



SECOND QUARTER
REPORT TO SHAREHOLDERS
For the Six Months Ended
June 30, 2003

WJAX 2003

**WJAX
LIMITED**



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 quarter of 2003 and the year ended December 31, 2002. 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 June 30	2003	2002
Gross revenue	\$227.0	\$264.8
Net earnings	\$2.5	\$1.0
Earnings per share	\$0.16	\$0.07

for the six months ended June 30	2003	2002
Gross revenue	\$445.3	\$479.0
Net earnings	\$3.6	\$0.0
Earnings per share	\$0.23	\$0.00

Revenue decreased \$37.8 million to \$227.0 million in the second quarter of 2003 from \$264.8 million in the second quarter of 2002. However net earnings of \$2.5 million, or \$0.16 per share in the second quarter of 2003, increased \$1.5 million compared to the \$1.0 million, or \$0.07 per share recorded the previous year. For the six months ended June 30, 2003 revenue decreased \$33.7 million to \$445.3 million and net earnings increased to \$3.6 million, or \$0.23 per share, from break-even the previous year.

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

- Mobile Equipment revenues and earnings decreased compared to last year due primarily to the sale of Pacific North Equipment ("PNE") in October 2002 and a reduction in large mining equipment packages sold in western Canada compared to last year. (The 2002 second quarter results included PNE revenues of \$27.3 million and earnings of \$1.3 million.)
- Although revenues declined in the Industrial Components segment, earnings improved significantly due to increased margins and reductions in selling and administrative expenses.
- Diesel Engines revenues remained flat quarter-over-quarter, however earnings declined principally as a result of higher occupancy costs due to the move into the new Calgary facility in March 2003.
- Consolidated selling and administrative expenses declined \$7.1 million from the second quarter of 2002 due to the sale of PNE (\$3.9 million) and cost cutting measures taken by the Company in late 2002 and early 2003.
- The Company's debt, net of cash, decreased \$4.4 million compared to March 31, 2003 and \$60.5 million compared to June 30, 2002. As a result, the Company's quarter-end debt to equity ratio of 0.54:1 was improved from last year's ratio of 0.79:1.

- Interest expense decreased \$1.5 million quarter-over-quarter as a result of a \$46.4 million reduction in the average amount of funded debt outstanding during the quarter compared to last year.

Mobile Equipment

for the three months ended June 30	2003	2002
Gross revenue	\$114.1	\$149.0
Segment earnings	\$4.4	\$5.3

for the six months ended June 30	2003	2002
Gross revenue	\$221.0	\$244.4
Segment earnings	\$7.4	\$4.7

Revenue decreased \$34.9 million to \$114.1 million in the second quarter of 2003 from \$149.0 million in 2002. Segment earnings decreased to \$4.4 million in the second quarter of 2003 from \$5.3 million in the previous year. For the six months ended June 30, 2003, revenue decreased \$23.4 million to \$221.0 million and segment earnings of \$7.4 million increased \$2.7 million compared to last year. Excluding PNE, revenues for the six months ended June 30, 2003 increased \$17.2 million. The following factors contributed to the second quarter results:

- The 2002 quarterly results included the PNE operation which recorded revenues of \$27.3 million and earnings of \$1.3 million, before allocation of head office costs.
- Revenue in western Canada decreased \$6.1 million in the quarter. A reduction in mining equipment sales compared to last year was offset in part by an increase in construction and forestry equipment sales and a \$1.1 million increase in service revenues. The increase in service revenues is a result of targeted revenue building initiatives in the construction and forestry and material handling sectors. Earnings, before allocation of head office costs, decreased \$0.4 million due to the lower volumes and reduced margins on new equipment sales as a result of heightened price competition. These negative variances were offset in part by \$0.4 million of lower selling and administrative expenses.
- In eastern Canada revenue decreased \$1.4 million quarter-over-quarter. Revenue decreases in used equipment sales and material handling new equipment sales, were offset in part by higher new equipment sales in the construction and forestry sector. Earnings, before the allocation of head office costs, increased by \$0.2 million as a slight margin improvement and a \$0.4 million decline in selling and administrative expenses more than offset the impact of the revenue declines.

Industrial Components

for the three months ended June 30	2003	2002
Canada - Kinacor	\$59.0	\$61.6
United States – Spencer	\$13.7	\$15.0
Gross revenue	\$72.7	\$76.6
Canada - Kinacor	\$0.5	(\$0.9)
United States – Spencer	(\$0.8)	(\$1.9)
Segment loss	(\$0.3)	(\$2.8)

for the six months ended June 30	2003	2002
Canada - Kinecor	\$116.4	\$123.7
United States – Spencer	\$28.0	\$31.6
Gross revenue	\$144.4	\$155.3
Canada - Kinecor	\$1.2	(\$0.7)
United States – Spencer	(\$2.6)	(\$3.0)
Segment loss	(\$1.4)	(\$3.7)

Revenue decreased \$3.9 million quarter-over-quarter to \$72.7 million. However, the segment loss decreased \$2.5 million to \$0.3 million for the quarter. For the six months ended June 30, 2003, revenue decreased \$10.9 million to \$144.4 million and the segment loss decreased \$2.3 million to \$1.4 million.

The following factors contributed to the quarterly results:

- Revenues in Kinecor decreased \$2.6 million to \$59.0 million due mainly to a \$3.0 million reduction in bearings revenue in eastern Canada as a result of the temporary shutdown of several saw mills and reduced activities in the steel and mining markets. This decline was offset in part by an increase in hydraulic parts and service revenues in the western Canada oil and gas sector. Earnings increased \$1.4 million to \$0.5 million as improved margins and lower selling and administrative costs more than offset the negative impact of lower volumes and a \$0.4 million increase in bad debt expense recorded in the quarter. The margin increase of 1.1 percentage points was achieved through increased supplier rebates, lower freight costs and the positive impact of the stronger Canadian dollar. Selling and administrative expenses, excluding bad debt expense, declined by \$1.6 million as a result of costs reductions made in late 2002 and one-time costs incurred in 2002 related to the ERP computer system implementation.
- Revenues in Spencer, a hydraulics business, decreased \$1.3 million to \$13.7 million compared to \$15.0 million last year due to a decrease in the value of the U.S. dollar. On a U.S. dollar basis, revenues increased slightly over last year despite the closure of four branches in the first quarter. The loss for the quarter decreased \$1.1 million to \$0.8 million compared to \$1.9 million last year due primarily to decreased selling and administrative expenses resulting from an overall headcount reduction and branch closures, one-time costs in 2002 related to the ERP computer system implementation and the impact of the decrease in the value of the U.S. dollar. These positive factors were offset in part by \$0.3 million of additional ERP computer system amortization charges recorded in the current quarter.

The recent steps management has taken to reduce Spencer's operating losses have resulted in Spencer posting a small profit in the month of June. Management continues to expect that Spencer will be close to achieving a break-even position in the second half of the year.

Diesel Engines

for the three months ended June 30	2003	2002
Gross revenue	\$41.0	\$41.1
Segment earnings	\$3.1	\$3.7

for the six months ended June 30	2003	2002
Gross revenue	\$81.9	\$82.4
Segment earnings	\$6.5	\$7.2

Revenue decreased slightly to \$41.0 million in the second quarter of 2003 and earnings declined \$0.6 million to \$3.1 million. For the six months ended June 30, 2003, revenue decreased \$0.5 million to \$81.9 million and earnings decreased \$0.7 million to \$6.5 million compared to last year. The following events affected quarterly revenue and earnings:

- Revenues at the Waterous operation in Alberta were \$0.9 million ahead of 2002 resulting from improved equipment sales in the oil and gas sector offset in part by lower parts and service volumes due to the temporary disruption caused by the move into the new Calgary facility in March of 2003.
- Revenues from the Company's Quebec and Maritimes operation, Detroit Diesel-Allison Canada East, decreased \$1.0 million due primarily to lower parts and service revenues.
- Segment earnings decreased \$0.6 million compared to last year as a result of increased selling and administrative expenses of which \$0.3 million related to increased occupancy costs for the new Calgary facility.

Liquidity and Capital Resources

The Company generated \$2.7 million of cash before financing activities in the second quarter of 2003 compared to \$3.0 million in the second quarter of 2002. For the six months ended June 30, 2003 cash flow before financing activities amounted to \$17.1 million, \$0.8 million less than the \$17.9 million realized in 2002.

Cash provided by operating activities amounted to \$6.1 million in the second quarter of 2003, with \$6.0 million of this amount coming from operating earnings. The remaining \$0.1 million was generated from reductions in non-cash working capital before the impact of changes in foreign currency translation rates. Significant components are as follows:

- Accounts receivable decreased by \$3.9 million as a result of the final payment received for the sale last quarter of four large mining trucks in western Canada and a company-wide reduction in days-sales-outstanding compared to last quarter.
- Accounts payable and accrued liabilities decreased by \$5.8 million mainly as a result of final payments related to the four large mining trucks sold in the first quarter and lower payables in Diesel Engines.
- Income taxes receivable decreased \$1.7 million during the quarter due principally to an increase in the amount of the Company's current taxes payable.

For the six months ended June 30, 2003 cash provided by operating activities amounted to \$20.4 million and included \$11.6 million of cash from operating earnings and \$8.9 million of reductions in non-cash working capital before the impact of changes in foreign currency translation.

Working capital, exclusive of funded debt and cash, decreased \$1.6 million to \$164.1 million at June 30, 2003 from \$165.7 million at March 31, 2003. The decrease was due to the cash flow factors listed above and the decrease in the quarter-end foreign exchange rate compared to the March 31, 2003 rate.

The Company invested a net amount of \$3.4 million of the cash provided by operating activities into operations during the second quarter of 2003. The most significant investing activities were \$2.5 million of lift truck rental fleet additions in Mobile Equipment with the remaining \$1.4 million invested in various capital asset additions.

The Company's debt to equity ratio decreased to 0.54:1 at June 30, 2003 compared to 0.57:1 at March 31, 2003, reflecting the \$4.4 million reduction in funded debt, net of cash, for the quarter, as management continues to use the Company's cash flow to reduce overall indebtedness.

As at June 30, 2003 the Company's secured committed bank borrowing facility was reduced as scheduled to \$25 million from \$40 million as at March 31, 2003. The amount of the commitment is scheduled to decline to \$15 million at September 30, 2003 and must be fully repaid by December 31, 2003. In addition, borrowing capacity under the facility is dependent upon the level of the Company's inventories on hand and the outstanding trade accounts receivable. At June 30, 2003 the Company had utilized \$14.5 million, including \$4.0 million of letters of credit, of the \$25 million bank facility. Net of cash, the Company's bank borrowing position was \$7.3 million. It is expected that cash generated from earnings and working capital reductions during the remainder of 2003 will provide sufficient cash flow to meet the Company's short-term cash requirements. Management also expects to be able to enter into a new credit facility before the end of 2003 allowing for future growth requirements.

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. During the quarter, the Company had a \$3.6 million loss on these hedging activities that was offset by a \$3.6 million unrealized foreign currency gain on the U.S. dollar-denominated senior notes. At June 30, 2003 the Company entered into a short-term foreign currency forward contract to buy \$30 million U.S. dollars on March 30, 2004 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 Company follows a policy of limiting its exposure to fluctuations in short-term interest rates by maintaining a portion of its bank debt at fixed interest rates through the use of interest rate hedging instruments. During the quarter the Company unwound \$10 million of fixed interest rate swaps at a cost of \$0.3 million. At June 30, 2003 the Company had no remaining fixed interest rate swaps.

No dividends on common shares were paid in the second quarter of 2003 or 2002. The Board of Directors reviews its position on dividends on a periodic basis.

Changes in Accounting Policy

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 for the year ended December 31, 2002 disclose the existence of guarantees provided by the Company. As at June 30, 2003, the Company had guaranteed \$5.9 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 \$0.7 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.

Risks and Uncertainties

Refer to the Management's Discussion & Analysis for the year ended December 31, 2002 included in the Company's 2002 Annual Report.

Outlook

The Company's second quarter results met management's expectations. The Company continues to be encouraged that cost reduction and margin improvement initiatives are paying off in improved earnings, even in the face of softness in certain sectors of the eastern Canada and U.S. economies. After the first six months of the year, management remains confident that the Company will achieve the 2003 target of generating cash flow from operating activities in excess of \$30 million while recording a meaningful profit.

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.

WAJAX LIMITED
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands of dollars)	June 30 2003	December 31 2002	June 30 2002
Current Assets			
Cash and cash equivalents	\$ 7,175	\$ 13,557	\$ 3,287
Accounts receivable	111,311	114,305	137,261
Inventories	167,561	184,050	204,860
Income taxes receivable	655	3,431	5,491
Future income taxes	7,845	7,845	6,632
Prepaid expenses and other recoverable amounts	2,850	7,797	9,569
	297,397	330,985	367,100
Non-Current Assets			
Rental equipment	11,462	9,581	9,686
Capital assets	33,449	37,355	65,512
Goodwill and other assets (Note 8)	55,002	56,555	57,293
Future income taxes	5,454	7,562	6,006
	105,367	111,053	138,497
	\$ 402,764	\$ 442,038	\$ 505,597
Current Liabilities			
Accounts payable and accrued liabilities	\$ 126,091	\$ 141,435	\$ 143,404
Current portion of long-term debt	14,573	29,580	4,403
	140,664	171,015	147,807
Non-Current Liabilities			
Future income taxes	2,680	2,680	9,373
Long-term debt	85,867	98,373	152,655
	88,547	101,053	162,028
Shareholders' Equity			
Share capital	102,212	102,212	102,212
Retained earnings (Note 8)	71,341	67,758	93,550
	173,553	169,970	195,762
	\$ 402,764	\$ 442,038	\$ 505,597

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

(in thousands of dollars, except per share data)	Three months ended June 30		Six months ended June 30	
	2003	2002	2003	2002
Revenue	\$ 226,989	\$ 264,771	\$ 445,267	\$ 478,996
Cost of Sales	176,991	208,714	347,248	372,626
Gross Profit	49,998	56,057	98,019	106,370
Selling and administrative expenses	42,787	49,872	85,534	98,168
Earnings before interest and income taxes	7,211	6,185	12,485	8,202
Interest expense	2,787	4,253	5,893	8,208
Earnings (loss) before income taxes	4,424	1,932	6,592	(6)
Income tax expense (recovery) – current	1,140	1,887	1,343	996
– future	791	(1,000)	1,666	(1,000)
Net earnings (loss)	\$ 2,493	\$ 1,045	\$ 3,583	\$ (2)
Retained Earnings, beginning of period	68,848	92,505	67,758	102,614
Adjustment to opening retained earnings for goodwill impairment (Note 8)	-	-	-	(9,062)
Retained Earnings, end of period	\$ 71,341	\$ 93,550	\$ 71,341	\$ 93,550
Earnings per share	\$ 0.16	\$ 0.07	\$ 0.23	\$ 0.00
Number of common shares outstanding	15,696,960	15,696,960	15,696,960	15,696,960
Number of common share stock options outstanding	894,000	733,000	894,000	733,000

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands of dollars)	Three months ended June 30	
	2003	2002
OPERATING ACTIVITIES		
Net earnings	\$ 2,493	\$ 1,045
Items not affecting cash flows:		
Amortization		
- Rental equipment	493	564
- Capital assets	1,772	2,540
- Deferred expenses	259	195
Pension expense	800	569
Future income taxes	251	(1,000)
Cash flows before changes in non-cash working capital	6,068	3,913
Changes in non-cash working capital:		
Accounts receivable	3,937	(4,087)
Inventories	764	28,485
Prepaid expenses and other recoverable amounts	(474)	(33)
Accounts payable and accrued liabilities	(5,835)	(22,329)
Income taxes receivable	1,664	876
	56	2,912
Cash flows provided by operating activities	6,124	6,825
INVESTING ACTIVITIES		
Rental equipment additions	(2,454)	(556)
Rental equipment disposals	388	124
Capital asset additions	(1,415)	(3,643)
Proceeds on disposal of capital assets	53	292
	(3,428)	(3,783)
Cash flows before financing activities	2,696	3,042
FINANCING ACTIVITIES		
Decrease in long-term debt	-	(10,691)
Repayment of debentures	(1,165)	(1,069)
Hedging activities (Note 5)	(3,624)	-
	(4,789)	(11,760)
Cash flows before effect of foreign exchange	(2,093)	(8,718)
Effect of foreign exchange on translation adjustment	154	372
Net change in cash and cash equivalents	\$ (1,939)	\$ (8,346)
Cash and cash equivalents – beginning of period	\$ 9,114	\$ 11,633
Cash and cash equivalents – end of period	\$ 7,175	\$ 3,287
Cash flows provided by operating activities include the following:		
Interest paid	\$ 3,661	\$ 5,883
Income taxes (received) paid	\$ 111	\$ 1,496
Significant non-cash transaction:		
Rental equipment transferred to inventory	\$ 218	\$ 75

WAJAX LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands of dollars)	Six months ended June 30	
	2003	2002
OPERATING ACTIVITIES		
Net earnings (loss)	\$ 3,583	\$ (2)
Items not affecting cash flows:		
Amortization		
- Rental equipment	967	1,127
- Capital assets	3,672	4,227
- Deferred expenses	515	386
Pension expense	1,697	1,357
Future income taxes	1,126	(1,000)
Cash flows before changes in non-cash working capital	11,560	6,095
Changes in non-cash working capital:		
Accounts receivable	1,935	(781)
Inventories	14,587	38,458
Prepaid expenses and other recoverable amounts	4,872	(2,063)
Accounts payable and accrued liabilities	(15,220)	(16,195)
Income taxes receivable	2,701	(1,259)
	8,875	18,160
Cash flows provided by operating activities	20,435	24,255
INVESTING ACTIVITIES		
Rental equipment additions	(3,716)	(939)
Rental equipment disposals	490	281
Capital asset additions	(2,256)	(6,868)
Proceeds on disposal of capital assets	2,155	1,214
	(3,327)	(6,312)
Cash flows before financing activities	17,108	17,943
FINANCING ACTIVITIES		
Decrease in long-term debt	(15,191)	(18,296)
Repayment of debentures	(1,899)	(1,731)
Hedging activities (Note 5)	(6,336)	-
	(23,426)	(20,027)
Cash flows before effect of foreign exchange	(6,318)	(2,084)
Effect of foreign exchange on translation adjustment	(64)	492
Net change in cash and cash equivalent	\$ (6,382)	\$ (1,592)
Cash and cash equivalent – beginning of period	\$ 13,557	\$ 4,879
Cash and cash equivalent – end of period	\$ 7,175	\$ 3,287
Cash provided by operating activities included the following:		
Interest paid	\$ 5,693	\$ 8,144
Income taxes (received) paid	\$ (724)	\$ 3,075
Significant non-cash transaction:		
Rental equipment transferred to inventory	\$ 383	\$ 326

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 June 30, 2003, the Company had guaranteed \$5.9 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 \$0.7 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):

Quarter	2003	2002
Numerator for basic and diluted earnings per share:		
– net income	\$ 2,493	\$ 1,045
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	50,567	143,463
Denominator for diluted earnings per share	15,747,527	15,840,423
Basic earnings per share	\$ 0.16	\$ 0.07
Diluted earnings per share	\$ 0.16	\$ 0.07

Of the 894,000 (2002 – 733,000) stock options outstanding at the end of the period, 397,000 (2002 – 317,000) options with an exercise price range of \$5.10-\$17.25 (2002 - \$6.70-\$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.

Year-to-date	2003		2002
Numerator for basic and diluted earnings per share:			
– net income (loss)	\$	3,583	\$ (2)
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		21,081	-
Denominator for diluted earnings per share		15,718,041	15,696,960
Basic earnings (loss) per share	\$	0.23	\$ (0.00)
Diluted earnings (loss) per share	\$	0.23	\$ (0.00)

Of the 894,000 (2002 – 733,000) stock options outstanding at the end of the period, 597,000 (2002 – 733,000) options with an exercise price range of \$4.25-\$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 six 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 six 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 quarter the Company unwound \$10.0 million of fixed interest rate swaps at a cost of \$0.3 million. At June 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. During the quarter, the Company had a \$3.6 million loss on these hedging activities that was offset by a \$3.6 million unrealized foreign currency gain on the U.S. dollar-denominated senior notes. At June 30, 2003 the Company had entered into a short-term foreign currency forward contract to buy \$30 million U.S. dollars. There is no material difference between the face value of the foreign currency forward contract and its value as calculated by prevailing currency exchange rates.

Note 6 Segmented information:

	For the three months ended	
	June 30	
	2003	2002
Revenue		
Mobile Equipment *	114,149	148,985
Industrial Components		
- Canada	59,030	61,553
- United States	13,659	15,026
Total Industrial Components	72,689	76,578
Diesel Engines	40,967	41,066
Segment Eliminations	(816)	(1,859)
Total Consolidated	<u>226,989</u>	<u>264,771</u>
Segment Earnings (Loss)		
Mobile Equipment *	4,356	5,320
Industrial Components		
- Canada	543	(902)
- United States	(833)	(1,910)
Total Industrial Components	(290)	(2,812)
Diesel Engines	3,145	3,677
Total Consolidated	<u>7,211</u>	<u>6,185</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 June 30, 2002, the revenues of the PNE operations were \$27,297 and divisional earnings, before allocation of corporate expenses, were \$1,305.

	For the six months ended	
	June 30	
	2003	2002
Revenue		
Mobile Equipment *	221,039	244,366
Industrial Components		
- Canada	116,409	123,731
- United States	27,992	31,618
Total Industrial Components	<u>144,401</u>	<u>155,349</u>
Diesel Engines	81,851	82,355
Segment Eliminations	<u>(2,024)</u>	<u>(3,074)</u>
Total Consolidated	<u><u>445,267</u></u>	<u><u>478,996</u></u>
Segment Earnings (Loss)		
Mobile Equipment *	7,389	4,729
Industrial Components		
- Canada	1,193	(712)
- United States	<u>(2,570)</u>	<u>(3,002)</u>
Total Industrial Components	<u>(1,377)</u>	<u>(3,714)</u>
Diesel Engines	<u>6,473</u>	<u>7,187</u>
Total Consolidated	<u><u>12,485</u></u>	<u><u>8,202</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 six months ended June 30, 2002, the revenues of the PNE operations were \$40,648 and divisional profit, before allocation of corporate expenses, was \$54.

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 June 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.



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