

THIRD QUARTER REPORT TO SHAREHOLDERS

**FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2011**

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





WAJAX CORPORATION
News Release

TSX Symbol: WJX

WAJAX ANNOUNCES THIRD QUARTER 2011 EARNINGS

(Dollars in millions, except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
<u>CONSOLIDATED RESULTS</u>				
Revenue	\$361.9	\$294.4	\$999.9	\$794.5
Earnings before tax	\$24.6	\$18.7	\$65.0	\$39.1
Net earnings	\$17.9	\$19.6	\$47.2	\$40.6
Basic earnings per share	\$1.08	\$1.18	\$2.84	\$2.45
<u>SEGMENTS</u>				
Revenue – Equipment	\$177.9	\$144.9	\$493.6	\$396.1
- Industrial Components	\$86.7	\$75.9	\$257.3	\$224.4
- Power Systems	\$98.0	\$74.6	\$251.9	\$177.1
Earnings – Equipment	\$12.7	\$10.0	\$35.9	\$28.2
% margin	7.1%	6.9%	7.3%	7.1%
- Industrial Components	\$6.2	\$4.2	\$17.2	\$9.4
% margin	7.2%	5.5%	6.7%	4.2%
- Power Systems	\$9.7	\$8.1	\$25.0	\$12.7
% margin	9.9%	10.9%	9.9%	7.2%

Toronto, Ontario – November 2, 2011 – Wajax Corporation today announced its 2011 third quarter earnings.

Third Quarter Highlights

- Consolidated third quarter revenue of \$361.9 million increased \$67.5 million, or 23%, compared to last year. Quarterly revenue included \$20.3 million attributable to the May 2, 2011 acquisition of Ontario based Harper Power Products (“Harper”), with gains in the mining, energy, forestry and construction sectors accounting for the majority of the balance of the increase. Power Systems revenue increased 31% largely as a result of the Harper acquisition. The Equipment segment’s revenue increased 23% on stronger demand for almost all major product categories and Industrial Components sales rose 14% on higher revenue from energy, mining and industrial customers across all regions.
- Earnings before tax of \$24.6 million increased 31% over last year’s level as a result of the higher volumes, while disciplined control over selling and administrative costs was maintained in all three segments. Net earnings for the quarter of \$17.9 million, or \$1.08 per share, were lower than the \$19.6 million, or \$1.18 per share, recorded in 2010 as Wajax was an income fund last year and not subject to income taxes.
- Consolidated backlog of \$263.8 million at September 30, 2011 decreased \$17.9 million, or 6%, from \$281.7 million at June 30, 2011 mainly as a result of a large number of Power Systems product deliveries to energy sector customers in the quarter.

On October 17, 2011, Wajax announced it had reached an agreement with LeTourneau Technologies, Inc. ("LeTourneau") providing for the dealer agreement relating to Wajax's distribution of LeTourneau mining equipment and parts products in Canada to be discontinued effective April 27, 2012. Sales and service of LeTourneau products in 2010 generated approximately \$40 million of revenue for Wajax and contributed approximately \$10 million to its earnings before interest and taxes. Exit costs or write downs, if any, are expected to be minimal.

The Corporation declared dividends of \$0.20 per share (\$2.40 annualized) for the months of October, November, December and January.

Commenting on the third quarter results and the outlook for the remainder of 2011, Neil Manning, President and CEO, stated:

"We continue to be very pleased with our 2011 results. The third quarter improvement in pre-tax earnings was driven by robust energy, mining, forestry and construction markets, particularly in western Canada. As well, results from the Harper acquisition continue to meet our expectations. While our September 30th backlog has diminished slightly, quoting activity, particularly in western Canada, remains strong.

For the remainder of the year, we are not anticipating that the uncertainty relating to current world events will have a significant impact on our end markets and we expect pre-tax earnings to continue to be ahead of last year, but at a lower rate of increase than experienced in the first nine months."

Wajax Corporation is a leading Canadian distributor and service support provider of equipment, industrial components and power systems. Reflecting a diversified exposure to the Canadian economy, its three distinct core businesses operate through a network of 117 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Forward-Looking Statements

This news release contains forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions.

Although we believe that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Undue reliance should not be placed on forward-looking statements, as a number of factors could cause the actual results to differ materially from the expectations expressed in the forward-looking statements. Information on risk factors is included in the Management's Discussion and Analysis for the year ended December 31, 2010 under the heading "Risk and Uncertainties", and in other reports filed by Wajax Income Fund and the Corporation with Canadian securities regulators and available at www.sedar.com.

Management's Discussion and Analysis – Q3 2011

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Corporation ("Wajax" or "Corporation") for the quarter ended September 30, 2011. On January 1, 2011, Wajax adopted International Financial Reporting Standards ("IFRS"). The term "Canadian GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS. This MD&A should be read in conjunction with the information contained in the unaudited Condensed Consolidated Financial Statements and accompanying notes for the quarter ended September 30, 2011, which have been prepared using IFRS, the annual Audited Consolidated Financial Statements and accompanying notes of Wajax Income Fund for the year ended December 31, 2010 which were prepared using Canadian GAAP, and the associated MD&A. Information contained in this MD&A is based on information available to management as of November 2, 2011.

Unless otherwise indicated, all financial information within this MD&A is in millions of Canadian dollars, except share and per share data.

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Wajax has designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information relating to Wajax is made known to the Chief Executive Officer and the Chief Financial Officer, particularly during the period in which the interim filings are being prepared. Wajax has designed internal controls 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 IFRS.

Wajax has not completed the design of DC&P and ICFR related to the May 2, 2011 acquisition of the assets of Harper Power Products Inc. ("Harper"). The Harper operation has had revenues of approximately \$29.4 million since the acquisition. Wajax anticipates that the design of DC&P and ICFR related to Harper will be completed prior to June 2012, at which time Harper will be integrated with the existing Power Systems segment's control environment.

There were no changes in internal control over financial reporting that occurred during Wajax's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

Wajax Corporation Overview

Effective January 1, 2011, Wajax Income Fund converted into a corporation pursuant to a plan of arrangement under the Canada Business Corporations Act ("CBCA") and the shares of Wajax Corporation began trading on the Toronto Stock Exchange on January 4, 2011 under the symbol WJX.

Wajax's core distribution businesses are engaged in the sale and after-sale parts and service support of equipment, industrial components and power systems through a network of 117 branches across Canada. Wajax is a multi-line distributor and represents a number of leading worldwide manufacturers in its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Wajax's strategy is to continue to grow earnings in all segments through continuous improvement of operating margins and revenue growth while maintaining a strong balance sheet. Revenue growth will be achieved through market share gains, the addition of new or complementary product lines and expansion into new geographic territories, either organically or through acquisitions.

Forward-Looking Information

This MD&A contains forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or similar words are used to identify such forward-looking information. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of Wajax. 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. By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and the risk that the expectations represented in such forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. These factors include, among other things: changes in laws and regulations affecting Wajax and its business operations, changes in taxation of Wajax, general business conditions and economic conditions in the markets in which Wajax and its customers compete, fluctuations in commodity prices, Wajax's relationship with its suppliers and manufacturers and its access to quality products, the ability of Wajax to maintain and expand its customer base, actual future market conditions being different than anticipated by management and the Board of Directors of Wajax, and actual future operating and financial results of Wajax being different than anticipated by management and the Board of Directors of Wajax. You are cautioned that the foregoing list is not exhaustive. You are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes. Additional information on these and other factors is included in this MD&A under the heading "Risk and Uncertainties" and in other reports filed by Wajax with Canadian securities regulators and available at www.sedar.com. The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as of the date of this MD&A and Wajax 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.

International Financial Reporting Standards

In February 2008, The Accounting Standards Board of the Canadian Institute of Chartered Accountants confirmed that the use of IFRS is required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Corporation's first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Accordingly, the Corporation has adopted IFRS effective January 1, 2010 (the IFRS transition date) and has prepared its unaudited Condensed Consolidated Financial Statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Prior to the adoption of IFRS, the financial statements of the Corporation were prepared in accordance with Canadian GAAP.

The most significant impacts on the Corporation's unaudited Condensed Consolidated Financial Statements resulting from the adoption of IFRS are discussed within the applicable sections of this MD&A and Note 14 of the unaudited Condensed Consolidated Financial Statements.

All comparative figures have been restated in accordance with IFRS, unless otherwise indicated.

Consolidated Results

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Revenue	\$361.9	\$294.4	\$999.9	\$794.5
Gross profit	\$74.7	\$62.4	\$213.1	\$173.6
Selling and administrative expenses	\$48.7	\$42.6	\$144.6	\$131.3
Earnings before finance costs and income taxes	\$26.0	\$19.8	\$68.5	\$42.3
Finance costs	\$1.4	\$1.1	\$3.5	\$3.3
Earnings before income taxes	\$24.6	\$18.7	\$65.0	\$39.1
Income tax expense (recovery)	\$6.7	(\$0.8)	\$17.8	(\$1.5)
Net earnings	\$17.9	\$19.6	\$47.2	\$40.6
Earnings per share				
- Basic	\$1.08	\$1.18	\$2.84	\$2.45
- Diluted	\$1.06	\$1.16	\$2.79	\$2.41

Revenue

Revenue in the third quarter of 2011 increased 23% or \$67.5 million to \$361.9 million, from \$294.4 million in 2010 and included \$20.3 million of revenue from the acquisition of the assets of Harper by the Power Systems segment effective May 2, 2011. Segment revenue increased 23% in Equipment (formerly Mobile Equipment), 14% in Industrial Components and 31% in Power Systems (4% excluding Harper revenue) compared to last year. For the nine months ended September 30, 2011, revenue increased 26% or \$205.4 million.

Gross profit

Gross profit in the third quarter of 2011 increased \$12.3 million due to the positive impact of higher volumes, offset partially by a lower gross profit margin percentage compared to last year. The gross profit margin percentage for the quarter of 20.6% decreased from 21.2% in 2010 due mainly to lower parts and service margins in all segments compared to last year.

For the nine months ended September 30, 2011, gross profit increased \$39.5 million due to higher volumes compared to last year. The gross profit margin percentage decreased to 21.3% in 2011 from 21.9% in 2010 due primarily to a sales mix variance resulting from a higher proportion of equipment sales in both the Equipment and Power Systems segments compared to last year.

Selling and administrative expenses

Selling and administrative expenses increased \$6.1 million in the quarter compared to last year. This was due mainly to \$2.6 million of selling and administrative expenses related to Harper and higher sales related costs in all segments. Selling and administrative expenses as a percentage of revenue decreased to 13.5% in 2011 from 14.5% in 2010.

For the nine months ended September 30, 2011, selling and administrative expenses increased \$13.3 million compared to last year. This was due primarily to \$4.3 million of selling and administrative expenses relating to Harper, higher sales related costs, a \$2.1 million increase in annual and mid-term incentive accruals and additional occupancy costs. The increase was offset partially by lower bad debt expense in the Equipment segment compared to last year. Selling and administrative expenses as a percentage of revenue decreased to 14.5% in 2011 from 16.5% in 2010.

Finance costs

Quarterly finance costs of \$1.4 million increased \$0.3 million compared to last year due to the impact of higher funded net debt, mainly attributable to the acquisition of Harper on May 2, 2011, and the write-off of unamortized deferred financing costs as a result of the extension on August 12, 2011 of the Corporation's \$175 million bank credit facility to August 12, 2016 from December 31, 2011.

For the nine months ended September 30, 2011, finance costs of \$3.5 million increased \$0.2 million compared to 2010. The impact of higher funded net debt, due mainly to the acquisition of Harper on May 2, 2011, was partially offset by the positive impact of lower interest rates compared to last year.

Earnings before income taxes

Quarterly earnings before income taxes increased \$5.9 million as the positive impact of higher volumes more than offset the lower gross profit margin percentage, increased selling and administrative costs and higher finance costs compared to last year.

For the nine months ended September 30, 2011, earnings before income taxes increased \$25.9 million. The positive impact of higher volumes more than offset the lower gross profit margin percentage, increased selling and administrative costs and higher finance costs compared to last year.

Income tax expense

Effective January 1, 2011, Wajax converted from an income fund to a corporation. As a result, Wajax and its subsidiaries are subject to tax on all of their taxable income from that date forward.

For the three and nine months ended September 30, 2011, the effective income tax rates of 27.2% and 27.3%, respectively, were less than the Corporation's statutory income tax rate of 27.7%. The positive impact of partnership income generated in 2011 which will be subject to tax in 2012 at a lower rate, more than offset the negative impact of expenses not deductible for tax purposes.

Net earnings

Quarterly net earnings decreased \$1.7 million to \$17.9 million, or \$1.08 per share, from \$19.6 million, or \$1.18 per share, in 2010. The \$5.9 million increase in net earnings before income taxes was more than offset by the \$7.5 million increase in income tax expense resulting from the conversion from an income fund to a corporation.

For the nine months ended September 30, 2011, net earnings increased \$6.6 million to \$47.2 million, or \$2.84 per share, from \$40.6 million, or \$2.45 per share, in 2010. The \$25.9 million increase in net earnings before income taxes, was partially offset by the \$19.3 million increase in income tax expense.

Comprehensive income

Comprehensive income for the quarter of \$19.7 million increased \$0.9 million from \$18.8 million the previous year as a \$2.6 million increase in other comprehensive income more than offset the \$1.7 million reduction in net earnings compared to last year. The increase in other comprehensive income resulted from gains on derivative instruments designated as cash flow hedges outstanding at the end of the quarter and losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs in the current period.

For the nine months ended September 30, 2011, comprehensive income of \$49.9 million increased \$9.1 million from \$40.8 million the previous year due to higher net earnings of \$6.6 million and a \$2.5 million increase in other comprehensive income compared to last year. The increase in other comprehensive income resulted from gains on derivative instruments designated as cash flow hedges outstanding at the end of the period and increased losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs in the current period.

Funded net debt

Funded net debt of \$97.5 million at September 30, 2011 decreased \$13.6 million compared to June 30, 2011. The decrease resulted mainly from cash flows generated from operating activities of \$31.3 million, offset partially by dividends paid of \$9.3 million, rental fleet and other capital additions of \$4.3 million, post closing adjustments related to the Harper acquisition of \$1.7 million, interest payments of \$1.3 million and refinancing transaction costs of \$1.1 million. Compared to December 31, 2010 funded net debt increased \$51.9 million. Wajax's quarter-end funded net debt-to-equity ratio of 0.43:1 at September 30, 2011 decreased from last quarter's ratio of 0.52:1 and increased from the December 31, 2010 ratio of 0.23:1.

On August 12, 2011, Wajax amended and extended the term of its \$175 million bank credit facility to August 12, 2016 from December 31, 2011. The terms of the fully secured facility, comprised of a \$30 million non-revolving term portion and a \$145 million revolving term portion, are no more restrictive than in the previous facility. Margins on the amended facility depend on Wajax's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and US dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

Dividends

For the quarter ended September 30, 2011 monthly dividends declared totalled \$0.58 per share and included \$0.18 per share for the month of July and \$0.20 per share for the months of August and September. For the quarter ended September 30, 2010 monthly cash distributions declared were \$0.85 per unit.

For the nine months ended September 30, 2011 monthly dividends declared totaled \$1.54 per share. For the nine months ended September 30, 2010 monthly cash distributions declared were \$1.75 per unit.

On August 3, 2011 Wajax announced a monthly dividend of \$0.20 per share (\$2.40 annualized) for the month of October payable on November 21, 2011 to shareholders of record on October 31, 2011.

On November 2, 2011 Wajax announced monthly dividends of \$0.20 per share (\$2.40 annualized) for each of the months of November, December, January and February payable on December 20, 2011, January 20, 2012, February 21, 2012 and March 20, 2012 to shareholders of record on November 30, 2011, December 30, 2011, January 31, 2012 and February 29, 2012, respectively.

Tax information relating to 2011 dividends and prior year distributions is available on Wajax's website at www.wajax.com.

Backlog

Consolidated backlog at September 30, 2011 of \$263.8 million decreased \$17.9 million, or 6%, from \$281.7 million at June 30, 2011 due mainly to significant deliveries in the Power Systems segment in the third quarter. Backlog includes the total retail value of customer purchase orders for future delivery or commissioning.

CEO Succession

The search is currently underway for a new CEO to replace Mr. Manning who is retiring. Mr. Manning has agreed to continue in the CEO role until his successor is appointed.

Quarterly Results of Operations

Equipment

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Equipment*	\$116.5	\$91.0	\$302.5	\$230.7
Parts and service	\$61.4	\$53.9	\$191.1	\$165.4
Segment revenue	\$177.9	\$144.9	\$493.6	\$396.1
Segment earnings	\$12.7	\$10.0	\$35.9	\$28.2
Segment earnings margin	7.1%	6.9%	7.3%	7.1%

* Includes rental revenue.

Revenue in the third quarter of 2011 increased \$33.0 million, or 23%, to \$177.9 million from \$144.9 million in the third quarter of 2010. Segment earnings for the quarter increased \$2.7 million to \$12.7 million compared to the third quarter of 2010. The following factors contributed to the Equipment segment's third quarter results:

- Equipment revenue increased \$25.5 million compared to last year. Specific quarter-over-quarter variances included the following:
 - Mining equipment sales increased \$16.5 million due mainly to the delivery of a large Hitachi mining shovel in western Canada.
 - Construction equipment revenue increased \$6.7 million due mainly to increased sales of Hitachi construction excavators across Canada and higher JCB construction equipment sales in eastern Canada (Quebec and Atlantic provinces) and western Canada.
 - Forestry equipment sales increased \$6.3 million attributable to higher market demand, primarily in western and eastern Canada, for Tigercat and forestry related Hitachi products.

- Material handling equipment revenue increased \$1.3 million.
- Crane and utility equipment revenue decreased \$5.3 million due mainly to lower sales to utility customers in Ontario.
- Parts and service volumes increased \$7.5 million compared to last year due principally to higher mining sector sales, primarily in western Canada, and higher construction sector sales in all regions.
- Segment earnings increased \$2.7 million to \$12.7 million compared to last year. The positive impact of higher volumes outweighed a \$2.2 million increase in selling and administrative expenses resulting from higher sales related expenses and increased occupancy expenses.

Backlog of \$146.0 million at September 30, 2011 decreased \$5.0 million compared to June 30, 2011.

On October 17, 2011, Wajax announced it had reached an agreement with LeTourneau Technologies, Inc. ("LeTourneau") providing for the dealer agreement relating to Wajax's distribution of LeTourneau mining equipment and parts products in Canada to be discontinued effective April 27, 2012. As previously reported, Joy Global Inc. ("Joy") announced the closing of its acquisition of LeTourneau on June 22, 2011 and indicated its intention to integrate the LeTourneau field facilities and distribution activities with its P&H mining equipment operations. Sales and service of LeTourneau products in 2010 generated approximately \$40 million of revenue for Wajax and contributed approximately \$10 million to its earnings before interest and taxes. Exit costs or write downs, if any, are expected to be minimal.

Industrial Components

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Segment revenue	\$86.7	\$75.9	\$257.3	\$224.4
Segment earnings	\$6.2	\$4.2	\$17.2	\$9.4
Segment earnings margin	7.2%	5.5%	6.7%	4.2%

Revenue of \$86.7 million increased \$10.8 million, or 14%, from \$75.9 million in the third quarter of 2010. Segment earnings increased \$2.0 million to \$6.2 million in the quarter compared to the previous year. The following factors contributed to the segment's third quarter results:

- Bearings and power transmission parts sales increased \$3.3 million compared to last year due mainly to higher mining sector volumes across all regions.
- Fluid power and process equipment products and service revenue increased \$7.5 million on improved oil and gas drilling activity in western Canada and increased sales to mining and industrial sector customers in all regions.
- Segment earnings increased \$2.0 million compared to last year. The positive impact of higher volumes outweighed the negative impact of lower gross margins on fluid power and process equipment products and a \$0.4 million increase in selling and administrative expenses. The increase in selling and administrative expenses resulted mainly from higher sales related costs.

Backlog of \$47.3 million as of September 30, 2011 increased slightly compared to June 30, 2011.

Power Systems

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Equipment	\$45.3	\$40.1	\$116.9	\$72.1
Parts and service	\$52.7	\$34.5	\$135.0	\$105.0
Segment revenue	\$98.0	\$74.6	\$251.9	\$177.1
Segment earnings	\$9.7	\$8.1	\$25.0	\$12.7
Segment earnings margin	9.9%	10.9%	9.9%	7.2%

Revenue in the third quarter increased \$23.4 million, or 31%, to \$98.0 million compared to \$74.6 million in 2010. Excluding the Harper acquisition, Power Systems revenue increased \$3.1 million, or 4% compared to last year. Segment earnings increased \$1.6 million to \$9.7 million in the quarter compared to the previous year. The following factors impacted quarterly revenue and earnings:

- Revenue in western Canada increased \$1.7 million compared to last year. Equipment revenues declined \$2.6 million on lower power generation product sales offset partially by higher equipment sales to off-highway oil and gas customers. Parts and service revenue increased \$4.3 million mainly as a result of higher sales to off-highway customers, including those in the mining and oil and gas sectors.
- Revenue in central Canada of \$20.3 million from the acquisition of Harper resulted primarily from parts and service sales to on-highway customers.
- Revenue in eastern Canada increased by \$1.4 million compared to 2010. Equipment sales decreased \$0.2 million while parts and service revenue increased \$1.6 million due to higher activity in the power generation and off-highway markets.
- Segment earnings increased \$1.6 million compared to last year as a result of Harper. Selling and administrative expenses increased \$3.2 million and included \$2.6 million of selling and administrative expenses related to Harper and sales related costs.

Backlog of \$70.5 million as of September 30, 2011 decreased \$13.2 million compared to June 30, 2011 due to deliveries during the third quarter out of backlog.

Selected Quarterly Information

	2011 ⁽¹⁾				2010 ⁽¹⁾			2009 ⁽²⁾
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$361.9	\$334.1	\$303.9	\$317.1	\$294.4	\$272.0	\$227.4	\$259.1
Net earnings	\$17.9	\$16.5	\$12.8	\$15.0	\$19.6	\$12.2	\$8.9	\$8.3
Net earnings per share								
- Basic	\$1.08	\$0.99	\$0.77	\$0.90	\$1.18	\$0.73	\$0.53	\$0.50
- Diluted	\$1.06	\$0.98	\$0.76	\$0.89	\$1.16	\$0.72	\$0.53	\$0.50

(1) 2011 and 2010 financials are prepared in accordance with IFRS and certain 2010 comparative amounts have been reclassified to conform with the current period presentation. In particular, cash discounts provided to customers have been reclassified out of selling and administrative expenses into revenue and cash discounts received from vendors have been reclassified out of selling and administrative expenses into cost of sales. The above reclassifications do not affect net earnings or cashflows.

(2) 2009 financials are prepared in accordance with Canadian GAAP and certain 2009 comparative amounts have been reclassified to conform with the current period presentation. In particular, amounts recovered from customers or manufacturers have been reclassified out of selling and administrative expenses into revenue and service department overhead amounts have been reclassified out of selling and administrative expenses into cost of sales. The above reclassifications do not affect net earnings or cashflows.

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

Cash Flow, Liquidity and Capital Resources

Net Cash Flows used in Operating Activities

While the IFRS adjustments do not impact the Corporation's total cash flows, cash flows from operating activities and cash flows used in investing activities have each been adjusted, by equal and offsetting amounts to reflect the reclassification of rental equipment additions as operating activities.

Net cash flows generated from operating activities amounted to \$26.7 million in the third quarter of 2011, compared to \$28.8 million the previous year. The \$2.1 million decrease was due mainly to an increased use of non-cash working capital of \$3.4 million, lower income tax recoveries of \$1.8 million and higher lift truck rental fleet additions in the Equipment segment of \$2.5 million, partially offset by higher cash flows from operations before changes in non-cash working capital of \$6.3 million.

For the nine months ended September 30, 2011, net cash flows generated from operating activities amounted to \$12.5 million, compared to \$47.3 million the previous year. The \$34.8 million decrease was due primarily to an increased use of non-cash working capital of \$44.1 million, higher lift truck rental fleet additions in the Equipment segment of \$12.4 million and lower income tax recoveries of \$1.9 million, partially offset by higher cash flows from operations before changes in non-cash working capital of \$24.0 million.

Changes in non-cash working capital for the first three and nine months of 2011 compared to 2010 include the following components:

Increase (decrease) in non-cash working capital	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Trade and other receivables	\$3.6	\$0.2	\$42.0	\$23.7
Inventories	\$12.5	\$11.7	\$24.6	\$12.2
Prepaid expenses	\$2.2	(\$6.7)	\$2.1	(\$2.0)
Trade and other payables	(\$18.0)	(\$18.8)	(\$17.4)	(\$31.4)
Accrued Liabilities	(\$0.6)	\$8.7	(\$3.3)	(\$0.6)
Provisions	(\$0.7)	\$0.3	(\$1.1)	\$0.9
Total	(\$1.1)	(\$4.4)	\$46.9	\$2.8

Significant components of the changes in non-cash working capital for the quarter ended September 30, 2011 are as follows:

- Inventories increased \$12.5 million, primarily in the Equipment segment.
- Trade and other payables increased \$18.0 million reflecting higher inventory trade payables in the Equipment segment.

Significant components of the changes in non-cash working capital for the nine months ended September 30, 2011 are as follows:

- Trade and other receivables increased \$42.0 million due to the impact of higher sales activity in all segments.
- Inventories increased \$24.6 million as a result of a continued growth in sales activity in all segments.
- Trade and other payables increased \$17.4 million reflecting higher inventory trade payables.

At September 30, 2011 Wajax had employed \$191.9 million in working capital, exclusive of funded net debt, compared to \$118.3 million at December 31, 2010. The \$73.6 million increase was due primarily to the cash flow factors listed above, the Harper acquisition and a \$9.1 million decrease in dividends payable related to the payment in January 2011 of distributions declared in December 2010 prior to converting from an income fund to a corporation.

Investing Activities

During the quarter, Wajax paid \$1.7 million of post-closing adjustments related to the asset acquisition of Harper that closed on May 2, 2011. In addition, the Company paid a net amount of \$0.8 million on capital asset additions net of disposals in the third quarter of 2011 compared to \$1.1 million in 2010.

For the nine months ended September 30, 2011, Wajax had paid a total of \$23.3 million for the asset acquisition of Harper and a net amount of \$3.0 million on capital asset additions net of disposals compared to \$2.4 million the previous year.

Financing Activities

The Corporation used \$18.3 million of cash in financing activities in the third quarter of 2011 compared to \$11.4 million in 2010. Financing activities in the quarter included dividends paid to shareholders totaling \$9.3 million, or \$0.56 per share, bank debt and financing lease payments of \$7.9 million and transaction costs related to the bank credit facility extension of \$1.1 million.

For the nine months ended September 30, 2011, Wajax used \$31.3 million of cash in financing activities compared to \$28.1 million in 2010. Distributions and dividends paid to shareholders totaling \$34.8 million, or \$2.09 per share, financing lease payments of \$2.5 million and transaction costs related to the bank credit facility extension of \$1.1 million exceeded increases in bank debt of \$7.0 million.

Funded net debt of \$97.5 million at September 30, 2011 decreased \$13.6 million compared to June 30, 2011. The decrease resulted mainly from cash flows generated from operating activities of \$31.3 million, offset partially by dividends paid of \$9.3 million, rental fleet and other capital additions of \$4.3 million, post closing adjustments related to the Harper acquisition of \$1.7 million, interest payments of \$1.3 million and refinancing transaction costs of \$1.1 million. Wajax's quarter-end funded net debt-to-equity ratio of 0.43:1 at September 30, 2011 decreased from last quarter's ratio of 0.52:1.

Funded net debt of \$97.5 million at September 30, 2011 increased \$51.9 million compared to December 31, 2010. The increase resulted mainly from cash used for additional non-cash working capital of \$46.9 million, distributions and dividends paid of \$34.8 million, \$23.3 million paid for the acquisition of Harper, \$18.2 million disbursed for rental fleet and other capital additions and interest payments of \$3.1 million. The increases were partially offset by cash flows from operating activities before changes in non-cash working capital of \$77.6 million. Wajax's period-end funded net debt-to-equity ratio of 0.43:1 at September 30, 2011 increased from the ratio of 0.23:1 at December 31, 2010.

Liquidity and Capital Resources

On August 12, 2011, Wajax amended and extended the term of its \$175 million bank credit facility to August 12, 2016 from December 31, 2011. The terms of the fully secured facility, comprised of a \$30 million non-revolving term portion and a \$145 million revolving term portion, are no more restrictive than the previous facility. Margins on the amended facility depend on Wajax's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and US dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

At September 30, 2011, Wajax had borrowed \$87.0 million and issued \$5.7 million of letters of credit for a total utilization of \$92.7 million of its \$175 million bank credit facility and had no utilization of its \$15 million equipment financing facility. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables. At September 30, 2011, borrowing capacity under the bank credit facility was equal to \$175 million.

Wajax's \$175 million bank credit facility along with an additional \$15 million of capacity permitted under the credit facility, should be sufficient to meet Wajax's short-term normal course working capital, maintenance capital and growth capital requirements. In the long-term Wajax may be required to access the equity or debt markets in order to fund significant acquisitions and growth related working capital and capital expenditures.

Financial Instruments

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

- Wajax has entered into the following interest rate swaps that have effectively fixed the interest rate on \$80 million of its debt at the combined rate of 2.925%, plus applicable margins, until December 31, 2011:
 - On June 7, 2008 the delayed interest rate swap Wajax entered into on May 9, 2007 with two of its lenders became effective. As a result, the interest rate on the \$30 million non-revolving term portion of the bank credit facility was effectively fixed at 4.60% plus applicable margins until December 31, 2011.
 - On January 23, 2009 a delayed interest rate swap Wajax entered into on December 18, 2008 with two of its lenders became effective. As a result, the interest rate on the \$50 million revolving term portion of the bank credit facility was effectively fixed at 1.92% plus applicable margins until December 31, 2011.
 - Margins on the debt associated with the interest rate swaps depend on Wajax's leverage ratio and range between 1.5% and 3.0%.
- Wajax enters into short-term currency forward contracts to fix the exchange rate on the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. As at September 30, 2011, Wajax had contracts outstanding to buy U.S.\$29.8 million (December 31, 2010 – to buy U.S.\$34.1 million and to sell U.S.\$0.3 million, September 30, 2010 – to buy U.S.\$37.7 million and €0.1 million and to sell U.S.\$4.1 million). The U.S. dollar contracts expire between October 2011 and December 2012, with a weighted average U.S./Canadian dollar rate of 0.9939.

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

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

The transition to IFRS did not have a material effect on the Corporation's accounting for financial instruments.

Currency Risk

There have been no material changes to currency risk since December 31, 2010.

Contractual Obligations

There have been no material changes to contractual obligations since December 31, 2010.

Off Balance Sheet Financing

The Equipment segment had \$26.1 million (2010 - \$20.6 million) of consigned inventory on-hand from a major manufacturer as at September 30, 2011. In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold to customers or purchased by Wajax. This consigned inventory is not included in Wajax's inventory as the manufacturer retains title to the goods.

Wajax's off balance sheet financing arrangements with non-bank lenders include operating lease contracts in relation to Wajax's long-term lift truck rental fleet in the Equipment segment. At September 30, 2011, the non-discounted operating lease commitment for the rental fleet was \$3.2 million (December 31, 2010 - \$6.0 million).

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

Under IFRS, vehicle leases that were previously classified as operating leases under Canadian GAAP are assessed as financing leases. Assets under finance lease are capitalized at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The liability is recorded in the statement of financial position and classified between current and non-current amounts. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of return of interest on the remaining balance of the liability.

Dividends

Dividends to shareholders were declared as follows:

Record Date	Payment Date	Per Share	Amount
July 29, 2011	August 22, 2011	\$0.18	\$3.0
August 31, 2011	September 20, 2011	0.20	3.3
September 30, 2011	October 20, 2011	0.20	3.3
Three months ended September 30, 2011		\$0.58	\$9.6

On August 3, 2011 Wajax announced a monthly dividend of \$0.20 per share (\$2.40 annualized) for the month of October payable on November 21, 2011 to shareholders of record on October 31, 2011.

On November 2, 2011 Wajax announced monthly dividends of \$0.20 per share (\$2.40 annualized) for each of the months of November, December, January and February payable on December 20, 2011, January 20, 2012, February 21, 2012 and March 20, 2012 to shareholders of record on November 30, 2011, December 30, 2011, January 31, 2012 and February 29, 2012, respectively.

Tax information relating to 2011 dividends and prior year distributions is available on Wajax's website at www.wajax.com.

Productive Capacity and Productive Capacity Management

During the second quarter, Wajax increased its productive capacity through the acquisition of Harper which increased the Power Systems' Ontario infrastructure by an additional nine branches. There have been no other material changes to the Corporation's productive capacity and productive capacity management since December 31, 2010.

Financing Strategies

On August 12, 2011, Wajax amended and extended the term of its \$175 million bank credit facility to August 12, 2016 from December 31, 2011. The terms of the fully secured facility, comprised of a \$30 million non-revolving term portion and a \$145 million revolving term portion, are no more restrictive than the previous facility. Margins on the amended facility depend on Wajax's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and US dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

Wajax's \$175 million bank credit facility along with the \$15 million demand inventory equipment financing facility should be sufficient to meet Wajax's short-term normal course working capital, maintenance capital and growth capital requirements.

Wajax's short-term normal course working capital requirements can swing widely quarter-to-quarter due to the 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 2006 and 2008. Conversely, as Wajax experiences economic slowdowns working capital reduces reflecting the lower activity levels as was the case in 2009. Fluctuations in working capital are generally funded by, or used to repay, the bank credit facilities.

In the long-term Wajax may also 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.

Borrowing capacity under the bank credit facility is dependent on the level of Wajax's inventories on-hand and outstanding trade accounts receivables. At September 30, 2011, borrowing capacity under the bank credit facility was equal to \$175 million.

The bank credit facility contains covenants that could restrict the ability of Wajax to make dividend payments, if (i) an event of default exists or would exist as a result of a dividend payment, and (ii) the leverage ratio (Debt to EBITDA) is greater than 3.0 at the time of declaration of the dividend. Borrowing capacity under the bank credit facility is dependent on the level of inventories on-hand and outstanding trade accounts receivables.

Share Capital

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

Issued and fully paid shares as at September 30, 2011	Number	Amount
Balance at the beginning of the year	16,629,444	\$105.9
Rights exercised	-	-
Balance at end of quarter	16,629,444	\$105.9

Wajax has five share-based compensation plans; the Wajax Share Ownership Plan ("SOP"), the Deferred Share Program ("DSP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Share Unit Plan ("DSUP"). SOP, DSP and DDSUP rights are issued to the participants and are settled by issuing Wajax Corporation shares. The cash-settled MTIP and DSUP consist of annual grants that vest over three years and are subject to time and performance vesting criteria. A portion of the MTIP and the full amount of the DSUP grants are determined by the price of the Corporation's shares. Compensation expense for the SOP, DSP and DDSUP is determined based upon the fair value of the rights at the date of grant and charged to earnings on a straight line basis over the vesting period, with an offsetting adjustment to contributed surplus. Compensation expense for the DSUP and the share-based portion of the MTIP varies with the price of the Corporation's shares and is recognized over the vesting period. Wajax recorded compensation cost of \$1.7 million for the quarter (2010 – \$1.1 million) and \$5.3 million for the nine months ended (2010 - \$3.0 million) in respect of these plans.

Effective January 1, 2011 the SOP, DSP, DDSUP and MTIP plans have been amended to reflect the conversion to a corporation.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates include the provision for inventory obsolescence, provision for doubtful accounts and any impairment of goodwill and other assets, classification of leases, warranty reserve and measurement of employee benefit obligations. Wajax makes a provision for doubtful accounts when there is evidence that a specific account may become uncollectible. Wajax does not provide a general reserve for bad debts. As conditions change, actual results could differ from those estimates. Critical accounting estimates used by Wajax's management are discussed in detail in the MD&A for the year ended December 31, 2010 which can be found on SEDAR at www.sedar.com.

Accounting Changes

Transition to International Financial Reporting Standards

This is the first year that the Corporation has presented its unaudited Condensed Consolidated Financial Statements in accordance with IFRS. The Corporation provided information on its transition to IFRS in its MD&A for the quarter ended March 31, 2011. This information has not changed materially from what was provided.

Note 14 of the condensed consolidated financial statements provides an explanation of the transition to IFRS. In addition, Note 14 provides detailed reconciliations between Canadian GAAP and IFRS of the consolidated income statement and consolidated statement of comprehensive income for the three months and nine months ended September 30, 2010 and of the consolidated statement of financial position as at September 30, 2010. These reconciliations provide explanations of each major difference.

New standards and interpretations not yet adopted

As of January 1, 2013, the Corporation will be required to adopt IFRS 9 *Financial Instruments*, which is the result of the first phase of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

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

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

As of January 1, 2013, the Corporation will be required to adopt amendments to IAS 1 *Presentation of Financial Statements*, which require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Corporation intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Corporation does not expect the amendments to IAS 1 to have a material impact on the financial statements.

As of January 1, 2013, the Corporation will be required to adopt amendments to IAS 19 *Employee Benefits*, which requires recognition of actuarial gains and losses immediately in other comprehensive income, the full recognition of past service costs immediately in profit or loss, recognition of the expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation, and certain additional disclosures. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

Risks 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 attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. There are however, a number of risks that deserve particular comment which are discussed in detail in the MD&A for the year ended December 31, 2010 which can be found on SEDAR at www.sedar.com. For the period October 1, 2011 to November 2, 2011 there have been no material changes to the business of Wajax that require an update to the discussion of the applicable risks discussed in the MD&A for the year ended December 31, 2010.

Outlook

Management continues to be very pleased with 2011 results. The third quarter improvement in pre-tax earnings was driven by robust energy, mining, forestry and construction markets particularly in western Canada. As well, results from the Harper acquisition continued to meet expectations. While the September 30, 2011 backlog diminished slightly, quoting activity, particularly in western Canada remains strong.

For the remainder of the year, management is not anticipating that the uncertainty regarding current world events will have a significant impact on Wajax's end markets and expects pre-tax earnings to continue to be ahead of last year, but at a lower rate of increase than experienced in the first nine months.

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 nine months ended September 30, 2011

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

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

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

As at		September 30, 2011	December 31, 2010
(unaudited, in thousands of Canadian dollars)			
ASSETS			
CURRENT			
Cash		\$ -	\$ 42,954
Trade and other receivables		188,003	135,517
Inventories		231,497	196,460
Prepaid expenses		9,568	7,244
Derivative instruments		1,145	-
		430,213	382,175
NON-CURRENT			
Rental equipment	Note 4	25,312	15,794
Property, plant and equipment	Note 5	48,148	46,090
Intangible assets	Note 6	81,790	72,972
Deferred taxes	Note 10	-	5,277
Employee benefits		472	240
		155,722	140,373
		\$ 585,935	\$ 522,548
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT			
Bank indebtedness		\$ 2,097	\$ -
Trade and other payables		157,682	134,832
Accrued liabilities		68,616	64,229
Provisions		6,012	4,892
Dividends payable		3,326	12,472
Income taxes payable		2,691	2,072
Obligations under finance leases		3,578	3,677
Derivative instruments		-	2,452
Bank debt	Note 7	-	79,680
		244,002	304,306
NON-CURRENT			
Provisions		4,608	4,338
Deferred taxes	Note 10	12,734	-
Employee benefits		3,840	4,132
Other liabilities		4,005	5,221
Obligations under finance leases		5,862	5,227
Bank debt	Note 7	85,954	-
		117,003	18,918
SHAREHOLDERS' EQUITY			
Share capital		105,892	-
Trust units		-	105,892
Contributed surplus	Note 9	7,769	6,426
Retained earnings		111,044	89,411
Accumulated other comprehensive income (loss)		225	(2,405)
		111,269	87,006
Total shareholders' equity		224,930	199,324
		\$ 585,935	\$ 522,548

These condensed consolidated financial statements were approved by the Board of Directors on November 2, 2011.

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 I N C O M E S T A T E M E N T S

		Three months ended September 30		Nine months ended September 30	
(unaudited, in thousands of Canadian dollars, except per share data)		2011	2010	2011	2010
Revenue	\$	361,920	\$ 294,369	\$ 999,918	\$ 794,532
Cost of sales		287,212	231,963	786,817	620,958
Gross profit		74,708	62,406	213,101	173,574
Selling and administrative expenses		48,736	42,565	144,623	131,250
Earnings before finance costs and income taxes		25,972	19,841	68,478	42,324
Finance costs		1,392	1,114	3,477	3,263
Earnings before income taxes		24,580	18,727	65,001	39,061
Income tax expense (recovery)	Note 10	6,692	(835)	17,759	(1,542)
Net earnings	\$	17,888	\$ 19,562	\$ 47,242	\$ 40,603
Basic earnings per share	Note 11 \$	1.08	\$ 1.18	\$ 2.84	\$ 2.45
Diluted earnings per share	Note 11 \$	1.06	\$ 1.16	\$ 2.79	\$ 2.41

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

		Three months ended September 30		Nine months ended September 30	
(unaudited, in thousands of Canadian dollars)		2011	2010	2011	2010
Net earnings	\$	17,888	\$ 19,562	\$ 47,242	\$ 40,603
Losses (gains) on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax of \$70 (2010 - \$19) and year to date, net of tax of \$460 (2010 - \$30)		185	(182)	1,214	277
Gains (losses) on derivative instruments designated as cash flow hedges during the period, net of tax of \$593 (2010 - \$27) and year to date, net of tax of \$506 (2010 - \$81)		1,654	(626)	1,416	(117)
Other comprehensive income (loss), net of tax		1,839	(808)	2,630	160
Total comprehensive income	\$	19,727	\$ 18,754	\$ 49,872	\$ 40,763

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 nine months ended September 30, 2011 (unaudited, in thousands of Canadian dollars)	Accumulated other comprehensive income (loss) ("AOCL")						Total
	Share capital	Trust units	Contributed surplus (Note 9)	Retained earnings	Actuarial gains and losses	Gains and losses on cash flow hedges	
January 1, 2011	\$ -	105,892	6,426	89,411	(628)	(1,777)	\$ 199,324
Conversion to corporation	105,892	(105,892)	-	-	-	-	-
Net earnings	-	-	-	47,242	-	-	47,242
Other comprehensive income							
Losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax	-	-	-	-	-	1,214	1,214
Gains on derivative instruments designated as cash flow hedges during the period, net of tax	-	-	-	-	-	1,416	1,416
Total other comprehensive income	-	-	-	-	-	2,630	2,630
Total comprehensive income for the period	-	-	-	47,242	-	2,630	49,872
Dividends Note 8	-	-	-	(25,609)	-	-	(25,609)
Share-based compensation expense Note 9	-	-	1,343	-	-	-	1,343
September 30, 2011	\$ 105,892	-	7,769	111,044	(628)	853	\$ 224,930

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 nine months ended September 30, 2010 (unaudited, in thousands of Canadian dollars)		AOCL						Total
		Share capital	Trust units	Contributed surplus (Note 9)	Retained earnings	Actuarial gains and losses	Gains and losses on cash flow hedges	
January 1, 2010		\$ -	105,307	5,645	90,258	-	(2,233)	\$ 198,977
Net earnings		-	-	-	40,603	-	-	40,603
Other comprehensive income								
Losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax		-	-	-	-	-	277	277
Losses on derivative instruments designated as cash flow hedges during the period, net of tax		-	-	-	-	-	(117)	(117)
Total other comprehensive income		-	-	-	-	-	160	160
Total comprehensive income for the period		-	-	-	40,603	-	160	40,763
Distributions	Note 8	-	-	-	(29,076)	-	-	(29,076)
Unit rights plans exercised	Note 9	-	585	-	-	-	-	585
Unit-based compensation expense	Note 9	-	-	282	-	-	-	282
September 30, 2010		\$ -	105,892	5,927	101,785	-	(2,073)	\$ 211,531

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)		Three months ended September 30		Nine months ended September 30	
		2011	2010	2011	2010
OPERATING ACTIVITIES					
Net earnings	\$	17,888	\$ 19,562	\$ 47,242	\$ 40,603
Items not affecting cash flow:					
Depreciation and amortization					
Rental equipment		1,301	875	3,367	2,611
Property, plant and equipment		1,323	1,145	3,687	3,305
Assets under finance lease		783	680	2,229	1,929
Intangible assets		139	119	391	414
Share-based compensation expense	Note 9	431	275	1,343	867
Other liabilities		633	891	(1,216)	2,159
Non-cash rental expense		(129)	106	(178)	79
Employee benefits expense, net of payments		(270)	(18)	(524)	(141)
Finance costs		1,392	1,114	3,477	3,263
Income tax expense (recovery)		6,692	(835)	17,759	(1,542)
Cash flows from operating activities before changes in non-cash working capital		30,183	23,914	77,577	53,547
Changes in non-cash working capital:					
Trade and other receivables		(3,588)	(234)	(41,964)	(23,736)
Inventories		(12,462)	(11,743)	(24,569)	(12,153)
Prepaid expenses		(2,207)	6,661	(2,106)	2,002
Trade and other payables		17,956	18,784	17,355	31,448
Accrued liabilities		645	(8,748)	3,256	571
Provisions		726	(297)	1,120	(945)
		1,070	4,423	(46,908)	(2,813)
Cash flows generated from operating activities		31,253	28,337	30,669	50,734
Rental equipment additions		(3,472)	(935)	(15,181)	(2,796)
Provisions, non-current		233	727	270	708
Finance costs paid		(1,295)	(1,081)	(3,121)	(3,164)
Income taxes (paid) received		(61)	1,717	(98)	1,778
Net cash flows generated from operating activities		26,658	28,765	12,539	47,260
INVESTING ACTIVITIES					
Property, plant and equipment additions		(861)	(1,167)	(3,068)	(2,534)
Proceeds on disposal of property, plant and equipment		30	71	71	164
Acquisition of business	Note 12	(1,654)	-	(23,257)	-
Net cash flows used in investing activities		(2,485)	(1,096)	(26,254)	(2,370)
		24,173	27,669	(13,715)	44,890
FINANCING ACTIVITIES					
(Decrease) increase in bank debt		(7,000)	-	7,000	-
Debt facility renewal costs	Note 7	(1,072)	(1)	(1,072)	(93)
Payments under finance leases		(916)	(613)	(2,509)	(2,290)
Dividends paid	Note 8	(9,312)	(10,800)	(34,755)	(25,744)
Net cash flows used in financing activities		(18,300)	(11,414)	(31,336)	(28,127)
Net change in cash and cash equivalents		5,873	16,255	(45,051)	16,763
(Bank indebtedness) cash - beginning of period		(7,970)	9,715	42,954	9,207
(Bank indebtedness) cash - end of period	\$	(2,097)	\$ 25,970	\$ (2,097)	\$ 25,970

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

SEPTEMBER 30, 2011

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

1. COMPANY PROFILE

Wajax Corporation (“the Corporation”) is incorporated in Canada. The address of the Corporation’s registered office is 3280 Wharton Way, Mississauga, Ontario, Canada. The Corporation’s core distribution businesses are engaged in the sale and after-sale parts and service support of equipment, industrial components and power systems, through a network of 117 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.

In 2010 the Corporation was structured as an unincorporated, open-ended, limited purpose investment trust called Wajax Income Fund (“the Fund”). On January 1, 2011, the Fund converted into a corporation pursuant to a Plan of Arrangement under the Canada Business Corporations Act. Unitholders of the Fund automatically received one common share of the Corporation in exchange for each unit of the Fund. The conversion was accounted for as a continuity of interests. The business continues to be carried on by the same management team that was in place prior to the completion of the conversion.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These are the Corporation’s interim International Financial Reporting Standards (“IFRS”) condensed consolidated financial statements for part of the period covered by the first IFRS annual financial statements, and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The condensed consolidated financial statements do not include all of the disclosures required for full annual consolidated financial statements. Accordingly, these condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of Wajax Income Fund for the year ended December 31, 2010 reported under previous Canadian generally accepted accounting principles (“Canadian GAAP”) and the condensed consolidated financial statements of the Corporation for the three months ended March 31, 2011, which were the first financial statements presented under IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Corporation is provided in Note 14. This note includes reconciliations of equity and total comprehensive income for comparative periods reported under previous Canadian GAAP to those reported under IFRS for the current periods. The Corporation’s date of transition to IFRS was January 1, 2010.

Basis of measurement

The condensed consolidated financial statements have been prepared under the historical cost basis, except for derivative financial instruments and held for trading financial instruments that have been measured at fair value.

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.

Judgements and estimation uncertainty

The preparation of the condensed 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, revenues and expenses. Actual results could differ from those estimates. The Corporation bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements. The more significant judgements and assumptions that have an effect on the amounts recognized in the condensed consolidated financial statements are provision for doubtful accounts, inventory obsolescence, asset impairment, classification of leases, impairment of intangible assets, warranty reserve and measurement of employee benefit obligations.

3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

These condensed consolidated financial statements have been prepared using IFRS currently issued and expected to be effective at the end of the Corporation's first annual IFRS reporting period, December 31, 2011. Accounting policies currently adopted under IFRS are subject to change as a result of either a new standard being issued or as a result of a voluntary change in accounting policy made by the Corporation during 2011. A change in an accounting policy used may result in material changes to the Corporation's reported financial position, results of operations and cash flows.

As of January 1, 2013, the Corporation will be required to adopt IFRS 9 *Financial Instruments*, which is the result of the first phase of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. An exposure draft has been issued which proposes to extend the implementation date of IFRS 9 to January 1, 2015. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

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

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

As of January 1, 2013, the Corporation will be required to adopt amendments to IAS 1 *Presentation of Financial Statements*, which require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Corporation intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Corporation does not expect the amendments to IAS 1 to have a material impact on the financial statements.

As of January 1, 2013, the Corporation will be required to adopt IAS 19 *Employee Benefits*, which requires recognition of actuarial gains and losses immediately in other comprehensive income, the full recognition of past service costs immediately in profit or loss, recognition of the expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation, and certain additional disclosures. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

4. RENTAL EQUIPMENT

The Corporation acquired rental equipment with a cost of \$3,472 during the quarter (2010 - \$935) and \$15,181 year to date (2010 - \$2,796). Rental equipment with a carrying amount of \$230 during the quarter (2010 - \$642) and \$2,296 year to date (2010 - \$1,935) ceased to be rented and was classified as held for sale in the normal course of business and transferred to inventory.

5. PROPERTY, PLANT AND EQUIPMENT

The Corporation acquired property, plant and equipment with a cost of \$1,933 during the quarter (2010 - \$2,184) and \$6,115 year to date (2010 - \$4,146). Assets with a carrying amount of \$89 during the quarter (2010 - \$565) and \$457 year to date (2010 - \$749) were disposed of, resulting in losses on disposal of \$2 during the quarter (2010 – losses of \$70) and gains of \$14 year to date (2010 - \$121).

Included in property, plant and equipment are vehicles held under finance leases:

	September 30, 2011	December 31, 2010
Cost, beginning of year	\$ 22,006	\$ 21,999
Additions	3,433	3,515
Disposals	(1,881)	(3,508)
Transfers	(810)	-
Cost, end of period	\$ 22,748	\$ 22,006
Accumulated depreciation, beginning of year	12,542	12,424
Charge for the period	2,229	2,810
Disposals	(1,495)	(2,692)
Transfers	(589)	-
Accumulated depreciation, end of period	12,687	12,542
Net book value	\$ 10,061	\$ 9,464

All property, plant and equipment except real property and vehicles held under finance leases have been pledged as security for bank debt.

6. INTANGIBLE ASSETS

		Goodwill	Product distribution rights	Customer lists/Non- competition agreements	Total
Cost					
January 1, 2011	\$	66,335	4,900	4,302	\$ 75,537
Acquisition of business (Note 12)		4,309	3,900	1,000	9,209
September 30, 2011		70,644	8,800	5,302	84,746
January 1, 2010	\$	66,335	4,900	4,302	\$ 75,537
September 30, 2010		66,335	4,900	4,302	75,537
Accumulated amortization					
January 1, 2011	\$	-	-	2,565	\$ 2,565
Amortization for the period		-	-	391	391
September 30, 2011		-	-	2,956	2,956
January 1, 2010	\$	-	-	2,032	\$ 2,032
Amortization for the period		-	-	414	414
September 30, 2010		-	-	2,446	2,446
Net book value					
January 1, 2011	\$	66,335	4,900	1,737	\$ 72,972
September 30, 2011	\$	70,644	8,800	2,346	\$ 81,790
January 1, 2010	\$	66,335	4,900	2,270	\$ 73,505
September 30, 2010	\$	66,335	4,900	1,856	\$ 73,091

7. BANK DEBT

On August 12, 2011, the Corporation amended and extended the term of its \$175 million bank credit facility to August 12, 2016 from December 31, 2011. The terms of the fully secured facility, comprised of a \$30 million non-revolving term portion and a \$145 million revolving term portion, are no more restrictive than in the previous facility as described in Note 12 of the annual consolidated financial statements of Wajax Income Fund for the year ended December 31, 2010. Margins on the amended facility depend on the Corporation's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and US dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

8. DIVIDENDS DECLARED

During the three months ended September 30, 2011 the Corporation declared cash dividends of \$0.58 per share, or \$9,645 (September 30, 2010, distributions of \$0.85 per unit or \$14,132).

Year to date, the Corporation declared cash dividends of \$1.54 per share, or \$25,609 (September 30, 2010, distributions of \$1.75 per unit or \$29,076).

9. SHARE-BASED COMPENSATION PLANS

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

a) Share Rights Plans

Under the SOP, DSP and the DDSUP, rights are issued to the participants which, upon satisfaction of certain time and performance vesting conditions, are settled by issuing Wajax Corporation shares for no cash consideration. Vested rights are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities or no longer sits on its board. The aggregate number of shares issuable to satisfy entitlements under these plans may not exceed 1,050,000 shares. Compensation expense is based upon the fair value of the rights at the date of grant and is charged to earnings on a straight-line basis over the vesting period, with an offsetting adjustment to contributed surplus. The Corporation recorded compensation cost of \$431 for the quarter (2010 – \$275) and \$1,343 for the year to date (2010 - \$867) in respect of these plans.

<u>Share Ownership Plan</u>	<u>September 30, 2011</u>		<u>September 30, 2010</u>	
	<u>Number of Rights</u>	<u>Fair value at time of grant</u>	<u>Number of Rights</u>	<u>Fair value at time of grant</u>
Outstanding at beginning of year	101,999	\$ 2,326	126,125	\$ 2,764
Granted in the period	5,977	218	7,439	188
Exercised in the period	-	-	(18,034)	(435)
Forfeited in the period	-	-	(9,130)	(258)
Outstanding at end of period	107,976	\$ 2,544	106,400	\$ 2,259

At September 30, 2011 99,077 SOP rights were vested.

Deferred Share Program	September 30, 2011		September 30, 2010	
	Number of Rights	Fair value at time of grant	Number of Rights	Fair value at time of grant
Outstanding at beginning of year	24,164	\$ 738	21,944	\$ 673
Granted in the period	5,554	207	1,371	35
Outstanding at end of period	29,718	\$ 945	23,315	\$ 708

No DSP rights have vested at September 30, 2011.

Directors' Deferred Share Unit Plan	September 30, 2011		September 30, 2010	
	Number of Rights	Fair value at time of grant	Number of Rights	Fair value at time of grant
Outstanding at beginning of year	147,797	\$ 3,641	117,518	\$ 2,768
Granted in the period	20,723	746	21,669	563
Outstanding at end of period	168,520	\$ 4,387	139,187	\$ 3,331

DDSUP rights vest immediately upon grant.

b) Mid-Term Incentive Plan for Senior Executives ("MTIP")

The MTIP, which is settled in cash, consists of an annual grant that vests over three years and is based upon time and performance vesting criteria, a portion of which is determined by the price of the Corporation's shares. Compensation expense varies with the price of the Corporation's shares and is recognized over the 3 year vesting period. The Corporation recorded compensation cost of \$1,158 for the quarter (2010 - \$827) and \$3,852 for the year to date (2010 - \$2,163) in respect of the share-based portion of the MTIP. At September 30, 2011 the carrying amount of the share-based portion of the MTIP liability was \$6,002 (2010 - \$1,975).

c) Deferred Share Unit Plan ("DSUP")

The DSUP, which is settled in cash, consists of an annual grant that vests over three years and is based upon time and performance vesting criteria. Compensation expense for DSUP rights varies with the price of the Corporation's shares and is recognized over the vesting period. Vested rights are settled when the participant is no longer employed by the Corporation or one of its subsidiary entities. The Corporation recorded compensation cost of \$142 for the quarter and year to date (2010 – nil) in respect of the share-based portion of the DSUP. At September 30, 2011 the carrying amount of the DSUP liability was \$142 (2010 – nil).

10. INCOME TAXES

On January 1, 2011, a plan of arrangement was completed and Wajax Income Fund was converted to Wajax Corporation. The arrangement resulted in the reorganization of the Fund into a corporate structure which is subject to income tax on all of its taxable income at combined federal and provincial rates.

Prior to conversion, the Fund was a "mutual fund trust" as defined under the Income Tax Act (Canada) and was not taxable on its income to the extent that it was distributed to its unitholders. Pursuant to the terms of the Declaration of Trust, all taxable income earned by the Fund was distributed to its unitholders. Accordingly, no provision for income taxes was required on taxable income earned by the Fund that was distributed to its unitholders. For 2010, only the Fund's corporate subsidiaries were subject to tax on their taxable income.

Income tax expense comprises current and deferred tax as follows:

For the nine months ended September 30	2011	2010
Current	\$ 716	\$ 128
Deferred – Origination and reversal of temporary difference	17,867	123
– Change in tax law and rate	(824)	(1,793)
Income tax expense (recovery)	\$ 17,759	\$ (1,542)

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 27.7% (2010 – 29.4%). The tax rate for the current year is 1.7% lower than 2010 due to the effect of the reduced statutory tax rates. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 25.9% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of effective income tax is as follows:

For the nine months ended September 30	2011	2010
Combined statutory income tax rate	27.7%	29.4%
Expected income tax expense at statutory rates	\$ 18,005	\$ 11,483
Income of the Fund taxed directly to unitholders	-	(11,769)
Non-deductible expenses	619	347
Deferred tax related to changes in tax law and rates	(824)	(1,793)
Other	(41)	190
Income tax expense (recovery)	\$ 17,759	\$ (1,542)

Deferred income tax relates to book and tax basis differences for assets and liabilities and is attributable to the following:

	September 30, 2011	December 31, 2010
Accrued liabilities and provisions not currently deductible	\$ 8,717	\$ 8,258
Partnership income not currently taxable	(17,173)	-
Property, plant and equipment	(1,741)	(1,418)
Vehicles under finance lease	(175)	(146)
Deductible goodwill and other assets	(2,284)	(2,052)
Deductible debt facility renewal costs	(29)	(38)
Derivative instrument liability not currently deductible	(292)	673
Income tax losses available for carry forward	243	-
Net deferred income tax (liabilities) assets	\$ (12,734)	\$ 5,277

11. EARNINGS PER SHARE

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

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Numerator for basic and diluted earnings per share:				
– net earnings	\$ 17,888	\$ 19,562	\$ 47,242	\$ 40,603
Denominator for basic earnings per share:				
– weighted average shares	16,629,444	16,610,751	16,629,444	16,604,561
Denominator for diluted earnings per share:				
– weighted average shares	16,629,444	16,610,751	16,629,444	16,604,561
– effect of dilutive share rights	294,679	255,914	287,184	256,280
Denominator for diluted earnings per share	16,924,123	16,866,665	16,916,628	16,860,841
Basic earnings per share	\$ 1.08	\$ 1.18	\$ 2.84	\$ 2.45
Diluted earnings per share	\$ 1.06	\$ 1.16	\$ 2.79	\$ 2.41

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

12. ACQUISITION OF BUSINESS

On May 2, 2011, the Corporation's Power Systems segment acquired certain assets of Harper Power Products Inc. ("Harper") for consideration of \$23,257, subject to post-closing adjustments. The acquisition price was funded through the Corporation's existing bank credit facility. The acquisition secures the Ontario distribution rights for certain product lines and complements the segment's existing product distribution rights in the rest of Canada, except for portions of British Columbia.

For the five months since the acquisition, Harper contributed revenue of \$29,431 and net earnings of \$2,321 to the year to date results. Had the acquisition occurred on January 1, 2011 the Corporation estimates that it would have reported revenue of \$1,023,462 and net earnings of \$48,484 on its condensed consolidated income statement for the nine months ended September 30, 2011. In determining these amounts, management has assumed that the level of business activity experienced by Harper after May 2, 2011 is representative of the level of business activity that it would have experienced prior to the acquisition.

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

Trade and other receivables	\$	10,522
Inventories		8,172
Prepaid expenses		218
Property, plant and equipment		1,930
Trade and other payables		<u>(6,794)</u>
Tangible net assets acquired		14,048
Goodwill and other intangible assets (note 6)		<u>9,209</u>
Total	\$	<u>23,257</u>

An amount of \$21,603 was paid on closing based upon a preliminary estimate of tangible net assets acquired. In the third quarter an additional amount of \$1,654 was paid to the vendors based on an updated determination of the value of the tangible net assets acquired. The amount of any trade and other receivables which prove to be uncollectable will be deducted from the purchase price.

The goodwill is mainly attributable to the skills and technical talent of Harper's workforce and its existing branch network, synergies expected to be achieved from integrating the business into the existing Power Systems segment and the value expected to be generated from its operation over time, for example, through growing the power generation business in Ontario. It is anticipated that amounts attributed to goodwill and other intangible assets will be 75% deductible for income tax purposes.

The Corporation incurred acquisition-related costs of \$385 relating to external legal fees and due diligence costs. These costs have been included in selling and administrative expenses on the condensed consolidated income statement.

13. SEGMENTED INFORMATION

The Corporation operates through a network of 117 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 industrial components; and iii) the distribution and servicing of power systems.

For the three months ended September 30, 2011						Segment Eliminations and Unallocated Amounts	Total
	Equipment	Industrial Components	Power Systems				
Equipment	\$ 108,446	\$	\$ 45,344	\$	\$		153,790
Parts	40,407	86,727	36,787				163,921
Service	21,027		15,842				36,869
Rental and other	8,048				(708)		7,340
Revenue	\$ 177,928	\$ 86,727	\$ 97,973	\$	(708)	\$	361,920
Segment earnings before finance costs and income taxes	\$ 12,714	\$ 6,215	\$ 9,745	\$	\$		28,674
Corporate costs and eliminations					(2,702)		(2,702)
Earnings before finance costs and income taxes	12,714	6,215	9,745		(2,702)		25,972
Finance costs					1,392		1,392
Income tax expense					6,692		6,692
Net earnings	\$ 12,714	\$ 6,215	\$ 9,745	\$	(10,786)	\$	17,888

For the nine months ended September 30, 2011						Segment Eliminations and Unallocated Amounts	Total
	Equipment	Industrial Components	Power Systems				
Equipment	\$ 280,032	\$	\$ 116,895	\$	\$		396,927
Parts	129,184	257,346	90,236				476,766
Service	61,843		44,805				106,648
Rental and other	22,493				(2,916)		19,577
Revenue	\$ 493,552	\$ 257,346	\$ 251,936	\$	(2,916)	\$	999,918
Segment earnings before finance costs and income taxes	\$ 35,856	\$ 17,204	\$ 25,030	\$	\$		78,090
Corporate costs and eliminations					(9,612)		(9,612)
Earnings before finance costs and income taxes	35,856	17,204	25,030		(9,612)		68,478
Finance costs					3,477		3,477
Income tax expense					17,759		17,759
Net earnings	\$ 35,856	\$ 17,204	\$ 25,030	\$	(30,848)	\$	47,242

Segment assets excluding intangible assets	\$ 243,976	\$ 114,580	\$ 143,666	\$	\$	\$	502,222
Intangible assets	21,541	45,679	14,570				81,790
Corporate and other assets					1,923		1,923
Total assets	\$ 265,517	\$ 160,259	\$ 158,236	\$	1,923	\$	585,935

**For the three months ended
September 30, 2010**

					Segment Eliminations and Unallocated Amounts	
	Equipment	Industrial Components	Power Systems			Total
Equipment	\$ 83,083	\$	\$ 40,095	\$	\$	123,178
Parts	36,033	75,890	21,706			133,629
Service	17,862		12,789			30,651
Rental and other	7,884				(973)	6,911
Revenue	\$ 144,862	\$ 75,890	\$ 74,590	\$	(973)	\$ 294,369
Segment earnings before finance costs and income taxes	\$ 10,002	4,180	8,099	\$	\$	22,281
Corporate costs and eliminations					(2,440)	(2,440)
Earnings before finance costs and income taxes	10,002	4,180	8,099		(2,440)	19,841
Finance costs					1,114	1,114
Income tax recovery					(835)	(835)
Net earnings	\$ 10,002	\$ 4,180	\$ 8,099	\$	(2,719)	\$ 19,562

**For the nine months ended
September 30, 2010**

					Segment Eliminations and Unallocated Amounts	
	Equipment	Industrial Components	Power Systems			Total
Equipment	\$ 207,299	\$	\$ 72,108	\$	\$	279,407
Parts	114,240	224,418	66,427			405,085
Service	51,147		38,608			89,755
Rental and other	23,405				(3,120)	20,285
Revenue	\$ 396,091	\$ 224,418	\$ 177,143	\$	(3,120)	\$ 794,532
Segment earnings before finance costs and income taxes	\$ 28,172	\$ 9,376	\$ 12,699	\$	\$	50,247
Corporate costs and eliminations					(7,923)	(7,923)
Earnings before finance costs and income taxes	28,172	9,376	12,699		(7,923)	42,324
Finance costs					3,263	3,263
Income tax recovery					(1,542)	(1,542)
Net earnings	\$ 28,172	\$ 9,376	\$ 12,699	\$	(9,644)	\$ 40,603

**Segment assets excluding
intangible assets**

	\$ 198,601	\$ 104,427	\$ 100,197	\$	\$	403,225
Intangible assets	21,541	46,106	5,444			73,091
Cash					25,970	25,970
Corporate and other assets					4,598	4,598
Total assets	\$ 220,142	\$ 150,533	\$ 105,641	\$	30,568	\$ 506,884

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

14. EXPLANATION OF TRANSITION TO IFRS

This is the first year that the Corporation has presented its condensed consolidated financial statements in accordance with IFRS. In the year ended December 31, 2010, the Corporation reported under previous Canadian GAAP.

The accounting policies set out in Note 3 of the condensed consolidated financial statements of the Corporation for the three months ended March 31, 2011 have been applied in preparing the condensed consolidated financial statements for the three and nine months ended September 30, 2011.

In preparing its opening IFRS statement of financial position, the Corporation has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Corporation's reported financial position, financial performance and cash flows is set out in the tables below and the notes that accompany the tables.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date and, in general, all adjustments to assets and liabilities are taken to retained earnings, unless certain exemptions are elected and certain mandatory exceptions are applied. In preparing its opening IFRS statement of financial position, the Corporation has elected the following exemptions:

Business combinations before January 1, 2010 (IFRS 3 "Business Combinations")

The Corporation has elected not to apply IFRS 3 retrospectively to business combinations that took place before January 1, 2010. In addition, and as a condition under IFRS 1 for applying this exemption, goodwill relating to business combinations that occurred prior to January 1, 2010 was tested for impairment even though no impairment indicators were identified. No impairment existed at the date of transition.

Employee Benefits – actuarial gains and losses (IAS 19 "Employee Benefits")

Under IFRS, the Corporation's accounting policy is to recognize all actuarial gains and losses immediately in other comprehensive income. At the date of transition, the Corporation has elected to recognize all cumulative actuarial gains and losses in retained earnings.

Employee Benefits – pension costs (IAS 19 "Employee Benefits")

The Corporation has elected to disclose the present value of the defined benefit obligation, fair value of the plan assets, surplus or deficit in the plan, and the experience adjustments arising on the plan assets or liabilities, for each accounting period prospectively from the date of transition to IFRS.

Reconciliation of Consolidated Income Statement

For the three months ended September 30, 2010	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	IFRS
(In thousands of Canadian dollars)					
Revenue	\$ 294,369				\$ 294,369
Cost of sales	232,215			(252)	231,963
Gross profit	62,154			252	62,406
Selling and administrative expenses	42,580	(35)	20		42,565
Earnings before finance costs and income taxes	19,574	35	(20)	252	19,841
Finance costs	1,067		47		1,114
Earnings before income taxes	18,507	35	(67)	252	18,727
Income tax (recovery) expense	(896)	9	(18)	70	(835)
Net earnings	\$ 19,403	26	(49)	182	\$ 19,562

Reconciliation of Consolidated Statement of Comprehensive Income

For the three months ended September 30, 2010	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	IFRS
(In thousands of Canadian dollars)					
Net earnings	\$ 19,403	26	(49)	182	\$ 19,562
Gains on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax	(182)				(182)
Losses on derivative instruments designated as cash flow hedges during the period, net of tax	(626)				(626)
Other comprehensive loss, net of tax	(808)	-	-	-	(808)
Total comprehensive income	\$ 18,595	26	(49)	182	\$ 18,754

Reconciliation of Consolidated Income Statement

For the nine months ended September 30, 2010	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	IFRS
(In thousands of Canadian dollars)					
Revenue	\$ 794,532				\$ 794,532
Cost of sales	621,362			(404)	620,958
Gross profit	173,170			404	173,574
Selling and administrative expenses	131,834	(105)	(479)		131,250
Earnings before finance costs and income taxes	41,336	105	479	404	42,324
Finance costs	3,143		120		3,263
Earnings before income taxes	38,193	105	359	404	39,061
Income tax (recovery) expense	(1,778)	27	96	113	(1,542)
Net earnings	\$ 39,971	78	263	291	\$ 40,603

Reconciliation of Consolidated Statement of Comprehensive Income

For the nine months ended September 30, 2010	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	IFRS
(In thousands of Canadian dollars)					
Net earnings	\$ 39,971	78	263	291	\$ 40,603
Losses on derivative instruments designated as cash flow hedges in prior periods reclassified to cost of inventory or finance costs during the period, net of tax	277				277
Losses on derivative instruments designated as cash flow hedges during the period, net of tax	(117)				(117)
Other comprehensive income, net of tax	160				160
Total comprehensive income	\$ 40,131	78	263	291	\$ 40,763

Reconciliation of Consolidated Statement of Financial Position

As at September 30, 2010

	Canadian GAAP	Employee Benefits IAS 19	Leases IAS 17	Inventory IAS 2	Income Tax IAS 12	IFRS
(In thousands of Canadian dollars)						
ASSETS						
CURRENT						
Cash	\$ 25,970					\$ 25,970
Trade and other receivables	147,273					147,273
Inventories	189,915			2,082		191,997
Prepaid expenses	5,798					5,798
Deferred taxes	4,842				(4,842)	-
	373,798			2,082	(4,842)	371,038
NON-CURRENT						
Rental equipment	14,620					14,620
Property, plant and equipment	35,230		8,937			44,167
Intangible assets	73,091					73,091
Deferred taxes	-	855	(57)		2,990	3,788
Employee benefits	2,643	(2,463)				180
	125,584	(1,608)	8,880	-	2,990	135,846
	\$ 499,382	(1,608)	8,880	2,082	(1,852)	\$ 506,884
LIABILITIES AND SHAREHOLDERS' EQUITY						
EQUITY						
CURRENT						
Trade and other payables	\$ 115,166	(341)				\$ 114,825
Accrued liabilities	66,739					66,739
Provisions	3,914					3,914
Distributions payable	5,820					5,820
Income taxes payable	1,514			577		2,091
Obligations under finance leases	-		3,663			3,663
	193,153	(341)	3,663	577	-	197,052
NON-CURRENT						
Provisions	4,226					4,226
Deferred taxes	1,852				(1,852)	-
Employee benefits	2,896	1,144				4,040
Derivative instruments	2,373					2,373
Bank debt	79,600					79,600
Other liabilities	2,999					2,999
Obligations under finance leases	-		5,063			5,063
	93,946	1,144	5,063	-	(1,852)	98,301
SHAREHOLDERS' EQUITY						
Trust units	105,892					105,892
Contributed surplus	5,927					5,927
Retained earnings	102,537	(2,411)	154	1,505		101,785
Accumulated other comprehensive loss	(2,073)					(2,073)
	100,464	(2,411)	154	1,505	-	99,712
Total shareholders' equity	212,283	(2,411)	154	1,505	-	211,531
	\$ 499,382	(1,608)	8,880	2,082	(1,852)	\$ 506,884

Material adjustments to the statement of cash flows for 2010

Consistent with the Corporation's accounting policy choice under IAS 7 *Statement of Cash Flows*, interest paid and income taxes paid have moved into the body of the Statement of Cash Flows, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

Notes to the reconciliations

(a) Employee Benefits (IAS 19)

Under Canadian GAAP, the Corporation accounted for post-employment benefits under CICA Handbook Section 3461, *Employee Future Benefits*, whereby defined benefit pension plan net actuarial gains or losses over 10% of the greater of the benefit obligation and the fair value of the plan assets were amortized to income over the average remaining service life of active employees. Under IAS 19, *Employee Benefits*, the Corporation has adopted the policy of recognizing actuarial gains and losses in full in other comprehensive income in the period in which they occur.

(b) Leases (IAS 17)

Under Canadian GAAP, the Corporation assessed vehicle leases under CICA Handbook Section 3065, *Leases*, as operating leases. Under IAS 17, *Leases*, the Corporation has assessed the vehicle leases as financing leases. Under finance leases the asset is recorded at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. The liability is included in the statement of financial position and classified between current and non-current amounts. The interest component of the lease payments is charged to earnings over the period of the lease so as to achieve a constant rate of interest on the remaining balance of the liability.

(c) Inventory (IAS 2)

Under Canadian GAAP, the Corporation did not allocate overhead to work in process inventory relating to customer repair orders. Under IFRS the Corporation allocates overhead to work in process inventory relating to customer repair orders resulting in an adjustment to inventory and opening retained earnings.

(d) Income Taxes (IAS 12)

The effect of applying IAS 12, *Income Taxes*, is that all deferred tax balances are now classified as non-current. No other changes arise from this section. Applicable income tax rates have been applied to all IFRS adjustments.

(e) Comparative Information

Certain comparative amounts have been reclassified to conform with the current period presentation.

In particular, cash discounts provided to customers in an amount of \$224 for the quarter and \$717 year to date have been reclassified out of selling and administrative expenses into revenue.

In addition, cash discounts received from vendors in an amount of \$342 for the quarter and \$913 year to date have been reclassified out of selling and administrative expenses into cost of sales.