



WAJAX LIMITED
News Release

TSX Symbol: WJX

**WAJAX INCREASES EARNINGS 76% IN FOURTH QUARTER, 91% FOR THE YEAR
AND RAISES DIVIDEND**

| (Dollars in millions, except per share data) | Three Months | | Year | |
|--|--------------------------|---------|--------------------------|---------|
| | <u>Ended December 31</u> | | <u>Ended December 31</u> | |
| | 2004 | 2003 | 2004 | 2003 |
| Revenue | \$249.2 | \$230.9 | \$928.2 | \$884.0 |
| Net earnings | \$6.0 | \$3.4 | \$18.3 | \$9.6 |
| Basic earnings per share | \$0.38 | \$0.22 | \$1.17 | \$0.61 |

Toronto, Ontario – March 3, 2005 – Wajax Limited today announced fourth quarter 2004 earnings of \$6.0 million, or \$0.38 per share, 76% above the \$3.4 million, or \$0.22 per share, for the corresponding period in 2003. For the year ended December 31, 2004, the Company earned \$18.3 million, or \$1.17 per share, compared to \$9.6 million, or \$0.61 per share, recorded in the prior year.

Fourth Quarter Highlights

- Fourth quarter revenues increased 8% (11% after excluding the negative impact of the declining U.S. dollar) with gains experienced in all three core businesses. For the second consecutive quarter Industrial Components led the way with a 13% increase in revenues with strength in virtually all regions of Canada and the U.S. Revenues in Mobile Equipment and Diesel Engines increased by 6% and 3% respectively, largely as a result of strong oil sector related sales in western Canada.
- Quarterly earnings in Industrial Components of \$3.1 million improved substantially in Canada and the U.S. from the \$0.2 million posted in 2003 as a result of higher revenues and increased margins. Mobile Equipment recorded a 33% earnings increase compared to 2003 on the strength of higher volume, while Diesel Engines earnings were down slightly to \$4.7 million.
- Interest expense decreased \$0.7 million in the quarter mainly as a result of lower debt, net of cash compared to last year.

- The Company announced that it has recently received two large mining equipment supply and service orders. North American Construction Group intends to purchase fifteen 330 ton Hitachi mining trucks and two 800 ton Hitachi hydraulic shovels over the next sixteen months for use in a major oil sands project in the Fort McMurray, Alberta area. The Company will also supply Elk Valley Coal Corporation four pieces of LeTourneau mining equipment over the next six months. The Company expects to enter into long-term product support agreements with these two customers. The total sales value of the equipment plus product support is estimated to be approximately \$157 million over the life of the agreements, with the equipment value equal to approximately one half of the total.
- Effective March 1, 2005, the Company will phase out its distribution of Timberjack forestry products for northern Ontario, Manitoba and the Maritimes. To replace this product line, the Company has secured distribution rights to the Direct Technologies and Logset forestry equipment lines for most regions of Canada. As these two lines are relatively new to the Canadian market place, replacing the Timberjack revenues will not be immediate; however, they give the Company access to a much larger portion of the Canadian forestry market. The company estimates that this change will reduce 2005 revenue by approximately \$15 million.
- The Company raised its quarterly dividend payment by \$0.03 per share, declaring a dividend of \$0.07 per share payable on March 31, 2005, to shareholders of record on March 15, 2005.

Commenting on the fourth quarter earnings and the outlook for 2005, Neil Manning, President and CEO, stated "Our fourth quarter results were a continuation of the trend we have seen throughout 2004 where earnings were ahead of our expectations. Going into 2005, with the outlook of continued strong industry fundamentals and strategic initiatives in place for each business, we expect to continue to grow revenue and improve profitability overall, with particular emphasis on continuing to build revenue and earnings in the Industrial Components segment".

Wajax is a diversified company that has three core distribution businesses engaged in the sale and after-sales parts and service support of mobile equipment, diesel engines and industrial components, through a network of over 100 branches across Canada and the western United States. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Wajax will Webcast its Fourth Quarter Financial Results Conference Call. You are invited to listen to the live Webcast on Thursday, March 3, 2005 at 2:30 P.M. EST. To access the Webcast, enter www.wajax.com and click on the link for the Webcast on the Investor Relations page. The archived Webcast will be available at the above mentioned website within 24 hours after the conference call.

This news release contains forward-looking information. Actual future results may differ from expected results.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Company's Quarterly Consolidated Financial Statements and accompanying Notes and the Company's Management's Discussion and Analysis for the first, second, and third quarters of 2004 and the year ended December 31, 2003. Unless otherwise indicated, all financial information is in millions of dollars, except per share data.

Quarterly Results of Operations

Consolidated Results

| for the three months ended December 31 | 2004 | 2003 |
|--|----------------|---------|
| Gross revenue | \$249.2 | \$230.9 |
| Net earnings | \$6.0 | \$3.4 |
| Earnings per share – basic | \$0.38 | \$0.22 |
| – diluted | \$0.37 | \$0.22 |

| for the year ended December 31 | 2004 | 2003 |
|--------------------------------|----------------|---------|
| Gross revenue | \$928.2 | \$884.0 |
| Net earnings | \$18.3 | \$9.6 |
| Earnings per share – basic | \$1.17 | \$0.61 |
| – diluted | \$1.14 | \$0.61 |

Revenue increased \$18.3 million to \$249.2 million in the fourth quarter of 2004 from \$230.9 million in the fourth quarter of 2003. Net quarterly earnings of \$6.0 million, or \$0.38 per share, increased \$2.6 million compared to the \$3.4 million, or \$0.22 per share, recorded the previous year. For the year ending December 31, 2004 revenue increased \$44.2 million to \$928.2 million and net earnings increased \$8.7 million to \$18.3 million, or \$1.17 per share, from \$9.6 million, or \$0.61 per share, the previous year. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing consolidated revenues by \$7.3 million for the quarter and \$30.0 million for the year ended December 31, 2004. Canadian operations realized lower sales dollars per unit on U.S. sourced products and Spencer's U.S. dollar revenues were translated to Canadian dollars at a lower exchange rate.

The following factors contributed to the change in year-over-year quarterly results from operations:

- Mobile Equipment revenues increased 6% and earnings increased \$1.7 million compared to last year due primarily to an increase in equipment sales in western Canada and higher margins in eastern Canada.
- Industrial Components revenues increased \$9.2 million or 13%. Earnings increased \$2.9 million as the Industrial Components group continued to benefit from increased volumes and higher margins compared to last year.
- Diesel Engines revenues increased \$1.5 million while earnings decreased \$0.4 million as a result of higher selling and administrative expenses.

- Corporate costs and eliminations increased \$1.5 million compared to last year due mainly to accruals for long-term incentive costs based on changes in the Company's share price.
- The Company's debt of \$26.2 million, net of cash, decreased \$23.1 million compared to September 30, 2004 and \$12.5 million compared to December 31, 2003. As a result, the Company's quarter-end debt to equity ratio of 0.13:1 was improved from last year's ratio of 0.22:1.
- Interest expense decreased \$0.7 million quarter-over-quarter mainly as a result of a \$30.5 million reduction in the average amount of funded debt, net of cash, outstanding during the quarter compared to last year.

During the quarter the Company paid a dividend of \$0.04 per share and has declared a dividend of \$0.07 per share payable March 31, 2005.

Mobile Equipment

| for the three months ended December 31 | 2004 | 2003 |
|--|---------|---------|
| Equipment sales | 87.1 | 81.1 |
| Parts and service | 37.5 | 36.1 |
| Gross revenue | \$124.6 | \$117.2 |
| Segment earnings | \$6.9 | \$5.2 |

| for the year ended December 31 | 2004 | 2003 |
|--------------------------------|---------|---------|
| Equipment sales | 298.1 | 294.5 |
| Parts and service | 150.7 | 144.4 |
| Gross revenue | \$448.8 | \$438.9 |
| Segment earnings | \$22.6 | \$18.3 |

Revenues increased \$7.4 million, or 6%, to \$124.6 million in the fourth quarter of 2004 from \$117.2 million in 2003. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing mobile equipment revenues by \$3.7 million for the quarter. Segment earnings increased \$1.7 million, or 33%, to \$6.9 million in the fourth quarter of 2004 from \$5.2 million in the previous year. For the year ended December 31, 2004, revenues increased \$9.9 million to \$448.8 million and segment earnings of \$22.6 million increased \$4.3 million compared to last year.

The following factors contributed to the fourth quarter results:

- Revenues in western Canada increased \$15.5 million in the quarter which included a 54% increase in equipment revenues, quarter-over-quarter. Strong forestry and construction and mining markets resulted in a \$15.9 million increase in equipment sales driven by a \$5.5 million increase in new Hitachi excavator sales and an \$8.4 million increase in mining equipment revenues resulting from the delivery of four large mining machines. Slightly offsetting these increases were a \$0.9 million reduction in crane & utility equipment volumes and a \$1.1 million decrease in material handling equipment revenue due mainly to fewer large truck sales compared to last year. Parts and service revenues increased \$1.6 million, or 11%, as a result of targeted revenue building initiatives in all sectors. Earnings increased \$1.3 million, as the positive impact of higher sales volumes more than offset the reduced margins resulting from a higher percentage of total revenues being derived from lower margin equipment revenues and a \$0.7 million increase in selling and administrative costs associated with increased sales volume compared to last year.

- In eastern Canada revenues decreased \$8.1 million quarter-over-quarter, due to a \$7.9 million decrease in equipment volumes and a \$0.2 million decrease in parts and service revenues. A \$5.1 million or 30% increase in forestry and construction equipment sales was more than offset by an \$8.9 million reduction in crane and utility equipment volumes resulting from fewer deliveries to provincial hydro utilities, a \$3.2 million reduction in mining equipment revenues due to the sale of a large LeTourneau loader in 2003, and a \$1.1 million decrease in material handling equipment revenues compared to last year. Earnings increased by \$0.4 million as higher margins as a result of the favourable impact of the stronger Canadian dollar on U.S. dollar parts purchases and a lower equipment obsolescence provision, more than offset the impact of lower volumes and higher selling and administrative costs compared to last year.

On October 7, 2004, the Company completed an \$0.8 million acquisition of a JCB distributor based in southwestern Ontario. It is anticipated this acquisition will increase revenues by more than \$4 million annually. The JCB line supplements this segment's Canada-wide distribution of the Hitachi construction excavator line.

The Company has recently received two large mining equipment supply and service orders. Wajax has received an order from North American Construction Group ("NACG") for fifteen 330 ton Hitachi mining trucks and two 800 ton Hitachi hydraulic shovels over the next sixteen months for use in a major oil sands project in the Fort McMurray, Alberta area. The Company also expects to enter into a long-term parts support agreement with NACG for this equipment. The Company will also supply Elk Valley Coal Corporation, four pieces of LeTourneau mining equipment over the next six months. In addition the equipment will be operated through an eight year product support program. Total sales value for the equipment and product support for both of these customers is estimated to be approximate \$157 million over the life of the agreements, with the equipment sales value equal to approximately one half of the total.

Effective March 1, 2005, the Company will phase out its distribution of Timberjack forestry products in northern Ontario, Manitoba and the Maritimes. To replace this line, the Company has secured distribution rights for the Direct Technologies line of tracked feller bunchers and harvesters, and the Logset forwarder and wheeled harvester line for most of Canada. As these two lines are relatively new to the Canadian market place, replacing the Timberjack revenues will not be immediate; however, they give the Company access to a much larger portion of the Canadian forestry market. Revenues from the Timberjack forestry line in 2004 were approximately \$35 million. The company estimates that this change will reduce 2005 revenue and earnings by approximately \$15 million and \$1.5 million respectively.

Industrial Components

| for the three months ended December 31 | 2004 | 2003 |
|--|---------------|---------|
| Canada – Kinecor | \$65.4 | \$57.5 |
| United States – Spencer | \$12.5 | \$11.2 |
| Gross revenue | \$77.9 | \$68.7 |
| Canada – Kinecor | \$2.7 | \$1.1 |
| United States – Spencer | \$0.4 | (\$0.9) |
| Segment earnings | \$3.1 | \$0.2 |

| for the year ended December 31 | 2004 | 2003 |
|--------------------------------|----------------|---------|
| Canada – Kinecor | \$253.0 | \$229.0 |
| United States – Spencer | \$56.8 | \$51.1 |
| Gross revenue | \$309.8 | \$280.1 |
| Canada – Kinecor | \$7.6 | \$4.2 |
| United States – Spencer | \$1.1 | (\$2.9) |
| Segment earnings | \$8.7 | \$1.3 |

Revenues increased 13% in the quarter to \$77.9 million from \$68.7 million in 2003. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing Industrial Components revenues by \$2.5 million for the quarter. Earnings of \$3.1 million increased \$2.9 million compared to \$0.2 million the previous year. For the year ended December 31, 2004, revenue increased 11% to \$309.8 million and segment earnings increased \$7.4 million to \$8.7 million.

The following factors contributed to the quarterly results:

- Total revenues in Kinecor increased 14% to \$65.4 million in 2004 as all regions across Canada realized increased volumes. Bearings and power transmission parts sales increased \$4.5 million as a result of personnel additions to the sales force in western Canada, stronger sales in eastern Canada's steel and forestry sectors, and new branches in Rimouski, Quebec and Guelph, Ontario compared to last year. Hydraulics parts and service revenues increased by \$3.0 million, or 19%, as strong results in western Canada's oil and gas sector were supplemented by increases in eastern Canada resulting from the acquisition of PMDF in late 2003 and the opening of the Guelph branch. A margin increase of 2.7 percentage points was achieved primarily through increases in volume related supplier rebates and lower freight costs. Earnings increased \$1.6 million to \$2.7 million as improved volumes combined with higher margins across all regions more than offset the negative impact of higher selling and administrative expenses. Selling and administrative expenses increased by \$1.9 million quarter-over-quarter primarily as a result of additional personnel costs required to support the increased volumes, new branches, and additional headcount associated with the PMDF acquisition.

- Revenues in Spencer, a U.S. based hydraulics business, increased 12% (20% on a U.S. dollar basis) to \$12.5 million compared to \$11.2 million last year, due principally to higher parts sales to OEMs and increased mining parts and service revenues. Earnings for the quarter increased \$1.3 million to \$0.4 million from a loss of \$0.9 million in 2003. The earnings improvement was the result of the positive volume variance combined with improved margins primarily attributable to increased growth related supplier rebates.

Diesel Engines

| for the three months ended December 31 | 2004 | 2003 |
|--|--------|--------|
| Equipment sales | 21.4 | 19.4 |
| Parts and service | 25.8 | 26.3 |
| Gross revenue | \$47.2 | \$45.7 |
| Segment earnings | \$4.7 | \$5.1 |

| for the year ended December 31 | 2004 | 2003 |
|--------------------------------|---------|---------|
| Equipment sales | 73.5 | 63.1 |
| Parts and service | 98.2 | 103.8 |
| Gross revenue | \$171.7 | \$166.9 |
| Segment earnings | \$15.2 | \$15.7 |

Revenue increased \$1.5 million, or 3%, to \$47.2 million in the fourth quarter of 2004 while earnings declined \$0.4 million to \$4.7 million compared to \$5.1 million last year. The strengthening Canadian dollar relative to the U.S. dollar had the effect of decreasing Diesel Engine revenues by \$1.1 million for the quarter. For the twelve months ended December 31, 2004, revenues increased \$4.8 million to \$171.7 million, while earnings decreased \$0.5 million from last year's level of \$15.7 million. The following events affected quarterly revenue and earnings:

- Revenues at the Waterous operation in Alberta increased \$0.8 million compared to 2003. Higher equipment sales in the oil and gas sector and increased service revenues from increased truck shop activity, were offset by fewer engine rebuilds and a decrease in part sales to Freightliner truck dealers.
- Revenues at the Company's Quebec and Maritimes operation, Detroit Diesel-Allison Canada East, increased \$0.7 million as a \$1.8 million increase in generator set equipment sales due to a large delivery to a major telecom company, more than offset lower parts sales to Freightliner truck dealers.
- Segment earnings decreased \$0.4 million to \$4.7 million in the quarter as the positive impact of higher volumes was offset by a decrease in margins and a \$0.3 million increase in selling and administrative costs due to higher personnel costs in western Canada.

SELECTED QUARTERLY INFORMATION

| | 2004 | | | | 2003* | | | |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|--------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Revenue | \$249.2 | \$230.0 | \$238.1 | \$210.9 | \$230.9 | \$207.8 | \$227.0 | 218.3 |
| Net earnings | 6.0 | 5.2 | 4.6 | 2.5 | 3.4 | 2.6 | 2.5 | 1.1 |
| Earnings per share - Basic | \$0.38 | \$0.33 | \$0.29 | \$0.16 | \$0.22 | \$0.17 | \$0.16 | \$0.07 |
| - Diluted | \$0.37 | \$0.33 | \$0.28 | \$0.16 | \$0.22 | \$0.16 | \$0.16 | \$0.07 |

* Restated. See Note 2 in the Q4 2004 Quarterly Financial Statements.

A discussion of the Company's previous quarterly results can be found in the Company's quarterly Management's Discussion & Analysis reports available on SEDAR at www.sedar.com.

LIQUIDITY AND CAPITAL RESOURCES

The Company generated \$21.0 million of cash before financing activities in the fourth quarter of 2004 compared to \$40.2 million in the fourth quarter of 2003. For the year ended December 31, 2004 cash inflows before financing activities amounted to \$13.2 million compared to \$68.2 million in 2003.

Cash provided by operating activities amounted to \$24.8 million in the fourth quarter of 2004, with \$9.7 million generated from operating earnings and \$15.1 million from changes in non-cash working capital. Significant components of the \$15.1 million decrease in working capital are described as follows:

- Inventory increased by \$4.0 million due mainly to an increase in Mobile Equipment's inventory to support the new JCB line, and a general increase in all segments to support higher sales volumes.
- Accounts payable and accrued liabilities increased by \$17.2 million primarily as a result of higher inventory levels and accruals.
- Income taxes payable increased \$2.0 million due to current taxes payable exceeding tax installments made in the quarter.

For the twelve months ended December 31, 2004 cash provided by operating activities amounted to \$23.3 million and included \$31.1 million of cash from operating earnings net of a \$7.8 million increase in non-cash working capital excluding the impact of changes in foreign currency translation.

Working capital, exclusive of funded debt and cash, decreased \$17.8 million to \$122.7 million at December 31, 2004 from \$140.5 million at September 30, 2004. The decrease is due to the cash flow factors listed above and the decrease in the quarter-end U.S. dollar exchange rate compared to the September 30, 2004 rate.

The Company invested a net amount of \$3.8 million of the cash provided by operating activities into operations during the fourth quarter of 2004. The most significant investing activities were \$1.8 million of lift truck rental fleet additions in Mobile Equipment, \$1.4 million for other various capital asset additions and the \$0.8 million acquisition of the JCB distributor based in southwestern Ontario.

Debt, net of cash, of \$26.2 million decreased \$23.1 million compared to September 30, 2004. Of this decrease, \$3.0 million resulted from the translation of the U.S. senior notes into Canadian dollars at a lower exchange rate compared to last quarter. The Company's debt to equity ratio decreased to 0.13:1 at December 31, 2004 compared to 0.26:1 at September 30, 2004.

During the quarter, the Company renewed its \$20 million 364-day revolving secured bank borrowing facility, which will expire December 16, 2005. Borrowing capacity under the facility is dependent upon the level of the Company's inventories on hand and the outstanding trade accounts receivable. This facility bears floating interest rates at a margin over Canadian dollar and U.S. dollar bankers' acceptances.

At December 31, 2004, the Company had utilized \$4.0 million (represented entirely by letters of credit) of the \$20 million bank facility. It is expected that the cash on-hand of \$49.4 million at year-end along with the \$20 million bank facility and cash generated from earnings will provide sufficient cash flow to meet the Company's short-term cash requirements and longer term growth initiatives.

The Mobile Equipment segment had possession of \$57.3 million of consigned inventory from a major manufacturer at December 31, 2004, compared to \$38.8 million the previous year. This inventory is not included in the Company's inventory as the manufacturer has title to the inventory.

The Company enters into hedges of its foreign currency exposures on a portion of its U.S. dollar-denominated senior notes by entering into offsetting U.S dollar forward contracts. On March 31, 2004 the Company entered into a short-term foreign currency forward contract to buy \$30 million U.S dollars on March 31, 2005 to offset the effect of foreign exchange gains or losses on the portion of its U.S dollar-denominated senior notes that does not form a part of the hedge against the Company's investment in its U.S. self-sustaining operations. The foreign currency forward contracts, valued using prevailing currency exchange rates, have been recognized on the balance sheet.

During the quarter the Company paid a dividend of \$0.04 per share and will pay a dividend of \$0.07 per share on March 31, 2005, to shareholders of record on March 15, 2005. No dividends on common shares were paid in 2003.

SHARE CAPITAL

During the quarter, 18,000 stock options were exercised with a weighted-average exercise price of \$4.71 per share. The following is a summary of the changes in share capital and options.

| Issued and fully paid common shares: | Number of Shares | Amount |
|--------------------------------------|------------------|---------|
| September 30, 2004 | 15,721,460 | \$102.3 |
| Issued | 18,000 | 0.1 |
| December 31, 2004 | 15,739,460 | \$102.4 |

Year to date, the Company has issued employee stock options to purchase 141,570 shares with a weighted-average exercise price of \$10.70 and weighted average life of 9.1 years as of the date of issuance. No options have expired during the year. The following table summarizes the status of the stock option plan:

| | Number of Shares | Weighted Average Exercise Price |
|-------------------------------------|------------------|---------------------------------|
| Outstanding as at December 31, 2004 | 843,070 | \$6.30 |

CHANGES IN ACCOUNTING POLICY

Hedging Relationships

Effective January 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline AcG-13 "Hedging Relationships", which requires assessment of new and existing hedging relationships to determine whether they satisfy the conditions of hedge accounting. The Company is satisfied that all hedging relationships existing at January 1, 2004 and all new hedging relationships entered into during the quarter and year were documented and deemed effective at inception as well as effective on a prospective and retroactive basis at December 31, 2004. Hedge accounting has been applied for all hedging relationships.

Revenue Recognition

Effective January 1, 2004, the Company adopted CICA EIC-141 "Revenue Recognition". This abstract provides interpretive guidance on the application of existing standards on revenue recognition. There was no impact on these consolidated financial statements upon adoption of the abstract as the Company had previously accounted for revenue recognition in the manner required by this guidance.

Multiple Deliverables

Effective January 1, 2004, the Company adopted the CICA EIC-142 "Revenue Arrangements with Multiple Deliverables". This abstract addresses certain aspects of the accounting for arrangements under which a vendor will perform multiple revenue-generating activities. In particular, the abstract addresses how to determine whether an arrangement contains more than one unit of accounting and how to allocate the arrangement consideration among separate units of accounting. Management evaluates the application of this abstract to these types of transactions on an individual basis when they occur. There has not been a significant change in the way management accounts for these types of arrangements.

Separately Priced Extended Warranty and Product Maintenance Contracts

Effective January 1, 2004, the Company adopted the CICA EIC-143 "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts". This abstract addresses how revenue and costs from separately priced extended warranty or product maintenance contracts are to be recognized and is effective prospectively for contracts entered into after December 17, 2003. Revenues should be deferred and recognized in income on a straight-line basis over the contract period except in those circumstances in which sufficient historical evidence indicates that the costs of performing services under the contract are incurred on other than a straight-line basis. In those circumstances, revenue should be recognized over the contract period in proportion to the costs expected to be incurred in performing the services under the contract. The Company is continuing to recognize revenue for separately priced extended warranty or product maintenance contracts over the contract period in proportion to the costs expected to be incurred in performing the services under the contract unless insufficient historical evidence exists to support an other than straight-line pattern.

Vendor Rebates

Effective September 30, 2004, the Company adopted CICA EIC-144 "Accounting by a Customer (Including a Reseller) For Certain Consideration Received From a Vendor". The abstract requires a customer to record cash consideration received from a vendor as a reduction in the price of the vendor's products and reflect it as a reduction to cost of goods sold and related inventory when recognized in the income statement and balance sheet. The abstract must be applied retroactively for annual and interim periods ending after August 15, 2004. This impact has resulted in a reduction to opening retained earnings of \$482 thousand for the full year ending December 31, 2004. For the 3 months ending December 31, 2004 and the 12 months ending December 31, 2004 the implementation of the new standard has resulted in a \$1.2 million reduction of inventory and a \$241 thousand reduction of net earnings with a corresponding \$0.01 reduction in earnings per share quarter to date and \$0.02 reduction in earnings per share year to date. The company has restated its 2003 comparative results and balances in its financial statements. The implementation of the new standard has resulted in a reduction to opening retained earnings for the 3 months ending December 31, 2003 of \$490 thousand and for the 12 months ending December 31, 2003 of \$491 thousand. The impact on balance sheet accounts as of December 31, 2003 was a decrease in inventory of \$777 thousand and an increase in future income taxes of \$295 thousand. The net earnings for the 3 months ending December 31, 2003 and the 12 months ending December 31, 2003 reflect a nominal increase.

Variable Interest Entities

Effective October 1, 2004, the Company elected to early adopt AcG-15 "Consolidation of Variable Interest Entities" which is effective for periods beginning on or after November 1, 2004. Upon adoption of this guideline the Company has determined that it has a variable interest in Wajax Finance, a "private label" financing operation of CIT Equipment Financing Canada, which is used primarily to provide customers of the Mobile Equipment segment with equipment financing. In addition, the Mobile Equipment segment leases its long-term lift truck rental fleet through Wajax Finance and will periodically finance inventory with Wajax Finance on a non-interest bearing basis. The Company's association with Wajax Finance is limited to a sharing of annual profits; any losses are financed by CIT and deducted from future profit distributions to the Company. In the event the Wajax Finance program is terminated, the Company's liability would be limited to amounts owing to Wajax Finance for the rental fleet, any inventory financed at the time of termination and any contingent contractual obligations. As the Company is not the primary beneficiary of Wajax Finance, its financial position and results of operations have not been consolidated in these financial statements and the Company will continue to account for the residual returns of Wajax Finance as earned.

Asset Retirement Obligations

Effective January 1, 2004, the Company adopted the CICA Handbook section 3110 "Asset Retirement Obligations". This section requires a company to capitalize the fair market value of the costs to decommission an asset, with an offsetting liability. The implementation of the new standard has resulted in a reduction to opening retained earnings of \$450 thousand for the full year ending December 31, 2004. The impact on the Company's consolidated statement of earnings for the three months and full year ending December 31, 2004 and comparative periods was negligible. The asset retirement obligations pertain to operating leases of branch facilities where certain clauses require premises to be

returned to their original state at the end of the lease term. The total estimated undiscounted cash flows required to settle these obligations amount to \$1,025 thousand. The Company adopted the section on a retroactive basis beginning on October 1, 2004. As a result, figures for the consolidated balance sheets as at September 30, 2004 were restated as follows: a \$7 thousand increase in fixed assets, an increase in future income taxes of \$283 thousand, an increase in accrued liabilities of \$749 thousand and a decrease in retained earnings of \$459 thousand. The implementation of the new standard has resulted in a reduction to opening retained earnings for the 3 months ending December 31, 2003 of \$447 thousand and for the 12 months ending December 31, 2003 of \$437 thousand. The impact on balance sheet accounts as of December 31, 2003 was an increase in fixed assets of \$13 thousand, an increase in accounts payable and accrued liabilities of \$740 thousand and an increase in future income taxes of \$277 thousand.

Impairment of Long Lived Assets

Effective January 1, 2004, the Company adopted CICA Handbook section 3063 "Impairment of Long-lived Assets". This section establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets held for use. Accounting for the potential impairment of long-lived assets held for use is a two-step process with the first step determining when impairment should be recognized, and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying amount of an asset held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value. The effect of adopting the new recommendations did not have an impact on the consolidated financial statements.

RISKS AND UNCERTAINTIES

A Statement of Claim has been served naming the Company and its subsidiary Wajax Industries Limited as defendants in proceedings under the Class Proceedings Act of British Columbia. The action arises out of the conversion on January 1, 2001 of the Employee Pension Plan from defined benefit to defined contribution, the taking of contribution holidays and the payment of pension administration expenses from the pension fund. The Company had previously evaluated the claims it anticipated could be articulated and concluded such claims would be unlikely to succeed. Management has assessed the facts and arguments pleaded and continues to believe the claims would be unlikely to succeed.

For further details about the Company's risks and uncertainties, please refer to the Management's Discussion and Analysis for the year ended December 31, 2003 included in the Company's 2003 Annual Report.

OUTLOOK

In 2004 the Company surpassed its profitability objectives and recorded its best earnings performance in seven years. Management believes that each of its three core businesses has a strong management team and a sound plan for future growth. While many of the profit improvement initiatives outlined in previous years did result in greater profitability in 2004, the Company also enjoyed strong industry fundamentals in a number of sectors. The energy sector in western Canada, along with base metal mining throughout Canada, benefiting from increased world-wide demand and improved pricing, have increased their requirement for product supplied by all three of the Company's core businesses. As well, the booming Canadian housing market has continued to positively impact demand for product from the Mobile Equipment business.

Going into 2005, management expects these positive economic trends to continue. With the expectation of strong industry fundamentals and the execution of strategic initiatives outlined for each business, management expects to continue to grow revenue and improve profitability overall, with particular emphasis on building revenue and earnings in the Industrial Components segment.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains forward-looking information that involves assumptions and estimates that may not be realized and other risks and uncertainties. The inclusion of this information herein should not be regarded as a representation by the Company or any other person that the anticipated results will be achieved and investors are cautioned not to place undue reliance on such information.

Additional information, including the Company's Annual Report and Annual Information Form, may be found on SEDAR at www.sedar.com.



WAJAX LIMITED

Unaudited Consolidated Financial Statements

For the twelve months ended December 31, 2004

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

The attached consolidated financial statements have been prepared by Management of Wajax Limited and have not been reviewed by the auditors of Wajax Limited.

WAJAX LIMITED
CONSOLIDATED BALANCE SHEETS
(unaudited)

| (in thousands of dollars) | December 31 2004 | December 31 2003 (restated note 2) |
|--|---------------------|--|
| Current Assets | | |
| Cash and cash equivalents | \$ 49,409 | \$ 45,395 |
| Accounts receivable | 115,207 | 106,027 |
| Inventories | 161,046 | 142,905 |
| Future income taxes | 6,132 | 6,829 |
| Prepaid expenses and other recoverable amounts | 3,963 | 2,353 |
| | 335,757 | 303,509 |
| Non-Current Assets | | |
| Rental equipment | 16,362 | 16,205 |
| Capital assets | 30,251 | 31,868 |
| Goodwill and other assets | 54,621 | 55,386 |
| Future income taxes | 2,851 | 2,772 |
| | 104,085 | 106,231 |
| | \$ 439,842 | \$ 409,740 |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 155,730 | \$ 140,816 |
| Income taxes payable | 7,935 | 1,348 |
| Current portion of long-term debt | 4,683 | 4,267 |
| | 168,348 | 146,431 |
| Non-Current Liabilities | | |
| Future income taxes | 3,545 | 2,745 |
| Long-term pension liability | 2,080 | 2,052 |
| Long-term debt | 70,884 | 79,838 |
| | 76,509 | 84,635 |
| Shareholders' Equity | | |
| Share capital | 102,390 | 102,212 |
| Contributed surplus | 373 | 63 |
| Retained earnings | 92,222 | 76,399 |
| | 194,985 | 178,674 |
| | \$ 439,842 | \$ 409,740 |

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS
AND RETAINED EARNINGS
(unaudited)

| (in thousands of dollars, except per share data) | Three months ended December 31 | | Year ended December 31 | |
|---|-----------------------------------|-------------------|---------------------------|-------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | | (restated note 2) | | (restated note 2) |
| Revenue | \$ 249,200 | \$ 230,905 | \$ 928,180 | \$ 883,967 |
| Cost of sales | 192,454 | 181,775 | 715,490 | 688,914 |
| Gross profit | 56,746 | 49,130 | 212,690 | 195,053 |
| Selling and administrative expenses | 44,909 | 39,964 | 174,389 | 166,368 |
| Earnings before interest and income taxes | 11,837 | 9,166 | 38,301 | 28,685 |
| Interest expense | 1,690 | 2,368 | 7,481 | 10,858 |
| Earnings before income taxes | 10,147 | 6,798 | 30,820 | 17,827 |
| Income taxes – current | 3,206 | (171) | 11,307 | 2,560 |
| – future | 903 | 3,534 | 1,175 | 5,698 |
| Net earnings | \$ 6,038 | \$ 3,435 | \$ 18,338 | \$ 9,569 |
| Retained earnings, beginning of period as reported | 87,273 | 73,901 | 77,331 | 67,758 |
| Impact of new accounting standards: (Note 2) | | | | |
| Vendor Rebates | - | (490) | (482) | (491) |
| Asset Retirement Obligations | (459) | (447) | (450) | (437) |
| Retained earnings, beginning of period, as restated | 86,814 | 72,964 | 76,399 | 66,830 |
| Dividends on common shares | (630) | - | (2,515) | - |
| Retained earnings, end of period | \$ 92,222 | \$ 76,399 | \$ 92,222 | \$ 76,399 |
| Earnings per share (Note 3) – basic | \$ 0.38 | \$ 0.22 | \$ 1.17 | \$ 0.61 |
| – diluted | \$ 0.37 | \$ 0.22 | \$ 1.14 | \$ 0.61 |
| Number of common shares outstanding | 15,739,460 | 15,696,960 | 15,739,460 | 15,696,960 |
| Number of common share stock options outstanding | 843,070 | 744,000 | 843,070 | 744,000 |

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Three months ended December 31

| (in thousands of dollars) | 2004 | | 2003 | |
|---|------|----------------|------|-------------------|
| | | | | (restated note 2) |
| OPERATING ACTIVITIES | | | | |
| Net earnings | \$ | 6,038 | \$ | 3,435 |
| Items not affecting cash flows: | | | | |
| Amortization | | | | |
| - Rental equipment | | 1,137 | | 1,298 |
| - Capital assets | | 1,273 | | 1,374 |
| - Deferred expenses and intangible assets | | 250 | | 271 |
| Pension expense – net of payments | | 14 | | 395 |
| Stock compensation expense (Note 4) | | 79 | | 63 |
| Future income taxes | | 903 | | 3,666 |
| Cash flows before changes in non-cash working capital | | 9,694 | | 10,502 |
| Changes in non-cash working capital: | | | | |
| Accounts receivable | | 1,403 | | 5,882 |
| Inventories | | (3,999) | | 18,120 |
| Prepaid expenses and other recoverable amounts | | (1,543) | | 66 |
| Accounts payable and accrued liabilities | | 17,200 | | 8,472 |
| Income taxes payable | | 2,011 | | (262) |
| | | 15,072 | | 32,278 |
| Cash flows provided by operating activities | | 24,766 | | 42,780 |
| INVESTING ACTIVITIES | | | | |
| Rental equipment additions | | (1,778) | | (1,302) |
| Rental equipment disposals | | 227 | | 561 |
| Capital asset additions | | (1,419) | | (1,832) |
| Proceeds on disposal of capital assets | | 23 | | 964 |
| Acquisition of business (Note 9) | | (845) | | (1,004) |
| | | (3,792) | | (2,613) |
| Cash flows before financing activities | | 20,974 | | 40,167 |
| FINANCING ACTIVITIES | | | | |
| Issuance of common shares on exercise of stock options (Note 4) | | 85 | | - |
| Repayment of debt upon acquisition of business | | (326) | | - |
| Repayment of debentures | | (1,325) | | (1,216) |
| Increase in deferred financing costs | | (50) | | (275) |
| Dividends paid | | (630) | | - |
| | | (2,246) | | (1,491) |
| Cash flows before effect of foreign exchange | | 18,728 | | 38,676 |
| Effect of foreign exchange on translation adjustment | | 133 | | (231) |
| Net change in cash and cash equivalents | \$ | 18,861 | \$ | 38,445 |
| Cash and cash equivalents – beginning of period | \$ | 30,548 | \$ | 6,950 |
| Cash and cash equivalents – end of period | \$ | 49,409 | \$ | 45,395 |
| Cash flows provided by operating activities include the following: | | | | |
| Interest paid | \$ | 2,446 | \$ | 2,940 |
| Income taxes paid | \$ | 1,177 | \$ | 78 |
| Significant non-cash transaction: | | | | |
| Rental equipment transferred to inventory | \$ | 102 | \$ | 239 |

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| (in thousands of dollars) | Year ended December 31 | |
|--|------------------------|---------------------------|
| | 2004 | 2003 (restated note 2) |
| OPERATING ACTIVITIES | | |
| Net earnings | \$ 18,338 | \$ 9,569 |
| Items not affecting cash flows: | | |
| Amortization | | |
| - Rental equipment | 4,385 | 4,268 |
| - Capital assets | 5,194 | 6,553 |
| - Deferred expenses and intangible assets | 1,130 | 1,048 |
| Pension expense – net of payments | 552 | 2,865 |
| Stock compensation expense (Note 4) | 310 | 63 |
| Future income taxes | 1,175 | 5,291 |
| Cash flows before changes in non-cash working capital | 31,084 | 29,657 |
| Changes in non-cash working capital: | | |
| Accounts receivable | (9,466) | 7,238 |
| Inventories | (17,850) | 33,855 |
| Prepaid expenses and other recoverable amounts | (1,613) | 5,377 |
| Accounts payable and accrued liabilities | 14,539 | (3,610) |
| Income taxes payable | 6,592 | 4,693 |
| | (7,798) | 47,553 |
| Cash flows provided by operating activities | 23,286 | 77,210 |
| INVESTING ACTIVITIES | | |
| Rental equipment additions | (6,663) | (7,819) |
| Rental equipment disposals | 1,293 | 1,187 |
| Capital asset additions | (3,782) | (4,520) |
| Proceeds on disposal of capital assets | 138 | 3,132 |
| Acquisition of business (Note 9) | (1,095) | (1,004) |
| | (10,109) | (9,024) |
| Cash flows (used) before financing activities | 13,177 | 68,186 |
| FINANCING ACTIVITIES | | |
| Issuance of common shares on exercise of stock options (Note 4) | 178 | - |
| Decrease in long-term debt | - | (25,691) |
| Repayment of debt upon acquisition of business | (326) | |
| Repayment of debentures | (4,267) | (3,888) |
| Increase in deferred financing costs | (50) | (275) |
| Hedging activities (Note 5) | (2,025) | (6,336) |
| Dividends paid | (2,515) | - |
| | (9,005) | (36,190) |
| Cash flows before effect of foreign exchange | 4,172 | 31,996 |
| Effect of foreign exchange on translation adjustment | (158) | (158) |
| Net change in cash and cash equivalent | \$ 4,014 | \$ 31,838 |
| Cash and cash equivalent – beginning of period | \$ 45,395 | \$ 13,557 |
| Cash and cash equivalent – end of period | \$ 49,409 | \$ 45,395 |
| Cash provided by operating activities included the following: | | |
| Interest paid | \$ 7,096 | \$ 9,582 |
| Income taxes paid (received) | \$ 4,714 | \$ (1,545) |
| Significant non-cash transaction: | | |
| Rental equipment transferred to inventory | \$ 828 | \$ 678 |

WAJAX LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabulated in thousands of dollars)
(unaudited)

Note 1 Significant accounting policies

The accounting policies used in the preparation of these unaudited interim consolidated financial statements conform with those used in the Company's annual consolidated financial statements except for the changes noted below (See Note 2).

These interim consolidated financial statements do not include all of the disclosures included in the Company's annual consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2003.

Note 2 Change in accounting policies

a. Hedging Relationships

Effective January 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline AcG-13 "Hedging Relationships", which requires assessment of new and existing hedging relationships to determine whether they satisfy the conditions of hedge accounting. The Company is satisfied that all hedging relationships existing at January 1, 2004 and all new hedging relationships entered into during the quarter and year were documented and deemed effective at inception as well as effective on a prospective and retroactive basis at December 31, 2004. Hedge accounting has been applied for all hedging relationships.

b. Revenue Recognition

Effective January 1, 2004, the Company adopted CICA EIC-141 "Revenue Recognition". This abstract provides interpretive guidance on the application of existing standards on revenue recognition. There was no impact on these consolidated financial statements upon adoption of the abstract as the Company had previously accounted for revenue recognition in the manner required by this guidance.

c. Multiple Deliverables

Effective January 1, 2004, the Company adopted the CICA EIC-142 "Revenue Arrangements with Multiple Deliverables". This abstract addresses certain aspects of the accounting for arrangements under which a vendor will perform multiple revenue-generating activities. In particular, the abstract addresses how to determine whether an arrangement contains more than one unit of accounting and how to allocate the arrangement consideration among separate units of accounting. Management evaluates the application of this abstract to these types of transactions on an individual basis when they occur. There has not been a significant change in the way management accounts for these types of arrangements.

d. Separately Priced Extended Warranty and Product Maintenance Contracts

Effective January 1, 2004, the Company adopted the CICA EIC-143 "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts". This abstract addresses how revenue and costs from separately priced extended warranty or product maintenance contracts are to be recognized and is effective prospectively for contracts entered into after December 17, 2003. Revenues should be deferred and recognized in income on a straight-line basis over the contract period except in those circumstances in which sufficient historical evidence indicates that the costs of performing services under the contract are incurred on other than a straight-line basis. In those circumstances, revenue should be recognized over the contract period in proportion to the costs expected to be incurred in

performing the services under the contract. The Company is continuing to recognize revenue for separately priced extended warranty or product maintenance contracts over the contract period in proportion to the costs expected to be incurred in performing the services under the contract unless insufficient historical evidence exists to support an other than straight-line pattern.

e. Vendor Rebates

Effective September 30, 2004, the Company adopted CICA EIC-144 "Accounting by a Customer (Including a Reseller) For Certain Consideration Received From a Vendor". The abstract requires a customer to record cash consideration received from a vendor as a reduction in the price of the vendor's products and reflect it as a reduction to cost of goods sold and related inventory when recognized in the income statement and balance sheet. The abstract must be applied retroactively for annual and interim periods ending after August 15, 2004. This impact has resulted in a reduction to opening retained earnings of \$482 thousand for the full year ending December 31, 2004. For the 3 months ending December 31, 2004 and the 12 months ending December 31, 2004 the implementation of the new standard has resulted in a \$1.2 million reduction of inventory and a \$241 thousand reduction of net earnings with a corresponding \$0.01 reduction in earnings per share quarter to date and \$0.02 reduction in earnings per share year to date. The company has restated its 2003 comparative results and balances in its financial statements. The implementation of the new standard has resulted in a reduction to opening retained earnings for the 3 months ending December 31, 2003 of \$490 thousand and for the 12 months ending December 31, 2003 of \$491 thousand. The impact on balance sheet accounts as of December 31, 2003 was a decrease in inventory of \$777 thousand and an increase in future income taxes of \$295 thousand. The net earnings for the 3 months ending December 31, 2003 and the 12 months ending December 31, 2003 reflect a nominal increase.

f. Variable Interest Entities

Effective October 1, 2004, the Company elected to early adopt AcG-15 "Consolidation of Variable Interest Entities" which is effective for periods beginning on or after November 1, 2004. Upon adoption of this guideline the Company has determined that it has a variable interest in Wajax Finance, a "private label" financing operation of CIT Equipment Financing Canada, which is used primarily to provide customers of the Mobile Equipment segment with equipment financing. In addition, the Mobile Equipment segment leases its long-term lift truck rental fleet through Wajax Finance and will periodically finance inventory with Wajax Finance on a non-interest bearing basis. The Company's association with Wajax Finance is limited to a sharing of annual profits; any losses are financed by CIT and deducted from future profit distributions to the Company. In the event the Wajax Finance program is terminated, the Company's liability would be limited to amounts owing to Wajax Finance for the rental fleet, any inventory financed at the time of termination and any contingent contractual obligations. As the Company is not the primary beneficiary of Wajax Finance, its financial position and results of operations have not been consolidated in these financial statements and the Company will continue to account for the residual returns of Wajax Finance as earned.

g. Asset Retirement Obligations

Effective January 1, 2004, the Company adopted the CICA Handbook section 3110 "Asset Retirement Obligations". This section requires a company to capitalize the fair market value of the costs to decommission an asset, with an offsetting liability. The implementation of the new standard has resulted in a reduction to opening retained earnings of \$450 thousand for the full year ending December 31, 2004. The impact on the Company's consolidated statement of earnings for the three months and full year ending December 31, 2004 and comparative periods was negligible. The asset retirement obligations pertain to operating leases of branch facilities where certain clauses require premises to be returned to their original state at the end of the lease term. The total estimated undiscounted cash flows required to settle these obligations amount to \$1,025 thousand. The Company adopted the section on a retroactive basis beginning on October 1, 2004. As a result, figures for the consolidated balance sheets as at September 30, 2004 were restated as follows: a \$7 thousand increase in fixed assets, an increase

in future income taxes of \$283 thousand, an increase in accrued liabilities of \$749 thousand and a decrease in retained earnings of \$459 thousand. The implementation of the new standard has resulted in a reduction to opening retained earnings for the 3 months ending December 31, 2003 of \$447 thousand and for the 12 months ending December 31, 2003 of \$437 thousand. The impact on balance sheet accounts as of December 31, 2003 was an increase in fixed assets of \$13 thousand, an increase in accounts payable and accrued liabilities of \$740 thousand and an increase in future income taxes of \$277 thousand.

h. Impairment of long-lived assets

Effective January 1, 2004, the Company adopted CICA Handbook section 3063 "Impairment of Long-lived Assets". This section establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets held for use. Accounting for the potential impairment of long-lived assets held for use is a two-step process with the first step determining when impairment should be recognized, and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying amount of an asset held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value. The effect of adopting the new recommendations did not have an impact on the consolidated financial statements.

Note 3 Earnings per share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share information):

| Quarter | 2004 | 2003 |
|--|-------------------|-------------------|
| | | (restated note 2) |
| Numerator for basic and diluted earnings per share: – net income | \$ 6,038 | \$ 3,435 |
| Denominator for basic earnings per share : – weighted average shares | 15,731,619 | 15,696,960 |
| Denominator for diluted earnings per share: – weighted average shares | 15,731,619 | 15,696,960 |
| – effect of dilutive employee stock options | 428,509 | 214,943 |
| Denominator for diluted earnings per share | 16,160,128 | 15,911,903 |
| Basic earnings per share | \$ 0.38 | \$ 0.22 |
| Diluted earnings per share | \$ 0.37 | \$ 0.22 |

Of the 843,070 (2003 – 744,000) stock options outstanding at the end of the period, 55,000 (2003 – 202,000) options with an exercise price of \$13.34 (2003 - \$7.34-\$11.50) are excluded from the above calculations as they are currently anti-dilutive. These securities could potentially dilute earnings per share in future periods.

| Year-to-date | 2004 | | 2003 |
|--|-------------------|-----------|-------------------|
| | | | (restated note 2) |
| Numerator for basic and diluted earnings per share: – net income | \$ 18,338 | \$ | 9,569 |
| Denominator for basic earnings per share : – weighted average shares | 15,713,115 | | 15,696,960 |
| Denominator for diluted earnings per share: – weighted average shares | 15,713,115 | | 15,696,960 |
| – effect of dilutive employee stock options | 356,357 | | 108,610 |
| Denominator for diluted earnings per share | 16,069,472 | | 15,805,570 |
| Basic earnings per share | \$ 1.17 | \$ | 0.61 |
| Diluted earnings per share | \$ 1.14 | \$ | 0.61 |

Of the 843,070 (2003 – 744,000) stock options outstanding at the end of the period, 120,000 (2003 – 202,000) options with an exercise price range of \$10.22-\$13.34 (2003 - \$7.34-\$11.50) are excluded from the above calculations as they are currently anti-dilutive. These securities could potentially dilute earnings per share in future periods.

Note 4 Stock-based compensation plans

During the quarter 18,000 (2003 – nil) stock options were exercised with a weighted-average exercise price of \$4.71. The Company issued employee stock options to purchase 55,000 shares (2003 – 40,000) with an exercise price of \$13.34 (2003 – \$7.34) and a life of 10 years (2003 – 5 years).

Year to date, the Company issued employee stock options to purchase 141,570 (2003 – 110,000) shares with a weighted-average exercise price of \$10.70 (2003 – \$5.50) and weighted average life of 9.13 (2003 – 5.0) years as of the date of issuance. Employees of the Company exercised 42,500 (2003 – nil) stock options with a weighted-average exercise price of \$4.19. No options expired during the year.

The Company recorded a compensation cost of \$79 thousand for the quarter and \$310 thousand year to date in respect of employee stock options granted after December 31, 2002. The Company had accounted for employee stock options using the intrinsic value method prior to 2003 and accordingly has not recorded compensation cost for grants prior to this year. There would have been a reduction in net earnings of \$18 thousand (2003 - \$44 thousand) for the quarter and \$110 thousand (2003 - \$253 thousand) year to date and a nominal reduction in earnings per share (2003 - \$0.01 reduction in basic and diluted earnings per share) if the Company had accounted for employee stock options issued in 2002 under the fair value method. The fair value of employee stock options is determined using the Black-Scholes option pricing model, adjusted for performance vesting criteria, using the following weighted average assumptions:

| | |
|-------------------------|------------|
| Risk free interest rate | 3.76% |
| Expected life | 7.35 years |
| Expected volatility | 32% |
| Expected dividends | 2% |

The weighted average fair value of the options issued during the quarter at the grant date was \$4.23 (2003 - \$2.80). The weighted average fair value of the options issued during the full year at the grant date was \$3.71 (2003 – \$2.00).

Note 5 Financial Instruments

The Company hedges its foreign currency exposures on a portion of its U.S. dollar-denominated senior notes by entering into offsetting U.S. dollar forward contracts. During the year, the Company had a \$2.0 million loss on these hedging activities that was offset by a \$2.0 million foreign currency gain on the U.S. dollar-denominated senior notes. At December 31, 2004 the Company has two short-term foreign currency forward contracts outstanding to buy a total of \$30 million U.S. dollars on March 31, 2005.

Note 6 Employees' pension plans

Net pension plan expenses are as follows:

| Quarter | 2004 | 2003 |
|---|-------------|-------------|
| Net pension plan expense – defined benefit plans | \$ 60 | \$ 86 |
| Net pension plan expense – defined contribution plans | 918 | 753 |
| | \$ 978 | \$ 839 |
| Year-to-date | | |
| Net pension plan expense – defined benefit plans | \$ 732 | \$ 292 |
| Net pension plan expense – defined contribution plans | 3,796 | 3,038 |
| | \$ 4,528 | \$ 3,330 |

Note 7 Segmented information

| Quarter | 2004 | 2003 |
|----------------------------------|-------------|-------------------|
| Revenue | | (restated note 2) |
| Mobile Equipment | \$ 124,606 | \$ 117,233 |
| Industrial Components | | |
| - Canada | 65,343 | 57,531 |
| - United States | 12,515 | 11,158 |
| Total Industrial Components | 77,858 | 68,689 |
| Diesel Engines | 47,206 | 45,653 |
| Segment eliminations | (470) | (670) |
| Total consolidated | \$ 249,200 | \$ 230,905 |
| Segment Earnings (Loss) | | |
| Mobile Equipment | \$ 6,901 | \$ 5,170 |
| Industrial Components | | |
| - Canada | 2,725 | 1,104 |
| - United States | 360 | (916) |
| Total Industrial Components | 3,085 | 188 |
| Diesel Engines | 4,657 | 5,085 |
| Corporate costs and eliminations | (2,806) | (1,277) |
| Total consolidated | \$ 11,837 | \$ 9,166 |

Interest expense, income taxes and all other corporate costs are not allocated to business segments.

| Year-to-date | 2004 | | 2003 |
|-----------------------------|-------------------|----|-------------|
| Revenue | (restated note 2) | | |
| Mobile Equipment | \$ 448,761 | \$ | 438,856 |
| Industrial Components | | | |
| - Canada | 252,991 | | 229,032 |
| - United States | 56,802 | | 51,060 |
| Total Industrial Components | 309,793 | | 280,092 |
| Diesel Engines | 171,700 | | 166,884 |
| Segment Eliminations | (2,074) | | (1,865) |
| Total consolidated | \$ 928,180 | \$ | 883,967 |

Segment Earnings (Loss)

| | | | |
|----------------------------------|-----------|----|---------|
| Mobile Equipment | \$ 22,572 | \$ | 18,254 |
| Industrial Components | | | |
| - Canada | 7,573 | | 4,231 |
| - United States | 1,147 | | (2,852) |
| Total Industrial Components | 8,720 | | 1,379 |
| Diesel Engines | 15,223 | | 15,676 |
| Corporate costs and eliminations | (8,214) | | (6,624) |
| Total consolidated | \$ 38,301 | \$ | 28,685 |

Interest expense, income taxes and all other corporate costs are not allocated to business segments.

Note 8 Contingencies

A Statement of Claim has been served naming the Company and its subsidiary, Wajax Industries Limited, as defendants in proceedings under the Class Proceedings Act of British Columbia. The action arises out of the conversion on January 1, 2001 of the Employee Pension Plan from defined benefit to defined contribution, the taking of contribution holidays and the payment of pension administration expenses from the pension fund. The Company had previously evaluated the claims it anticipated could be articulated and concluded such claims would be unlikely to succeed. Management has assessed the facts and arguments pleaded and continues to believe the claims would be unlikely to succeed.

Note 9 Acquisition

Effective October 7, 2004, the company's Mobile Equipment segment acquired all of the outstanding shares of XR Equipment Ltd, a JCB distribution business in London Ontario, for a total purchase price, including assumed debt, of \$1.2 million. The results of operations from the acquisition have been included in the consolidated statements of the Company as of the effective date.

The following is a summary of the purchase price allocation:

| | |
|-------------------|--------|
| Working capital | \$ 793 |
| Capital assets | 27 |
| Intangible assets | 351 |
| Assumed debt | (326) |
| Total cash paid | \$ 845 |

In the three month period ending Dec 31, 2003 the company purchased all the assets of P.M.D.F. Hydraulique Inc. an industrial distribution business, for a total purchase price of \$1.0 million.

Note 10 Comparative information

Certain comparative numbers have been reclassified to conform with current presentation.