



WAJAX LIMITED
News Release

TSE Symbol: WJX

WAJAX ANNOUNCES FOURTH QUARTER 2002 RESULTS

(Dollars in millions, except per share data)	Three Months		Year	
	<u>Ended December 31</u>	<u>2001</u>	<u>Ended December 31</u>	<u>2001</u>
Revenue	\$223.2	\$248.6	\$908.8	\$1,047.6
Net (loss) earnings before other items	\$(0.8)	\$0.7	\$(5.8)	\$6.6
Other items (after tax)	\$(7.2)	\$2.1	\$(20.0)	\$2.1
Net (loss) earnings	\$(8.0)	\$2.8	\$(25.8)	\$8.7
Earnings per share – Before other items	\$(0.05)	\$0.04	\$(0.37)	\$0.42
Other items (after tax)	\$(0.46)	\$0.13	\$(1.27)	\$0.13
Net (loss) earnings	\$(0.51)	\$0.17	\$(1.64)	\$0.55

Toronto, Ontario – February 28, 2003 – Wajax Limited today announced a fourth quarter 2002 loss of \$8.0 million or \$0.51 per share compared to earnings of \$2.8 million or \$0.17 per share for the corresponding period in 2001. For the year ended December 31, 2002 the Company lost \$25.8 million or \$1.64 per share compared to earnings of \$8.7 million or \$0.55 per share recorded in the prior year. It should be noted that beginning in January 2002 the Company adopted the new Canadian Institute of Chartered Accountants (CICA) accounting recommendations for goodwill and other intangibles, which no longer calls for the amortization of goodwill. In the fourth quarter of 2001 goodwill amortization amounted to \$0.8 million or \$0.05 per share and for the year ended 2001 goodwill amortization amounted to \$3.2 million or \$0.21 per share.

During the quarter the following action plans were put in place in order to restore profitability and to continue to reduce debt:

- Pacific North Equipment (PNE), a Seattle-based mobile equipment dealer, was sold to Modern Machinery Co., Inc., yielding net cash proceeds of approximately \$17.0 million, which were used to reduce the Company's overall indebtedness.

- The Industrial Components division reduced its workforce by approximately 10% in early October. This staff reduction of primarily administrative personnel, along with other operating cost reductions, will result in annual cost savings of approximately \$6.0 million.
- The eastern Canada operation of Mobile Equipment took steps to reduce costs by approximately \$1.8 million per year through staff reductions and branch closures.
- The Company decided to abandon implementation of the enterprise resource planning (“ERP”) computer system in the Industrial Components division. In early 2003, the 10 Canadian branches that were on the ERP computer system were converted to the system used in the bearings branches of Kinacor.

Other items totaling \$7.2 million (\$12.0 million pre-tax) or \$0.46 per share were recorded as a charge against earnings in the fourth quarter of 2002. This charge included \$3.4 million (\$5.5 million pre-tax) for the write-down of the computer system, \$1.7 million (\$3.0 million pre-tax) for severances and restructuring charges relating to staff reductions outlined above and \$2.1 million (\$3.5 million pre-tax) for costs incurred to unwind \$30.5 million of fixed interest rate swaps.

Excluding other items, the 2002 fourth quarter loss was \$0.8 million or \$0.05 per share compared to earnings of \$0.7 million or \$0.04 per share in 2001.

Revenues for the quarter of \$223.2 million decreased by \$25.4 million (\$14.4 million excluding PNE) compared to 2001. Year-over-year sales declines were evident in Industrial Components and Diesel Engines mainly as a result of reduced economic activity in the oil and gas, forestry and industrial sectors throughout Canada and the western United States.

The quarterly decline in earnings before other items was mostly attributable to the revenue shortfall described above and reduced margins in Industrial Components as a result of strong price competition. On the positive side, Mobile Equipment earnings increased compared to 2001 on stable revenues after allowing for the effect of the PNE sale. This increase was attributable to a favourable parts and service revenue mix and reduced selling and administrative expenses.

The Company continued to make significant progress on reducing overall funded debt. At the end of December 2002, the Company had funded debt, net of cash, of \$114.4 million, which was \$24.1 million lower than the previous quarter and \$61.4 million lower than the previous year.

Commenting on the outlook for 2003, CEO, Neil Manning stated, “2002 proved to be a very challenging year. However, we have made a good progress to date in addressing the cost and asset base issues in Industrial Components and Mobile Equipment, and other initiatives designed to enhance margins and volumes and further reduce assets and debt are not

dependent on significant improvements in the economy. I am therefore confident that we will see a return to profitability in 2003 and a solid base for growth in subsequent years, particularly if economic activity gains momentum”.

As part of the adoption of the new recommendations on accounting for goodwill and intangible assets the Company was required to complete a transitional impairment test of its unamortized goodwill asset by December 31, 2002. After completing the test, management concluded that impairment existed in the goodwill associated with the Industrial Components segment. As a result, a goodwill write-down of \$9.1 million was recorded directly to retained earnings effective January 1, 2002.

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 110 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 Friday, February 28, 2003 at 3:00 p.m. EST. To access the Webcast, go to 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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WAJAX LIMITED
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands of dollars)	December 31 2002	December 31 2001
Current Assets		
Cash and cash equivalents	\$ 13,557	\$ 4,879
Accounts receivable	114,305	137,134
Inventories	184,050	245,253
Income taxes receivable	3,431	5,399
Future income taxes	7,845	9,569
Prepaid expenses and other recoverable amounts	7,797	3,575
	330,985	405,809
Non-Current Assets		
Rental equipment	9,581	11,325
Capital assets	37,355	64,226
Goodwill and other assets	56,555	67,939
Future income taxes	7,562	5,206
	111,053	148,696
	\$ 442,038	\$ 554,505
Current Liabilities		
Accounts payable and accrued liabilities	\$ 141,435	\$ 159,623
Current portion of long-term debt	29,580	4,235
	171,015	163,858
Non-Current Liabilities		
Future income taxes	2,680	9,373
Long term debt	98,373	176,448
	101,053	185,821
Shareholders' Equity		
Share capital	102,212	102,212
Retained earnings	67,758	102,614
	169,970	204,826
	\$ 442,038	\$ 554,505

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

(in thousands of dollars, except per share data)	Three months ended December 31		Twelve months ended December 31	
	2002	2001	2002	2001
Revenue	\$ 223,208	\$ 248,589	\$ 908,789	\$ 1,047,564
Cost of sales	174,884	192,382	705,831	812,442
Gross profit	48,324	56,207	202,958	235,122
Selling and administrative expenses	44,336	49,750	187,460	202,190
Earnings before other items, interest & income taxes	3,988	6,457	15,498	32,932
Other items (Note 6)	(11,993)	3,743	(32,686)	3,743
(Loss) earnings before interest and income taxes	(8,005)	10,200	(17,188)	36,675
Interest	3,378	4,195	14,989	18,160
(Loss) earnings before income taxes	(11,383)	6,005	(32,177)	18,515
Income taxes – current	1,377	7,898	942	6,148
– future	(4,735)	(4,662)	(7,325)	3,665
Net (loss) earnings	\$ (8,025)	\$ 2,769	\$ (25,794)	\$ 8,702
Adjustment for goodwill impairment write-down	(9,062)	-	(9,062)	-
Retained earnings, end of period	\$ 67,758	\$ 102,614	\$ 67,758	\$ 102,614
Basic and diluted (loss) earnings per share (Note 3)	\$ (0.51)	\$ 0.17	\$ (1.64)	\$ 0.55
Number of common shares outstanding	15,696,960	15,696,960	15,696,960	15,696,960
Number of common share stock options outstanding	874,000	840,000	874,000	840,000

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands of dollars)	Three months ended December 31	
	2002	2001
OPERATING ACTIVITIES		
Net (loss) earnings	\$ (8,025)	\$ 2,769
Amortization		
- Rental equipment	576	670
- Capital assets	1,788	1,962
- Goodwill and deferred expenses	326	1,114
Future income taxes	(5,583)	4,657
Pension Expense	318	812
Other items	8,480	(3,743)
Cash flows before changes in non-cash working capital	(2,120)	8,241
Changes in non-cash working capital:		
Accounts receivable	11,466	8,957
Inventories	18,009	4,365
Prepaid expenses and other recoverable amounts	(2,282)	(226)
Accounts payable and accrued liabilities	(6,570)	7,243
Income taxes receivable	5,313	(1,301)
	25,936	19,038
Cash flows provided by operating activities	23,816	27,279
INVESTING ACTIVITIES		
Rental equipment additions	(638)	(300)
Rental equipment disposals	188	194
Capital asset additions	492	(4,713)
Proceeds on disposal of capital assets	247	727
	289	(4,092)
Cash flows before financing activities	24,105	23,187
FINANCING ACTIVITIES		
Increase in current bank indebtedness	25,000	-
Decrease in long-term debt	(46,085)	(18,569)
Repayment of debentures	(1,116)	(1,024)
	(22,201)	(19,593)
Cash flows before effect of foreign exchange	1,904	3,594
Effect of foreign exchange on translation adjustment	(205)	(223)
Net change in cash and cash equivalent	\$ 1,699	\$ 3,371
Cash and cash equivalent – beginning of period	\$ 11,858	\$ 1,508
Cash and cash equivalent – end of period	\$ 13,557	\$ 4,879
Cash provided by operating activities included the following:		
Interest paid	\$ 4,415	\$ 5,888
Income taxes received	\$ 2,941	\$ 614
Significant non-cash transaction:		
Rental equipment transferred to inventory	\$ 204	\$ 79

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands of dollars)	Year ended December 31	
	2002	2001
OPERATING ACTIVITIES		
Net (loss) earnings	\$ (25,794)	\$ 8,702
Amortization		
- Rental equipment	2,315	3,039
- Capital assets	8,999	8,116
- Goodwill and deferred expenses	950	4,036
Future income taxes	(7,519)	3,857
Pension expense	2,120	2,178
Other items	28,479	(3,743)
Cash flows before changes in non-cash working capital	9,550	26,185
Changes in non-cash working capital:		
Accounts receivable	22,609	29,667
Inventories	61,128	43,221
Prepaid expenses and other recoverable amounts	(4,300)	785
Accounts payable and accrued liabilities	(21,008)	(40,410)
Income taxes receivable	1,940	(7,989)
	60,369	25,274
Cash flows provided by operating activities	69,919	51,459
INVESTING ACTIVITIES		
Rental equipment additions	(1,808)	(3,927)
Rental equipment disposals	633	3,166
Capital asset additions	(8,980)	(18,137)
Proceeds on disposal of capital assets	1,629	1,279
	(8,526)	(17,619)
Cash flows before financing activities	61,393	33,840
FINANCING ACTIVITIES		
Increase in current bank indebtedness	25,000	-
Decrease in long-term debt	(74,492)	(47,955)
Repayment of debentures	(3,544)	(3,229)
	(53,036)	(51,184)
Cash flows before effect of foreign exchange	8,357	(17,344)
Effect of foreign exchange on translation adjustment	321	(356)
Net change in cash and cash equivalent	\$ 8,678	\$ (17,700)
Cash and cash equivalent – beginning of period	\$ 4,879	\$ 22,579
Cash and cash equivalent – end of period	\$ 13,557	\$ 4,879
Cash provided by operating activities included the following:		
Interest paid	\$ 14,439	\$ 16,222
Income taxes (received) paid	\$ (1,026)	\$ 13,790
Significant non-cash transaction:		
Rental equipment transferred to inventory	\$ 605	\$ 2,362

WAJAX LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002 and 2001
(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, 2001.

Note 2 Change in accounting policy

a. Goodwill

Effective January 1, 2002, the Company adopted the Canadian Institute of Chartered Accountants (CICA) recommendations related to goodwill and other intangible assets and, accordingly, discontinued amortization of all existing goodwill on a prospective basis. Under the new recommendations, goodwill is tested at least annually for impairment, or more frequently if certain indicators arise. The impairment test is based on the Company's evaluation of each reporting unit's book value compared to its fair value, including a valuation based on discounted future cash flows and market valuations of similar businesses. The recommendations require that any goodwill impairment at January 1, 2002 be recorded as a charge against opening retained earnings.

With the adoption of this recommendation, the Company ceased amortization of goodwill as of January 1, 2002. The following tables present the effect on fiscal 2001 had the Company retroactively adopted the change in accounting policy of not amortizing goodwill:

	For the quarter ended December 31	
	2002	2001
Reported net (loss) income	\$ (8,025)	\$ 2,769
Add back: Goodwill amortization	-	802
Adjusted net (loss) income	\$ (8,025)	\$ 3,571
Basic earnings per share		
Reported net (loss) income	\$ (0.51)	\$ 0.17
Add back: Goodwill amortization	-	0.05
Adjusted net (loss) income	\$ (0.51)	\$ 0.22
Diluted earnings per share		
Reported net (loss) income	\$ (0.51)	\$ 0.17
Add back: Goodwill amortization	-	0.05
Adjusted net (loss) income	\$ (0.51)	\$ 0.22

	For the year ended	
	December 31	
	2002	2001
Reported net (loss) income	\$ (25,794)	\$ 8,702
Add back: Goodwill amortization	-	3,182
Adjusted net (loss) income	\$ (25,794)	\$ 11,884
Basic earnings per share		
Reported net (loss) income	\$ (1.64)	\$ 0.55
Add back: Goodwill amortization	-	0.21
Adjusted net (loss) income	\$ (1.64)	\$ 0.76
Diluted earnings per share		
Reported net (loss) income	\$ (1.64)	\$ 0.55
Add back: Goodwill amortization	-	0.21
Adjusted net (loss) income	\$ (1.64)	\$ 0.76

The Company has completed the transitional impairment test of its unamortized goodwill asset and concluded that impairment existed in the goodwill associated with the Industrial Components segment. As a result, a goodwill write-down of \$9.1 million was recorded directly to retained earnings, effective January 1st, 2002. This amount represents the total goodwill associated with the Industrial Component segment's United States-based operations (Spencer Industries, Inc.). The impairment test was based on the Company's evaluation of the operation's fair value, including a valuation of its discounted future cash flows and market valuations of similar businesses.

b. Stock-based Compensation

Effective January 1, 2002, the Company adopted the new CICA recommendations related to stock-based compensation and other stock-based payments. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange of goods and services provided by employees and non-employees. The standard requires that a fair value-based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. However, the new standard permits the Company to continue its existing policy of recording no compensation cost on the grant of stock options to employees with the addition of pro forma information.

The Company issued 200,000 stock options during the quarter (245,000 options during the year). The Company has not recorded any compensation cost on the grant of these stock options. There would be a reduction of net earnings of \$39 thousand for the quarter (\$43 thousand for the year) and a nominal reduction in earnings per share if the Company had accounted for employee stock options under the fair value method.

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	2002		2001	
Numerator for basic and diluted earnings per share – net (loss) income	\$	(8,025)	\$	2,769
Denominator for basic earnings per share – weighted average shares		15,696,960		15,696,960
Denominator for diluted earnings per share:				
– weighted average shares		15,696,960		15,696,960
– effect of dilutive employee stock options		-		75,325
Denominator for diluted earnings per share		15,696,960		15,772,285
Basic (loss) earnings per share	\$	(0.51)	\$	0.17
Diluted (loss) earnings per share	\$	(0.51)	\$	0.17

Year	2002		2001	
Numerator for basic and diluted earnings per share – net (loss) income	\$	(25,794)	\$	8,702
Denominator for basic earnings per share – weighted average shares		15,696,960		15,696,960
Denominator for diluted earnings per share:				
– weighted average shares		15,696,960		15,696,960
– effect of dilutive employee stock options		-		101,445
Denominator for diluted earnings per share		15,696,960		15,798,405
Basic (loss) earnings per share	\$	(1.64)	\$	0.55
Diluted (loss) earnings per share	\$	(1.64)	\$	0.55

Excluded from the above calculations are 874,000 (2001 – 424,400) outstanding stock options with an exercise price range of \$3.80-\$17.25 (2001 - \$6.70-\$17.25) as they are currently anti-dilutive. These securities could potentially dilute earnings per share in future periods.

Note 4 Common Share Options

During the year, the Company cancelled employee stock options to purchase 211,000 shares with a weighted-average exercise price of \$5.12 and weighted average remaining life of 7.09 years as of December 31, 2001. Of this amount, 32,000 options were exercisable as of December 31, 2001 with a weighted-average exercise price of \$9.68. In addition, during the year, 245,000 options were issued with a weighted-average exercise price of \$4.41 and a weighted average life of 5.92 years at issuance.

Note 5 Segmented Information

(in thousands of dollars)

Industry Segments

For the quarter ended December 31

2002	Mobile Equipment	Industrial Components	Diesel Engines	Segment Eliminations and Unallocated Amounts	Total
Revenue	\$ 109,726	\$ 68,682	\$ 45,681	\$ (881)	\$ 223,208
Segment earnings (loss) before other items, interest and taxes	\$ 3,516	\$ (4,673)	\$ 5,145	\$ -	\$ 3,988
Other items (See Note 6)	(185)	(6,873)	-	(4,935)	(11,993)
Segment earnings (loss) before interest and taxes	\$ 3,331	\$ (11,546)	\$ 5,145	\$ (4,935)	\$ (8,005)

2001	Mobile Equipment	Industrial Components	Diesel Engines	Segment Eliminations and Unallocated Amounts	Total
Revenue	\$ 121,214	\$ 78,059	\$ 50,427	\$ (1,111)	\$ 248,589
Segment earnings (loss) before other items, interest and taxes	2,089	\$ (1,201)	\$ 5,569	\$ -	\$ 6,457
Other items (See Note 6)	3,162	(359)	940	-	3,743
Segment earnings (loss) before interest and taxes	\$ 5,251	\$ (1,560)	\$ 6,509	\$ -	\$ 10,200

For the year ended December 31

2002	Mobile Equipment	Industrial Components	Diesel Engines	Segment Eliminations and Unallocated Amounts	Total
Revenue	\$ 454,204	\$ 292,969	\$ 166,863	\$ (5,246)	\$ 908,789
Segment earnings (loss) before other items, interest and taxes	\$ 10,691	\$ (11,138)	\$ 15,946	\$ (1)	\$ 15,498
Other items (See Note 6)	(185)	(6,873)	-	(25,628)	(32,686)
Segment earnings (loss) before interest and taxes	\$ 10,506	\$ (18,011)	\$ 15,946	\$ (25,629)	\$ (17,188)

2001	Mobile Equipment	Industrial Components	Diesel Engines	Segment Eliminations and Unallocated Amounts	Total
Revenue	\$ 513,778	\$ 340,284	\$ 197,598	\$ (4,096)	\$ 1,047,564
Segment earnings before other items, interest and taxes	\$ 14,076	\$ 103	\$ 18,753	\$ -	\$ 32,932
Other items (See Note 6)	3,162	(359)	940	-	3,743
Segment earnings (loss) before interest and taxes	\$ 17,238	\$ (256)	\$ 19,693	\$ -	\$ 36,675

Interest expense and income taxes are not allocated to business segments. All other corporate expenses are allocated based on net working capital.

Note 6 Other Items

During the quarter the Company decided to abandon the implementation of the enterprise resource planning ("ERP") computer system. As a result, a \$5.5 million charge was recorded in the fourth quarter. This is in addition to a charge recorded in the third quarter of 2002 relating to the decision not to deploy the ERP computer system into the Company's Mobile Equipment and Diesel Engine segments. As a result, the carrying value of the ERP computer system is \$2.9 million at December 31, 2002. Of the remaining costs, \$0.7 million relate to operations that will continue to use the system and will be amortized over the estimated period of use, ending in 2003.

The Company also recorded a charge in the fourth quarter, representing a provision for restructuring costs. This provision includes costs for streamlining the operations of the Industrial Components and Mobile Equipment segments, as well as other severance costs. These charges were offset by a small recovery of the provision taken in 2000 for the disposal of the Company's Pacific North Equipment operations, which closed on October 31, 2002.

The Company made make-whole payments to unwind \$40.5 million of interest rate swaps throughout fiscal 2002. Since these swaps were terminated with the underlying debt being extinguished, the make-whole payments were charged to income.

In 2001, the Company recorded pension income which reflected the positive settlement impact from revising the benefits payable under the Company-sponsored pension plan from a defined benefit basis to a defined contribution basis. In addition, the Company recorded a charge in the fourth quarter of 2001 representing a provision for restructuring of the Industrial Components segment and the information technology ("IT") function related to the corporate office and Industrial Components. This provision included costs for severances as a result of streamlining the management structure, closing a number of under-performing branches and integrating the IT functions of the corporate office with the operating units.

For the quarter ended December 31

2002		Pre-tax	Tax	After Tax
ERP computer system	\$	5,437	\$ (2,077)	\$ 3,360
Net restructuring costs		3,043	(1,389)	1,654
Swap unwind costs		3,513	(1,360)	2,153
Total Other Items	\$	11,993	\$ (4,826)	\$ 7,167

For the year ended December 31

2002		Pre-tax	Tax	After Tax
ERP computer system	\$	25,436	\$ (9,717)	\$ 15,719
Net restructuring costs		3,043	(1,389)	1,654
Swap unwind costs		4,207	(1,628)	2,579
Total Other Items	\$	32,686	\$ (12,734)	\$ 19,952

For the quarter & year ended December 31

2001		Pre-tax	Tax	After Tax
Pension income	\$	(6,053)	\$ 2,550	\$ (3,503)
Net restructuring costs		2,310	(934)	1,376
Total Other Items	\$	(3,743)	\$ 1,616	\$ (2,127)

Note 7 Comparative information

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