Wajax 2017 Annual Report

Together We Get More Done.™

With 160 years of experience offering world-class brands, unwavering customer support and technical expertise for multiple industries, Wajax is able to provide solutions that help our customers get more done – efficiently and effectively.

Together We Get More Done.™

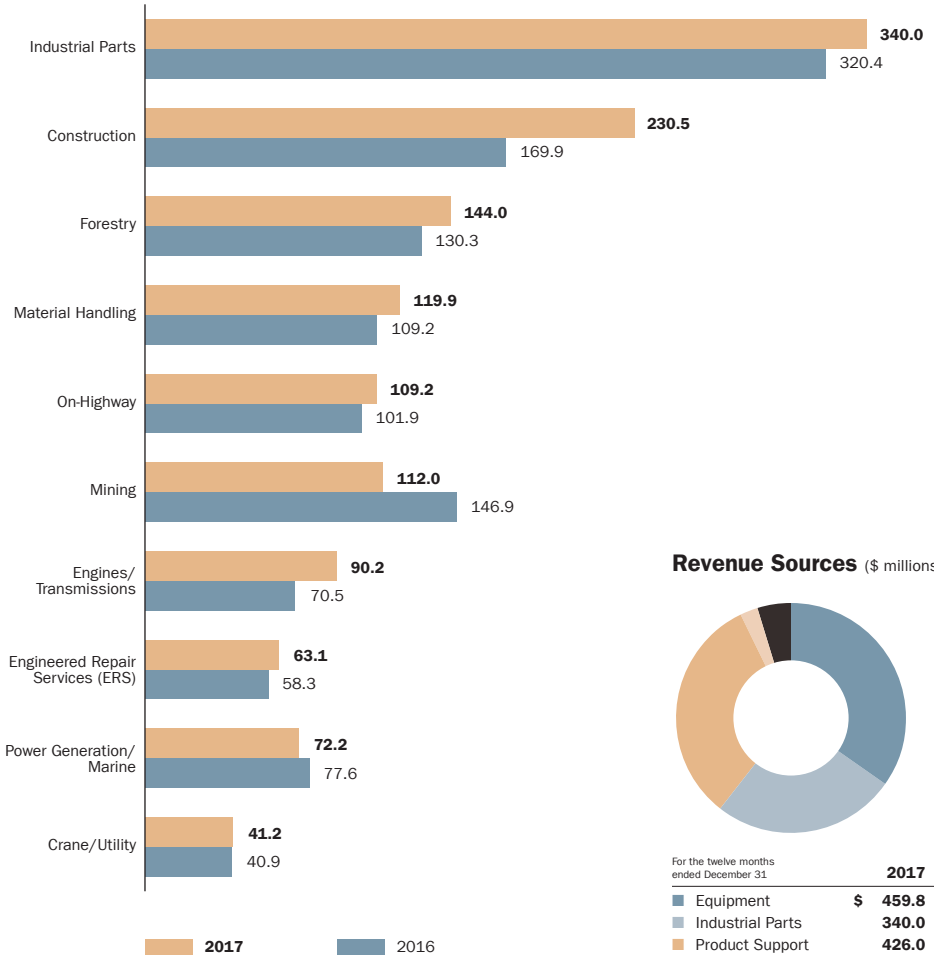
Contents

Wajax at a Glance

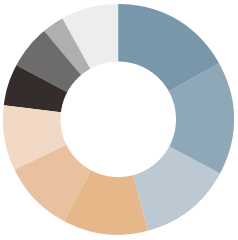
Financial Highlights (in millions of Canadian dollars, except leverage ratio, share and per share data)

For the years ended December 31	2017	2016
Revenue	**$ 1,319.3**	$ 1,221.9
Net earnings	**30.9**	11.0
Adjusted net earnings[1]	**33.5**	20.1
Cash flows from operating activities	**7.1**	58.2
Funded net debt[1]	**154.9**	126.0
Shareholders' equity	**283.3**	276.8
Basic earnings per share	**1.58**	0.55
Adjusted basic earnings per share[1]	**1.71**	1.01
Cash dividends declared per share	**1.00**	1.00
Leverage ratio[1]	**2.06**	2.07
Weighted average number of shares outstanding	**19,605,884**	19,898,004

Year-Over-Year Revenue by Category[2] ($ millions)



Revenue by End Market[3]



For the twelve months ended December 31	2017	2016
Construction	**17%**	14%
Forestry	**16%**	15%
Mining	**13%**	9%
Industrial/Commercial	**12%**	15%
Oil Sands	**10%**	11%
Transportation	**9%**	15%
Metal Processing	**6%**	6%
Government and Utilities	**6%**	5%
Oil and Gas	**3%**	2%
Other	**8%**	8%

Revenue Sources ($ millions)

For the twelve months ended December 31	2017	2016
Equipment	**$ 459.8**	$ 412.6
Industrial Parts	**340.0**	320.4
Product Support	**426.0**	398.1
Rental	**31.9**	34.7
Other	**61.7**	56.1
	$ 1,319.3	$ 1,221.9

Revenue by Region ($ millions)

For the twelve months ended December 31	2017	2016
Western Canada	**$ 572.2**	$ 498.3
Central Canada (Ontario)	**309.6**	307.8
Eastern Canada*	**437.5**	415.8
	$ 1,319.3	$ 1,221.9

*Includes Quebec and the Atlantic provinces.

Forward-Looking Statements and Information

This Annual Report, including the accompanying Management's Discussion and Analysis, includes forward-looking statements and information that is based on Wajax's current beliefs, expectations, estimates and assumptions in light of information currently available. Actual results, performance and achievements may differ materially from those anticipated or implied in such forward-looking statements or information. Please see page 35 for a discussion of the risks and uncertainties related to such statements and information.

(1) These measures do not have standardized meaning prescribed by GAAP. See Management's Discussion and Analysis, page 33.
(2) Category revenue includes all applicable equipment, parts, service and rentals. Consolidated categories may not match total revenue due to rounding.
(3) Based on customer industry.

Message to Shareholders

In 2017, Wajax delivered improved financial performance, continued to integrate its operations in line with the "One Wajax" operating model and completed a comprehensive review of its growth strategy. The major reorganization that we undertook in 2016 benefited us in 2017, as we continued to transition from decentralized legacy-based product divisions to our future as an integrated industrial products and services provider.

2017 adjusted basic earnings per share of $1.71 increased 69% due to higher revenue, improved gross margin and better cost efficiency:

- Revenue of $1.32 billion increased 8% from the prior year, due to improved new equipment, industrial parts and product support sales, assisted by an improvement in market conditions in western Canada. Regionally, revenue increased by 15% and 5% respectively in western and eastern Canada, while central Canada sales were comparable year-over-year. On a national basis, growth in a broad range of categories, led by construction, industrial parts and off-highway power train more than offset expected reductions in mining.
- Gross margin of 19.3% improved 0.4% from the prior year, primarily due to improved product support margins that offset lower new equipment margins. Product support results were positively affected by improved service margins, a result of the implementation of improved practices stemming from our reorganization.
- SGA% of revenue of 14.9% improved 1.1% from the prior year, due primarily to the full year effect of personnel reductions from our reorganization and improved leverage from higher revenue, partially offset by investments in growth areas and increases in incentive compensation.

We are very proud to report that 2017 was Wajax's **safest year on record**, based on a 33% reduction in recordable injuries and a TRIF rate of 1.45.

Year-end backlog of $179 million increased 42% from the prior year, due to improved orders across a broad range of categories led by strong gains in power and marine, construction, industrial parts and material handling.

The company completed notable changes to its debt structure in 2017. Committed bank credit facilities were expanded to $300 million and proceeds from these lower-cost facilities were used to redeem the company's $125 million in 6.125% senior notes. At year-end, approximately $150 million of the expanded bank credit facilities were undrawn. As a result of these changes, Wajax has a lower cost of debt, improved financial flexibility and the required debt capacity to fund planned growth.

We are very proud to report that 2017 was Wajax's **safest year on record,** based on a 33% reduction in recordable injuries and a Total Recordable Incident Frequency (TRIF) rate of 1.45. Safety is the most important day-to-day consideration in our business and we thank every member of our team for their focus on personal safety and the safety of their colleagues. Health and wellness programs planned for 2018 will continue to enhance an already strong focus on the safety and well-being of our team and their families.

As previously mentioned, Wajax completed a comprehensive review of its growth strategy in 2017. Our resultant updated Strategic Plan establishes priorities for organic growth, acquisitions and our operating infrastructure.

Our direction is about leverage – it takes advantage of our broad range of products and services, national network, diverse market experience and increasingly integrated sales, service and product support infrastructure to position Wajax as a unique platform in the distribution industry, well-suited to meet the increasing requirements of our customers.

Our updated strategy is more fully covered in the pages that follow. In summary, here are the key points:

- We are adjusting organic growth priorities to increase our focus on product and service categories where we have market share opportunities and customers are less affected by commodity prices. Historically, Wajax's peak and trough financial performance has been primarily related to categories that are sensitive to commodity prices. While nothing in our updated strategy lessens our potential upside from growth in these very important areas, the focus of our investment will be in product and service categories that are more durable through the cycle.
- We will continue to integrate our historically decentralized infrastructure and make increased technology investments to lower our cost-to-serve, improve the access of our customers to our full range of products and services, and to open new sales channels. We will continue to consolidate our physical branch network where opportunities exist and to make investments in multi-purpose facilities capable of broadening our service to local customers.
- We will increase investment in our customer-facing teams, focusing on sales professionals and technicians. Our reorganization was effective in right-sizing the company to the then-current business conditions and simultaneously enabling the implementation of stronger sales and shop management practices. Using the foundation now built, we plan to increase hiring to grow our sales and service teams while continuing to focus on the efficiency of personnel costs in support areas.
- The majority of Wajax's growth is expected to result from organic programs. That said, we will continue to review acquisition opportunities that allow us to increase our ability to serve existing and new customers through expanded geographic reach and extensions to our product and service portfolio.

We are very confident about where our business is going and our ability to drive higher and more sustainable earnings. In 2018, we expect our adjusted net earnings to increase, primarily due to organic revenue growth. Given our plans to increase market share in highly competitive categories, we expect gross margins to be under pressure. While we will make planned investments in programs that advance our strategy, an ongoing focus on overall cost productivity is expected to assist us in managing expected margin pressure. Regionally, market conditions in central and eastern Canada are expected to be generally stable, and while conditions in western Canada may continue to improve in 2018, year-over-year gains are not expected to be as significant as they were in 2017.

I would like to thank our customers, manufacturers and all of our partners for the assistance and support we have received. Most of all, I would like to thank each and every member of our team. It is a real privilege for me to participate in the leadership of Wajax and to work closely with so many people who strive every day to improve what we do for our customers. For a company that is turning 160 years old in 2018, we feel like we are just getting started.

Mark Foote
Chief Executive Officer

We are very confident about where our business is going and our ability to drive higher and more sustainable earnings. In 2018, we expect our adjusted net earnings to increase, primarily due to organic revenue growth.

Safety
Safety is the most important day-to-day consideration in our business and we thank every member of our team for their focus on personal safety and the safety of their colleagues. Health and wellness programs planned for 2018 will continue to enhance an already strong focus on the safety and well-being of our team and their families.

Strategy

Wajax completed a comprehensive review of its growth strategy in 2017. Our resultant updated Strategic Plan establishes priorities for organic growth, acquisitions and our operating infrastructure.

Our Team

Wajax is focusing on four areas to ensure we continue to increase our support for the team and to improve as an employer of choice in the distribution industry: workplace safety, personal health and wellness, communication, and training and development.

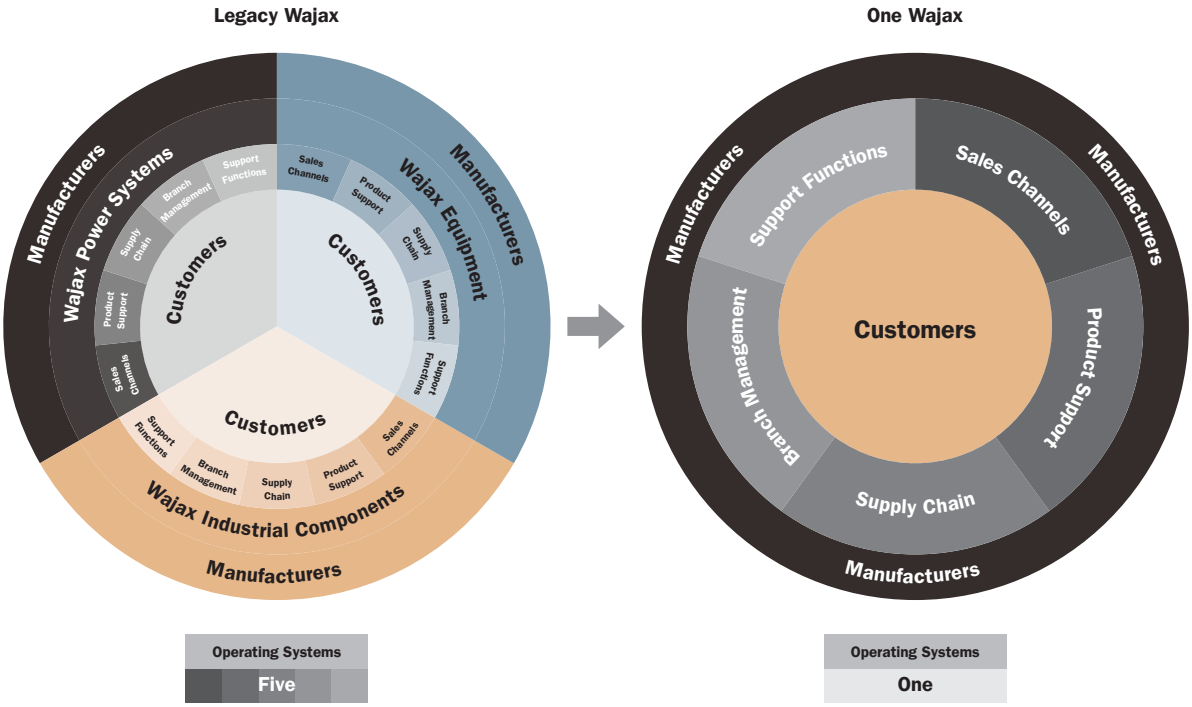
Our direction is about leverage – it takes advantage of our broad range of products and services, national network, diverse market experience and increasingly integrated sales, service and product support infrastructure to position Wajax as a unique platform in the distribution industry, well-suited to meet the increasing requirements of our customers.

As illustrated more fully on the following pages, our growth strategy is driven by investment in four areas:

- **People –** We are increasing the investment in our team. Our commitment to our associates is based on expanding their professional and technical skills, recognition of their experience and contribution to our company and strong communications. Our most important commitment to the team is to their safety, health and wellness. Workplace safety programs continue to be a very important focus for Wajax and those programs are being augmented by a wider range of programs intended to support the mental health needs of our team and their families.
- **Customers –** We are increasing the investment in our ***Voice of the Customer*** program that monitor our day-to-day service levels, use the experience of our team and data analytics to determine how we can increase our coverage of customer

Wajax is Transforming its Business Model

Starting with a major re-organization in 2016, the company has changed management structure, incentive systems, technology and business processes. The objective is to take advantage of the breadth of products and services, national network and diverse end market experience to deliver improved services to customers at a lower cost. We are continuing to improve upon the business model with major investments in technology and people.



"One Wajax" in Action – Mining Equipment Re-Power

Wajax is assisting a major eastern Canada mining customer in refurbishing and re-powering numerous units of underground equipment to improve efficiencies and meet new emissions standards. The Wajax team completed the engineering and design work necessary to replace legacy engine technology in the equipment with a new power plant and control systems that meet the most current emissions standards. The project brings together equipment expertise, industrial parts and power systems to deliver a "One Wajax" solution to the customer.

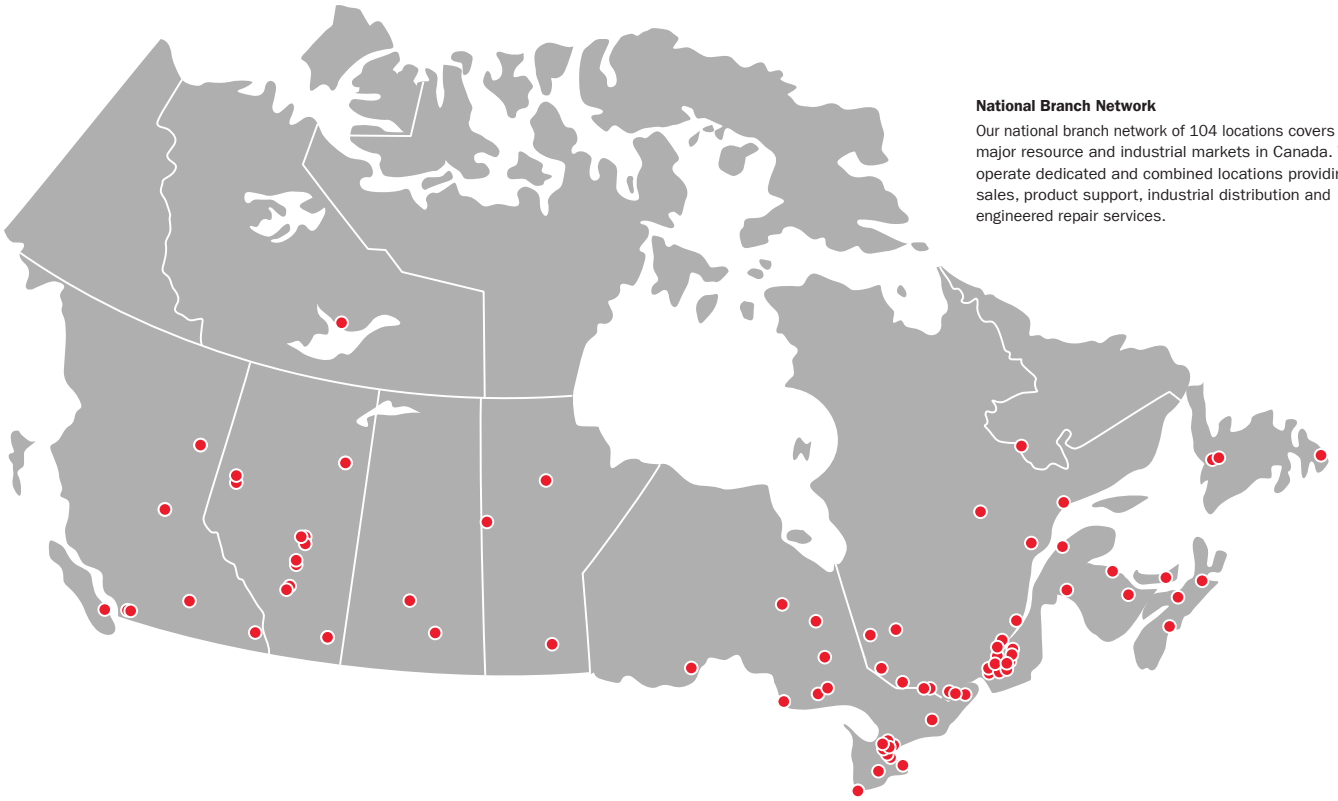
needs and we are expanding our programs to deploy engineering and process teams to major customers to determine how best to serve them more broadly in their operations.

- **Growth –** We are planning our revenue growth based on increases in product and service categories that are more durable through the cycle – areas such as construction, material handling and engineered repair services. Categories more sensitive to commodity cycles, such as mining, oil sands and oil and gas, remain very important areas and we are positioned to benefit in these areas as commodity markets continue to improve.
- **Infrastructure –** We are increasing our investment in technology to improve our cost efficiency, the consistency of customer service and to implement new data analytics and sales channel capabilities. We will continue to consolidate our physical branch network where opportunities exist and to make investments in multi-purpose facilities capable of broadening our service to local customers.

Customers

We believe our relationships with customers are the ultimate differentiator and the foundation for our success. Customer engagement and support helps Wajax ensure that we meet the needs of our customers. Customers rely on Wajax's ability and knowledge to support their operations. At Wajax we know that strong relationships bring not only great business success, but great personal fulfillment. We value being accountable to our customers and providing an exceptional standard of excellence and performance.

National Branch Network



National Branch Network

Our national branch network of 104 locations covers all major resource and industrial markets in Canada. We operate dedicated and combined locations providing sales, product support, industrial distribution and engineered repair services.

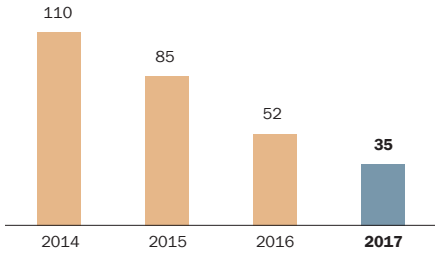
Investing in Our People

Wajax's 2,300 associates make the difference in our business. Our technicians, parts and service staff, sales professionals, engineers and support teams work closely together to service our customers every day.

1.45

Total Recordable Incident Frequency (TRIF)

Reduction in Recordable Incidents



Wajax will launch new role-specific communications programs in 2018 primarily targeting sales professionals, technicians and parts and service personnel across Canada.

We are focusing on four areas to ensure we continue to increase our support for the team and to improve as an employer of choice in the distribution industry:

- **Workplace Safety –** Wajax's safety record has improved significantly but we continue to strive to achieve our ultimate goal of ensuring everyone goes home safe and uninjured at the end of every shift. Safety programs are being further enhanced in 2018 with our Technician Safety Excellence initiative. The safety of our shop and field technicians has been the basis of our overall improvement in safety but, due to their nature, these roles continue to represent the majority of injuries. Our new safety excellence programs take additional steps to ensure these very important people have added support and training.
- **Health and Wellness Program –** We are augmenting our physical safety programs to provide additional support for our team in areas important to their personal well-being. Wajax launched a new Health and Wellness Program in 2017 to help support employees and their families. These programs are based on the National Standard of Canada for Psychological Health and Safety in the Workplace. Wajax's program has three specific goals; to increase awareness, reduce the stigma related to mental health, and build a safe and supportive work environment.
- **Communications –** Wajax has undergone significant change over the past two years and ongoing communications has been an important factor in our improved performance. To augment our existing practices, Wajax will launch new role-specific communications programs in 2018 primarily targeting sales professionals, technicians and parts and service personnel across Canada.
- **Training and Development –** Wajax's diversity of products, services and manufacturing partners leads to a requirement for comprehensive technical training and development programs. The company is launching new programs in 2018 that improve the delivery of training for the specific category focus areas of sales and service associates and increases the breadth of optional training our associates can participate in order to expand their professional and technical skills.

Health and Wellness Program – Mental Health

Wajax launched a new Health and Wellness Program in 2017 to help support physical and psychological workplace demands based on the National Standard of Canada for Psychological Health and Safety in the Workplace. Wajax's program has three specific goals; to increase awareness, reduce the stigma related to mental health, and build a safe and supportive work environment. Our initial focus is on Mental Health. To assist in the introduction of these programs, Wajax has a Health and Wellness Committee and over 100 Wellness Champions or volunteers with representation at each branch.

Communications – Town Halls

Wajax conducts regular Town Hall meetings that bring together senior leaders, local management and staff from all areas. Between July and December 2017, Town Halls were held in 35 locations across Canada, bringing together approximately 1,400 colleagues. The two hour sessions are focused on ensuring associates have a clear understanding of company safety and financial results and provide feedback on local issues and priorities. Feedback from these sessions determines company priorities in a broad range of areas for the following year.

Training and Development

Wajax team members identified that the opportunity to learn was a major aspect of their engagement with the company. For industrial sales professionals, technicians and engineers, the breadth of products and services the company offers is a unique opportunity to learn about products, systems and projects. Our focus is on ensuring that learning and development is an important factor in the engagement of our team and in our ability to attract the industrial professionals we need.

Investing in Our Customers

Wajax is investing significant resources to continue to deliver a better customer experience. Our investment in CRM technology has improved the coordination and visibility of customer activities across all product and service categories. In addition, advancement in data analytics enables us to develop better customer insights, and further leverage our unique distribution platform.

The Voice of the Customer Program

Wajax has developed a comprehensive Voice of the Customer program composed of three levels:

The **Reference** level deploys Wajax engineering resources to select customer sites to solve operational challenges to improve process efficiency and deliver cost savings. In addition, this enables Wajax to build a more detailed understanding of specific customer requirements for current products and services and identify potential new growth opportunities.

The breadth of product and service offering provided by Wajax is unrivalled in the industry. The **Opportunity** level of our Voice of the Customer program aims to leverage this strength by utilizing data analytics to build a deeper understanding of existing customer demand and identify opportunities for growth through introducing additional product and service categories.

The **Customer Experience** level is a continuous process of understanding customer satisfaction (measured through a net promoter score system), and identifying specific opportunities to improve our performance. Customer "journey" maps are used to understand every major interaction point with customers and drive process improvements from customer data and feedback.

Leading Logistics Company

A leading logistics company opened a new transload facility in British Columbia. A variety of new equipment was needed to both maintain the railroad as well as move rail vehicles. Working closely with the customer to understand their specific needs, Wajax proposed a Hitachi ZW370-5 wheel loader customized to not only dig material, but also push rail cars, move snow, and sweep the yard. Wajax provided all services that included fabricating, high pressure hydraulic work, electrical and an air brake system. The customer went on to purchase a second unit for a different location, citing Wajax's nation-wide presence and local support as a distinct benefit.

Major Canadian Oil Sands Operator

A leading oil sands operator, detected production loss on their belt conveyor system. An optimal and immediate solution was required. Wajax's report on the cause, proposed retrofit and life cycle simulation resulted in a redesign of their idler frame and rolls. The customer valued Wajax's quick deployment of a team of experts, their familiarity with the complex situation, and the specific brands and models of equipment that were deployed. In addition to resuming production, the customer was able to recoup losses by increasing idler capacity to support excessive weight and shocks.

North America's Most Advanced Metal Finishing Operation

One of North America's largest metal finishing companies had a fleet of Liquefied Petroleum Gas (LPG) fueled lift trucks. Typically utilized in warehouse and light manufacturing applications, these units were satisfactory but offered no distinct innovative or competitive advantage for the customer. Wajax proposed changing their current LPG fleet to a complete electric fleet with charging system. Although the initial acquisition cost of the units was higher than the LPG option, the long term cost per hour savings and benefits were substantial and the investment made sense. The guaranteed maintenance contract provided by Wajax was a further benefit to the customer, helping to reduce maintenance costs and maximize equipment up-time.

Civil Construction Works for Sports Car Test Track

A British Columbia based civil construction company was tasked to build an exclusive test track for luxury sports cars. Before final paving could be done, the contractor was required to excavate, shape and move 750,000 tons of dirt and gravel. This project was not only technical, but also held the contractor to very tight tolerances. As a longtime partner to the construction company, Wajax was asked to provide a solution and recommended the use of one ZX225LC-3 and two ZX250LC-5 Hitachi excavators that provide excellent balance, speed and precise movements. As a trusted advisor to the excavation company, Wajax is relied upon to provide expertise to keep the company's fleet operating reliably and efficiently, and works with the customer to keep their fleet maintained to the highest standards and provides trade in solutions for equipment which is rotated every 7,000-8,000 hours. Their fleet was also customized by Wajax with thumbs and Falling Object Protective Systems (FOPS) cabs given the nature of their work, providing the highest level of operator safety.

Investing in Our Growth

Wajax's strategy establishes priorities for organic growth and sets the scope for potential acquisitions. The majority of planned growth is expected to result from organic growth in existing product and service lines. Execution plans have been completed for the outlook period of 2018 – 2020.

2017 Revenue

For the twelve months ended December 31	2017
Targeted Growth	31%
Core Strength	50%
Cyclical/Major Project Opportunities	19%

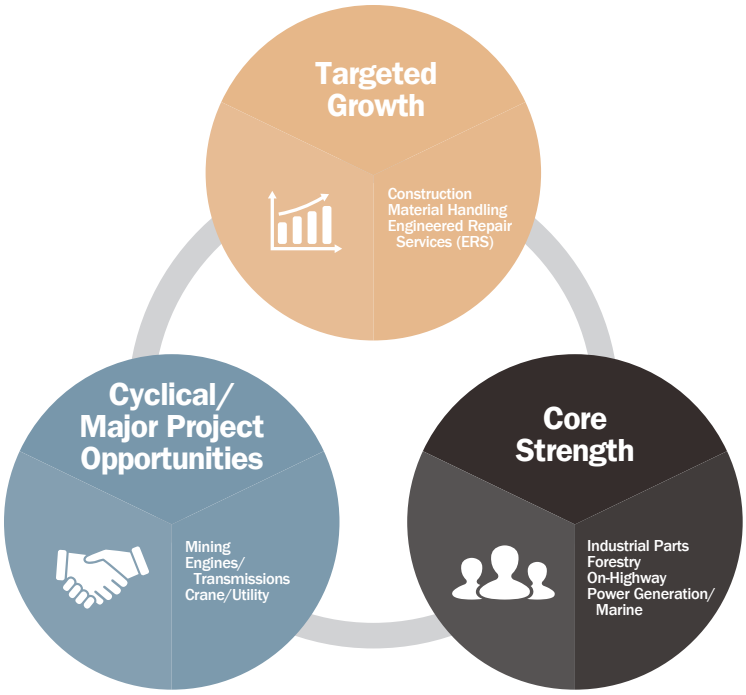
Strategic planning has grouped Wajax's ten categories in relation to their planned growth rates.

Wajax currently provides products and services in ten categories. Organic growth planning focuses on the relative opportunities in each of these categories considering market size and share, the strength of manufacturing relationships and products, category profitability and the durability of opportunity through the business cycle. Wajax's peak to trough performance has historically been related to a high proportion of profitability resulting from categories that are sensitive to commodity cycles. The focus of organic growth planning is to derive growth from categories where opportunities exist and business conditions are more stable through the cycle while not sacrificing growth opportunities in more cyclical businesses.

Wajax's ten categories have been grouped into three classifications:

- **Targeted Growth –** These categories represent the majority of planned organic growth due to Wajax's market share opportunities, excellent manufacturer products and support and opportunities to grow through the cycle. *Targeted Growth* categories are Construction, Material Handling and Engineered Repair Services and growth is based on gaining market share. In 2017, these categories represented 31% of sales.
- **Core Strength –** These categories are very important contributors to Wajax's revenue base and growth is expected to be generally consistent with long-term positive trends. In these categories, Wajax has strong current market shares or performance. *Core Strength* categories include Industrial Parts, Forestry, On-Highway transportation and Power Generation/Marine. In 2017, these categories represented 50% of sales.
- **Cyclical/Major Project Opportunities –** These categories address customer needs in more cyclical industries or are sensitive to major capital projects that are difficult to predict. Growth planning in these categories has been completed on a

The focus of organic growth planning is to derive growth from categories where opportunities exist and business conditions are more stable.



conservative basis and has been assumed below peak revenue levels through the outlook period. Wajax and its manufacturing partners have very strong products and services and we remain well-positioned to benefit from upside in each of these categories. *Cyclical/Major Project Opportunities* categories include Mining, Engines and Transmissions (which are all highly correlated to the conventional oil and gas industry), and Crane/Utility. In 2017, these categories represented 19% of sales.

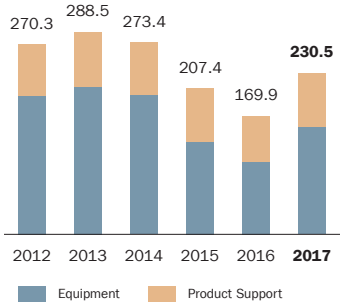
The Strategic Plan also considered acquisitions as an important potential driver of growth. In Canada, we continue to review opportunities primarily focused on Engineered Repair Services and, secondly, on extensions to our territory coverage with existing manufacturing partners. Wajax will also consider expansion beyond Canada, with a focus on the U.S. market, where opportunities are consistent with our category strategy, offer durable earnings and growth, and are based on further leveraging our relationship with existing major manufacturers.

Category Strategies

Wajax builds category strategies with our major manufacturers. Increasingly, sales professionals and sales and service leaders are satisfying customer requirements with products and services from multiple categories. Our goal is to ensure that our full range of products and services are levered to increase our relevance and value-add to individual customers.

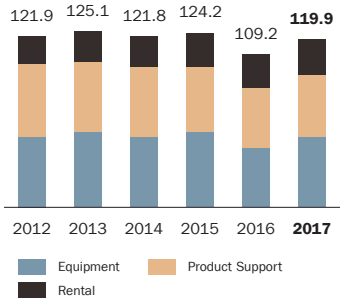
Targeted Growth ($ millions)

Construction



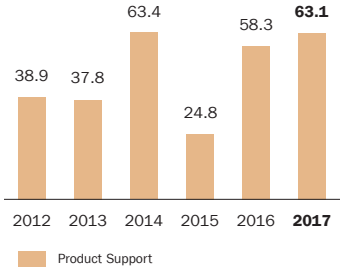
Working closely with our partners at Hitachi, Bell and other manufacturers, we plan to continue to grow our market share in construction equipment focusing on excavators, wheel loaders and articulated dump trucks. Wajax offers core construction products, a full range of aftermarket services, enhanced sales coverage and will offer new rental options on heavy equipment to ensure we are meeting the needs of our construction customers.

Material Handling



In partnership with Hyster-Yale Material Handling, our focus is to build upon our strength in the material handling market and expand our market share through enhanced sales coverage, ancillary equipment and warehouse products, expanded aftermarket services and investment in our rental fleet. Wajax offers a very broad range of products and services to address the material handling needs of warehouse, industrial and heavy-lift customers.

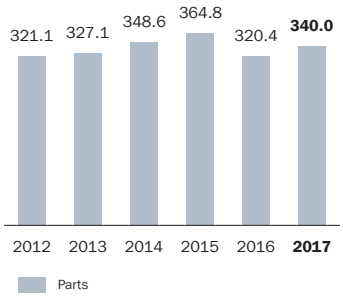
Engineered Repair Services (ERS)



Wajax continues to build ERS capabilities, offering shop and field services, commissioning, design, repairs and rebuilds, reliability and installation services. The organic growth strategy includes a focus on major account development of industrial and resource customers and enhanced services including asset management, condition monitoring and predictive maintenance.

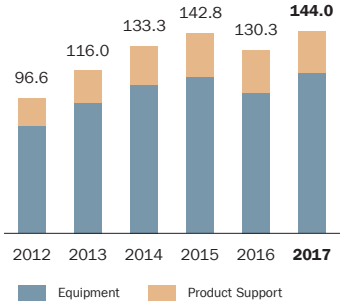
Core Strength ($ millions)

Industrial Parts



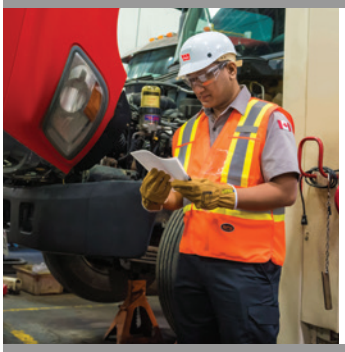
Working closely with major vendors including SKF, Timken, ITT, 3M, Eaton and Moyno, Wajax offers our customers expert service and support across a full range of bearings and power transmission, process and fluid power products. Industrial Parts is a very significant revenue contributor and an important competitive differentiator. The category is consumed by virtually all industrial users and offers access to a large number of customers, generating sales and service opportunities in other categories.

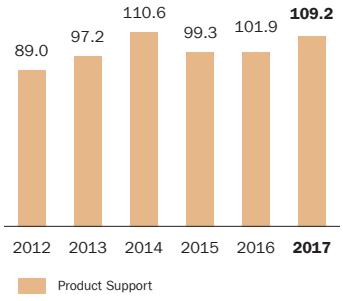
Forestry



In partnership with Tigercat and Hitachi, Wajax offers an industry-leading range of equipment and aftermarket services to logging contractors and other forestry customers. Wajax has achieved strong market share in a number of important product areas and continues to see growth opportunities as manufacturing partners invest in new product development that increases the safety, productivity and cost effectiveness of the logging operations of customers.

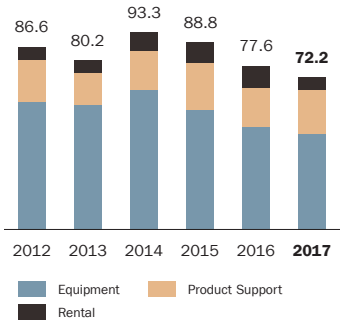
On-Highway





On-Highway transportation product support covers a wide range of shop and road services for municipalities, coach operators and large vehicle customers. Working with partners such as Detroit and Allison, who have excellent market share in the installed vehicle population, Wajax is an industry leader in large engine and transmission services. Continued growth is based on ongoing improvements in our customer service and expansion of our services to additional vehicle systems.

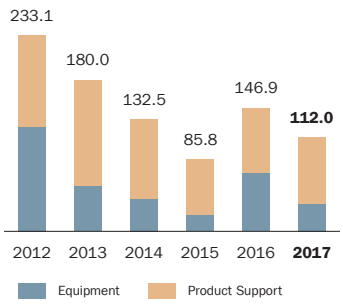
Power Generation/Marine



Standby, prime power and co-generation power systems are an important focus for Wajax and our primary partner Rolls-Royce Power Systems/MTU On-Site Energy. Wajax's legacy strengths in resource industries have been augmented to focus on growth areas including data centres, health care and water treatment. In marine power generation and propulsion, Wajax enjoys strong partnerships with Rolls-Royce and Volvo, providing growth opportunities in commercial and defense marine.

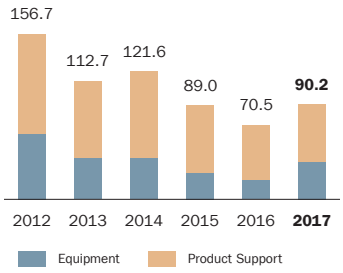
Cyclical/Major Project Opportunities ($ millions)

Mining



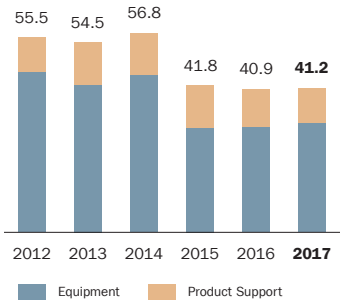
Working closely with Hitachi, Wajax is a leader in the sales and service of large hydraulic mining shovels used in surface mining operations across Canada and continues to develop new opportunities in the rigid frame mining truck market. To expand the range of products and services to our mining customers, Wajax has focused on new underground mining equipment working with partners such as Fletcher, and re-build services for other major equipment to help our customers extend the life and efficiency of their assets.

Engines/Transmissions



Wajax supports a very broad range of engines and transmissions used in off-highway applications such as oil and gas drilling, well stimulation and large vehicle or system re-powers. Products and services include design engineering, systems packaging and shop and field repair and re-build services. Our primary partners include Rolls-Royce Power Systems/MTU, Allison and others. To partially compensate for the cyclicality in this category, Wajax continues to focus on aftermarket and re-power services.

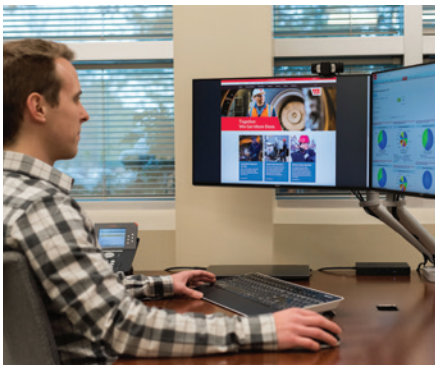
Crane/Utility



Working with partners such as Terex and Palfinger, Wajax offers a broad range of design and fabrication services to provincial utility and other customers. As utility customers adjust their capital spending on new equipment, Wajax is reviewing additional crane and utility opportunities.

Investing in Our Infrastructure

Our growth plan includes major improvements to our technology infrastructure, ongoing changes to our branch network and implementation of new sales and service support capabilities that assist our staff and customers.



Technology Investment

Ongoing investment in CRM and customer feedback systems is improving Wajax's sales force effectiveness and priorities for customer service improvement. Investment in a new enterprise operating system began in 2017. The new system will play an important role in business process consistency and information transparency, further improving cost efficiency and customer service.

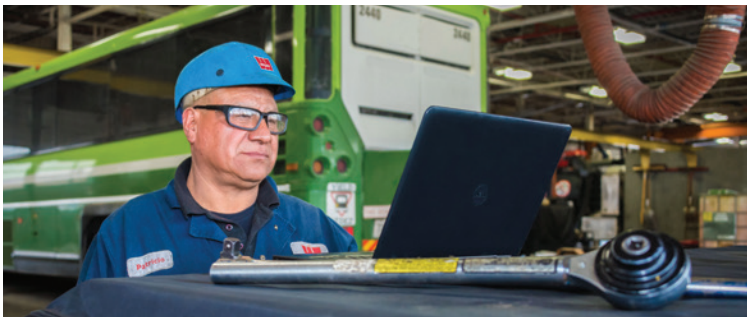
- Wajax has historically operated with multiple decentralized technology platforms and began the process of rationalizing those platforms prior to and within the major reorganization we undertook in 2016. Late in 2017, we began the project to transition the two remaining main operational systems in the company to a single new platform. Implementation of the new platform begins in 2019 and is expected to be completed by June 2020. The new platform compliments our recent investments in CRM and other systems, is a major factor in the next level of operational integration, brings new sales channel capabilities and improves the cost efficiency of our support teams.
- Our branch network will continue to change resulting in fewer facilities, lower costs and an increasing number of multi-purpose facilities covering a broader range of products and services. Wajax's branch count of 104 has been reduced 18% since 2012 due to ongoing optimization of the network (per facility revenue has increased 4% in this timeframe). By 2020, we expect facility count to be reduced by a further 10 – 20% due to facility improvements in various markets and ongoing consolidation.
- Wajax's investment in systems and integrated operations is providing additional opportunities to support local branches, service customers and implement new e-commerce capabilities. Our primary focus is to ensure that our customers have access to our full range of technical expertise, products and services from any location using the channel most convenient to them.

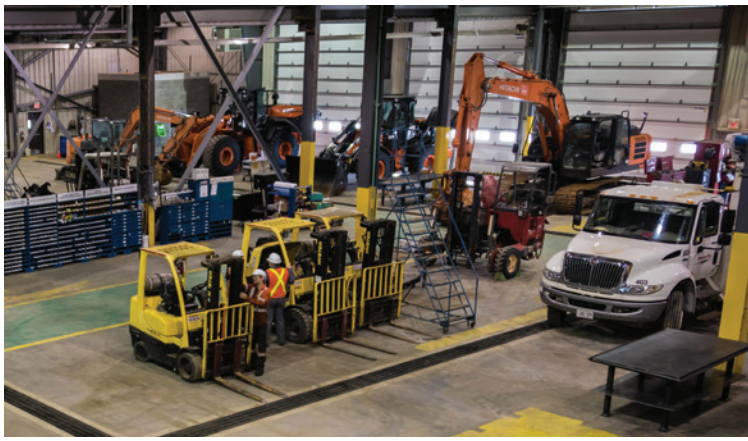
Branch Network

Wajax's branch and distribution network has become increasingly integrated in order to improve asset utilization and the consistency of customer access to products and services. With the implementation of new technology starting in 2019, common branch and distribution systems allow for more technology-enabled processes, higher personnel efficiency and new non-branch direct sales channels.

Technology Support

Technology to support our technicians is an important area of change and improvement. Training, vehicle diagnostics and shop and field support systems assist technicians with safety protocols, repair, inventory access and customer invoicing.





Multi-Purpose Facilities

Wajax continues to refine its branch network to improve the effectiveness of facilities. One aspect of planning is the use of multi-purpose facilities in secondary markets that allow all of Wajax's categories to be supported by one branch. Volumes in major markets can make such combinations difficult; however, secondary markets such as Sudbury and Quebec City are being changed to accommodate these multi-purpose facilities. The change results in lower costs and facility count and improved customer access to products and services.

Message from the Chairman

During 2017 Wajax continued to push forward towards its goal of becoming Canada's leading industrial products and services provider. Leveraging the benefits achieved from its 2016 strategic reorganization, the corporation further integrated and streamlined its operations, and delivered stronger financial results.

Board of Directors

Thomas M. Alford ▲■
Director since 2014
Mr. Alford is President, Well Services of Precision Drilling Corporation.

Edward M. Barrett ●▲
Director since 2006
Mr. Barrett is Chairman and Co-Chief Executive Officer of Barrett Corporation.

Ian A. Bourne ●
Director since 2006
Mr. Bourne is a corporate director.

Douglas A. Carty ●■
Director since 2009
Mr. Carty is a corporate director and the Chairman and Co-Founder of Switzer-Carty Transportation Inc.

Sylvia D. Chrominska ●▲
Director since 2015
Ms. Chrominska is a corporate director.

Robert P. Dexter
Director since 1988
Mr. Dexter is Chairman and Chief Executive Officer of Maritime Travel Inc. and the Chairman of the Board of Directors of the Corporation.

John C. Eby ●■
Director since 2006
Mr. Eby is a corporate director and a Founder and the President of Developing Scholars.

A. Mark Foote
Director since 2012
Mr. Foote is President and Chief Executive Officer of the Corporation.

Alexander S. Taylor ▲■
Director since 2009
Mr. Taylor is President, Power Group of SNC-Lavalin Group Inc.

● Audit Committee
▲ Human Resources and Compensation Committee
■ Governance Committee

Meanwhile, a comprehensive review and update of the Corporation's Strategic Plan has refined the corporation's priorities for growth and investment, and work will continue throughout 2018 to further strengthen Wajax's competitive position.

Mark and his team worked very hard during the year to successfully deliver the operational improvements and cost savings expected from the 2016 strategic reorganization. The continuing transition of Wajax, from its prior product-division structure to an integrated functional structure, also allowed Mark's team to drive additional efficiencies and implement improved practices, and this was reflected in the corporation's financial results. As a board, we are very pleased with the progress made to date in transforming the way Wajax serves its customers and works with its manufacturers.

As discussed in Mark's letter to shareholders and noted above, a comprehensive review and update of the corporation's growth strategy was completed by senior management during the year. Additional details of this updated strategy are provided elsewhere in this Annual Report. The board participated extensively in this process, testing and challenging management's plans and assumptions. As a result, we continue to believe very strongly in the direction of Wajax and are confident that the growth priorities, improved integration and investments in technology and people set forth in the updated growth plan will result in higher and more sustainable earnings for the corporation throughout the market cycle.

Very notably, Ian Bourne will be retiring from the board at Wajax's upcoming Annual Meeting. A director since 2006, Ian has been a long serving member and is the past-chair of the Audit Committee, and has also served on the Governance Committee. Ian's extensive experience and exceptional judgement have allowed him to serve with distinction, and he has contributed enormously to the work of the board and provided invaluable counsel to management. On behalf of Wajax's shareholders, management and my fellow directors, I extend our sincere gratitude to Ian and wish him good health and happiness.

As significant change remains the one constant for Wajax, its dedicated team of employees continues to rise to the challenge. On behalf of the board, I sincerely thank them for their efforts. Thank you as well to our loyal customers and suppliers for their support, and to my fellow directors for their guidance throughout the year.

Robert P. Dexter
Chairman of the Board

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Corporation ("Wajax" or the "Corporation") for the year ended December 31, 2017. This MD&A should be read in conjunction with the information contained in the Corporation's consolidated financial statements and accompanying notes for the year ended December 31, 2017. Information contained in this MD&A is based on information available to management as of March 5, 2018.

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

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

Wajax Corporation Overview

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

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

Strategic Direction and Outlook

The strategic reorganization announced by the Corporation in March 2016 was completed during the first quarter of 2017. During the year, the Corporation also completed a comprehensive review and update of its Strategic Plan which defines objectives for organic growth, acquisitions and operations. The key points of the updated Strategic Plan are as follows:

- Organic growth priorities have been adjusted to increase the focus on product and service categories where Wajax has market share opportunities and where customers are less affected by commodity prices. Historically, Wajax's peak and trough financial performance has been primarily related to categories that are sensitive to commodity prices. While nothing in the updated strategy lessens the potential upside from growth in these very important areas, the investment focus will be in product and service categories that are more durable through the cycle.
- Wajax will continue to integrate its historically decentralized infrastructure and will make increased technology investments to lower its cost-to-serve, improve customer access to its full range of products and services, and open new sales channels. Wajax will also continue to consolidate its physical branch network where opportunities exist and make investments in multi-purpose facilities capable of broadening service to local customers.
- Wajax will increase investment in its customer-facing teams, focusing on sales professionals and technicians. The Corporation's reorganization was effective in right-sizing the company to the then-current business conditions and simultaneously enabling the implementation of stronger sales and shop management practices. Using the foundation now built, the Corporation plans to increase hiring to grow its sales and service teams while continuing to focus on the efficiency of personnel costs in support areas.
- The majority of Wajax's growth is expected to result from organic programs. However, Wajax will continue to review acquisition opportunities that allow the Corporation to increase its ability to serve existing and new customers through expanded geographic reach and extensions to its product and service portfolio.

In 2018, Wajax expects adjusted net earnings to increase, due primarily to organic revenue growth.[1] Given the Corporation's plans to increase market share in highly competitive categories, gross margins are expected to be under pressure. While Wajax will make planned investments in programs that advance the Corporation's strategy, an ongoing focus on overall cost productivity is expected to assist Wajax in managing the expected margin pressure. Regionally, market conditions in central and eastern Canada are expected to be generally stable, and while conditions in western Canada may continue to improve in 2018, year-over-year gains are not expected to be as significant as they were in 2017. See the Non-GAAP and Additional GAAP Measures and Cautionary Statement Regarding Forward-Looking Information sections.

Annual and Fourth Quarter Highlights

2017 Full Year Highlights

- Revenue increased $97.4 million or 8%, to $1,319.3 million, in 2017 versus $1,221.9 million in 2016. Revenue in 2016 included approximately $50 million in additional mining equipment sales that were not repeated in 2017. Adjusting for these sales, revenue increased 13% year-over-year. Regionally:
  - Revenue in western Canada of $572 million increased 15% over the prior year. Sales gains in the majority of product categories, led by strong gains in construction and forestry, more than offset reductions in mining.
  - Revenue in central Canada of $310 million remained essentially unchanged from the prior year.
  - Revenue in eastern Canada of $438 million increased 5% over the prior year due primarily to improved results in industrial parts, construction and on-highway transportation sales.
- Selling and administrative expenses as a percentage of revenue decreased 110 basis points to 14.9% in 2017 from 16.0% in 2016. Selling and administrative expenses increased by $1.9 million compared to 2016 due mainly to higher annual incentive accruals offset partially by a gain recorded on sales of properties of $1.5 million.
- Adjusted EBITDA margin increased to 6.0% in 2017 from 5.2% in 2016. Adjusted EBITDA excludes the after-tax restructuring (recovery) costs and gain recorded on sales of properties.[(1)]
- EBIT increased $31.1 million, or 116%, to $58.0 million in 2017 versus $26.9 million in 2016.[(1)] The year-over-year improvement is attributable to increased revenue, improved parts and service margin rates and a restructuring recovery of $0.3 million in the current year compared to restructuring costs of $12.5 million in the prior year.
- Based on the improved EBIT result, the Corporation generated net earnings of $30.9 million, or $1.58 per share, in 2017 versus $11.0 million, or $0.55 per share, in 2016. The Corporation generated adjusted net earnings of $33.5 million, or $1.71 per share, in 2017 versus $20.1 million, or $1.01 per share, in 2016. 2017 adjusted net earnings excludes the after-tax restructuring recovery, gain recorded on sales of properties and senior notes redemption costs.[(1)] 2016 adjusted net earnings excludes the after-tax restructuring costs.[(1)]
- The Corporation's backlog at December 31, 2017 of $178.9 million increased $8.6 million, or 5%, compared to September 30, 2017 due primarily to increases in construction and power generation orders offset partially by a decrease in crane and utility orders. The Corporation's backlog at December 31, 2017 of $178.9 million increased $53.1 million, or 42%, compared to December 31, 2016 due primarily to higher construction, material handling and power generation equipment orders and higher industrial parts orders.[(1)]
- Inventories of $322.8 million at December 31, 2017 decreased $10.2 million from September 30, 2017 due primarily to lower forestry, crane and utility, and engines and transmissions inventory, offset partially by higher construction inventory. Inventories of $322.8 million at December 31, 2017 increased $39.4 million from December 31, 2016. This was due primarily to an increase in equipment inventories, including a new construction equipment line, to support both the Corporation's increasing backlog and an expansion of construction equipment rental operations.
- Working capital of $298.5 million at December 31, 2017 increased $6.0 million and working capital as a percentage of the trailing 12-month sales decreased by 40 basis points from September 30, 2017. Working capital at December 31, 2017 increased $32.6 million from December 31, 2016 due primarily to higher inventory levels. Working capital as a percentage of the trailing 12-month sales decreased by 150 basis points from 2016 despite the higher inventory levels at December 31, 2017.[(1)]
- The Corporation's leverage ratio decreased slightly to 2.06 times at December 31, 2017 compared to 2.08 times at September 30, 2017 and 2.07 times at December 31, 2016.[(1)]
- On September 20, 2017, the Corporation amended its bank credit facility, increasing the facility size from $250.0 million to $300.0 million, expanding financial covenants and extending the maturity date from August 12, 2020 to September 20, 2021. Proceeds from the amended bank credit facility were used to redeem all of the Corporation's outstanding 6.125% senior notes on October 23, 2017.

Fourth Quarter Highlights

- Revenue in the fourth quarter increased $62.9 million, or 20%, to $376.6 million from $313.7 million in the fourth quarter of 2016. The increase in 2017 was primarily due to higher equipment sales and product support revenues in western and eastern Canada, led by strong gains in the construction, forestry and engines and transmissions product categories.
- Selling and administrative expenses as a percentage of revenue decreased 270 basis points to 13.3% in the fourth quarter of 2017 from 16.0% in the same quarter of 2016.
- Adjusted EBITDA margin decreased to 6.1% in the fourth quarter of 2017 from 6.8% in the same quarter of 2016. Adjusted EBITDA excludes the gain recorded on sales of properties.[(1)]
- EBIT increased $3.2 million, or 21%, to $18.4 million in the fourth quarter of 2017 versus $15.2 million in the same quarter of 2016.[(1)] The year-over-year improvement is primarily due to increased revenue and a $1.4 million gain recorded on sales of properties offset partially by lower gross profit margins, higher selling and administrative expenses and an accrual of $2.6 million in the prior year for insurance proceeds related to the Fort McMurray wildfires that occurred in the second quarter of 2016.
- The Corporation generated net earnings of $8.0 million, or $0.41 per share, in the fourth quarter of 2017 versus $8.9 million, or $0.45 per share, in the same quarter of 2016. The Corporation generated adjusted net earnings of $10.9 million, or $0.56 per share, in the fourth quarter of 2017 versus $8.9 million, or $0.45 per share, in the same quarter of 2016. Adjusted net earnings in the fourth quarter of 2017 excludes the after-tax gain recorded on sales of properties and senior notes redemption costs.[(1)]

(1) "Backlog", "Leverage ratio", "Adjusted net earnings", "EBITDA margin", "Adjusted EBITDA" and "Adjusted EBITDA margin" do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP"). "EBIT" and "Working capital" are additional GAAP measures. See the Non-GAAP and Additional GAAP Measures section.

Summary of Annual Operating Results

For the twelve months ended December 31		2017		2016	% change
Revenue	$	**1,319.3**	$	1,221.9	8.0%
Gross profit	$	**254.8**	$	230.9	10.3%
Selling and administrative expenses	$	**197.1**	$	195.2	1.0%
Restructuring (recovery) costs	$	**(0.3)**	$	12.5	(102.5)%
Insurance recoveries	$	**–**	$	(3.7)	(100.0)%
Earnings before finance costs and income taxes[1]	$	**58.0**	$	26.9	115.6%
Finance costs	$	**15.2**	$	11.2	36.4%
Earnings before income taxes[1]	$	**42.7**	$	15.7	171.9%
Income tax expense	$	**11.8**	$	4.7	150.8%
Net earnings	$	**30.9**	$	11.0	180.9%
– Basic earnings per share[2]	$	**1.58**	$	0.55	187.3%
– Diluted earnings per share[2]	$	**1.53**	$	0.54	188.9%
Adjusted net earnings[1][3]	$	**33.5**	$	20.1	66.7%
– Adjusted basic earnings per share[1][2][3]	$	**1.71**	$	1.01	69.3%
– Adjusted diluted earnings per share[1][2][3]	$	**1.66**	$	1.00	69.0%
Adjusted EBITDA[1]	$	**78.6**	$	64.0	22.8%
Key ratios:					
Gross profit margin		**19.3%**		18.9%	
Selling and administrative expense as a percentage of revenue		**14.9%**		16.0%	
EBIT margin[1]		**4.4%**		2.2%	
Adjusted EBITDA margin[1]		**6.0%**		5.2%	
Effective income tax rate		**27.7%**		30.0%	

Statement of financial position highlights

As at December 31		2017		2016
Trade and other receivables	$	**207.4**	$	194.6
Inventories	$	**322.8**	$	283.4
Accounts payable and accrued liabilities	$	**(229.5)**	$	(232.7)
Other working capital amounts[1]	$	**(2.2)**	$	20.6
Working capital[1]	$	**298.5**	$	265.9
Rental equipment	$	**61.3**	$	58.1
Property, plant and equipment	$	**44.8**	$	45.7
Funded net debt[1]	$	**154.9**	$	126.0
Key ratios:				
Leverage ratio[1]		**2.06 times**		2.07 times

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

(2) Weighted average shares outstanding for calculation of basic and diluted earnings per share for the twelve months ended December 31, 2017 was 19,605,884 (2016 – 19,898,004) and 20,204,738 (2016 – 20,203,771), respectively.

(3) Net earnings excluding the following:

a. after-tax restructuring (recovery) costs of ($0.2 million) (2016 – $9.1 million), or basic and diluted earnings per share of ($0.01) (2016 – $0.46), for the twelve months ended December 31, 2017.

b. after-tax gain recorded on sales of properties of $1.2 million (2016 – nil), or basic and diluted earnings per share of ($0.06) (2016 – nil) and ($0.06) (2016 – nil) respectively, for the twelve months ended December 31, 2017.

c. after-tax senior notes redemption costs of $4.0 million (2016 – nil), or basic and diluted earnings per share of $0.20 (2016 – nil), for the twelve months ended December 31, 2017.

Annual Results of Operations

Revenue in 2017 increased 8.0%, or $97.4 million, to $1,319.3 million from $1,221.9 million in 2016. In addition to regional revenue commentary provided previously herein, the following factors contributed to the increase in revenue:

- Equipment sales have increased due primarily to higher construction equipment sales in all regions and higher forestry and engines and transmissions equipment sales in western Canada. These increases were partly offset by a decrease in mining equipment sales in western Canada and a decrease in power generation sales in all regions.
- Revenue from industrial parts has increased due primarily to increased bearings and process equipment sales in all regions.
- Product support revenue has increased on strength in construction parts and service sales in western and central Canada and higher on-highway parts and service sales in all regions.

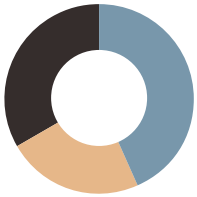
Backlog

Backlog of $178.9 million at December 31, 2017 increased $53.1 million compared to December 31, 2016 due primarily to increases in construction, material handling, power generation and industrial parts orders.

Gross profit

Gross profit increased $23.9 million, or 10%, in 2017 compared to the prior year, due to increased volumes and higher gross profit margins. Gross profit margin percentage of 19.3% in 2017 increased from 18.9% in the prior year due mainly to higher parts margin rates and improved service margins.

Revenue by Geographic Region ($ millions)

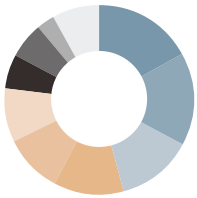


2017	
Western Canada	**$ 572.2**
Central Canada	**309.6**
Eastern Canada*	**437.5**
Total	**$ 1,319.3**

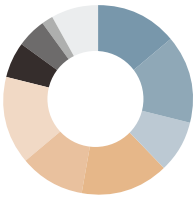
2016	
Western Canada	$ 498.3
Central Canada	307.8
Eastern Canada*	415.8
Total	$ 1,221.9

* Includes Quebec and the Atlantic provinces.

Revenue by Market

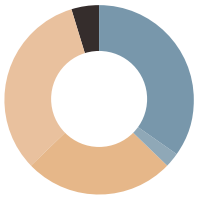


2017	
Construction	**17%**
Forestry	**16%**
Mining	**13%**
Industrial/Commercial	**12%**
Oil Sands	**10%**
Transportation	**9%**
Metal Processing	**6%**
Government and Utilities	**6%**
Oil and Gas	**3%**
Other	**8%**

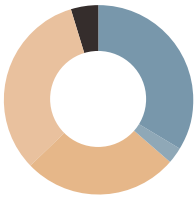


2016	
Construction	14%
Forestry	15%
Mining	9%
Industrial/Commercial	15%
Oil Sands	11%
Transportation	15%
Metal Processing	6%
Government and Utilities	5%
Oil and Gas	2%
Other	8%

Revenue ($ millions)



2017	
Equipment sales	**$ 459.8**
Equipment rental	**31.9**
Industrial parts	**340.0**
Product support	**426.0**
Other	**61.7**
Total	**$ 1,319.3**



2016	
Equipment sales	$ 412.6
Equipment rental	34.7
Industrial parts	320.4
Product support	398.1
Other	56.1
Total	$ 1,221.9

Selling and administrative expenses

Selling and administrative expenses as a percentage of revenue decreased to 14.9% in 2017 from 16.0% in 2016. Selling and administrative expenses increased $1.9 million in 2017 compared to the prior year due mainly to higher annual incentive accruals, offset partially by a gain recorded on sales of properties of $1.5 million.

Restructuring (recovery) costs

Restructuring recovery of $0.3 million ($0.2 million after-tax), was recorded in the second quarter of 2017 compared to restructuring costs of $12.5 million ($9.1 million after-tax), consisting principally of severance costs, recorded in the first quarter of 2016.

Insurance recoveries

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

Finance costs

Finance costs of $15.2 million increased $4.0 million compared to 2016 due primarily to costs related to the senior notes redemption offset partially by lower average debt levels and lower average interest rates due primarily to the senior notes redemption. See the Liquidity and Capital Resources section.

The Corporation redeemed all of its outstanding 6.125% senior notes on October 23, 2017. The redemption amount was 103.063% of the principal amount, including a $3.8 million call premium, plus accrued and unpaid interest to the redemption date. As a result of the early redemption of the senior notes, which were originally due in 2020, the remaining deferred financing costs of $1.6 million relating to the issuance of the senior notes in 2013 were written off in 2017.

Income tax expense

The Corporation's effective income tax rate was 27.7% (2016 – 30.0%) compared to the statutory rate of 26.9% (2016 – 26.9%) due to the impact of expenses not deductible for tax purposes. The statutory income tax rate of 26.9% is unchanged compared to 2016.

Net earnings

In 2017, the Corporation had net earnings of $30.9 million, or $1.58 per share, compared to $11.0 million, or $0.55 per share, in 2016. The $19.9 million increase in net earnings resulted primarily from higher volumes, improved gross profit margins and a restructuring recovery compared to restructuring costs in the prior year. These increases were partially offset by senior notes redemption costs, insurance recoveries of $2.6 million after-tax in 2016 not repeated in the current year and higher selling and administrative expenses compared to the prior year.

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

Adjusted net earnings excludes the restructuring recovery of $0.2 million after-tax, or $0.01 per share (2016 – costs of $9.1 million or $0.46 per share), the gain recorded on sales of properties of $1.2 million after-tax, or $0.06 per share, and the senior notes redemption costs of $4.0 million after-tax, or $0.20 per share.

As such, adjusted net earnings increased $13.4 million to $33.5 million, or $1.71 per share, in 2017 from $20.1 million, or $1.01 per share, in 2016. The $13.4 million increase in adjusted net earnings resulted primarily from higher volumes and improved gross profit margins offset partially by insurance recoveries of $2.6 million after-tax in 2016 not repeated in the current year and higher selling and administrative expenses compared to the prior year.

Comprehensive income

Total comprehensive income of $30.6 million in 2017 included net earnings of $30.9 million offset partially by an other comprehensive loss of $0.3 million. The other comprehensive loss resulted from a $0.4 million after-tax change in the amount of losses on derivative instruments designated as cash flow hedges recorded in the year offset partially by after-tax actuarial gains on pension plans of $0.1 million.

Selected Annual Information

The following selected annual information is audited and has been prepared on the same basis as the 2017 annual audited consolidated financial statements.

	2017	2016	2015
Revenue	**$ 1,319.3**	$ 1,221.9	$ 1,273.3
Net earnings (loss)	**$ 30.9**	$ 11.0	$ (11.0)
Basic earnings (loss) per share	**$ 1.58**	$ 0.55	$ (0.59)
Diluted earnings (loss) per share	**$ 1.53**	$ 0.54	$ (0.59)
Total assets	**$ 692.6**	$ 664.9	$ 677.5
Non-current liabilities	**$ 161.9**	$ 138.6	$ 169.5
Dividends declared per share	**$ 1.00**	$ 1.00	$ 1.23

Revenue in 2017 of $1,319.3 million increased $97.4 million compared to 2016. The increase is attributable to strength in most western Canada markets, led by strong gains in construction and forestry and higher industrial parts revenue in eastern Canada. These gains were partially offset by lower mining equipment revenue primarily in western Canada. Revenue in 2016 of $1,221.9 million decreased $51.4 million compared to 2015 due to weakness in most western Canada markets. In 2016, lower sales to construction, material handling and forestry customers due to lower demand and competitive market pressures were offset by an increase in mining sector activity, including the delivery of four large mining shovels into the oil sands and eastern Canada mining markets.

Net earnings in 2017 of $30.9 million increased $41.9 million, or $2.17 per share, from 2015. Excluding the after-tax restructuring recovery of $0.2 million ($0.01 per share), after-tax gain recorded on sales of properties of $1.2 million ($0.06 per share) and after-tax senior notes redemption costs of $4.0 million ($0.20 per share) in 2017 and the after-tax impairment of goodwill and intangible assets of $37.3 million ($2.01 per share) and restructuring costs of $1.5 million ($0.08 per share) in 2015, net earnings increased $5.7 million, or $0.21 per share. This increase was due principally to higher volumes and reduced selling and administrative expenses and finance costs offset partially by lower gross profit margins. See the Non-GAAP and Additional GAAP Measures and Liquidity and Capital Resources sections.

The $15.1 million increase in total assets between December 31, 2015 and December 31, 2017 was mainly attributable to higher trade accounts receivable, offset partially by a reduction in cash and deposits on inventory.

Non-current liabilities at December 31, 2017 of $161.9 million decreased $7.6 million from December 31, 2015 primarily attributable to a $7.9 million decrease in long-term debt. The decrease in long-term debt resulted mainly from lower working capital at December 31, 2017 compared to December 31, 2015.

Selected Quarterly Information

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2017 annual audited consolidated financial statements.

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 376.6**	$ 299.0	$ 325.3	$ 318.4	$ 313.7	$ 286.6	$ 336.6	$ 285.0
Net earnings (loss)	**$ 8.0**	$ 9.1	$ 7.6	$ 6.2	$ 8.9	$ 7.6	$ 4.3	$ (9.7)
Net earnings (loss) per share								
– Basic	**$ 0.41**	$ 0.45	$ 0.39	$ 0.31	$ 0.45	$ 0.38	$ 0.22	$ (0.49)
– Diluted	**$ 0.40**	$ 0.44	$ 0.37	$ 0.31	$ 0.44	$ 0.37	$ 0.21	$ (0.49)

Although quarterly fluctuations in revenue and net earnings are difficult to predict, during times of weak energy sector activity, the first quarter will tend to have seasonally lower results. As well, large deliveries of mining trucks and shovels and power generation packages can shift the revenue and net earnings throughout the year.

Fourth quarter 2017 net earnings of $8.0 million included an after-tax gain recorded on sales of properties of $1.2 million and after-tax senior notes redemption costs of $4.0 million. Excluding the gain recorded on sales of properties and senior notes redemption costs, fourth quarter 2017 adjusted net earnings were $10.9 million. The $9.7 million net loss in the first quarter of 2016 included after-tax restructuring costs of $9.1 million. Excluding restructuring costs, the first quarter 2016 adjusted net loss was $0.6 million. See the Non-GAAP and Additional GAAP Measures section.

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

Consolidated Financial Condition

Capital Structure and Key Financial Condition Measures

	December 31	
	2017	2016
Shareholders' equity	**$ 283.7**	$ 276.8
Funded net debt[1]	**154.9**	126.0
Total capital	**$ 438.6**	$ 402.8
Funded net debt to total capital[1]	**35.3%**	31.3%
Leverage ratio[1]	**2.06**	2.07

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

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

Shareholders' Equity

The Corporation's shareholders' equity at December 31, 2017 of $283.7 million increased $6.9 million from December 31, 2016, as earnings of $30.9 million exceeded dividends declared of $19.6 million and $4.6 million in shares purchased during the year through two employee benefit plan trusts funded by the Corporation (for future settlement of share-based compensation plan awards).

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

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

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

At December 31, 2017, Wajax had four share-based compensation plans; the Wajax Share Ownership Plan ("SOP"), the Directors' Deferred Share Unit Plan ("DDSUP"), the Mid-Term Incentive Plan for Senior Executives ("MTIP") and the Deferred Share Unit Plan ("DSUP").

As of December 31, 2017, there were 388,983 (2016 – 345,458) SOP and DDSUP (treasury share settled) rights outstanding and 498,440 (2016 – 315,916) MTIP and DSUP (market-purchased share settled) rights outstanding. At December 31, 2017, all SOP and DDSUP rights were vested (2016 – 339,504). At December 31, 2017, the number of shares held in trust approximates the number of market-purchased share settled rights outstanding. Depending on the actual level of achievement of the performance targets associated with the outstanding MTIP and DSUP grants, the number of market-purchased shares required to satisfy the Corporation's obligations could be higher or lower.

Wajax recorded compensation expense of $3.8 million for the year (2016 – $2.7 million) in respect of these plans.

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

	December 31	
	2017	2016
Bank indebtedness (cash)	**$ 1.7**	$ (4.9)
Obligations under finance lease	**9.5**	8.9
Long-term debt	**143.7**	122.0
Funded net debt[1]	**$ 154.9**	$ 126.0

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

Funded net debt of $154.9 million at December 31, 2017 increased $28.9 million compared to $126.0 million at December 31, 2016. The increase during the year was due primarily to dividends paid of $19.7 million, common shares purchased and held in trust of $7.5 million and finance lease payments of $4.0 million, offset partially by cash generated from operating activities of $7.1 million.

The Corporation's ratio of funded net debt to total capital increased to 35.3% at December 31, 2017 from 31.3% at December 31, 2016, primarily due to the higher funded net debt level at December 31, 2017.

The Corporation's leverage ratio of 2.06 times at December 31, 2017 decreased slightly from the December 31, 2016 ratio of 2.07 times. See the Non-GAAP and Additional GAAP Measures section.

See the Liquidity and Capital Resources section.

Financial Instruments

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

Wajax monitors the proportion of variable rate debt to its total debt portfolio and may enter into interest rate hedge contracts to mitigate a portion of the interest rate risk on its variable rate debt. A change in interest rates, in particular related to the Corporation's unhedged variable rate debt, is not expected to have a material impact on the Corporation's results of operations or financial condition over the longer term.

Wajax has entered into interest rate hedge contracts to minimize exposure to interest rate fluctuations on its variable rate debt. All interest rate hedge contracts are recorded in the consolidated financial statements at fair value. As at December 31, 2017, Wajax had the following interest rate hedge contracts outstanding:

- $40.0 million, expiring between November 2019 and November 2022, with a weighted average interest rate of 2.01%.

Wajax enters into short-term currency forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. As at December 31, 2017, Wajax had the following contracts outstanding:

- to buy U.S. $48.5 million (December 31, 2016 – to buy U.S. $55.1 million), and
- to sell U.S. $13.8 million (December 31, 2016 – to sell U.S. $10.8 million).

The U.S. dollar contracts expire between January 2018 and December 2018, with a weighted average U.S./Canadian dollar rate of 1.2748.

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

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

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

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

Contractual Obligations

Contractual Obligations	**Total**	< 1 year	1 – 5 years	After 5 years
Operating leases	**$ 74.5**	$ 18.3	$ 41.4	$ 14.8
Obligations under finance leases[1]	**$ 9.5**	$ 3.8	$ 5.7	$ –
Bank debt	**$ 145.0**	$ –	$ 145.0	$ –
Total	**$ 229.0**	$ 22.1	$ 192.1	$ 14.8

(1) Amounts exclude finance costs.

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

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

The bank debt obligation relates to the bank credit facility. See the Liquidity and Capital Resources section.

The above table does not include obligations to fund pension benefits. Wajax sponsors certain defined benefit plans that cover executive employees, a small group of inactive employees and certain employees on long-term disability benefits. The defined benefit plans are subject to actuarial valuations in 2018. Management does not expect future cash contribution requirements to change materially from the 2017 contribution level of $0.9 million as a result of these valuations or any declines in the fair value of the defined benefit plans' assets.

Related Party Transactions

The Corporation's related party transactions, consisting of the compensation of the Board of Directors and key management personnel, totaled $10.6 million in 2017 (2016 – $6.6 million).

Off Balance Sheet Financing

Off balance sheet financing arrangements include operating lease contracts for facilities with various landlords and other equipment related mainly to office equipment. The total obligations for all operating leases are detailed in the Contractual Obligations section above. At December 31, 2017, the non-discounted operating lease commitments for facilities totaled $73.7 million and for rental fleet totaled $0.8 million.

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

The Corporation had $90.6 million (2016 – $44.4 million) of consigned inventory on-hand from a major manufacturer at December 31, 2017, net of deposits of $6.4 million (2016 – $19.1 million). In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold or rented to customers or purchased by Wajax. Under the terms of the consignment program, Wajax is required to make periodic deposits to the manufacturer on the consigned inventory that is rented to Wajax customers or on-hand for greater than nine months. This consigned inventory is not included in Wajax's inventory as the manufacturer retains title to the goods. In the event the inventory consignment program was terminated, Wajax would utilize interest free financing, if any, made available by the manufacturer and/or utilize capacity under its credit facility to finance the purchase of inventory.

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

Liquidity and Capital Resources

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

Bank and Non-bank Credit Facilities

On September 20, 2017, the Corporation amended its bank credit facility, extending the maturity date from August 12, 2020 to September 20, 2021. In addition, a $50 million non-revolving term facility was added to the existing $250 million revolving term portion of the facility, increasing the total facility size to $300 million. The existing financial covenants under the credit facility restricting distributions, acquisitions and investments have been increased to a leverage ratio of 4.0 times. The $0.4 million cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility.

The terms of the $300 million bank credit facility include the following:

- The facility is fully secured and expires September 20, 2021.
- Borrowing capacity is dependent upon the level of inventories on hand and the outstanding trade accounts receivable.
- The bank credit facility contains customary restrictive covenants, including limitations on the payment of cash dividends and the maintenance of certain financial ratios, all of which were met as at December 31, 2017. In particular, the Corporation is restricted from declaring dividends in the event the Corporation's leverage ratio, as defined in the bank credit facility agreement, exceeds 4.0 times.
- Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR rates or prime. Margins on the facility depend on the Corporation's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

At December 31, 2017, Wajax had borrowed $145.0 million and issued $7.3 million of letters of credit for a total utilization of $152.3 million of its $300 million bank credit facility. At December 31, 2017, borrowing capacity under the bank credit facility was equal to $300 million.

On September 20, 2017, the Corporation issued a notice of redemption for all of its outstanding 6.125% senior notes due October 23, 2020. The redemption date was October 23, 2017 and the redemption amount was 103.063% of the principal amount, including a $3.8 million call premium, plus accrued and unpaid interest to the redemption date.

Under the terms of the bank credit facility, Wajax is permitted to have additional interest bearing debt of $25 million. As such, Wajax has up to $25 million of demand inventory equipment financing capacity with two non-bank lenders. At December 31, 2017, Wajax had no utilization of the interest bearing equipment financing facilities.

As of March 5, 2018, Wajax maintained a bank credit facility with a limit of $300 million and an additional $25 million in credit facilities with non-bank lenders, which is permitted under the bank credit facility. As at December 31, 2017, $147.7 million was unutilized under the bank facility and $25 million was unutilized under the non-bank facilities. Wajax maintains sufficient liquidity to meet short-term normal course working capital and maintenance capital requirements and certain strategic investments. However, Wajax may be required to access the equity or debt markets to fund significant acquisitions.

In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. At December 31, 2017, $40 million of the Corporation's funded net debt, or 26%, was at a fixed interest rate which is within the Corporation's interest rate risk policy.

Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the years ended December 31, 2017 and December 31, 2016:

For the year ended December 31	**2017**	2016	Change
Net earnings	**$ 30.9**	$ 11.0	$ 19.9
Items not affecting cash flow	**52.2**	43.4	8.8
Net change in non-cash operating working capital	**(33.7)**	30.9	(64.6)
Finance costs paid	**(14.8)**	(10.3)	(4.5)
Income taxes paid	**(7.4)**	(2.4)	(5.0)
Rental equipment additions	**(19.3)**	(13.5)	(5.8)
Other non-current liabilities	**(0.8)**	(0.9)	(0.1)
Cash generated from operating activities	**$ 7.1**	$ 58.2	$ (51.1)
Cash used in investing activities	**$ (1.8)**	$ (8.9)	$ 7.1
Cash used in financing activities	**$ (11.9)**	$ (58.1)	$ 46.2

Cash Generated From Operating Activities

The $51.1 million year over year decrease in cash flows generated from operating activities was mainly attributable to a decrease in cash generated from changes in non-cash operating working capital of $64.6 million and an increase in rental equipment additions of $5.8 million, offset partially by increased net earnings of $19.9 million.

Rental equipment additions in 2017 of $19.3 million (2016 – $13.5 million) related primarily to lift trucks.

Significant components of non-cash operating working capital, along with changes for the years ended December 31, 2017 and December 31, 2016 include the following:

Changes in Non-cash Operating Working Capital[1]	**2017**	2016
Trade and other receivables	**$ (13.1)**	$ (26.5)
Contracts in progress	**3.0**	(2.3)
Inventories	**(36.6)**	29.5
Deposits on inventory	**12.5**	2.0
Prepaid expenses	**1.1**	1.6
Accounts payable and accrued liabilities	**(0.8)**	25.9
Provisions	**0.2**	0.6
Total Changes in Non-cash Operating Working Capital	**$ (33.7)**	$ 30.9

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the year ended December 31, 2017 compared to the year ended December 31, 2016 are as follows:

- Trade and other receivables increased $13.1 million in 2017 compared to an increase of $26.5 million in 2016. The increase in 2017 resulted primarily from higher trade receivables from a large oil and gas customer. The increase in 2016 resulted primarily from higher oil sands sales activity in western Canada.
- Inventories increased $36.6 million in 2017 compared to a decrease of $29.5 million in 2016. The increase in 2017 was due to higher construction, mining and material handling equipment inventory. The decrease in 2016 was primarily attributable to lower construction and industrial parts inventory.
- Deposits on inventory decreased $12.5 million in 2017 compared to a decrease of $2.0 million in 2016. The decrease in 2017 resulted from a decrease in deposits on aged consignment inventory. See the Off Balance Sheet Financing section.
- Accounts payable and accrued liabilities decreased $0.8 million in 2017 compared to an increase of $25.9 million in 2016. The increase in 2016 resulted primarily from higher trade payables related to mining equipment inventory.

Investing Activities

For the year ended December 31, 2017, Wajax invested $1.5 million in property, plant and equipment additions, net of disposals, compared to $3.1 million for the year ended December 31, 2016.

Financing Activities

The Corporation used $11.9 million of cash from financing activities in 2017 compared to $58.1 million from financing activities in 2016. Financing activities during the year included a net bank credit facility borrowing of $20.0 million (2016 – repayments of $30 million) offset by dividends paid to shareholders of $19.7 million (2016 – $19.9 million), common shares purchased and held in trust funded by the Corporation totaling $7.5 million (2016 – $3.2 million) and finance lease payments of $4.0 million (2016 – $4.3 million).

Dividends

Dividends to shareholders for the periods January 1, 2017 to December 31, 2017 and January 1, 2016 to December 31, 2016 were declared and payable to shareholders of record as follows:

	2017		2016	
Month	**Per Share**	**Amount**	Per Share	Amount
March	**$ 0.25**	**$ 5.0**	$ 0.25	$ 5.0
June	**0.25**	**4.9**	0.25	5.0
September	**0.25**	**4.9**	0.25	4.9
December	**0.25**	**4.9**	0.25	5.0
Total dividends for the years ended December 31	**$ 1.00**	**$ 19.6**	$ 1.00	$ 19.9

For the years ended December 31, 2017 and December 31, 2016, Wajax declared dividends to shareholders totaling $1.00 per share in each year. Dividends paid in 2017 were funded from cash generated from operating activities.

On March 5, 2018, the Corporation declared a dividend of $0.25 per share for the first quarter of 2018, payable on April 4, 2018 to shareholders of record on March 15, 2018.

Fourth Quarter Consolidated Results

For the three months ended December 31		**2017**		2016	% change
Revenue	**$**	**376.6**	$	313.7	20.0%
Gross profit	**$**	**68.6**	$	62.8	9.3%
Selling and administrative expenses	**$**	**50.2**	$	50.3	(0.1)%
Insurance recoveries	**$**	**–**	$	(2.6)	(100.0)%
Earnings before finance costs and income taxes[1]	**$**	**18.4**	$	15.2	21.3%
Finance costs	**$**	**7.4**	$	2.8	164.4%
Earnings before income taxes[1]	**$**	**11.0**	$	12.4	(11.2)%
Income tax expense	**$**	**3.0**	$	3.5	(15.3)%
Net earnings	**$**	**8.0**	$	8.9	(9.5)%
– Basic earnings per share[2]	**$**	**0.41**	$	0.45	(8.9)%
– Diluted earnings per share[2]	**$**	**0.40**	$	0.44	(9.1)%
Adjusted net earnings[1][4]	**$**	**10.9**	$	8.9	22.5%
– Adjusted basic earnings per share[1][2][3]	**$**	**0.56**	$	0.45	24.4%
– Adjusted diluted earnings per share[1][3][3]	**$**	**0.54**	$	0.44	22.7%
Adjusted EBITDA[1]	**$**	**22.8**	$	21.5	6.1%
Key ratios:					
Gross profit margin		**18.2%**		20.0%	
Selling and administrative expense as a percentage of revenue		**13.3%**		16.0%	
EBIT margin[1]		**4.9%**		4.8%	
Adjusted EBITDA margin[1]		**6.1%**		6.8%	
Effective income tax rate		**26.8%**		28.2%	

(1) These measures do not have a standardized meaning prescribed by GAAP. See the Non-GAAP and Additional GAAP Measures section.
(2) Weighted average shares outstanding for calculation of basic and diluted earnings per share for the three months ended December 31, 2017 was 19,504,107 (2016 – 19,805,485) and 20,132,863 (2016 – 20,250,820), respectively.
(3) Net earnings excluding the following:
a. after-tax gain recorded on sales of properties of $1.2 million (2016 – nil), or basic and diluted earnings per share of ($0.06) (2016 – nil), for the twelve months ended December 31, 2017.
b. after-tax senior notes redemption costs of $4.0 million (2016 – nil), or basic and diluted earnings per share of $0.20 (2016 – nil), for the twelve months ended December 31, 2017.

Fourth quarter revenue increased $62.9 million, or 20%, due in part to strength in several western and eastern Canada markets. Revenue in the fourth quarter of 2016 included approximately $10 million in additional mining equipment sales that were not repeated in the fourth quarter of 2017. Adjusting for these sales, revenue increased 24% year-over-year.

Revenue

For the three months ended December 31		**2017**		2016
Equipment sales	**$**	**156.5**	$	111.5
Equipment rental		**8.7**		8.0
Industrial parts		**82.9**		77.9
Product support		**110.2**		101.8
Other		**18.3**		14.4
Total revenue	**$**	**376.6**	$	313.7

Revenue in the fourth quarter of 2017 increased 20%, or $62.9 million, to $376.6 million, from $313.7 million in the fourth quarter of 2016. The following factors contributed to the increase in revenue:

- Regionally, revenue increased 40% and 14% in western and eastern Canada respectively and decreased 1% in central Canada.
- Equipment sales have increased due primarily to higher construction and material handling sales in all regions and higher forestry and engines and transmissions sales in western Canada. These increases were partly offset by a decrease in mining equipment sales in western and eastern Canada and a decrease in power generation sales in central Canada.
- Revenue from industrial parts has increased due to higher sales in all regions.
- Product support revenue has increased on strength in construction parts and service sales in western Canada and higher engines and transmissions and power generation sales in all regions.

Gross profit

Gross profit in the fourth quarter of 2017 increased $5.8 million or 9%, as higher volumes offset a decrease in the gross profit margin percentage compared to the prior year. The gross profit margin percentage for the quarter of 18.2% decreased from 20.0% in the fourth quarter of 2016 primarily due to a higher proportion of equipment volumes and lower equipment, parts and service margins compared to last year.

Selling and administrative expenses

Selling and administrative expenses as a percentage of revenue decreased to 13.3% in the fourth quarter of 2017 from 16.0% in the same quarter of 2016. Selling and administrative expenses decreased $0.1 million in the fourth quarter of 2017 compared to the same quarter last year.

The Corporation sold various properties in the fourth quarter of 2017 and recorded a gain of $1.4 million which is included in selling and administrative expenses.

Finance costs

Quarterly finance costs of $7.4 million increased $4.6 million from the same period last year due primarily to costs related to the senior notes redemption offset partially by lower average interest rates due primarily to the senior notes redemption.

The Corporation redeemed all of its outstanding, 6.125% senior notes on October 23, 2017. The redemption amount was 103.063% of the principal amount, including a $3.8 million call premium, plus accrued and unpaid interest to the redemption date. As a result of the early redemption of the senior notes, which were originally due in 2020, the remaining deferred financing costs of $1.6 million relating to the issuance of the senior notes in 2013 were written off in 2017.

Income tax expense

The Corporation's effective income tax rate of 26.8% for the fourth quarter of 2017 was slightly lower compared to the statutory rate of 26.9% due to the impact of the non-taxable portion of the gain recorded on sales of properties offset by expenses not deductible for tax purposes. The Corporation's effective income tax rate of 28.2% for the fourth quarter of 2016 was higher compared to the statutory rate of 26.9% due to the impact of expenses not deductible for tax purposes.

Net earnings

In the fourth quarter of 2017, the Corporation generated net earnings of $8.0 million, or $0.41 per share, compared to net earnings of $8.9 million, or $0.45 per share, in the fourth quarter of 2016. The $0.9 million decrease in net earnings resulted from senior notes redemption costs of $4.0 million after-tax and insurance recoveries of $1.9 million after-tax in the prior year related to the Fort McMurray wildfires that occurred in the second quarter of 2016. These decreases were offset partially by higher volumes compared to the prior year.

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

Adjusted net earnings exclude the gain recorded on sales of properties of $1.2 million after-tax, or $0.06 per share, and the senior notes redemption costs of $4.0 million after-tax, or $0.20 per share.

As such, adjusted net earnings increased $2.0 million to $10.9 million, or $0.56 per share, in the fourth quarter of 2017 from $8.9 million, or $0.45 per share, in the fourth quarter of 2016. The $2.0 million increase in adjusted net earnings resulted primarily from higher volumes and lower finance costs offset partially by lower gross profit margins, insurance recoveries of $1.9 million after-tax in 2016 not repeated in the current year and higher selling and administrative expenses compared to the prior year.

Comprehensive income

Total comprehensive income of $8.2 million in the fourth quarter of 2017 was comprised of net earnings of $8.0 million and other comprehensive income of $0.2 million. The other comprehensive income resulted primarily from after-tax actuarial gains on pension plans of $0.1 million.

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

Funded net debt of $154.9 million at December 31, 2017 increased $1.2 million compared to September 30, 2017. See the Fourth Quarter Cash Flows and Liquidity and Capital Resources sections.

Dividends

For the fourth quarter ended December 31, 2017 dividends declared totaled $0.25 per share (2016 – $0.25 per share).

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

Consolidated backlog at December 31, 2017 of $178.9 million increased $8.6 million, or 5%, compared to September 30, 2017 due primarily to increases in construction and power generation orders offset partially by a decrease in crane and utility orders.

Fourth Quarter Cash Flows

Cash Flow

The following table highlights the major components of cash flow as reflected in the Consolidated Statements of Cash Flows for the quarters ended December 31, 2017 and December 31, 2016:

For the quarter ended December 31		**2017**		2016		Change
Net earnings	**$**	**8.0**	$	8.9	$	(0.9)
Items not affecting cash flow		**15.8**		13.4		2.4
Net change in non-cash operating working capital		**2.3**		14.2		(11.9)
Finance costs paid		**(9.4)**		(4.5)		(4.9)
Income taxes paid		**(1.4)**		–		(1.4)
Rental equipment additions		**(7.0)**		(3.8)		(3.2)
Other non-current liabilities		**(0.3)**		–		(0.3)
Cash generated from operating activities	**$**	**8.1**	$	28.2	$	(20.1)
Cash used in investing activities	**$**	**(0.6)**	$	(0.8)	$	0.2
Cash used in financing activities	**$**	**(3.9)**	$	(23.0)	$	19.1

Cash Generated From Operating Activities

The $20.1 million decrease in cash flows generated from operating activities was mainly attributable to a decrease in cash generated from changes in non-cash operating working capital of $11.9 million and an increase in finance costs paid of $4.9 million. The increase in finance costs paid was primarily due to the senior notes redemption costs of $5.5 million incurred in the current period.

Significant components of non-cash operating working capital, along with changes for the quarters ended December 31, 2017 and December 31, 2016 include the following:

Changes in Non-cash Operating Working Capital[1]		**2017**		2016
Trade and other receivables	**$**	**(33.0)**	$	(18.5)
Contracts in progress		**(2.5)**		(2.7)
Inventories		**10.9**		8.8
Deposits on inventory		**0.9**		2.5
Prepaid expenses		**0.9**		1.1
Accounts payable and accrued liabilities		**24.1**		21.5
Provisions		**1.0**		1.5
Total Changes in Non-cash Operating Working Capital	**$**	**2.3**	$	14.2

(1) Increase (decrease) in cash flow

Significant components of the changes in non-cash operating working capital for the quarter ended December 31, 2017 compared to the quarter ended December 31, 2016 are as follows:

- Trade and other receivables increased $33.0 million in 2017 compared to an increase of $18.5 million in 2016. The increase in both years resulted primarily from higher sales activity in the fourth quarter compared to the previous quarter.
- Inventories decreased $10.9 million in the current quarter compared to a decrease of $8.8 million in 2016. The decrease in 2017 was due to lower forestry, crane and utility and engines and transmissions inventory offset partially by higher construction inventory. The decrease in 2016 was primarily a result of inventory reduction measures.
- Accounts payable and accrued liabilities increased $24.1 million in 2017 compared to an increase of $21.5 million in 2016. The increase in both years resulted primarily from higher trade payables, including higher trade payables related to mining equipment inventory.

Investing Activities

During the fourth quarter of 2017, Wajax invested $0.3 million in property, plant and equipment additions, net of disposals, compared to $0.7 million in the fourth quarter of 2016.

Financing Activities

The Corporation used $3.9 million of cash in financing activities in the fourth quarter of 2017 compared to $23.0 million of cash used in the same quarter of 2016. Financing activities in the quarter included bank credit facility borrowings of $2.0 million (2016 – repayments of $17.0 million) offset by dividends paid to shareholders totaling $4.9 million (2016 – $4.9 million) and finance lease payments of $0.9 million (2016 – $1.0 million). See the Liquidity and Capital Resources section.

Critical Accounting Estimates

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

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

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

Allowance for doubtful accounts

The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is somewhat minimized by the Corporation's diversified customer base of over 30,000 customers, with no one customer accounting for more than 10% of the Corporation's annual consolidated sales, which covers many

business sectors across Canada. In addition, the Corporation's customer base spans large public companies, small independent contractors, OEM's and various levels of government. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains provisions for possible credit losses, and any such losses to date have been within management's expectations. The provision for doubtful accounts is determined on an account-by-account basis. The $0.8 million provision for doubtful accounts at December 31, 2017 decreased $0.3 million from $1.1 million at December 31, 2016. As economic conditions change, there is risk that the Corporation could experience a greater number of defaults compared to 2017 which would result in an increased charge to earnings.

Inventory obsolescence

The value of the Corporation's new and used equipment and high value parts are evaluated by management throughout the year, on a unit-by-unit basis. When required, provisions are recorded to ensure that the book value of equipment and parts are valued at the lower of cost or estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete lower value parts inventories and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods. The inventory obsolescence charged to earnings for the three months ended December 31, 2017 was a recovery of $1.7 million (2016 – charge of $1.7 million) and for the twelve months ended December 31, 2017 was $3.2 million (2016 – $10.3 million). As economic conditions change, there is risk that the Corporation could have an increase in inventory obsolescence compared to prior periods which would result in an increased charge to earnings.

Goodwill and intangible assets

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

During the year, the Corporation performed an impairment test, based on value in use, of goodwill and intangible assets with an indefinite life based on its single cash generating unit group and concluded that no impairment existed.

Operating segments

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

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

The Corporation began reporting as a single segment in 2017 and has reported 2016 revenue herein on that basis. For comparative purposes, the table below shows 2016 revenue based on the three previously reportable segments.

For the three months ended December 31, 2016	Total	Equipment	Power Systems	Industrial Components	Segment Eliminations
Equipment sales	$ 111.5	$ 86.8	$ 24.7	$ –	$ –
Equipment rental	8.0	6.1	1.9	–	–
Industrial parts	77.9	–	–	77.9	–
Product support	101.7	58.8	43.0	–	–
Other	14.5	0.6	0.1	14.9	(1.1)
Total revenue	$ 313.7	$ 152.3	$ 69.6	$ 92.8	$ (1.1)

For the twelve months ended December 31, 2016	Total	Equipment	Power Systems	Industrial Components	Segment Eliminations
Equipment sales	$ 412.6	$ 343.7	$ 68.9	$ –	$ –
Equipment rental	34.6	24.3	10.4	–	–
Industrial parts	320.4	–	–	320.4	–
Product support	398.1	227.6	170.5	–	–
Other	56.1	1.6	0.1	58.3	(3.9)
Total revenue	$ 1,221.9	$ 597.2	$ 250.0	$ 378.7	$ (3.9)

Changes in Accounting Policies

Accounting standards adopted during the year

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

New standards and interpretations not yet adopted

The new standards or amendments to existing standards that may be significant to the Corporation set out below are not effective for the year ended December 31, 2017 and have not been applied in preparing these consolidated financial statements.

On January 1, 2018, the Corporation will be required to adopt IFRS 15 *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers

and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Corporation has completed its assessment of the new standard and has identified the following change that will result from the adoption of IFRS 15:

- The revenue recognition pattern for product support service orders will change to an over-time pattern rather than the point in time recognition that was previously used to best depict performance in transferring control of the repair service. While the total amount of revenue recognized under IFRS 15 will not change materially, it will be recognized earlier to reflect the measure of progress over time.

The Corporation also reviewed its other revenue streams including sales of equipment that involves the design, installation and assembly of power generation systems and has concluded that they will be substantially unchanged by the new standard. In addition, the revenue pattern for the rental of equipment will remain unchanged as it is excluded from the scope of the new standard and is accounted for in accordance with IAS 17 *Leases*.

The Corporation intends to use the retrospective transition method, which means that it will record the cumulative impact of the accounting policy change in retained earnings as at January 1, 2017 and will restate the comparative 2017 amounts when reporting 2018 results. The Corporation will elect to use a practical expedient when restating its prior year results in its 2018 financial statements and not disclose the amounts of the transaction price allocated to remaining performance obligations nor provide an explanation of when it expects to recognize that amount as revenue.

On January 1, 2017, adoption of IFRS 15 will result in an increase to retained earnings of approximately $1.5 million. For the year ended December 31, 2017, such adoption will result in increases of approximately $0.8 million and approximately $0.1 million to revenue and earnings respectively.

On January 1, 2018, the Corporation will be required to adopt IFRS 9 *Financial Instruments*, which will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard largely retains the existing accounting requirements for financial liabilities with the exception of accounting for non-substantial modifications of financial liabilities and the accounting treatment of fair value changes attributable to changes in its own credit risk of financial liabilities that are designated as fair value through profit and loss. It also replaces the current 'incurred' impairment of financial assets model with a new 'expected credit loss' model.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Corporation elects to apply the hedge requirements of IFRS 9 to its existing hedge relationships. The Corporation's existing hedge relationships that qualified for hedge accounting under IAS 39 will continue to qualify for hedge accounting under IFRS 9.

Based on the current facts and circumstances, the Corporation does not expect the transition to IFRS 9 to have a material impact on the Corporation's consolidated financial statements.

On January 1, 2019, the Corporation will be required to adopt IFRS 16 *Leases*. The new standard contains a single lease accounting model for lessees, whereby all leases with a term longer than 12 months are recognized on-balance sheet through a right-of-use asset and lease liability. The model features a front-loaded total lease expense recognized through a combination of depreciation and interest. Lessor accounting remains similar to current requirements. The Corporation's long term leases primarily relate to rental of real estate. The new standard will result in a material increase in right of use assets and lease obligations but the impact to earnings has not yet been estimated.

Risk Management and Uncertainties

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

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

Manufacturer relationships and product access

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

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

Suppliers generally have the ability to unilaterally change distribution terms and conditions, product lines or limit supply of product in times of intense market demand. Supplier changes in the area of product pricing and availability can have a negative or positive effect on Wajax's revenue and margins. A change in one of a supplier's product lines can result in conflicts with another

supplier's product lines that may have a negative impact on the results of operations or cash flow if one of the suppliers cancels its distribution with Wajax due to the conflict. As well, from time to time suppliers make changes to payment terms for distributors. This may affect Wajax's interest-free payment period or consignment terms, which may have a materially negative or positive impact on working capital balances such as cash, inventories, deposits on inventory, trade and other payables and bank debt.

Economic conditions/Business cyclicality

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

Commodity prices

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

Growth initiatives, integration of acquisitions and project execution

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

Key personnel

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

Leverage, credit availability and restrictive covenants

Wajax has a $300 million bank credit facility which expires September 20, 2021. The bank credit facility contains restrictive covenants which place restrictions on, among other things, the ability of Wajax to encumber or dispose of its assets, the amount of finance costs incurred and dividends declared relative to earnings and certain reporting obligations. A failure to comply with the obligations of the facility could result in an event of default which, if not cured or waived, could require an accelerated repayment of the facility. There can be no assurance that Wajax's assets would be sufficient to repay the facility in full.

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

Wajax may be required to access the equity or debt markets or reduce dividends in order to fund significant acquisitions and growth related working capital and capital expenditures. The amount of debt service obligations under the bank credit facility will be dependent on the level of borrowings and fluctuations in interest rates to the extent the rate is unhedged. As a result, fluctuations in debt servicing costs may have a detrimental effect on future earnings or cash flow.

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

Quality of products distributed

The ability of Wajax to maintain and expand its customer base is dependent upon the ability of the manufacturers represented by Wajax to sustain or improve the quality of their products. The quality and reputation of such products are not within Wajax's

control, and there can be no assurance that manufacturers will be successful in meeting these goals. The failure of these manufacturers to maintain a market presence could adversely affect Wajax's results of operations or cash flow.

Inventory obsolescence

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

Government regulation

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

Insurance

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

Information systems and technology

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

Credit risk

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

Labour relations

Wajax has approximately 2,418 employees. At the outset of 2017, Wajax was party to thirteen collective agreements covering a total of approximately 315 employees. Of these, one agreement was consolidated during the year with another agreement bringing the total number of collective agreements to twelve. During 2017, three collective agreements covering 90 employees were renegotiated, of which one, covering 6 employees, has been ratified, but is still awaiting formal execution. Four collective agreements, covering 59 employees, expired in 2017 and are currently being re-negotiated. Of the remaining five collective agreements, four will expire in 2018 and preparations for re-negotiation are under way. The remaining collective agreement will expire in 2019. Overall, Wajax believes its labour relations to be satisfactory and does not anticipate it will be unable to renew the collective agreements. If Wajax is unable to renew or negotiate collective agreements from time to time, it could result in work stoppages and other labour disturbances. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on Wajax's business, results of operations or financial condition.

Foreign exchange exposure

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

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

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

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

Interest rate risk

Wajax has exposure to interest rate fluctuations on its interest-bearing financial liabilities, in particular from its long-term debt. Changes in interest rates can have a negative or positive impact on Wajax's finance costs and cash flows. Wajax monitors the proportion of variable rate debt to its total debt portfolio and may enter into interest rate hedge contracts to mitigate a portion of the interest rate risk on its variable rate debt. The inability of Wajax to mitigate interest rate risks to offset interest rate increases may have a material adverse effect on the results of operations or financial condition of Wajax.

Competition

The categories in which Wajax participates are highly competitive and include competitors who are national, regional and local. Competitors can be grouped into three classifications:

Capital Equipment Dealers and Distributors – these competitors typically represent a major alternative manufacturer and provide sales, product support, rental, financing and other services in categories such as construction, forestry, mining and power generation. Examples include the regional dealer and distributor networks of Caterpillar, Komatsu, John Deere and Cummins. Competition is based on product range and quality, aftermarket support and price.

Industrial Parts Distributors – these competitors typically represent a broad range of industrial parts manufacturers and offer sales and, in many cases, product support services including design, assembly and repair. Competitive product range varies from focused on specific applications (e.g. hydraulics) to very broad (similar to Wajax). Competitors can be local, regional and national. Competition is based on brand access, product quality, customer service levels, price and ancillary services.

Aftermarket Service Providers – these competitors provide aftermarket services in areas such as on-highway transportation. Competitors vary from the dealer and distributor networks of manufacturers such as Freightliner and Western Star to local service providers. Competition is based on customer service levels and price.

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

Litigation and product liability claims

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

Guaranteed residual value, recourse and buy-back contracts

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

Future warranty claims

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

Maintenance and repair contracts

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

Environmental factors

From time to time, Wajax experiences environmental incidents, emissions or spills in the course of its normal business activities. Wajax has established environmental compliance and monitoring programs, including an internal compliance audit function, which management believes are appropriate for its operations. In addition, Wajax retains environmental engineering consultants to conduct the following activities: environmental site assessments prior to the acquisition or occupation by Wajax; ongoing monitoring of soil and groundwater contamination; and remediation of contaminated sites. To date, these environmental incidents, emissions and spills have not resulted in any material liabilities to the Corporation, however, there can be no assurance that any future incidents, emissions or spills will not result in a material adverse effect on Wajax's results of operations or cash flows. Management is not aware of any material environmental concerns for which a provision has not been recorded.

Cyber security

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

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

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

As at December 31, 2017, Wajax's management, under the supervision of its CEO and CFO, had designed DC&P to provide reasonable assurance that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in such securities legislation. DC&P are designed to ensure that information required to be disclosed by Wajax in annual filings, interim filings or other reports filed or submitted under applicable securities legislation is accumulated and communicated to Wajax's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

As at December 31, 2017, Wajax's management, under the supervision of its CEO and CFO, had designed internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). In completing the design, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in its 2013 version of Internal Control – Integrated Framework. With regard to general controls over information technology, management also used the set of practices of Control Objectives for Information and related Technology ("COBIT") created by the IT Governance Institute.

During the year, Wajax's management, under the supervision of its CEO and CFO, evaluated the effectiveness and operation of its DC&P and ICFR. This evaluation included a risk evaluation, documentation of key processes and tests of effectiveness conducted on a sample basis throughout the year. Due to the inherent limitations in all control systems, an evaluation of the DC&P and ICFR can only provide reasonable assurance over the effectiveness of the controls. As a result, DC&P and ICFR are not expected to prevent and detect all misstatements due to error or fraud. The CEO and CFO have concluded that Wajax's DC&P and ICFR were effective as at December 31, 2017.

There was no change in Wajax's ICFR that occurred during the three months ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, Wajax's ICFR.

Non-GAAP and Additional GAAP Measures

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

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

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

(iii) the additional GAAP measures are commonly used to assess a company's earnings performance excluding its capital, tax structures and restructuring costs; and

(iv) "Adjusted net earnings" and "Adjusted basic and diluted earnings per share" provide indications of the results by the Corporation's principal business activities prior to recognizing restructuring (recovery) costs, (gain) loss recorded on sales of properties and senior notes redemption costs that are outside the Corporation's normal course of business. "Adjusted EBITDA" used in calculating the Leverage Ratio excludes restructuring (recovery) costs, (gain) loss recorded on sales of properties and senior notes redemption costs which is consistent with the leverage ratio calculation under the Corporation's bank credit agreement.

Non-GAAP financial measures are identified and defined below:

Funded net debt	Funded net debt includes bank indebtedness, current portion of long-term debt, long-term debt and obligations under finance leases, net of cash. Funded net debt is relevant in calculating the Corporation's Funded Net Debt to Total Capital, which is a non-GAAP measure commonly used as an indicator of a company's ability to raise and service debt.
Debt	Debt is funded net debt plus letters of credit. Debt is relevant in calculating the Corporation's Leverage Ratio, which is a non-GAAP measure commonly used as an indicator of a company's ability to raise and service debt.
EBITDA	Net earnings (loss) before finance costs, income tax expense, depreciation and amortization.
EBITDA margin	Defined as EBITDA divided by revenue, as presented on the Consolidated Statements of Earnings.
Adjusted net earnings (loss)	Net earnings (loss) before after-tax restructuring (recovery) costs, (gain) loss recorded on sales of properties and senior notes redemption costs.
Adjusted basic and diluted earnings (loss) per share	Basic and diluted earnings (loss) per share before after-tax restructuring (recovery) costs, (gain) loss recorded on sales of properties and senior notes redemption costs.
Adjusted EBITDA	EBITDA before restructuring (recovery) costs, (gain) loss recorded on sales of properties and senior notes redemption costs.
Adjusted EBITDA margin	Defined as Adjusted EBITDA divided by revenue, as presented on the Consolidated Statements of Earnings.
Leverage ratio	The leverage ratio is defined as debt at the end of a particular quarter divided by trailing 12-month Adjusted EBITDA. The Corporation's objective is to maintain this ratio between 1.5 times and 2.0 times.
Funded net debt to total capital	Defined as funded net debt divided by total capital. Total capital is the funded net debt plus shareholder's equity.
Backlog	Backlog includes the total sales value of customer purchase commitments for future delivery or commissioning of equipment, parts and related services.

Additional GAAP measures are identified and defined below:

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

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

	Three months ended December 31		Twelve months ended December 31	
	2017	2016	**2017**	2016
Net earnings	**$ 8.0**	$ 8.9	**$ 30.9**	$ 11.0
Restructuring (recovery) costs, after-tax	**–**	–	**(0.2)**	9.1
(Gain) recorded on sales of properties, after-tax	**(1.2)**	–	**(1.2)**	–
Senior notes redemption, after-tax	**4.0**	–	**4.0**	–
Adjusted net earnings	**$ 10.9**	$ 8.9	**$ 33.5**	$ 20.1
Adjusted basic earnings per share[1][2]	**$ 0.56**	$ 0.45	**$ 1.71**	$ 1.01
Adjusted diluted earnings per share[1][2]	**$ 0.54**	$ 0.44	**$ 1.66**	$ 1.00

(1) At December 31, 2017 the numbers of basic and diluted shares outstanding were 19,504,107 and 20,132,863, respectively for the three months ended and 19,605,884 and 20,204,738, respectively for the twelve months ended.
(2) At December 31, 2016 the numbers of basic and diluted shares outstanding were 19,805,485 and 20,250,820, respectively for the three months ended and 19,898,004 and 20,203,771, respectively for the twelve months ended.

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

	Three months ended December 31		Twelve months ended December 31	
	2017	2016	**2017**	2016
Net earnings	**$ 8.0**	$ 8.9	**$ 30.9**	$ 11.0
Income tax expense	**3.0**	3.5	**11.8**	4.7
EBT	**11.0**	12.4	**42.7**	15.7
Finance costs	**2.0**	2.8	**9.8**	11.2
Senior notes redemption[1]	**5.5**	–	**5.5**	–
EBIT	**18.5**	15.2	**58.0**	26.9
Depreciation and amortization	**5.8**	6.3	**22.4**	24.5
EBITDA	**24.2**	21.5	**80.4**	51.5
Restructuring (recovery) costs[2]	**–**	–	**(0.3)**	12.5
(Gain) recorded on sales of properties[3]	**(1.4)**	–	**(1.5)**	–
Adjusted EBITDA	**$ 22.8**	$ 21.5	**$ 78.6**	$ 64.0

(1) For the three and twelve months ended December 31, 2017 – Includes the $5.5 million senior notes redemption costs recorded in the fourth quarter of 2017.
(2) For the twelve months ended December 31, 2017 – Includes the $0.3 million restructuring recovery recorded in the second quarter of 2017.
For the twelve months ended December 31, 2016 – Includes the $12.5 million restructuring provision recorded in the first quarter of 2016.
(3) For the three months ended December 31, 2017 – Includes the $1.4 million gain recorded on sales of properties recorded in the fourth quarter of 2017.
For the twelve months ended December 31, 2017 – Includes the $1.5 million gain recorded on sales of properties recorded in 2017.

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

	December 31	
	2017	2016
Bank indebtedness (cash)	**$ 1.7**	$ (4.9)
Obligations under finance leases	**9.5**	8.9
Long-term debt	**143.7**	122.0
Funded net debt	**$ 154.9**	$ 126.0
Letters of credit	**7.3**	6.4
Debt	**162.2**	132.4
Leverage ratio[1]	**2.06**	2.07

(1) Calculation uses trailing four-quarter Adjusted EBITDA.
This leverage ratio is calculated for purposes of monitoring the Corporation's objective target leverage ratio of between 1.5 times and 2.0 times. The calculation contains some differences from the leverage ratio calculated under the Corporation's bank credit facility agreement ("the agreement"). The resulting leverage ratio under the agreement is not significantly different. See the Liquidity and Capital Resources section.

Cautionary Statement Regarding Forward-Looking Information

This MD&A and Annual Report contains certain forward-looking statements and forward-looking information, as defined in applicable securities laws (collectively, "forward-looking statements"). These forward-looking statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "anticipates", "intends", "predicts", "expects", "is expected", "scheduled", "believes", "estimates", "projects" or "forecasts", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward looking statements involve known and unknown risks, uncertainties and other factors beyond the Corporation's ability to predict or control which may cause actual results, performance and achievements to differ materially from those anticipated or implied in such forward looking statements. There can be no assurance that any forward looking statement will materialize. Accordingly, readers should not place undue reliance on forward looking statements. The forward looking statements in this MD&A and Annual Report are made as of the date of this MD&A, reflect management's current beliefs and are based on information currently available to management. Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to be correct. Specifically, this MD&A and Annual Report includes forward looking statements regarding, among other things, our goal of becoming Canada's leading industrial products and services provider, distinguished through our core capabilities; our belief that achieving excellence in our areas of core capability will position Wajax to create value for its customers, employees, vendors and shareholders; the main elements of our updated Strategic Plan, including adjustments to our organic growth priorities, continued integration of our infrastructure, increased technology investments, further consolidation of our physical branch network, investments in multi-purpose facilities, investments in customer-facing teams, focus on cost efficiency in support areas and continued review of acquisition opportunities; our expectations and outlook for 2018, including with respect to adjusted net earnings and gross margins, as well as our expectation that our ongoing focus on cost productivity will assist us in offsetting planned investments in our strategy and expected margin pressure; our outlook on regional end market conditions in Canada during 2018, including our expectation that year-over-year gains in western Canada will not be as significant as they were in 2017; our target leverage ratio range of 1.5 – 2.0 times; our financing, working and maintenance capital requirements, as well as our capital structure and leverage ratio; our estimate of the number of shares required to settle our obligations under certain share-based compensation plans; our expectation that a change in interest rates will not have a material impact on our results of operations over the longer term; our expectation that a change in foreign currency, relative to the Canadian dollar, on transactions with customers that include unhedged foreign currency exposures, will not have a material impact on our results of operations or financial condition over the longer term; our belief there is not a significant risk of non-performance by counterparties to short-term currency forward contracts; our expectation that future defined benefit plan cash contribution requirements will not vary materially from the 2017 contribution level; the adequacy of our debt capacity and sufficiency of our debt facilities; our intention and ability to access debt and equity markets or reduce dividends should additional capital be required, including the potential that we may access equity or debt markets to fund significant acquisitions; our assessment of the impact that the adoption of certain new or amended accounting standards will have, including on the Corporation's policies and financial statements/results and, where applicable, our intended transition method/plans for such standards; and our confidence in our growth prospects. These statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions regarding general business and economic conditions; the supply and demand for, and the level and volatility of prices for, oil, natural gas and other commodities; financial market conditions, including interest rates; our ability to execute our updated Strategic Plan, including our ability to develop our core capabilities, execute our organic growth priorities, complete and effectively integrate acquisitions and to successfully implement new information technology platforms, systems and software; our ability to realize the full benefits from our 2016 strategic reorganization, including cost savings and productivity gains; the future financial performance of the Corporation; our costs; market competition; our ability to attract and retain skilled staff; our ability to procure quality products and inventory; and our ongoing relations with suppliers, employees and customers. The foregoing list of assumptions is not exhaustive. Factors that may cause actual results to vary materially include, but are not limited to, a deterioration in general business and economic conditions; volatility in the supply and demand for, and the level of prices for, oil, natural gas and other commodities; a continued or prolonged decrease in the price of oil or natural gas; fluctuations in financial market conditions, including interest rates; the level of demand for, and prices of, the products and services we offer; levels of customer confidence and spending; market acceptance of the products we offer; termination of distribution or original equipment manufacturer agreements; unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, our inability to reduce costs in response to slow-downs in market activity, unavailability of quality products or inventory, supply disruptions, job action and unanticipated events related to health, safety and environmental matters); our ability to attract and retain skilled staff and our ability to maintain our relationships with suppliers, employees and customers. The foregoing list of factors is not exhaustive. Further information concerning the risks and uncertainties associated with these forward looking statements and the Corporation's business may be found in this MD&A under the heading "Risk Management and Uncertainties" and in our Annual Information Form for the year ended December 31, 2017, filed on SEDAR. The forward-looking statements contained in this MD&A and Annual Report are expressly qualified in their entirety by this cautionary statement. The Corporation does not undertake any obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

Management's Responsibility for Financial Reporting

The consolidated financial statements of Wajax Corporation are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. Where appropriate, the information reflects management's judgement and estimates based on the available information. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent with the consolidated financial statements.

Wajax maintains a system of internal control designed to provide financial information and the safeguarding of its assets. Wajax also maintains an internal audit function, which reviews the system of internal control and its application.

The Audit Committee of the Board, consisting solely of outside directors, meets regularly during the year with management, internal auditors and the external auditors, to review their respective activities and the discharge of their responsibilities.

Both the external and internal auditors have free and independent access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal control and the adequacy of financial reporting. The Audit Committee reports its findings to the Board, which reviews and approves the consolidated financial statements.

Wajax's external auditors, KPMG LLP, are responsible for auditing the consolidated financial statements and expressing an opinion thereon.

Mark Foote
President and
Chief Executive Officer

Darren Yaworsky
Senior Vice President and
Chief Financial Officer

Mississauga, Canada, March 5, 2018

Independent Auditors' Report

To the Shareholders of Wajax Corporation

We have audited the accompanying consolidated financial statements of Wajax Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wajax Corporation as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

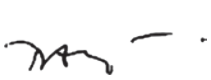
Chartered Professional Accountants,
Licensed Public Accountants
Toronto, Canada, March 5, 2018

Consolidated Statements of Financial Position

As at December 31 (in thousands of Canadian dollars)	Note	2017	2016
Assets			
Current			
Cash		**$ –**	$ 4,854
Trade and other receivables	5	**207,353**	194,613
Contracts in progress	6	**4,128**	7,095
Inventories	7	**322,778**	283,421
Deposits on inventory		**6,874**	19,407
Prepaid expenses		**4,329**	5,463
Derivative instruments		**–**	553
		545,462	515,406
Non-Current			
Rental equipment	8	**61,257**	58,106
Property, plant and equipment	9	**44,834**	45,658
Goodwill and intangible assets	11	**41,005**	41,205
Deferred tax assets	23	**–**	4,573
		147,096	149,542
		$ 692,558	$ 664,948
Liabilities And Shareholders' Equity			
Current			
Bank indebtedness		**$ 1,724**	$ –
Accounts payable and accrued liabilities	14	**229,458**	232,715
Provisions	12	**6,043**	5,839
Dividends payable		**4,876**	4,956
Income taxes payable		**667**	2,287
Obligations under finance leases	10	**3,790**	3,701
Derivative instruments		**396**	–
		246,954	249,498
Non-Current			
Provisions	12	**2,150**	2,305
Deferred taxes	23	**1,401**	–
Employee benefits	13	**8,545**	8,106
Other liabilities		**435**	1,118
Obligations under finance leases	10	**5,721**	5,154
Long-term debt	15	**143,667**	121,952
		161,919	138,635
Shareholders' Equity			
Share capital	18	**175,863**	178,764
Contributed surplus	21	**10,455**	7,137
Retained earnings		**97,661**	90,812
Accumulated other comprehensive (loss) income		**(294)**	102
Total shareholders' equity		**283,685**	276,815
		$ 692,558	$ 664,948

On behalf of the Board:

Robert P. Dexter, Q.C.
Chairman



Douglas A. Carty
Director

Consolidated Statements of Earnings

For the years ended December 31 (in thousands of Canadian dollars, except per share data)	Note	2017	2016
Revenue	19	**$1,319,290**	$1,221,908
Cost of sales		**1,064,468**	990,966
Gross profit		**254,822**	230,942
Selling and administrative expenses		**197,145**	195,203
Restructuring (recovery) costs	29	**(315)**	12,500
Insurance recoveries		**–**	(3,663)
Earnings before finance costs and income taxes		**57,992**	26,902
Finance costs	20	**15,249**	11,181
Earnings before income taxes		**42,743**	15,721
Income tax expense	23	**11,844**	4,722
Net earnings		**$ 30,899**	$ 10,999
Basic earnings per share	24	**$ 1.58**	$ 0.55
Diluted earnings per share	24	**$ 1.53**	$ 0.54

Consolidated Statements of Comprehensive Income

For the years ended December 31 (in thousands of Canadian dollars)	Note	2017	2016
Net earnings		**$ 30,899**	$ 10,999
Items that will not be reclassified to income			
Actuarial gains (losses) on pension plans, net of tax expense of $49 (2016 – recovery of $293)	13	**132**	(797)
Items that may subsequently be reclassified to 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 recovery of $253 (2016 – $147)		**686**	408
Losses on derivative instruments outstanding at the end of the period designated as cash flow hedges, net of tax recovery of $399 (2016 – $418)		**(1,082)**	(1,135)
Other comprehensive loss, net of tax		**(264)**	(1,524)
Total comprehensive income		**$ 30,635**	$ 9,475

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2017 (in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) Cash flow hedges	Total
December 31, 2016		$ 178,764	7,137	90,812	102	$ 276,815
Net earnings		–	–	30,899	–	30,899
Other comprehensive income (loss)		–	–	132	(396)	(264)
Total comprehensive income (loss) for the year		–	–	31,031	(396)	30,635
Shares purchased and held in trust	18	(2,901)	–	(4,598)	–	(7,499)
Dividends	17	–	–	(19,584)	–	(19,584)
Share-based compensation expense	21	–	3,318	–	–	3,318
December 31, 2017		**$ 175,863**	**10,455**	**97,661**	**(294)**	**$ 283,685**

For the year ended December 31, 2016 (in thousands of Canadian dollars)	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) Cash flow hedges	Total
December 31, 2015		$ 179,829	5,930	101,916	829	$ 288,504
Net earnings		–	–	10,999	–	10,999
Other comprehensive loss		–	–	(797)	(727)	(1,524)
Total comprehensive income (loss) for the year		–	–	10,202	(727)	9,475
Shares issued to settle share-based compensation plans	21	743	(743)	–	–	–
Shares purchased and held in trust	18	(1,808)	–	(1,437)	–	(3,245)
Dividends	17	–	–	(19,869)	–	(19,869)
Share-based compensation expense	21	–	1,950	–	–	1,950
December 31, 2016		**$ 178,764**	**7,137**	**90,812**	**102**	**$ 276,815**

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of Canadian dollars)	Note	2017	2016
Operating Activities			
Net earnings		**$ 30,899**	$ 10,999
Items not affecting cash flow:			
Depreciation and amortization:			
Rental equipment	8	**13,402**	14,578
Property, plant and equipment	9	**8,403**	9,161
Intangible assets	11	**570**	809
Gain on disposal of property, plant and equipment		**(1,493)**	(197)
Share-based compensation expense	21	**3,318**	1,950
Non-cash rental expense		**187**	476
Employee benefits expense, net of payments		**443**	264
Change in fair value of non-hedge derivative instruments		**306**	475
Finance costs	20	**15,249**	11,181
Income tax expense	23	**11,844**	4,722
		83,128	54,418
Changes in non-cash operating working capital	25	**(33,660)**	30,900
Rental equipment additions	8	**(19,310)**	(13,538)
Other non-current liabilities		**(838)**	(925)
Finance costs paid		**(14,784)**	(10,299)
Income taxes paid		**(7,393)**	(2,373)
Cash generated from operating activities		**7,143**	58,183
Investing Activities			
Property, plant and equipment additions		**(4,291)**	(3,888)
Proceeds on disposal of property, plant and equipment		**2,816**	833
Intangible assets additions	11	**(370)**	(247)
Acquisition of business	30	**–**	(5,565)
Cash used in investing activities		**(1,845)**	(8,867)
Financing Activities			
Net increase (decrease) in bank debt	15	**20,000**	(30,000)
Common shares purchased and held in trust	18	**(7,499)**	(3,245)
Deferred financing costs	15	**(567)**	(367)
Finance lease payments		**(3,955)**	(4,254)
Settlement of non-hedge derivative instruments		**(191)**	(300)
Dividends paid		**(19,664)**	(19,910)
Cash used in financing activities		**(11,876)**	(58,076)
Change in cash and bank indebtedness		**(6,578)**	(8,760)
Cash – beginning of period		**4,854**	13,614
(Bank indebtedness) cash - end of period		**$ (1,724)**	$ 4,854

Notes to Consolidated Financial Statements

December 31, 2017 (amounts in thousands of Canadian dollars, except share and per share data)

1. Corporation Profile

Wajax Corporation (the "Corporation") is incorporated in Canada. The address of the Corporation's registered office is 2250 Argentia Road, Mississauga, Ontario, Canada. The Corporation operates an integrated distribution system providing sales, parts and services to a broad range of customers in diversified sectors of the Canadian economy, including: transportation, forestry, industrial and commercial, construction, oil sands, mining, metal processing, government and utilities and oil and gas.

2. Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on March 5, 2018.

Basis of measurement

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

Functional and presentation currency

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

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

Allowance for doubtful accounts

The Corporation is exposed to credit risk with respect to its trade and other receivables. However, this is somewhat minimized by the Corporation's large customer base which covers many business sectors across Canada. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation maintains provisions for possible credit losses, and any such losses to date have been within management's expectations. The provision for doubtful accounts is determined on an account-by-account basis.

Inventory obsolescence

The value of the Corporation's new and used equipment and high value parts is evaluated by management throughout the year, on a unit-by-unit basis. When required, provisions are recorded to ensure that equipment and parts are valued at the lower of cost and estimated net realizable value. The Corporation performs an aging analysis to identify slow moving or obsolete lower value parts inventories and estimates appropriate obsolescence provisions related thereto. The Corporation takes advantage of supplier programs that allow for the return of eligible parts for credit within specified time periods.

Goodwill and intangible assets

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

3. Significant Accounting Policies

Principles of consolidation

These consolidated financial statements include the accounts of Wajax Corporation and its subsidiary entities, which are all wholly-owned. Intercompany balances and transactions are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and is recognized as it is earned in accordance with the following:

- Revenue from the sale of equipment, parts and internally-manufactured or assembled products is generally recorded at the time goods are shipped to customers or when all contracted-upon conditions have been fulfilled.
- Revenue from the sale of equipment that involves the design, installation, and assembly of power generation systems is recognized based on the percentage of contract costs incurred in relation to total estimated contract costs.
- Revenue from the rental of equipment is recognized on a straight-line basis over the term of the lease.
- Revenue from the provision of engineering and technical services to customers is recognized upon completion of contracted–upon services with the customer.
- Revenue for separately priced extended warranty or product maintenance contracts is recognized over the contract period in proportion to the costs expected to be incurred in performing the services under the contract. If insufficient historical evidence exists to support this pattern, then revenue is recognized on a straight-line basis over the term of the contract.

Provision is made for expected returns, collection losses and warranty costs based on past performance, and for estimated costs to fulfill contractual obligations and other sales-related contingencies depending on the terms of each individual contract.

Contracts in progress

Contracts in progress represent unbilled amounts expected to be collected from customers for contract work performed to date. The amount is measured at cost plus profit recognized to date less progress billings and recognized losses. Costs include all expenditures directly related to specific projects. Contracts in progress is presented as a current asset for all contracts in which costs incurred plus recognized profits exceeds the progress billings and in which the amounts are expected to be billed and recovered within twelve months. If progress billings exceed costs incurred plus recognized profits, the difference represents amounts billed in advance for contract work yet to be performed and is presented as deferred income.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost is determined using the weighted average method except where the items are not ordinarily interchangeable, in which case the specific identification method is used.

Cost of equipment and parts includes purchase cost, conversion cost, if applicable, and the cost incurred in bringing inventory to its present location and condition.

Cost of work-in-process and cost of conversion includes cost of direct labour, direct materials and a portion of direct and indirect overheads, allocated based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

Deposits on inventory

In the normal course of business, the Corporation receives inventory on consignment from a major manufacturer which is either rented, sold to customers, or purchased. Under the terms of the consignment program, the Corporation is required to make periodic deposits to the manufacturer on the consigned inventory that is rented to customers or on-hand for greater than nine months. This consigned inventory is not included in the Corporation's inventory as the manufacturer retains title to the goods, however the deposits paid to the manufacturer are recorded as deposits on inventory. Other inventory prepayments are also included in deposits on inventory.

Rental equipment

Rental equipment assets are recorded at cost less accumulated depreciation. Cost includes all expenditures directly attributable to the acquisition of the asset. Assets are depreciated over their estimated useful lives using the declining balance method at a rate of 20% – 30% per year for material handling equipment and a straight-line method for power generation equipment.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures directly attributable to the acquisition of the asset. Assets are depreciated over their estimated useful lives based on the following methods and annual rates:

Asset	Method	Rate
Buildings	declining balance	5% – 10%
Equipment and vehicles	declining balance	20% – 30%
Computer hardware	straight-line	3 – 5 years
Furniture and fixtures	declining balance	10% – 20%
Leasehold improvements	straight-line	over the remaining terms of the leases

Assets under finance leases are depreciated over the shorter of the lease term and their useful life.

Leases

As lessor:

The Corporation's equipment rentals and leases are classified as operating leases with amounts received included in revenue on a straight-line basis over the term of the lease.

As lessee:

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Corporation. A leased 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. A lease obligation is recorded and is classified as current and non-current liabilities. The interest component of the lease is charged to earnings over the period of the lease using the effective interest rate method.

All other leases are classified as operating leases. The cost of operating leases is charged to earnings on a straight-line basis over the periods of the leases.

Goodwill and intangible assets

Product distribution rights represent the fair value attributed to these rights at the time of acquisition and are classified as indefinite life intangible assets because the Corporation is generally able to renew these rights with minimal cost of renewal.

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill and indefinite life intangible assets are subsequently measured at cost less accumulated impairment losses. Goodwill and indefinite life intangible assets are not amortized but are tested for impairment at least annually, or more frequently if certain indicators arise that indicate the assets might be impaired. Goodwill and indefinite life intangible assets are allocated to cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition.

Customer lists and non-competition agreements are amortized on a straight-line basis over their useful lives which range from 2 to 7 years. Computer application software is classified as an intangible asset and is amortized on a straight-line basis over the useful life ranging from 1 to 7 years.

Impairment

Property, plant and equipment, rental equipment and definite life intangible assets are reviewed at the end of each period to determine if any indicators of impairment exist. If an indicator of impairment is identified, an impairment test is performed comparing its recoverable amounts to its carrying value. An impairment loss would be recognized as the amount by which the asset's carrying amount exceeds its recoverable amount. Where the asset does not generate cash flows that are independent of other assets, impairment is considered for the CGU or group of CGUs to which the asset belongs.

Goodwill and indefinite life intangible assets are tested for impairment at least annually or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. To test for impairment, the Corporation compares the carrying values of its goodwill and indefinite life intangibles to their recoverable amounts. Recoverable amount is the higher of value in use or fair value less costs of disposal, if the fair value can be readily determined. The value in use is the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the assets. The fair value less costs of disposal is determined either by an adjusted net asset-based approach or by the present value of future cash flows from a market participant perspective. Any impairment of goodwill or indefinite life intangible assets would be recorded as a charge against earnings.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the purpose of impairment testing, goodwill and intangible assets are allocated to the Corporation's single group of CGUs expected to benefit from the acquisition. The level at which goodwill and intangible assets are allocated represents the lowest level at which goodwill is monitored for internal management purposes and corresponds to the Corporation as a whole.

Cash and bank indebtedness

Cash and bank indebtedness includes cash on hand, demand deposits, bank overdrafts and outstanding cheques. The Corporation considers bank indebtedness to be an integral part of the Corporation's cash management. Cash and bank indebtedness are offset and the net amount presented in the consolidated statements of financial position to the extent that there is a right to set off and a practice of net settlement.

Financing costs

Transaction costs directly attributable to the acquisition or amendment of bank debt are deferred and amortized to finance costs over the term of the long-term debt using the effective interest rate method. Deferred financing costs are included in the carrying amount of the related long-term debt.

Provisions

The Corporation provides for customer warranty claims that may not be covered by the manufacturer's standard warranty. Warranties relate to products sold and generally cover a period of 6 months to 5 years. The reserve is determined by applying a claim rate to the value of each machine sold. The rate is developed using management's best estimate of actual warranty expense, generally based on recent claims experience, and is adjusted as required. The provision is not discounted to reflect the time value of money because the impact is not material.

Financial instruments

Long-term debt instruments are initially measured at fair value, which is the consideration received, net of transaction costs incurred.

The Corporation uses derivative financial instruments in the management of its foreign currency exposures related to certain inventory purchases and customer sales commitments. The Corporation also uses derivative financial instruments in the management of its interest rate risk related to its variable rate debt. The Corporation's policy is to not utilize derivative financial instruments for trading or speculative purposes. Where the Corporation intends to apply hedge accounting it formally documents the relationship between the derivative and the risk being hedged, as well as the risk management objective and strategy for undertaking the hedge transaction. The documentation links the derivative to a specific asset or liability or to specific firm commitments or forecasted transactions. The Corporation also assesses, at the hedge's inception and at least quarterly whether the hedge is effective in offsetting changes in fair values or cash flows of the risk being hedged. Should a hedge become ineffective, hedge accounting will be discontinued prospectively. All derivative instruments are recorded in the consolidated statements of financial position at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in fair value are recorded in earnings unless hedge accounting is applied, in which case changes in fair value of the hedged instrument are recorded in other comprehensive income. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in other comprehensive income are included in the initial measurement of the asset or liability.

Share-based compensation plans

The fair value of share-based compensation plan rights is based on the trading price of a Wajax Corporation common share on the Toronto Stock Exchange ("TSX") or a Monte Carlo simulation. Compensation expense for share-settled plans is based upon the fair value of the rights at the date of grant and is charged to selling and administrative expenses on a straight-line basis over the vesting period, with an offsetting adjustment to contributed surplus. Compensation expense for cash-settled plans varies with the price of the Corporation's shares and is recognized over the vesting period with an offset to accounts payable and accrued liabilities.

Employee benefits

The Corporation has defined contribution pension plans for most of its employees. The cost of the defined contribution plans is recognized in earnings based on the contributions required to be made each year.

The Corporation also has defined benefit plans covering certain of its employees. The benefits are based on years of service and the employees' earnings. Defined benefit plan obligations are accrued as the employees render the services necessary to earn the pension benefits. The Corporation has adopted the following policies:

- The cost of pension benefits earned by employees is actuarially determined using the projected unit credit method for defined benefit plans and management's best estimate of salary escalation, and retirement ages of employees.
- For purposes of calculating expected return on plan assets, those assets are valued at fair value.
- The charge to earnings for the defined benefit plans is split between an operating cost and a finance charge. The finance charge represents the net interest cost on the defined benefit obligation net of the expected return on plan assets and is included in selling and administrative expenses.
- Actuarial gains and losses are recognized in full in other comprehensive income in the year in which they occur.

Income taxes

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in earnings except to the extent that they relate to a business combination or to items recognized directly in equity or in other comprehensive income.

Current tax is the expected taxes payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. Changes in Accounting Policies

Accounting standards adopted during the year

Effective January 1, 2017, the Corporation adopted the amendments to IAS 7 *Statement of Cash Flows*, which requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash flow changes. See Notes 10 and 15 for additional disclosures.

New standards and interpretations not yet adopted

The new standards or amendments to existing standards that may be significant to the Corporation set out below are not effective for the year ended December 31, 2017 and have not been applied in preparing these consolidated financial statements.

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

The Corporation has completed its assessment of the new standard and has identified the following change that will result from the adoption of IFRS 15:

- The revenue recognition pattern for product support service orders will change to an over-time pattern rather than the point in time recognition that was previously used to best depict performance in transferring control of the repair service. While the total amount of revenue recognized under IFRS 15 will not change materially, it will be recognized earlier to reflect the measure of progress over time.

The Corporation also reviewed its other revenue streams including sales of equipment that involves the design, installation and assembly of power generation systems and has concluded that they will be substantially unchanged by the new standard. In addition, the revenue pattern for the rental of equipment will remain unchanged as it is excluded from the scope of the new standard and is accounted for in accordance with IAS 17 *Leases*.

The Corporation intends to use the retrospective transition method, which means that it will record the cumulative impact of the accounting policy change in retained earnings as at January 1, 2017 and will restate the comparative 2017 amounts when reporting 2018 results. The Corporation will elect to use a practical expedient when restating its prior year results in its 2018 financial statements and not disclose the amounts of the transaction price allocated to remaining performance obligations nor provide an explanation of when it expects to recognize that amount as revenue.

On January 1, 2017, adoption of IFRS 15 will result in an increase to retained earnings of approximately $1,500. For the year ended December 31, 2017, such adoption will result in increases of approximately $790 and approximately $140 to revenue and earnings respectively.

On January 1, 2018, the Corporation will be required to adopt IFRS 9 *Financial Instruments*, which will replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard largely retains the existing accounting requirements for financial liabilities with the exception of accounting for non-substantial modifications of financial liabilities and the accounting treatment of fair value changes attributable to changes in its own credit risk of financial liabilities that are designated as fair value through profit and loss.

It also replaces the current 'incurred' impairment of financial assets model with a new 'expected credit loss' model.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Corporation elects to apply the hedge requirements of IFRS 9 to its existing hedge relationships. The Corporation's existing hedge relationships that qualified for hedge accounting under IAS 39 will continue to qualify for hedge accounting under IFRS 9.

Based on the current facts and circumstances, the Corporation does not expect the transition to IFRS 9 to have a material impact on the Corporation's consolidated financial statements.

On January 1, 2019, the Corporation will be required to adopt IFRS 16 *Leases*. The new standard contains a single lease accounting model for lessees, whereby all leases with a term longer than 12 months are recognized on-balance sheet through a right-of-use asset and lease liability. The model features a front-loaded total lease expense recognized through a combination of depreciation and interest. Lessor accounting remains similar to current requirements. The Corporation's long term leases primarily relate to rental of real estate. The new standard will result in a material increase in right of use assets and lease obligations but the impact to earnings has not yet been estimated.

5. Trade and Other Receivables

	2017	2016
Trade accounts receivable	**$ 187,031**	$ 166,832
Less: allowance for credit losses	**(832)**	(1,079)
Net trade accounts receivable	**186,199**	165,753
Other receivables	**21,154**	28,860
Total trade and other receivables	**$ 207,353**	$ 194,613

The Corporation's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 16.

6. Contracts in Progress

	Note	2017	2016
Contract revenue for contracts in progress		**$ 23,510**	$ 46,907
Less: progress billings		**(20,387)**	(39,837)
		$ 3,123	$ 7,070
Contracts in progress		**$ 4,128**	$ 7,095
Deferred income – contract revenue	14	**1,005**	25
		$ 3,123	$ 7,070

During the year ended December 31, 2017, $9,082 (2016 – $23,169) was recorded as contract revenue.

7. Inventories

	2017	2016
Equipment	**$ 194,311**	$ 162,041
Parts	**104,436**	102,059
Work-in-process	**24,031**	19,321
Total inventories	**$ 322,778**	$ 283,421

All amounts shown are net of obsolescence reserves of $22,378 (2016 – $21,667). During the year ended December 31, 2017, $3,186 (2016 – $10,324) was recorded in cost of sales for the write-down of inventories to estimated net realizable value.

The Corporation recognized $870,405 (2016 – $798,222) of inventories as an expense which is included in cost of sales.

Substantially all of the Corporation's inventories are pledged as security for the bank credit facility (Note 15).

8. Rental Equipment

	Cost	Accumulated Depreciation	Net Book Value
December 31, 2016	**$ 106,543**	**$ 48,437**	**$ 58,106**
Additions	**19,310**	**13,402**	**5,908**
Net transfers to inventories	**(7,171)**	**(4,414)**	**(2,757)**
December 31, 2017	**$ 118,682**	**$ 57,425**	**$ 61,257**
December 31, 2015	$ 105,640	$ 41,536	$ 64,104
Additions	13,538	14,578	(1,040)
Net transfers to inventories	(12,635)	(7,677)	(4,958)
December 31, 2016	$ 106,543	$ 48,437	$ 58,106

9. Property, Plant and Equipment

	Land and buildings	Equipment and vehicles	Computer hardware	Furniture and fixtures	Leasehold improvements	Total
Cost						
December 31, 2016	**$ 39,620**	**74,361**	**6,366**	**12,003**	**9,588**	**$ 141,938**
Additions	**112**	**6,380**	**1,658**	**282**	**514**	**8,946**
Disposals	**(1,607)**	**(6,195)**	**(2,539)**	**(585)**	**(339)**	**(11,265)**
December 31, 2017	**$ 38,125**	**74,546**	**5,485**	**11,700**	**9,763**	**$ 139,619**
Accumulated depreciation						
December 31, 2016	**$ 17,996**	**56,120**	**5,246**	**9,025**	**7,893**	**$ 96,280**
Charge for the year	**798**	**5,801**	**541**	**640**	**623**	**8,403**
Disposals	**(790)**	**(5,712)**	**(2,484)**	**(544)**	**(368)**	**(9,898)**
December 31, 2017	**$ 18,004**	**56,209**	**3,303**	**9,121**	**8,148**	**$ 94,785**
Carrying amount						
December 31, 2017	**$ 20,121**	**18,337**	**2,182**	**2,579**	**1,615**	**$ 44,834**
Cost						
December 31, 2015	$ 37,522	72,964	5,665	11,867	9,070	$ 137,088
Additions	176	4,069	737	399	590	5,971
Additions from business acquisition	1,922	1,360	–	–	–	3,282
Disposals	–	(4,032)	(36)	(263)	(72)	(4,403)
December 31, 2016	$ 39,620	74,361	6,366	12,003	9,588	$ 141,938
Accumulated depreciation						
December 31, 2015	$ 17,218	53,182	4,842	8,495	7,134	$ 90,871
Charge for the year	778	6,395	437	734	817	9,161
Disposals	–	(3,457)	(33)	(204)	(58)	(3,752)
December 31, 2016	$ 17,996	56,120	5,246	9,025	7,893	$ 96,280
Carrying amount						
December 31, 2016	$ 21,624	18,241	1,120	2,978	1,695	$ 45,658

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

	2017	2016
Cost, beginning of year	**$ 20,234**	$ 22,313
Additions	**4,655**	2,083
Disposals	**(230)**	(177)
Purchased at end of lease	**(3,592)**	(3,985)
Cost, end of year	**$ 21,067**	$ 20,234
Accumulated depreciation, beginning of year	**$ 12,935**	$ 13,417
Charge for the year	**2,628**	2,957
Disposals	**(186)**	(162)
Purchased at end of lease	**(2,977)**	(3,277)
Accumulated depreciation, end of year	**12,400**	12,935
Carrying amount	**$ 8,667**	$ 7,299

All property, plant and equipment except land and buildings and vehicles held under finance leases have been pledged as security for bank debt (Note 15).

10. Operating and Finance Leases

Operating leases – as lessor

The Corporation rents equipment to customers under rental agreements with terms of up to 5 years. The rentals have been classified as operating leases. The rentals may be cancelled subject to a cancellation fee. The future minimum lease payments receivable under the agreements are as follows:

	2017	2016
Less than one year	**$ 10,594**	$ 10,354
Between one and five years	**15,513**	14,678
More than five years	**–**	–
	$ 26,107	$ 25,032

Operating leases – as lessee

The Corporation leases certain land and buildings, rental equipment and office equipment. Some of the lease terms can be extended at the option of the Corporation.

The future minimum non-cancellable payments due under the agreements are as follows:

	2017	2016
Less than one year	**$ 18,289**	$ 18,449
Between one and five years	**41,370**	47,523
More than five years	**14,864**	23,978
	$ 74,523	$ 89,950

Finance leases – as lessee

The Corporation finances certain vehicles under finance lease arrangements. The leases have a minimum one year term and are extended on a monthly basis thereafter until terminated. On termination, the Corporation has an option to purchase the vehicles at their residual value or the difference between the lessor's proceeds of disposal and the residual value is charged or refunded to the Corporation as a rental adjustment. Obligations under finance leases are as follows:

	2017			2016		
	Payment	Finance costs	Present value of minimum lease payments	Payment	Finance costs	Present value of minimum lease payments
Current	**$ 4,236**	**446**	**3,790**	$ 4,108	407	3,701
Non-current (between one and five years)	**6,294**	**573**	**5,721**	5,642	488	5,154
Total minimum lease payments	**$ 10,530**	**1,019**	**9,511**	$ 9,750	895	8,855

	2017	2016
Balance at beginning of year	**$ 8,855**	$ 11,042
Changes from financing cash flows		
Finance lease payments	**(3,955)**	(4,254)
Other changes		
New finance leases	**4,611**	2,067
Balance at end of year	**$ 9,511**	$ 8,855

11. Goodwill and Intangible Assets

		Goodwill	Product distribution rights	Customer lists/Non-competition agreements	Software		Total
Cost							
December 31, 2016	**$**	**36,395**	**3,200**	**7,402**	**5,187**	**$**	**52,184**
Additions		**–**	**–**	**–**	**370**		**370**
Disposals		**–**	**–**	**–**	**(903)**		**(903)**
December 31, 2017	**$**	**36,395**	**3,200**	**7,402**	**4,654**	**$**	**51,651**
Accumulated amortization							
December 31, 2016	**$**	**–**	**–**	**6,001**	**4,978**	**$**	**10,979**
Charge for the year		**–**	**–**	**400**	**170**		**570**
Disposals		**–**	**–**	**–**	**(903)**		**(903)**
December 31, 2017	**$**	**–**	**–**	**6,401**	**4,245**	**$**	**10,646**
Carrying amount							
December 31, 2017	**$**	**36,395**	**3,200**	**1,001**	**409**	**$**	**41,005**
Cost							
December 31, 2015	$	36,395	3,200	7,402	4,940	$	51,937
Additions		–	–	–	247		247
December 31, 2016	$	36,395	3,200	7,402	5,187	$	52,184
Accumulated amortization							
December 31, 2015	$	–	–	5,601	4,569	$	10,170
Charge for the year		–	–	400	409		809
December 31, 2016	$	–	–	6,001	4,978	$	10,979
Carrying amount							
December 31, 2016	$	36,395	3,200	1,401	209	$	41,205

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

The Corporation performed its annual impairment test of its goodwill and intangible assets with indefinite lives as at December 31, 2017. The recoverable amount of the CGU group was estimated based on the present value of the future cash flows expected to be derived from the CGU group (value in use). To prepare these calculations, the forecasts were extrapolated beyond the five year period at the estimated long-term inflation rate of 2% (2016 – 2%) and a pre-tax discount rate of approximately 13% (2016 – 13%) which is based on the Corporation's pre-tax weighted average cost of capital.

The Corporation concluded as at December 31, 2017 that no impairment existed in either the goodwill or the intangible assets with an indefinite life, as the recoverable amount of the CGU group exceeded its carrying value. Any reasonable change in the key assumptions used to determine the recoverable amount would not cause the carrying amount of the CGU group to exceed its recoverable amount.

12. Provisions and Contingencies

		Warranties		Other		Total
Provisions, December 31, 2016	**$**	**4,960**	**$**	**3,184**	**$**	**8,144**
Charge for the year		**4,488**		**1,519**		**6,007**
Utilized in the year		**(4,284)**		**(1,674)**		**(5,958)**
Provisions, December 31, 2017	**$**	**5,164**	**$**	**3,029**	**$**	**8,193**
Current		**3,161**		**2,882**		**6,043**
Non-current		**2,003**		**147**		**2,150**
Total	**$**	**5,164**	**$**	**3,029**	**$**	**8,193**

Contingencies

In the ordinary course of business, the Corporation is contingently liable for various amounts that could arise from litigation, environmental matters or other sources. The Corporation does not expect the resolution of these matters to have a materially adverse effect on its financial position or results of operations. Provisions have been made in these consolidated financial statements when the liability is expected to result in an outflow of economic resources, and where the obligation can be reliably measured.

13. Employee Benefits

The Corporation sponsors three pension plans: the Wajax Limited Pension Plan (the "Employees' Plan") which, except for a small group of employees, is a defined contribution plan ("DC") and two defined benefit plans ("DB"): the Pension Plan for Executive Employees of Wajax Limited (the "Executive Plan") and the Wajax Limited Supplemental Executive Retirement Plan (the "SERP").

The Corporation also contributes to several union sponsored multi-employer pension plans for a small number of employees. Two of these are target benefit plans but they are accounted for as DC plans since the Corporation has no involvement in the management of these plans and does not have sufficient information to account for the plans as DB plans.

The Corporation uses actuarial reports prepared by independent actuaries for funding and accounting purposes and measures its defined benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. These actuarial assumptions include discount rates, interest income on plan assets, compensation increases and service life. While management believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the statements of financial position and statements of earnings.

The schedule for actuarial valuations of the pension plans for funding purposes is as follows:

Plan	Previous valuation	Next valuation
Employees Plan	January 1, 2017	January 1, 2020
Executive Plan	January 1, 2015	January 1, 2018
SERP	January 1, 2015	January 1, 2018

The following significant actuarial assumptions were used to determine the net defined benefit plan cost and the defined benefit plan obligations:

	December 31	
	2017	2016
Discount rate – at beginning of year (to determine plan expenses) – Employees' Plan and SERP	**3.5%**	4.0%
Discount rate – at beginning of year (to determine plan expenses) – Executive Plan	**3.8%**	4.0%
Discount rate – at end of year (to determine defined benefit obligation) – Employees' Plan and SERP	**3.3%**	3.5%
Discount rate – at end of year (to determine defined benefit obligation) – Executive Plan	**3.3%**	3.8%
Rate of compensation increase	**3.0%**	3.0%

Assumptions regarding future mortality were based on the following mortality tables: 2014 Private Sector Canadian Pensioner's Mortality Table for the Employees' Plan, and 2014 Public Sector Canadian Pensioner's Mortality Table for the Executive Plan and SERP.

Plan assets for the DC plans are invested according to the directions of the plan members. Plan assets for defined benefit plans are invested in the following major categories of plan assets as a percentage of total plan assets:

	December 31	
	2017	2016
Cash	**3.7%**	2.9%
Fixed Income	**36.5%**	35.4%
Canadian Equities	**28.2%**	28.4%
Foreign Equities	**31.6%**	33.3%
	100.0%	100.0%

The history of adjustments on the defined benefit plans for the current and prior year are as follows:

		2017		2016
Actuarial loss (gain) on defined benefit obligation arising from:				
Experience adjustment	**$**	**(478)**	$	151
Economic assumption changes		**949**		1,103
	$	**471**	$	1,254
Actuarial gain on plan assets, excluding interest income	**$**	**652**	$	164

Total cash payments

Total cash payments for employee future benefits for 2017, consisting of cash contributed by the Corporation to its funded pension plans, cash payments directly to beneficiaries for its unfunded pension plans, and cash contributed to its DC plans was $7,758 (2016 – $7,718).

The Corporation expects to contribute $789 to the defined benefit pension plans in the year ended December 31, 2018.

The plan expenses recognized in earnings are as follows:

		2017		2016
Defined contribution plans				
Current service cost	**$**	**6,974**	$	7,114
Defined benefit plans				
Current service cost		**434**		534
Administration expenses		**500**		613
Interest cost on defined benefit obligation		**770**		827
Interest income on assets		**(470)**		(554)
		1,234		1,420
Total plan expense recognized in earnings	**$**	**8,208**	$	8,534

Of the amounts recognized in earnings, $2,493 (2016 – $2,560) is included in cost of sales and $5,715 (2016 – $5,974) is included in selling and administrative expenses.

The amounts recognized in other comprehensive income are as follows:

		2017		2016
Net actuarial (gains) losses	**$**	**(181)**	$	1,090
Deferred tax expense (recovery)		**49**		(293)
Amount recognized in other comprehensive (income) loss	**$**	**(132)**	$	797
Cumulative actuarial losses, net of tax	**$**	**3,243**	$	3,375

Information about the Corporation's defined benefit pension plans, in aggregate, is as follows:

Present value of benefit obligation	**2017**	2016
Present value of benefit obligation, beginning of year	**$ 22,025**	$ 21,168
Current service cost	**434**	534
Participant contributions	**32**	49
Interest cost on defined benefit obligation	**770**	827
Actuarial loss	**471**	1,254
Benefits paid	**(1,388)**	(1,807)
Present value of benefit obligation, end of year	**$ 22,344**	$ 22,025

Plan assets	**2017**	2016
Fair value of plan assets, beginning of year	**$ 13,295**	$ 14,062
Actual return	**1,129**	697
Participant contributions	**32**	49
Employer contributions	**855**	907
Benefits paid	**(1,388)**	(1,807)
Administration expenses	**(500)**	(613)
Fair value of plan assets, end of year	**$ 13,423**	$ 13,295

Funded status	**2017**	2016
Fair value of plan assets, end of year	**$ 13,423**	$ 13,295
Present value of benefit obligation, end of year	**(22,344)**	(22,025)
Plan deficit	**$ (8,921)**	$ (8,730)

The accrued benefit liability is included in the Corporation's statement of financial position as follows:

	2017	2016
Accounts payable and accrued liabilities	**$ (376)**	$ (624)
Employee benefits	**(8,545)**	(8,106)
Plan deficit	**$ (8,921)**	$ (8,730)

Present value of benefit obligation includes a benefit obligation of $6,504 (2016 – $6,126) related to the SERP that is not funded. This obligation is secured by a letter of credit of $6,970 (2016 – $6,377).

14. Accounts Payable and Accrued Liabilities

	Note	**2017**	2016
Trade payables		**$ 114,923**	$ 130,043
Deferred income – contract revenue	6	**1,005**	25
Deferred income – other		**16,941**	15,300
Supplier payables with extended terms		**36,119**	29,232
Payroll, bonuses and incentives		**29,577**	22,223
Restructuring accrual	29	**468**	4,687
Accrued liabilities		**30,425**	31,205
Accounts payable and accrued liabilities		**$ 229,458**	$ 232,715

15. Long-Term Debt

On September 20, 2017, the Corporation amended its bank credit facility, extending the maturity date from August 12, 2020 to September 20, 2021. In addition, a $50,000 non-revolving term facility was added to the existing $250,000 revolving term portion of the facility, increasing the total facility size to $300,000. The existing financial covenants under the credit facility restricting distributions, acquisitions and investments have been increased to a leverage ratio of 4.0 times. The $567 cost of amending the facility has been capitalized and will be amortized over the remaining term of the facility.

Borrowings under the bank credit facility bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields, U.S. dollar LIBOR rates or prime. Margins on the facility depend on the Corporation's leverage ratio at the time of borrowing and range between 1.5% and 3.0% for Canadian dollar bankers' acceptances and U.S. dollar LIBOR borrowings, and 0.5% and 2.0% for prime rate borrowings.

Borrowing capacity under the bank credit facility is dependent upon the level of the Corporation's inventories on hand and the outstanding trade accounts receivable. In addition, the bank credit facility contains customary restrictive covenants including limitations on the declaration of cash dividends and an interest coverage maintenance ratio, all of which were met as at December 31, 2017.

On October 23, 2017, the Corporation redeemed all of its outstanding 6.125% senior notes using proceeds from the amended bank credit facility. The redemption amount was 103.063% of the principal amount, including a $3,829 call premium plus accrued and unpaid interest to the redemption date. As a result of the senior notes early redemption, the remaining deferred financing costs of $1,625 relating to the senior notes 2013 issuance were written off in the fourth quarter of 2017.

	2017	2016
Bank credit facility		
Non-revolving term portion	**$ 50,000**	$ –
Revolving term portion	**95,000**	–
	145,000	–
Senior notes	**–**	125,000
Deferred financing costs, net of accumulated amortization of $989 (2016 – $1,983)	**(1,333)**	(3,048)
Total long-term debt	**$ 143,667**	$ 121,952

The Corporation had $7,258 (2016 – $6,417) letters of credit outstanding at the end of the year.

Interest on long-term debt amounted to $9,366 (2016 – $10,685), and senior notes redemption costs amounted to $5,454 (2016 – nil). Movements in the long-term debt balance throughout the year are shown as follows:

	2017	2016
Balance at beginning of year	**$ 121,952**	$ 151,582
Changes from financing cash flows		
Net proceeds (repayments) of borrowings	**20,000**	(30,000)
Transaction costs related to borrowings	**(567)**	(367)
Other changes		
Amortization of capitalized transaction costs	**657**	737
Write-off of capitalized transaction costs	**1,625**	–
Balance at end of year	**$ 143,667**	$ 121,952

16. Financial Instruments

The Corporation categorizes its financial assets and financial liabilities as follows:

	2017	2016
Loans and receivables:		
(Bank indebtedness) cash	**$ (1,724)**	$ 4,854
Trade and other receivables	**207,353**	194,613
Other financial liabilities:		
Accounts payable and accrued liabilities	**(229,458)**	(232,715)
Dividends payable	**(4,876)**	(4,956)
Other liabilities	**(435)**	(1,118)
Obligations under finance leases	**(9,511)**	(8,855)
Long-term debt	**(143,667)**	(121,952)
Derivative instruments – cash flow hedges:		
Foreign exchange forward contracts	**(547)**	553
Interest rate swaps	**151**	–

The Corporation measures loans and receivables and other financial liabilities at amortized cost. Derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value recorded in other comprehensive income. Cash and bank indebtedness were designated as loans and receivables upon initial recognition. The fair values of loans and receivables and other financial liabilities excluding long-term debt approximate their recorded values due to the short-term maturities of these instruments. The fair value of long-term debt approximates its recorded value due to its floating interest rate.

The fair value of foreign exchange forward contracts and interest rate swaps is determined by discounting contracted future cash flows using a discount rate derived from forward rate curves for comparable assets and liabilities adjusted for changes in credit risk of the counterparties.

Credit risk

The Corporation is exposed to credit risk with respect to its trade and other receivables. This risk is somewhat minimized by the Corporation's large customer base which covers many business sectors across Canada. The Corporation follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Corporation's trade and other receivables consist of trade accounts receivable from customers and other accounts receivable, generally from suppliers for warranty and rebates. The aging of the trade accounts receivable is as follows:

	2017	2016
Current	**$ 101,931**	$ 100,953
Less than 60 days overdue	**74,251**	58,766
More than 60 days overdue	**10,849**	7,113
Total trade accounts receivable	**$ 187,031**	$ 166,832

The carrying amounts of accounts receivable represent the maximum credit exposure.

The Corporation maintains provisions for possible credit losses by performing an analysis of specific accounts. Any such losses to date have been within management's expectations. Movement of the allowance for credit losses is as follows:

	2017	2016
Opening balance	**$ 1,079**	$ 1,143
Additions	**615**	981
Utilization	**(862)**	(1,045)
Closing balance	**$ 832**	$ 1,079

The Corporation is also exposed to the risk of non-performance by counterparties to short-term currency forward contracts and interest rate swaps. These counterparties are large financial institutions that maintain high short-term and long-term credit ratings. To date, no such counterparty has failed to meet its financial obligations to the Corporation. 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.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with its financial liabilities as they become due. The contractual maturity of the bank credit facility is September 20, 2021. At December 31, 2017, the Corporation had borrowed $145,000 (2016 – $nil) from the bank credit facility and $nil (2016 – $125,000) from the issuance of senior notes. The Corporation issued $7,258 (2016 – $6,417) of letters of credit for a total utilization of $152,258 (2016 – $6,417) of its $300,000 (2016 – $250,000) bank credit facility and had not utilized any (2016 – nil) of its $25,000 (2016 – $15,000) interest bearing equipment financing facilities.

As of March 5, 2018, Wajax's $300,000 bank credit facility, of which $147,742 was unutilized at the end of the year, along with the additional $25,000 of capacity permitted under the bank credit facility, should be sufficient to meet Wajax's short-term normal course working capital and maintenance capital requirements and certain strategic investments. However, Wajax may be required to access the equity or debt markets to fund significant acquisitions.

Financial risk management policy

The Corporation has in place a financial risk management policy that addresses the Corporation's financial exposure to currency risk and interest rate risk. The Corporation's tolerance to interest rate risk decreases as the Corporation's leverage ratio increases and interest coverage ratio decreases. To manage this risk prudently, guideline percentages of floating interest rate debt decrease as the Corporation's leverage ratio increases. The policy also defines acceptable levels of exposure to transactional currency risk. The exposure to currency and interest rate risk is managed through the use of various derivative instruments.

Currency risk

The Corporation enters into short-term currency forward contracts to hedge the exchange risk associated with the cost of certain inbound inventory and certain foreign currency-denominated sales to customers along with the associated receivables as part of its normal course of business. A change in foreign currency relative to the Canadian dollar would not have a material impact on the Corporation's unhedged foreign currency-denominated sales to customers along with the associated receivables, or on the Corporation's unhedged foreign currency-denominated purchases from vendors along with the associated payables. The Corporation will periodically institute price increases to offset the negative impact of foreign exchange rate increases and volatility on imported goods to ensure margins are not eroded. However, a sudden strengthening of the U.S. dollar relative to the Canadian dollar can have a negative impact mainly on parts margins in the short term prior to price increases taking effect. The Corporation's contracts to buy and sell foreign currencies are summarized as follows:

December 31, 2017			Notional Amount	Fair Value	Average Exchange Rate	Maturity
Purchase contracts	USD	$	48,507	(866)	1.2736	January 2018 to December 2018
Sales contracts	USD	$	13,816	319	1.2787	January 2018 to June 2018

December 31, 2016			Notional Amount	Fair Value	Average Exchange Rate	Maturity
Purchase contracts	USD	$	55,076	760	1.3281	January 2017 to February 2018
Sales contracts	USD	$	10,767	(207)	1.3209	January 2017 to March 2018

The Corporation maintains a hedging policy whereby significant transactional currency risks are usually identified and hedged.

Interest rate risk

The Corporation's borrowing costs are impacted by changes in interest rates. Wajax has entered into interest rate hedge contracts primarily to minimize exposure to interest rate fluctuations on its variable rate debt. All interest rate hedge contracts are recorded in the consolidated financial statements at fair value. The Corporation's interest rate swaps are summarized as follows:

December 31, 2017		Notional Amount		Fair Value	Average Interest Rate	Maturity
Interest rate swaps	$	40,000	$	151	2.01%	November 2019 to November 2022

A 1.00 percentage point change in interest rates on the average amount outstanding under the bank credit facility for 2017 would result in a change to earnings before income taxes of approximately $433 for the year.

17. Dividends Declared

During 2017 the Corporation declared cash dividends of $1.00 per share, or $19,584 (2016 – dividends of $1.00 per share or $19,869).

On March 5, 2018, the Corporation declared a first quarter 2018 dividend of $0.25 per share or $4,876.

18. Share Capital

The Corporation is authorized to issue an unlimited number of no par value common shares and an unlimited number of no par value preferred shares. Each common share entitles the holder of record to one vote at all meetings of shareholders. All issued common shares are fully paid. There were no preferred shares outstanding as at December 31, 2017 (2016 – nil). Each common share represents an equal beneficial interest in any distributions of the Corporation and in the net assets of the Corporation in the event of its termination or winding-up.

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

	Note	Number of Common Shares		Amount
Issued and outstanding, December 31, 2015		19,986,241	$	179,829
Common shares issued to settle share-based compensation plans	20	40,578		743
Issued and outstanding, December 31, 2016		20,026,819	$	180,572
Shares held in trust, December 31, 2015		–		–
Purchased for future settlement of certain share-based compensation plans		(200,968)		(1,808)
Shares held in trust, December 31, 2016		(200,968)		(1,808)
Issued and outstanding, net of shares held in trust, December 31, 2016		**19,825,851**	**$**	**178,764**

During 2017, the Corporation purchased 321,744 (2016 – 200,968) common shares on the open market through Employee Benefit Plan Trusts for the future settlement of certain share-based compensation plans. The cash consideration paid for the purchase was $7,499, (2016 – $3,245) the reduction in share capital was $2,901 (2016 – $1,808) and the premium charged to retained earnings was $4,598 (2016 – $1,437).

19. Revenue

	2017	2016
Equipment sales	**$ 459,792**	$ 412,622
Equipment rental	**31,872**	34,650
Industrial parts	**339,965**	320,430
Product support	**425,981**	398,148
Other	**61,680**	56,058
Total	**$1,319,290**	$1,221,908

20. Finance Costs

	2017	2016
Interest on long-term debt	**$ 9,366**	$ 10,685
Senior notes redemption	**5,454**	–
Interest on finance leases	**429**	496
Finance costs	**$ 15,249**	$ 11,181

21. Share-Based Compensation Plans

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

a) Treasury share rights plans

Under the SOP 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.

Whenever dividends are paid on the Corporation's shares, additional rights (dividend equivalents) with a value equal to the dividends are credited to the participants' accounts.

The Corporation recorded compensation cost of $608 (2016 – $731) in respect of these plans.

	December 31, 2017		December 31, 2016	
	Number of Rights	Fair value at time of grant	Number of Rights	Fair value at time of grant
Outstanding at beginning of year	**345,458**	**$ 5,935**	325,144	$ 6,008
Granted in the year – new grants	**26,891**	**589**	39,164	670
– dividend equivalents	**16,634**	**–**	21,728	–
Settled in the year	**–**	**–**	(40,578)	(743)
Outstanding at end of year	**388,983**	**$ 6,524**	345,458	$ 5,935

At December 31, 2017, all share rights were vested (December 31, 2016 – 339,504).

The outstanding aggregate number of shares issuable to satisfy entitlements under these plans is as follows:

	2017	2016
	Number of Shares	Number of Shares
Approved by shareholders	**1,050,000**	1,050,000
Exercised to date	**(247,289)**	(247,289)
Rights outstanding	**(388,983)**	(345,458)
Available for future grants	**413,728**	457,253

b) Market-purchased share rights plans

In March 2016, the MTIP and DSUP were amended such that all new grants under the MTIP, comprised of restricted share units ("RSUs") and performance share units ("PSUs"), and all new grants under the DSUP will be settled in market-purchased common shares of the Corporation on a one-for-one basis provided that the time and performance vesting criteria are met. Whenever dividends are paid on the Corporation's shares, additional rights with a value equal to the dividends are credited to the participants' accounts with the same vesting conditions as the original MTIP and DSUP rights. Grants prior to March 2016 under these plans will be settled in cash. The Corporation recorded compensation cost of $2,710 (2016 – $1,219) in respect of these plans. The following RSUs and PSUs under the plans are outstanding:

	December 31, 2017		December 31, 2016	
	Number of Rights	Fair value at time of grant	Number of Rights	Fair value at time of grant
Outstanding at beginning of year	**315,916**	**$ 5,211**	–	$ –
Granted in the year – new grants	**219,440**	**5,378**	324,702	5,549
– dividend equivalents	**20,944**	**–**	11,007	–
Forfeitures	**(57,860)**	**(1,165)**	(19,793)	(338)
Outstanding at end of year	**498,440**	**$ 9,424**	315,916	$ 5,211

At December 31, 2017, no RSUs or PSUs were vested (December 31, 2016 – nil). At December 31, 2017, the number of shares held in trust approximates the number of market-purchased share settled rights outstanding.

c) Cash-settled rights plans

MTIP and DSUP grants before March 2016 are settled in cash and vest over three years where a portion is determined by the price of the Corporation's shares. A portion of the grant is also subject to performance vesting conditions. Compensation expense varies with the price of the Corporation's shares and is recognized over the vesting period. Vested DSUP 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 $455 (2016 – $776) in respect of the share-based portion of the MTIP and DSUP for grants dated before March 2016. The carrying amount of the share-based portion of these liabilities was $1,373 (2016 – $1,634).

22. Employee Costs

Employee costs for the Corporation during the year amounted to:

	2017	2016
Wages and salaries, including bonuses	**$ 201,826**	$ 206,641
Other benefits	**29,852**	31,456
Pension costs – defined contribution plans	**6,974**	7,114
Pension costs – defined benefit plans	**1,234**	1,420
Share-based compensation expense	**3,773**	2,726
	$ 243,659	$ 249,357

23. Income Taxes

Income tax expense comprises current and deferred tax as follows:

	2017	2016
Current	**$ 5,773**	$ 5,501
Deferred – Origination and reversal of temporary difference	**6,071**	(779)
Income tax expense	**$ 11,844**	$ 4,722

The calculation of current tax is based on a combined federal and provincial statutory income tax rate of 26.9% (2016 – 26.9%). Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.9% based on the tax rates in years when the temporary differences are expected to reverse.

The reconciliation of effective income tax is as follows:

	2017	2016
Combined statutory income tax rate	**26.9%**	26.9%
Expected income tax expense at statutory rates	**$ 11,498**	$ 4,229
Other non-deductible expenses	**467**	474
Other	**(121)**	19
Income tax expense	**$ 11,844**	$ 4,722

Recognized deferred tax assets and liabilities and the movement in temporary differences during the year are as follows:

	December 31 2016	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**December 31 2017**
Property, plant and equipment	**$ (3,786)**	**(193)**	**–**	**$ (3,979)**
Finance leases	**421**	**(192)**	**–**	**229**
Intangible assets	**474**	**(145)**	**–**	**329**
Accrued liabilities	**3,542**	**193**	**(65)**	**3,670**
Provisions	**2,116**	**76**	**–**	**2,192**
Derivative instruments	**(25)**	**–**	**146**	**121**
Employee benefits	**2,180**	**102**	**16**	**2,298**
Deferred financing costs	**120**	**1,099**	**–**	**1,219**
Partnership income not currently taxable	**(469)**	**(7,011)**	**–**	**(7,480)**
Net deferred tax assets (liabilities)	**$ 4,573**	**(6,071)**	**97**	**$ (1,401)**

	December 31 2015	Recognized in profit or loss	Recognized in other comprehensive income	December 31 2016
Property, plant and equipment	$ (3,803)	17	–	$ (3,786)
Finance leases	579	(158)	–	421
Intangible assets	637	(163)	–	474
Accrued liabilities	2,440	1,102	–	3,542
Provisions	2,176	(60)	–	2,116
Derivative instruments	(296)	–	271	(25)
Employee benefits	1,816	71	293	2,180
Deferred financing costs	375	(255)	–	120
Partnership income not currently taxable	(674)	205	–	(469)
Tax loss carryforwards	(20)	20	–	–
Net deferred tax assets	$ 3,230	779	564	$ 4,573

24. Earnings Per Share

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

	2017	2016
Numerator for basic and diluted earnings per share: – net earnings	**$ 30,899**	$ 10,999
Denominator for basic earnings per share: – weighted average shares, net of shares held in trust	**19,605,884**	19,898,004
Denominator for diluted earnings per share: – weighted average shares, net of shares held in trust	**19,605,884**	19,898,004
– effect of dilutive share rights	**598,854**	305,767
Denominator for diluted earnings per share	**20,204,738**	20,203,771
Basic earnings per share	**$ 1.58**	$ 0.55
Diluted earnings per share	**$ 1.53**	$ 0.54

15,204 anti-dilutive share rights (2016 – nil) were excluded from the above calculation.

25. Changes in Non-Cash Operating Working Capital

	2017	2016
Trade and other receivables	**$ (13,071)**	$ (26,462)
Contracts in progress	**2,967**	(2,253)
Inventories	**(36,600)**	29,506
Deposits on inventory	**12,533**	2,012
Prepaid expenses	**1,063**	1,567
Accounts payable and accrued liabilities	**(756)**	25,935
Provisions	**204**	595
Total	**$ (33,660)**	$ 30,900

26. Capital Management

Objective

The Corporation defines its capital as the total of its shareholders' equity and long-term debt and obligations under finance leases ("interest bearing debt"). The Corporation's objective when managing capital is to have a capital structure and capacity to support the Corporation's operations and strategic objectives set by the Board of Directors.

Management of capital

As part of the Corporation's renewed long-term strategy, its capital structure will continue to be managed such that it maintains a prudent leverage ratio, defined below, in order to provide funds available to invest in strategic growth initiatives, provide liquidity in times of economic uncertainty and to allow for the payment of dividends. In addition, the Corporation's tolerance to interest rate risk decreases/increases as the Corporation's leverage ratio increases/decreases. The Corporation's objective is to maintain a leverage ratio between 1.5 times and 2.0 times. However, there may be instances where the Corporation is willing to maintain a leverage ratio outside the range to either support key growth initiatives or fluctuations in working capital levels during changes in economic cycles.

The leverage ratio at the end of a particular quarter is defined as funded net debt divided by trailing 12-month EBITDA. Funded net debt includes bank indebtedness, long-term debt, obligations under finance leases, and letters of credit, net of cash. EBITDA used in calculating the leverage ratio under the bank credit agreement is calculated as earnings before restructuring (recovery) costs, gain recorded on sales of properties, finance costs, income tax expense, depreciation and amortization.

Although management currently believes the Corporation has adequate debt capacity, the Corporation may have to access the equity or debt markets, or temporarily reduce dividends to accommodate any shortfalls in the Corporation's credit facilities or significant growth capital requirements.

There were no significant changes in the Corporation's approach to capital management during the year.

Restrictions on capital

The interest bearing debt includes a $300,000 bank credit facility which expires September 20, 2021. The bank credit facility contains the following key covenants:

- Borrowing capacity is dependent upon the level of the Corporation's inventories on hand and the outstanding trade accounts receivable ("borrowing base"). The Corporation's borrowing base was in excess of the $250,000 revolving term portion at December 31, 2017 and, as a result, did not restrict the borrowing capacity under the bank credit facility.
- The Corporation will be restricted from the declaration of cash dividends in the event the Corporation's leverage ratio, as defined under the bank credit facility, exceeds 4.0 times.
- An interest coverage maintenance ratio.

At December 31, 2017, the Corporation was in compliance with all covenants and there were no restrictions on the declaration of quarterly cash dividends.

Under the terms of the $300,000 bank credit facility, the Corporation is permitted to have additional interest bearing debt of $25,000. As a result, the Corporation has up to $25,000 of demand inventory equipment financing capacity with two lenders. The equipment notes payable under the facilities bear floating rates of interest at margins over Canadian dollar bankers' acceptance yields and U.S. LIBOR rates. Principal repayments are generally due the earlier of 12 months from the date of financing and the date the equipment is sold. At December 31, 2017, the Corporation had not utilized any of its interest bearing equipment financing facilities.

27. Related Party Transactions

The Corporation's related party transactions consist of the compensation of the Board of Directors and key management personnel which is set out in the following table:

	2017	2016
Salaries, bonus and other short-term employee benefits	**$ 7,135**	$ 4,223
Pension costs – defined contribution plans	**162**	30
Pension costs – defined benefit plans	**1,019**	553
Share-based compensation expense	**2,320**	1,813
Total compensation	**$ 10,636**	$ 6,619

28. Operating Segments

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

29. Restructuring costs

In 2016, the Corporation announced that it would be transitioning from its then present organizational structure to a leaner more integrated functional organization resulting in a restructuring charge of $12,500. Movements in the restructuring accrual are outlined in the following table:

	2017	2016
Opening accrual	**$ 4,687**	$ –
Charge for the year	**–**	12,500
Utilized in the year	**(3,904)**	(7,813)
Recovery in the year	**(315)**	–
Ending accrual	**$ 468**	$ 4,687

30. Acquisition of Business

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

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

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

31. Comparative Information

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

Summary of Quarterly Data – Unaudited

(in millions of dollars, except per share data)	**2017**				2016			
	Q1	**Q2**	**Q3**	**Q4**	Q1	Q2	Q3	Q4
Revenue	**$ 318.4**	**$ 325.3**	**$ 299.0**	**$ 376.6**	$ 285.0	$ 336.6	$ 286.6	$ 313.7
Net earnings (loss)	**6.2**	**7.6**	**9.1**	**8.0**	(9.7)	4.3	7.6	8.9
Earnings (loss) per share – Basic	**$ 0.31**	**$ 0.39**	**$ 0.45**	**$ 0.41**	$ (0.49)	$ 0.22	$ 0.38	$ 0.45
Earnings (loss) per share – Diluted	**0.31**	**0.37**	**0.44**	**0.40**	(0.49)	0.21	0.37	0.44

Eleven Year Summary – Unaudited

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Results											
Revenue	**$1,319.3**	$ 1,221.9	$ 1,273.3	$ 1,451.3	$ 1,428.5	$ 1,466.0	$ 1,377.1	$ 1,110.9	$1,007.2	$ 1,213.5	$1,192.3
Net earnings (loss)	**30.9**	11.0	(11.0)	41.2	47.7	65.9	63.8	56.4	34.2	75.8	72.0
Interest expense	**15.2**	11.2	12.2	13.0	9.0	4.4	4.6	5.2	4.5	4.7	4.9
Property, plant and equipment – net	**3.0**	6.5	4.1	5.4	3.9	5.6	5.3	1.7	7.0	7.4	4.0
Rental equipment expenditures – net	**19.3**	13.5	23.0	23.1	20.0	25.1	20.2	5.8	0.4	7.0	8.6
Depreciation and amortization	**22.4**	24.7	24.5	22.5	21.6	17.8	13.5	11.2	9.7	9.7	9.9
Per Share											
Net (loss) earnings – Basic	**$ 1.58**	$ 0.55	$ (0.59)	$ 2.46	$ 2.85	$ 3.95	$ 3.84	$ 3.39	$ 2.06	$ 4.57	$ 4.34
Dividends declared	**1.00**	1.00	1.23	2.40	2.68	3.10	2.14	–	–	–	–
Distributions declared	**–**	–	–	–	–	–	–	3.40	2.47	4.13	4.36
Equity	**14.54**	13.96	14.44	14.82	14.77	14.45	13.69	12.00	12.07	12.40	11.94
Financial Position											
Working capital	**$ 298.5**	$ 265.9	$ 302.7	$ 258.2	$ 272.7	$ 230.1	$ 167.0	$ 77.9	$ 160.1	$ 198.8	$ 147.4
Rental equipment	**61.3**	58.1	64.1	59.4	52.3	43.7	28.1	15.8	16.4	21.8	21.7
Property, plant and equipment – net	**44.8**	45.7	46.2	48.7	49.7	50.7	47.9	43.3	36.2	33.6	29.5
Long-term debt excluding current portion	**143.7**	122.0	151.6	180.9	195.9	151.7	59.0	–	79.5	116.2	53.9
Shareholders' equity	**283.7**	276.8	288.5	248.5	247.2	241.9	227.6	199.3	200.4	205.7	198.1
Total assets	**692.6**	664.9	677.5	718.2	682.1	671.9	589.9	522.5	448.2	529.6	468.2
Other Information											
Number of employees	**2,418**	2,318	2,609	2,725	2,766	2,833	2,738	2,382	2,291	2,662	2,551
Shares outstanding (000s)	**19,504**	19,826	19,986	16,779	16,744	16,736	16,629	16,629	16,603	16,585	16,585
Price range of shares											
High	**$ 25.74**	$ 25.76	$ 30.93	$ 39.56	$ 46.24	$ 53.43	$ 44.94	$ 38.50	$ 23.40	$ 35.75	$ 37.95
Low	**18.49**	13.34	14.81	28.75	29.38	38.59	27.80	21.65	10.95	14.00	24.80

Corporate Information

Directors

Robert P. Dexter
Chairman, Wajax Corporation
Chairman and Chief Executive Officer, Maritime Travel Inc.

Thomas M. Alford [2, 3]
President, Well Services, Precision Drilling Corporation

Edward M. Barrett [1, 2]
Chairman and Co-Chief Executive Officer, Barrett Corporation

Ian A. Bourne [1]
Corporate Director

Douglas A. Carty [1, 3]
Corporate Director

Sylvia D. Chrominska [1, 2]
Corporate Director

John C. Eby [1, 3]
Corporate Director

A. Mark Foote
President and Chief Executive Officer, Wajax Corporation

Alexander S. Taylor [2, 3]
President, Nuclear, SNC Lavalin Inc.

1 Member of the Audit Committee
2 Member of the Human Resources and Compensation Committee
3 Member of the Governance Committee

Honourary Director

H. Gordon MacNeill

Home Office

2250 Argentia Road
Mississauga, ON L5N 6A5
Telephone: (905) 212-3300
Fax: (905) 212-3350

Officers

A. Mark Foote
President and Chief Executive Officer

Darren Yaworsky
Senior Vice President, Finance and Chief Financial Officer

Steven Deck
Senior Vice President, Business Development

Thomas Plain
Senior Vice President, Service Operations

Stuart Auld
Senior Vice President, Human Resources and Information Systems

Donna Baratto
Vice President, Supply Chain

Cristian Rodriguez
Vice President, Environment, Health and Safety

Trevor Carson
Treasurer and Vice President, Financial Planning and Risk Management

Andrew W. H. Tam
General Counsel and Corporate Secretary

Shareholder Information

Transfer Agent and Registrar

For information relating to shareholdings, dividends, lost certificates, changes of address or estate transfers, please contact our transfer agent:

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, ON M5J 2Y1
Telephone: 1-800-564-6253
Fax: 1-888-453-0330
Web: www.investorcentre.com/service

Auditors
KPMG LLP

Exchange Listing
Toronto Stock Exchange

Symbol
WJX

Wajax Corporation
Share Trading Information
(January 1 – December 31, 2017)

Open	High	Low	Close	Volume of Shares Traded
$23.03	$25.74	$18.49	$24.67	7,560,615

Quarterly Earnings Reports
Quarterly earnings for 2018 are anticipated to be announced after market close on May 7, August 9 and November 5, 2018 and March 4, 2019.

2018 Dividend Dates
Quarterly dividends are payable to shareholders of record on the 15th day of the last month in each quarter and will generally be paid in the first week of the following month.

Investor Information
Darren Yaworsky
Senior Vice President, Finance and Chief Financial Officer, or
Trevor Carson
Treasurer and Vice President, Financial Planning and Risk Management
Telephone: (905) 212-3300
Fax: (905) 212-3350
E-mail: ir@wajax.com

To obtain a delayed share quote, read news releases, listen to the latest analysts' conference call, and stay abreast of other Corporation news, visit our website at www.wajax.com.

Annual Meeting
Shareholders are invited to attend the Annual Meeting of Wajax Corporation, to be held at the Sheraton Gateway Hotel, Toronto International Airport, Toronto, Ontario, on Tuesday, May 8, 2018, at 11:00 a.m. EDT.

Vous pouvez obtenir la version française de ce rapport en écrivant à la Secrétaire, Corporation Wajax,
2250 Argentia Road,
Mississauga, (ON) L5N 6A5

Branch Locations (104)

Western Canada

Fort St. John, BC
Kamloops, BC
Langley, BC
Nanaimo, BC
Prince George, BC (2)
Sparwood, BC
Surrey, BC

Blackfalds, AB
Calgary, AB (3)
Clairmont, AB
Edmonton, AB (4)
Fort McMurray, AB (2)
Grande Prairie, AB
Nisku, AB
Red Deer, AB
Redcliff, AB

Regina, SK (2)
Saskatoon, SK (3)

Flin Flon, MB
Thompson, MB
Winnipeg, MB (2)

Yellowknife, NT

Ontario

Belleville, ON (2)
Cornwall, ON
Espanola, ON
Guelph, ON
Hamilton, ON
Kapuskasing, ON
Kitchener, ON
London, ON (2)
Mississauga, ON (3)
Niagara Falls, ON
Ottawa, ON (3)
Pembroke, ON
Sault Ste. Marie, ON
Stoney Creek, ON
Sudbury, ON (2)
Thunder Bay, ON (4)
Timmins, ON (2)
Toronto, ON
Vaughan, ON
Windsor, ON

Eastern Canada

Chambly, QC
Chicoutimi, QC
Dorval, QC
Drummondville, QC (2)
Granby, QC
Lachine, QC
Lasalle, QC
Laval, QC (2)
Longueuil, QC
Noranda, QC
Québec City, QC (2)
Rimouski, QC
Sept-Iles, QC
Sherbrooke, QC
St-Félicien, QC
Temiscaming, QC
Tracy, QC
Trois-Rivières, QC
Val d'Or, QC (2)
Valleyfield, QC
Ville d'Anjou, QC

Bathurst, NB
Edmundston, NB
Moncton, NB (2)

Charlottetown, PEI

Dartmouth, NS (3)
Port Hawkesbury, NS
Stellarton, NS

Corner Brook, NL
Mount Pearl, NL (2)
Pasadena, NL
Wabush, NL

Photo Credit
Cover Page: Ksenia Bulgakov, Inventory Planning Manager, Mississauga (Argentia)

160 YEARS \ ANS

WAJAX

2250 Argentia Road
Mississauga, ON L5N 6A5
Telephone: (905) 212-3300
Fax: (905) 212-3350

\\ Together We Get More Done.™

wajax.com