) cash - beginning of period		**(1,524)**	(5,131)	**(7,713)**	4,153
Cash (bank indebtedness) - end of period		**$ 13,614**	$ (7,713)	**$ 13,614**	$ (7,713)

December 31, 2015
(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 is a leading Canadian distributor engaged in the sale and service support of mobile equipment, power systems and industrial components. Reflecting a diversified exposure to the Canadian economy, the Corporation has three distinct product divisions which operate through a network of 123 branches across Canada.

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

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and do not include all of the disclosures required for full consolidated financial statements. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2014. The significant accounting policies follow those disclosed in the most recently reported audited consolidated financial statements, except for the early adoption of the amendments to IAS 1 *Presentation of Financial Statements* which had no effect on the Corporation's consolidated condensed financial statements.

Basis of measurement

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

Functional and presentation currency

These condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise stated and except share and per share data.

3. RENTAL EQUIPMENT

The Corporation acquired rental equipment with a cost of $4,498 during the quarter (2014 – $8,594) and $22,952 year to date (2014 – $23,103). Equipment with a carrying amount of $929 during the quarter (2014 - $385) and $6,210 year to date (2014 – $19,464) was transferred from inventories to rental equipment. Equipment with a carrying amount of $2,236 during the quarter (2014 - $1,853) and $10,573 year to date (2014 – $23,553) was transferred from rental equipment to inventories.

4. PROPERTY, PLANT AND EQUIPMENT

The Corporation acquired property, plant and equipment with a cost of $1,290 during the quarter (2014 – $1,763) and $4,643 year to date (2014 – $5,802). Assets with a carrying amount of $233 during the quarter (2014 – $103) and $569 year to date (2014 – $376) were disposed of, resulting in a loss on disposal of $42 during the quarter (2014 – gain of $61) and a loss of $56 year to date (2014 – gain of $41).

5. INTANGIBLE ASSETS

		Goodwill	Product distribution rights	Customer lists/Non-competition agreements	Software		**Total**
Cost							
December 31, 2014	**$**	**72,148**	**8,600**	**8,402**	**4,821**	**$**	**93,971**
Additions		**-**	**-**	**-**	**144**		**144**
Disposals		**-**	**-**	**-**	**(25)**		**(25)**
Impairment		**(35,753)**	**(5,400)**	**(1,000)**	**-**		**(42,153)**
December 31, 2015	**$**	**36,395**	**3,200**	**7,402**	**4,940**	**$**	**51,937**
Accumulated amortization							
December 31, 2014	**$**	**-**	**-**	**5,666**	**3,991**	**$**	**9,657**
Charge for the year		**-**	**-**	**868**	**603**		**1,471**
Disposals		-	-	-	**(25)**		**(25)**
Impairment		**-**	**-**	**(933)**	**-**		**(933)**
December 31, 2015	**$**	**-**	**-**	**5,601**	**4,569**	**$**	**10,170**
Carrying amount							
December 31, 2015	**$**	**36,395**	**3,200**	**1,801**	**371**	**$**	**41,767**

		Goodwill	Product distribution rights	Customer lists/Non-competition agreements	Software		Total
Cost							
December 31, 2013	$	72,148	8,600	8,402	4,781	$	93,931
Additions		-	-	-	40		40
Disposals		-	-	-	-		-
December 31, 2014	$	72,148	8,600	8,402	4,821	$	93,971
Accumulated amortization							
December 31, 2013	$	-	-	4,659	3,328	$	7,987
Charge for the year		-	-	1,007	663		1,670
Disposals		-	-	-	-		-
December 31, 2014	$	-	-	5,666	3,991	$	9,657
Carrying amount							
December 31, 2014	$	72,148	8,600	2,736	830	$	84,314

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

The Corporation has allocated goodwill to the respective cash-generating units ("CGUs") or groups of CGUs that represent the smallest identifiable group of assets that generate cash inflows and at which the goodwill is monitored internally. Each CGU is a reportable operating segment (as disclosed in Note 13) and has identifiable accounts receivable, inventory, property, plant and equipment, and intangible assets.

Goodwill and indefinite life intangible assets have been allocated to the Corporation's CGUs that are expected to benefit from the acquisition that gave rise to the goodwill or indefinite life intangible assets as follows:

		2015	**2015**		2014	2014
Cash-generating units		Goodwill	Product distribution rights		Goodwill	Product distribution rights
Equipment	**$**	**21,341**	**-**	$	21,341	-
Power Systems		**-**	**-**		8,253	5,400
Industrial Components		**15,054**	**3,200**		42,554	3,200
	$	**36,395**	**3,200**	$	72,148	8,600

The Corporation performed annual impairment tests of its goodwill and intangible assets with indefinite lives as at December 31, 2015. The recoverable amounts of the CGUs were first estimated based on the present value of the future cash flows expected to be derived from the CGUs (value in use). To prepare these calculations, the forecasts were extrapolated beyond the three year period at the estimated long-term inflation rate of 2% (2014 – 2%) and a pre-tax discount rate of approximately 13% (2014 – 12%) which is based on the Corporation's pre-tax weighted average cost of capital. Since the value in use calculations indicated potential impairments in the Power Systems and Industrial Components CGUs, the Corporation also estimated their fair values less costs of disposal. The fair values less costs of disposal were determined by using an adjusted net asset-based approach for the Power Systems CGU and through a discounted cash flow analysis for the Industrial Components CGU; the discounted cash flow analysis used the same inflation and discount rate assumptions as the value in use calculations. Based on the higher of the value in use and the fair value less costs of disposal, the recoverable amounts for the Power Systems and Industrial Components CGUs were $116,444 and $98,982 respectively.

The Corporation's forecasts are based on the assumption that weakness in oil and gas activity in western Canada will continue. As a result of the impairment tests, the Corporation concluded that goodwill and intangible assets were impaired in the Power Systems CGU, and goodwill was impaired in the Industrial Components CGU. For the Power Systems CGU, an impairment charge of $13,720 was recorded for the year ended December 31, 2015, relating to goodwill, indefinite life intangible assets and definite life intangible assets. For the Industrial Components CGU, an impairment charge of $27,500 was recorded for the year ended December 31, 2015 relating to goodwill. After the impairment charge, the carrying amounts of goodwill and intangible assets in these CGUs approximated their recoverable amounts.

6. SHARE CAPITAL

		Number of Common Shares		Amount
Balance, December 31, 2014		16,778,883	$	107,454
Issuance of common shares		3,197,000		72,278
Common shares issued to settle share-based compensation plans	8	10,358		97
Balance, December 31, 2015		**19,986,241**	**$**	**179,829**

On June 12, 2015, the Corporation completed a public offering of 3,197,000 common shares of the Corporation at a price of $23.40 per common share, for aggregate gross proceeds of approximately $74,810. The Corporation paid issuance costs and professional fees related to the offering in the amount of $2,532, net of deferred tax expense of $912.

7. DIVIDENDS DECLARED

During the quarter, the Corporation declared cash dividends of $0.25 per share or $4,997 (2014 – dividends of $0.60 per share or $10,067).

Year to date, the Corporation declared cash dividends of $1.23 per share or $23,096 (2014 – dividends of $2.40 per share or $40,255).

On March 1, 2016, the Corporation declared a first quarter 2016 dividend of $0.25 per share or $4,997.

8. SHARE-BASED COMPENSATION PLANS

The Corporation has five share-based compensation plans: the Wajax Share Ownership Plan, the Deferred Share Program (“DSP”), the Directors’ Deferred Share Unit Plan, 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 $194 for the quarter (2014 – $243) and $851 for the year to date (2014 – $868) in respect of these plans.

	Twelve months ended December 31, 2015			Twelve months ended December 31, 2014		
	Number of rights		Fair value at time of grant	Number of rights		Fair value at time of grant
Outstanding at beginning of year	**287,550**	**$**	**5,420**	282,573	$	5,403
Granted in the period – new grants	**32,997**		**685**	21,929		767
– dividend equivalents	**14,955**		**-**	18,411		-
Settled in the period	**(10,358)**		**(97)**	(35,363)		(750)
Outstanding at end of period	**325,144**	**$**	**6,008**	287,550	$	5,420

At December 31, 2015, 319,553 share rights were vested (December 31, 2014 – 265,125).

b) Cash-settled rights plans

The Corporation recorded a compensation recovery of $60 for the quarter (2014 – compensation cost of $75) and compensation cost of $115 for the year to date (2014 – $587) in respect of the share-based portion of the MTIP and DSUP. At December 31, 2015, the carrying amount of the share-based portion of these liabilities was $858 (December 31, 2014 – $744).

9. INCOME TAXES

Income tax expense comprises current and deferred taxes as follows:

For the twelve months ended December 31		**2015**		2014
Current	**$**	**9,482**	$	13,606
Deferred – Origination and reversal of temporary differences		**(3,167)**		1,743
Income tax expense	**$**	**6,315**	$	15,349

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.5% (2014 – 26.1%). The tax rate for the current year is 0.4% higher than in 2014 due to the effect of increased statutory tax rates. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.9% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of effective income tax rate is as follows:

		2015		2014
Combined statutory income tax rate		**26.5%**		26.1%
Expected income tax expense at statutory rates	**$**	**(1,246)**	$	14,767
Non-deductible impairment of goodwill and intangible assets		**7,012**		-
Other non-deductible expenses		**575**		604
Other		**(26)**		(22)
Income tax expense	**$**	**6,315**	$	15,349

10. 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			
		2015		2014		**2015**		2014
Numerator for basic and diluted earnings per share:								
– net (loss) earnings	**$**	**(33,259)**	$	11,192	**$**	**(11,015)**	$	41,233
Denominator for basic earnings per share: – weighted average shares		**19,983,800**		16,778,883		**18,559,558**		16,772,769
Denominator for diluted earnings per share:								
– weighted average shares		**19,983,800**		16,778,883		**18,559,558**		16,772,769
– effect of dilutive share rights		**313,393**		272,144		**303,865**		264,613
Denominator for diluted earnings per share		**20,297,193**		17,051,027		**18,863,423**		17,037,382
Basic (loss) earnings per share	**$**	**(1.66)**	$	0.67	**$**	**(0.59)**	$	2.46
Diluted (loss) earnings per share	**$**	**(1.64)**	$	0.66	**$**	**(0.58)**	$	2.42

No share rights were excluded from the above calculations as all share rights are dilutive.

11. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

		Three months ended December 31				Twelve months ended December 31		
		2015		2014		**2015**		2014
Trade and other receivables	**$**	**9,622**	$	18,354	**$**	**16,583**	$	4,215
Contracts in progress		**4,627**		(3,371)		**4,161**		(3,838)
Inventories		**4,289**		171		**18,994**		(31,858)
Deposits on inventory		**(4,670)**		1,022		**(12,456)**		3,237
Prepaid expenses		**(592)**		(386)		**858**		(2,148)
Accounts payable and accrued liabilities		**8,530**		12,062		**(47,375)**		39,060
Provisions		**182**		503		**(514)**		(1,253)
Total	**$**	**21,988**	$	28,355	**$**	**(19,749)**	$	7,415

12. RELATED PARTY TRANSACTION

Certain directors and key management personnel participated in the public offering of common shares (Note 6), purchasing a total of 42,000 common shares for consideration of $983.

13. OPERATING SEGMENTS

The Corporation operates through a network of 123 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, 2015		**Equipment**		**Power Systems**		**Industrial Components**		**Segment Eliminations**		**Total**
Equipment	**$**	**89,637**	**$**	**22,503**	**$**	**-**	**$**	**-**	**$**	**112,140**
Parts		**41,135**		**30,544**		**91,153**		**-**		**162,832**
Service		**18,250**		**15,449**		**3,176**		**-**		**36,875**
Rental and other		**11,031**		**2,267**		**-**		**(707)**		**12,591**
Revenue	**$**	**160,053**	**$**	**70,763**	**$**	**94,329**	**$**	**(707)**	**$**	**324,438**
Earnings before impairment of goodwill and intangible assets, finance costs and income taxes	**$**	**9,413**	**$**	**125**	**$**	**1,856**	**$**	**(2,975)**	**$**	**8,419**
Impairment of goodwill and intangible assets		**-**		**13,720**		**27,500**		**-**		**41,220**
Earnings before finance costs and income taxes	**$**	**9,413**	**$**	**(13,595)**	**$**	**(25,644)**	**$**	**(2,975)**	**$**	**(32,801)**
Finance costs										**2,776**
Income tax expense (recovery)										**(2,318)**
Net earnings (loss)									**$**	**(33,259)**

For the twelve months ended December 31, 2015	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Equipment	$ 325,426	$ 82,091	$ -	$ -	$ 407,517
Parts	160,004	129,188	378,501	-	667,693
Service	72,974	63,755	11,118	-	147,847
Rental and other	43,512	10,042	-	(3,303)	50,251
Revenue	$ 601,916	$ 285,076	$ 389,619	$ (3,303)	$ 1,273,308
Earnings before impairment of goodwill and intangible assets, restructuring costs, finance costs and income taxes	$ 38,371	$ 7,820	$ 15,308	$ (10,686)	$ 50,813
Impairment of goodwill and intangible assets	-	13,720	27,500	-	41,220
Restructuring costs	-	2,060	-	-	2,060
Earnings before finance costs and income taxes	$ 38,371	$ (7,960)	$ (12,192)	$ (10,686)	$ 7,533
Finance costs					12,233
Income tax expense					6,315
Net earnings (loss)					$ (11,015)

As at December 31, 2015	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Segment assets excluding intangible assets	$ 324,977	$ 155,603	$ 134,800	$ -	$ 615,380
Intangible assets	21,549	-	20,127	91	41,767
Corporate and other assets	-	-	-	20,321	20,321
Total assets	$ 346,526	$ 155,603	$ 154,927	$ 20,412	$ 677,468
Segment liabilities	$ 121,701	$ 41,751	$ 56,873	$ -	$ 220,325
Corporate and other liabilities	-	-	-	168,639	168,639
Total liabilities	$ 121,701	$ 41,751	$ 56,873	$ 168,639	$ 388,964

For the three months ended December 31, 2014	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Equipment	$ 116,725	$ 31,387	$ -	$ -	$ 148,112
Parts	43,107	36,465	101,463	-	176,258
Service	20,019	18,551	6,066	-	49,413
Rental and other	11,952	1,932	-	(1,561)	12,323
Revenue	$ 191,803	$ 88,335	$ 107,529	$ (1,561)	$ 386,106
Earnings before restructuring costs, finance costs and income taxes	$ 12,413	$ 3,471	$ 5,932	$ (3,443)	$ 18,373
Restructuring cost recovery	-	-	(229)	-	(229)
Earnings before finance costs and income taxes	$ 12,413	$ 3,471	$ 6,161	$ (3,443)	$ 18,602
Finance costs					3,249
Income tax expense					4,161
Net earnings					$ 11,192

For the twelve months ended December 31, 2014	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Equipment	$ 415,090	$ 104,957	$ -	$ -	$ 520,047
Parts	177,131	141,533	391,696	-	693,435
Service	82,707	70,541	20,273	-	190,446
Rental and other	44,879	8,624	-	(6,098)	47,405
Revenue	**$** 719,807	$ 325,655	$ 411,969	$ (6,098)	$ 1,451,333
Earnings before restructuring costs, finance costs and income taxes	**$** 48,924	$ 16,537	$ 18,364	$ (11,412)	$ 72,413
Restructuring costs	-	-	2,849	-	2,849
Earnings before finance costs and income taxes	**$** 48,924	$ 16,537	$ 15,515	$ (11,412)	$ 69,564
Finance costs					12,982
Income tax expense					15,349
Net earnings					$ 41,233

As at December 31, 2014	Equipment	Power Systems	Industrial Components	Segment Eliminations	Total
Segment assets excluding intangible assets	**$** 331,750	$ 166,695	$ 140,642	$ -	$ 639,087
Intangible assets	21,551	13,959	48,724	80	84,314
Corporate and other assets	-	-	-	207	207
Total assets	**$** 353,301	$ 180,654	$ 189,366	$ 287	$ 723,608
Segment liabilities	**$** 149,655	$ 51,728	$ 69,435	$ -	$ 270,818
Corporate and other liabilities	-	-	-	204,274	204,274
Total liabilities	**$** 149,655	$ 51,728	$ 69,435	$ 204,274	$ 475,092

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

14. RESTRUCTURING COSTS

During the year, restructuring costs of $2,060 were recorded in the Power Systems segment. The restructuring will realign branch support activities, including the centralization of supply chain management, and provides for initial savings related to the consolidation of the Wajax computer platforms. It is anticipated that the restructuring will be complete by the first quarter of 2016.

15. COMPARATIVE INFORMATION

During fiscal 2015, deposit payments made on inventory were reclassified from inventories and prepaid expenses to deposits on inventory on the consolidated statement of financial position. In addition, when the Corporation rents consigned equipment to customers as part of a rent-to-sell arrangement, a portion of the customer's rental payments will reduce the price when the equipment is sold; this portion has been reclassified from inventories to accounts payable and accrued liabilities.

The impact of the change on the prior year comparative figures is as follows:

As at December 31, 2014		As previously reported		Adjustment		As reclassified
Assets						
Inventories	$	323,764	$	(3,464)	$	320,300
Deposits on inventory		-		8,963		8,963
Prepaid expenses		7,970		(134)		7,836
Total Assets	$	331,734	$	5,365	$	337,099
Liabilities						
Accounts payable and accrued liabilities	$	246,714	$	5,365	$	252,079
Total Liabilities	$	246,714	$	5,365	$	252,079

16. SUBSEQUENT EVENTS

Strategic Reorganization

On March 1, 2016, the Corporation announced that it will be transitioning from its current three independent product divisions to a leaner and more integrated organization. The new organization will be based on three main functional groups: business development, service operations and vendor development. These groups will be supported by centralized functions including supply chain, information systems, human resources, environmental health and safety and finance. The new structure is intended to improve the Corporation's cross-company customer focus, closely align resources to the Corporation's strategy, improve operational leverage, and lower costs through productivity gains and the elimination of redundancy inherent in the current structure. During the first quarter of 2016, the Corporation anticipates incurring a restructuring provision of approximately $12,000 relating to the strategic reorganization.

Acquisition of Wilson Machine Co. Ltd.

On February 12, 2016, the Corporation entered into an agreement to acquire the assets of Montreal-based Wilson Machine Co. Ltd ("Wilson") for approximately $5,000, subject to the satisfaction of customary closing conditions.