



**WAJAX LIMITED**  
**News Release**

TSE Symbol: WJX

**WAJAX ANNOUNCES IMPROVED THIRD QUARTER 2003 RESULTS**

(Dollars in millions, except per share data)	<u>Three Months</u> <u>Ended September</u> <u>30</u>		<u>Nine Months</u> <u>Ended September</u> <u>30</u>	
	2003	2002	2003	2002
Revenue *	\$207.8	\$206.6	\$653.1	\$685.6
Net earnings (loss)	\$2.6	\$(17.8)	\$6.1	\$(17.8)
Earnings (loss) per share	\$0.16	\$(1.13)	\$0.39	\$(1.13)

\* 2002 revenues and earnings include the results of Pacific North Equipment ("PNE") which was sold on October 31, 2002. PNE revenues for the three months and nine months ended September 30, 2002 were \$16.7 million and \$57.3 million respectively. PNE reported a loss of \$0.3 million for three months and a loss of \$0.2 million for nine months ended September 30, 2002.

**Toronto, Ontario – November 4, 2003** – Wajax Limited today announced significantly improved third quarter 2003 earnings of \$2.6 million or \$0.16 per share compared to a loss of \$17.8 million or \$1.13 per share for the corresponding period in 2002. Last year's loss contained an other item charge of \$12.4 million (\$20.0 million pretax) for the writedown of a computer system and a \$4.5 million write-off of future income tax balances pertaining to the Company's U.S. operations. Excluding these two items the 2002 third quarter loss was \$0.9 million or \$0.06 per share. For the nine months ended September 30, 2003 the Company earned \$6.1 million or \$0.39 per share compared to a loss of \$17.8 million or \$1.13 per share recorded in the prior year.

After adjusting for last year's sale of Pacific North Equipment ("PNE"), revenues for the quarter of \$207.8 million increased by \$17.9 million or 9.4% compared to 2002. Mobile Equipment accounted for this increase posting stronger sales in all market sectors. Sales for nine months ended September 30, 2003, after adjusting for PNE, were up \$24.8 million over 2002 on the strength of the Mobile Equipment segment.

The growth in quarterly earnings was attributable to the increased sales in Mobile Equipment and a marked improvement in Industrial Components (“IC”) operating performance. Kinecor, the Canadian IC operation, increased segment earnings before interest and income taxes (“segment earnings”) by \$1.7 million through improved margins and lower selling and administrative expenses. Spencer, the U.S. operation, improved segment earnings by \$1.6 million and achieved its first profitable quarter this year as a result of recent restructuring initiatives. Profit improvement initiatives in both of these businesses resulted in nine month segment earnings improving by \$3.6 million at Kinecor and \$2.1 million at Spencer.

The Company generated \$10.9 million of cash before financing activities bringing the year-to-date total to \$28.0 million. This cash continued to be used to reduce funded debt, which stood at \$82.2 million net of cash at the end of the quarter compared to \$93.3 million at the end of the previous quarter and \$138.5 million at September 30, 2002. This resulted in a debt-to-equity ratio of 0.47 to 1 at September 30, 2003.

Commenting on the third quarter results, Neil Manning, President and CEO, stated “Our performance continues to meet our expectations. I am particularly pleased with the operating improvements made to date in Industrial Components where we can now begin to build this business and increase its profitability. Looking forward, while we continue to expect unsettled business conditions in certain sectors of the economy in Canada, we are confident that our positive performance trend will extend into the fourth quarter and next year.”

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 Third Quarter Financial Results Conference Call. You are invited to listen to the live Webcast on Tuesday November 4, 2003 at 2:00p.m. EST. To access the Webcast, enter [www.wajax.com](http://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)	September 30 2003	December 31 2002	September 30 2002
<b>Current Assets</b>			
Cash and cash equivalents	\$ 6,950	\$ 13,557	\$ 11,858
Accounts receivable	111,875	114,305	125,959
Inventories	167,132	184,050	202,130
Income taxes receivable	-	3,431	8,746
Future income taxes	7,824	7,845	6,464
Prepaid expenses and other recoverable amounts	2,414	7,797	5,525
	<b>296,195</b>	<b>330,985</b>	<b>360,682</b>
<b>Non-Current Assets</b>			
Rental equipment	11,357	9,581	9,062
Capital assets	32,357	37,355	45,337
Goodwill and other assets (Note 8)	53,748	56,555	56,744
Future income taxes	4,950	7,562	6,549
	<b>102,412</b>	<b>111,053</b>	<b>117,692</b>
	<b>\$ 398,607</b>	<b>\$ 442,038</b>	<b>\$ 478,374</b>
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 129,103	\$ 141,435	\$ 144,192
Income taxes payable	1,600	-	-
Current portion of long-term debt	4,158	29,580	4,480
	<b>134,861</b>	<b>171,015</b>	<b>148,672</b>
<b>Non-Current Liabilities</b>			
Future income taxes	2,680	2,680	5,842
Long-term debt	84,953	98,373	145,865
	<b>87,633</b>	<b>101,053</b>	<b>151,707</b>
<b>Shareholders' Equity</b>			
Share capital	102,212	102,212	102,212
Retained earnings (Note 8)	73,901	67,758	75,783
	<b>176,113</b>	<b>169,970</b>	<b>177,995</b>
	<b>\$ 398,607</b>	<b>\$ 442,038</b>	<b>\$ 478,374</b>

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

(in thousands of dollars, except per share data)	Three months ended September 30		Nine months ended September 30	
	<b>2003</b>	2002	<b>2003</b>	2002
Revenue	\$ <b>207,795</b>	\$ 206,586	\$ <b>653,063</b>	\$ 685,582
Cost of sales	<b>159,892</b>	158,321	<b>507,141</b>	530,947
Gross profit	<b>47,903</b>	48,265	<b>145,922</b>	154,635
Selling and administrative expenses	<b>40,854</b>	45,373	<b>126,389</b>	143,817
Earnings before other item, interest and income taxes	<b>7,049</b>	2,892	<b>19,534</b>	10,818
Other item	-	(20,000)	-	(20,000)
Earnings (loss) before interest and income taxes	<b>7,049</b>	(17,108)	<b>19,534</b>	(9,182)
Interest	<b>2,598</b>	3,680	<b>8,490</b>	11,612
Earnings (loss) before income taxes	<b>4,451</b>	(20,788)	<b>11,043</b>	(20,794)
Income tax expense (recovery) – current	<b>1,387</b>	(1,431)	<b>2,730</b>	(435)
– future	<b>504</b>	(1,590)	<b>2,170</b>	(2,590)
Net earnings (loss)	\$ <b>2,560</b>	\$ (17,767)	\$ <b>6,143</b>	\$ (17,769)
Retained earnings, beginning of period	<b>71,341</b>	93,550	<b>67,758</b>	102,614
Adjustment to opening retained earnings for goodwill impairment (Note 8)	-	-	-	(9,062)
Retained earnings, end of period	\$ <b>73,901</b>	\$ 75,783	\$ <b>73,901</b>	\$ 75,783
Earnings per share	\$ <b>0.16</b>	\$ (1.13)	\$ <b>0.39</b>	\$ (1.13)
Number of common shares outstanding	<b>15,696,960</b>	15,696,960	<b>15,696,960</b>	15,696,960
Number of common share stock options outstanding	<b>894,000</b>	778,000	<b>894,000</b>	778,000

**WAJAX LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

(in thousands of dollars)	Three months ended September 30	
	2003	2002
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	\$ 2,560	\$ (17,767)
Items not affecting cash flows:		
Amortization		
- Rental equipment	833	611
- Capital assets	1,501	2,984
- Deferred expenses	262	238
Other item	-	20,000
Pension expense	772	445
Accrued interest	220	-
Future income taxes	504	(936)
<b>Cash flows before changes in non-cash working capital</b>	<b>6,652</b>	<b>5,575</b>
<b>Changes in non-cash working capital:</b>		
Accounts receivable	(579)	11,924
Inventories	450	4,661
Prepaid expenses and other recoverable amounts	439	45
Accounts payable and accrued liabilities	2,908	1,757
Income taxes payable	2,254	(2,114)
	<b>5,472</b>	<b>16,273</b>
<b>Cash flows provided by operating activities</b>	<b>12,124</b>	<b>21,848</b>
<b>INVESTING ACTIVITIES</b>		
Rental equipment additions	(931)	(231)
Rental equipment disposals	136	164
Capital asset additions	(432)	(2,604)
Proceeds on disposal of capital assets	13	168
	<b>(1,214)</b>	<b>(2,503)</b>
<b>Cash flows before financing activities</b>	<b>10,910</b>	<b>19,345</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in long-term debt	(10,500)	(10,111)
Repayment of debentures	(773)	(697)
	<b>(11,273)</b>	<b>(10,808)</b>
<b>Cash flows before effect of foreign exchange</b>	<b>(363)</b>	<b>8,537</b>
Effect of foreign exchange on translation adjustment	138	34
<b>Net change in cash and cash equivalents</b>	<b>\$ (225)</b>	<b>\$ 8,571</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>\$ 7,175</b>	<b>\$ 3,287</b>
<b>Cash and cash equivalents – end of period</b>	<b>\$ 6,950</b>	<b>\$ 11,858</b>
<b>Cash flows provided by operating activities include the following:</b>		
Interest paid	\$ 969	\$ 2,574
Income taxes (received) paid	\$ (843)	\$ (146)
<b>Significant non-cash transaction:</b>		
Rental equipment transferred to inventory	\$ 68	\$ 75

**WAJAX LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

(in thousands of dollars)	Nine months ended September 30	
	2003	2002
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	\$ 6,143	\$ (17,769)
Items not affecting cash flows:		
Amortization		
- Rental equipment	1,800	1,738
- Capital assets	5,173	7,211
- Deferred expenses	777	624
Other item	-	20,000
Pension expense	2,469	1,802
Accrued interest	220	-
Future income taxes	1,630	(1,936)
<b>Cash flows before changes in non-cash working capital</b>	<b>18,212</b>	<b>11,670</b>
<b>Changes in non-cash working capital:</b>		
Accounts receivable	1,356	11,143
Inventories	15,037	43,119
Prepaid expenses and other recoverable amounts	5,311	(2,018)
Accounts payable and accrued liabilities	(12,312)	(14,438)
Income taxes payable	4,955	(3,373)
	<b>14,347</b>	<b>34,433</b>
<b>Cash flows provided by operating activities</b>	<b>32,559</b>	<b>46,103</b>
<b>INVESTING ACTIVITIES</b>		
Rental equipment additions	(4,647)	(1,170)
Rental equipment disposals	626	445
Capital asset additions	(2,688)	(9,472)
Proceeds on disposal of capital assets	2,168	1,382
	<b>(4,541)</b>	<b>(8,815)</b>
<b>Cash flows before financing activities</b>	<b>28,018</b>	<b>37,288</b>
<b>FINANCING ACTIVITIES</b>		
Decrease in long-term debt	(25,691)	(28,407)
Repayment of debentures	(2,672)	(2,428)
Hedging activities (Note 5)	(6,336)	-
	<b>(34,699)</b>	<b>(30,835)</b>
<b>Cash flows before effect of foreign exchange</b>	<b>(6,681)</b>	<b>6,453</b>
Effect of foreign exchange on translation adjustment	74	526
<b>Net change in cash and cash equivalent</b>	<b>\$ (6,607)</b>	<b>\$ 6,979</b>
<b>Cash and cash equivalent – beginning of period</b>	<b>\$ 13,557</b>	<b>\$ 4,879</b>
<b>Cash and cash equivalent – end of period</b>	<b>\$ 6,950</b>	<b>\$ 11,858</b>
<b>Cash provided by operating activities included the following:</b>		
Interest paid	\$ 6,662	\$ 10,718
Income taxes (received) paid	\$ (1,567)	\$ 2,058
<b>Significant non-cash transaction:</b>		
Rental equipment transferred to inventory	\$ 451	\$ 401

**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, 2002.

**Note 2 Change in accounting policies**

Effective January 1, 2003, the Company adopted the Canadian Institute of Chartered Accountants new Accounting Guideline ACG-14, which requires certain disclosures of guarantees. The Company's annual consolidated financial statements as at and for the year ended December 31, 2002 disclose the existence of guarantees provided by the Company. As at September 30, 2003, the Company had guaranteed \$5.6 million (December 31, 2002 - \$3.5 million) for guaranteed residual value contracts and provided the option to customers for buy-back contracts in the amount of \$0.8 million (December 31, 2002 - \$0.6 million), with commitments arising between 2003 and 2009. The commitments made by the Company in these contracts reflect the estimated future value of the equipment, based on judgment and experience of management. Management does not anticipate that any material financial exposure is likely to result from such commitments.

**Note 3 Earnings per share**

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

<b>Quarter</b>	<b>2003</b>		<b>2002</b>	
Numerator for basic and diluted earnings per share: – net income	\$	<b>2,560</b>	\$	(17,767)
Denominator for basic earnings per share : – weighted average shares		<b>15,696,960</b>		15,696,960
Denominator for diluted earnings per share: – weighted average shares		<b>15,696,960</b>		15,696,960
– effect of dilutive employee stock options		<b>149,200</b>		-
Denominator for diluted earnings per share		<b>15,846,160</b>		15,696,960
Basic earnings per share	\$	<b>0.16</b>	\$	(1.13)
Diluted earnings per share	\$	<b>0.16</b>	\$	(1.13)

Of the 894,000 (2002 – 778,000) stock options outstanding at the end of the period, 352,000 (2002 – 778,000) options with an exercise price range of \$7.40-\$17.25 (2002 - \$3.80-\$17.25) are excluded from the above calculations as they are currently anti-dilutive. These securities could potentially dilute earnings per share in future periods.

<b>Year-to-date</b>	<b>2003</b>	<b>2002</b>
Numerator for basic and diluted earnings per share: – net income (loss)	\$ 6,143	\$ (17,769)
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	66,537	-
Denominator for diluted earnings per share	15,763,497	15,696,960
Basic earnings (loss) per share	\$ 0.39	\$ (1.13)
Diluted earnings (loss) per share	\$ 0.39	\$ (1.13)

Of the 894,000 (2002 – 778,000) stock options outstanding at the end of the period, 397,000 (2002 – 778,000) options with an exercise price range of \$5.10-\$17.25 (2002 - \$3.80-\$17.25) 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 first nine months, the Company cancelled employee stock options to purchase 40,000 shares with a weighted-average exercise price of \$5.25 and weighted average remaining life of 7.08 years as of December 31, 2002. Of this amount, 12,000 options were exercisable as of December 31, 2002 with a weighted-average exercise price of \$6.70.

In addition, during the first nine months, the Company issued employee stock options to purchase 60,000 shares with a weighted-average exercise price of \$3.96 and weighted average remaining life of 5.00 years at issuance. The Company has not recorded any compensation cost on the grant of these or any other stock options. There would be a nominal change to net earnings and earnings per share information if the Company had accounted for employee stock options under the fair value method.

#### **Note 5 Financial Instruments**

The Company had previously entered into interest rate swap agreements to manage its interest rate exposure on floating rate debt. During the year the Company unwound \$25.0 million (2002 - \$10.0 million) of fixed interest rate swaps at a cost of \$0.8 million (2002 - \$0.7 million). As of September 30, 2003 there were no outstanding interest rate swaps.

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. At June 30, 2003 the Company had entered into a short-term foreign currency forward contract to buy \$30 million U.S. dollars. The differential the Company would have paid to hypothetically terminate the forward contracts at September 30, 2003 is estimated at \$0.9 million.

**Note 6 Segmented information:**

	<b>For the three months ended September 30</b>	
	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Mobile Equipment *	100,584	100,112
Industrial Components		
- Canada	55,092	56,125
- United States	13,249	15,666
Total Industrial Components	68,341	71,791
Diesel Engines	39,379	38,827
Segment Eliminations	(510)	(4,144)
Total Consolidated	<u>207,794</u>	<u>206,586</u>

**Segment Earnings (Loss) before Other item, Interest and Income Taxes**

Mobile Equipment *	3,628	2,244
Industrial Components		
- Canada	255	(1,354)
- United States	93	(1,541)
Total Industrial Components	348	(2,895)
Diesel Engines	3,073	3,543
Other item	-	(20,000)
Total Consolidated	<u>7,049</u>	<u>(17,108)</u>

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

\* 2002 segment revenues and earnings for Mobile Equipment include the results of the PNE operations. These operations were sold on October 31, 2002. For the three months ended September 30, 2002, the revenues of the PNE operations were \$16,695 and divisional earnings, before allocation of corporate expenses, were (\$254).

**For the nine months ended  
September 30**

**2003                      2002**

**Revenue**

Mobile Equipment *	321,623	344,366
Industrial Components		
- Canada	171,501	179,856
- United States	41,241	47,284
Total Industrial Components	<u>212,742</u>	<u>227,140</u>
Diesel Engines	121,231	121,182
Segment Eliminations	<u>(2,534)</u>	<u>(7,218)</u>
Total Consolidated	<u><u>653,062</u></u>	<u><u>685,582</u></u>

**Segment Earnings (Loss) before other Item, Interest and Income Taxes**

Mobile Equipment *	11,017	6,839
Industrial Components		
- Canada	1,448	(2,139)
- United States	<u>(2,477)</u>	<u>(4,567)</u>
Total Industrial Components	<u>(1,029)</u>	<u>(6,706)</u>
Diesel Engines	9,546	10,685
Other item	<u>-</u>	<u>(20,000)</u>
Total Consolidated	<u><u>19,534</u></u>	<u><u>(9,182)</u></u>

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

\* 2002 segment revenues and earnings for Mobile Equipment include the results of the PNE operations. These operations were sold on October 31, 2002. For the nine months ended September 30, 2002, the revenues of the PNE operations were \$57,343 and divisional profit, before allocation of corporate expenses, was (\$200).

**Note 7 Contingencies**

In the ordinary course of business, the Company may be exposed to contingent liabilities in varying amounts and for which provisions have been made in these Consolidated Financial Statements as appropriate. These liabilities could arise from litigation, environmental matters or other sources. It is not possible to determine the amounts that may ultimately be assessed against the Company, but management believes that any such amounts would not have a material impact on the business or financial position of the Company.

**Note 8 Comparative information**

Certain comparative numbers have been reclassified to conform with current presentation. In particular, the reported September 30, 2002 balance sheet amounts for retained earnings and goodwill and other assets have been restated from their previously disclosed amounts to reflect the write-down of goodwill recorded effective January 1, 2002.